



Village of Hanover Park Administration

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VILLAGE MANAGER
JULIANA A. MALLER

VILLAGE OF HANOVER PARK

FINANCE COMMITTEE SPECIAL MEETING MINUTES

Monday, November 18, 2013

5:30 p.m.

Village Hall Municipal Complex

2121 Lake Street

Hanover Park, IL 60133

1. CALL TO ORDER – ROLL CALL

The meeting was called to order at 5:30 p.m. by Chairman Zimel.

Finance Committee members present were Chairman Ed Zimel and Committee member James Kemper. Also present was Village Manager Juliana Maller and Finance Director Rebekah Flakus. Committee Member Vashun Cole also joined the meeting at 5:34 p.m.

2. ACCEPTANCE OF AGENDA

Committee member Kemper made a motion to accept the agenda, seconded by Committee Chair Zimel. Agenda voted on and accepted.

3. PRESENTATIONS/REPORTS - None

4. TOWNHALL SESSION – No persons registered

5. APPROVAL OF MINUTES – October 28, 2013 Meeting

Committee member Kemper made a motion to approve the minutes from the October 28, 2013 Committee meeting, seconded by Committee Chair Zimel. Motion approved.

6. ACTION ITEMS - None

7. OLD BUSINESS

a. Review Property Tax Levy agenda item

Staff requested this special meeting of the Finance Committee to further discuss the Village's Property Tax Levy, which is being presented to the Village Board on Thursday, November 21, 2013. Since the last Finance Committee meeting, additional information and calculations were gathered. Staff reviewed the costs of the proposed property tax increase to the average homeowner for a 4.99% increase and a 6.99% increase, and prepared an example for a Cook County resident with a home assessed value of \$229,000. Director Flakus explained the calculation was based on an actual 2012 levy bill being paid in 2013, and assuming everything else remained constant, the increase to the homeowner would be \$56.70 for 4.99% and \$79.45 for 6.99%, the difference between the two is \$22.75. The median price of homes being sold currently in the Village is \$110,000, which would decrease the variance.

Committee Member Cole arrived at 5:34 p.m. Committee Chair Zimel stated that Staff's recommendation for the upcoming Village Board Workshop was a 6.99% property tax increase, which a public hearing will be needed and in order to have time for the hearing, the decision to go above or below 4.99% would need to be made on November 21st.

Manager Maller noted the Committee previously recommended a 4.99% increase in property taxes and an increase in the Real Estate Transfer Tax from \$3.00 per \$1,000 to \$5.00 per \$1,000. Staff's concern is that a 4.99% increase still leaves the Village with a projected shortfall of \$391,000. A 6.99% increase would leave a \$179,000 shortfall. Either way, staff will work to reduce expenditures and balance as part of the budgeting process that occurs after the levy is approved and filed. The projected budget was shown with estimated increases to non-controllable costs including pensions and insurance and only increases for inflation in all other expenditures. It was pointed out that these projections are being done to calculate the levy before the budget is developed. This is the main reason Staff is working to convert the Village to a calendar year budget cycle in the coming year.

Manager Maller also stated the second reason for recommending a 6.99% increase in property taxes was that an increase to Real Estate Transfer Tax hasn't occurred in surrounding areas since the state changed the rules to require a referendum be passed by the residents. Staff is not confident it will pass and the Village will not know if it passes until after the March 18, 2014 election. The budget is completed and at the Board level by this time and thus we cannot rely on the additional revenue.

Staff has also researched the electric utility tax. The Village is the lowest in the area of communities that have a tax in place. More research is needed including requesting an increase from the Illinois Commerce Commission. Director Flakus mentioned that, at this time, we are unsure of the timeframe to increase the electric utility tax and what

rate the Illinois Commerce Commission would allow the Village to increase. This is an option for additional revenue, but cannot be determined prior to the deadline of the levy, which needs to be filed by December 31, 2013.

Manager Maller stated that a \$391,000 shortfall would most likely reduce the current level of services. This current year, \$203,000 is being used from General Fund Reserves to balance the budget. That is most likely not an option for the upcoming Fiscal Year. Director Flakus mentioned the chart showing the % of reserves over the last several years.

Committee Chair Zimel asked what expenditures Staff has cut. Manager Maller and Director Flakus stated that the budget process has not yet begun, and that numbers would not be available prior to when the levy is required to be set. Last year, significant cuts were made that will not be added back into the budget unless the departments reduce somewhere else. Committee Chair Zimel stated that Staff hasn't begun to cut so how does the Board know the shortfall can't be made with additional cuts. If it comes down to reducing the \$300,000 allocated for tree then it should be considered.

Chair Zimel also asked about a payment for Leopardo Construction (for the Police facility close-out) from the previous Village Board Meeting, which he was unable to attend, and wanted to know why it was paid and where the funds were for it. Manager Maller explained the monies were budgeted in FY 2013, but the bill wasn't received and monies were not spent, but put into reserves. The bill will be covered from money saved by not completing the roof repairs on Village Hall this year, and the rest we will need to see how the capital projects come in this year and possibly forego another capital expenditure if required to balance. Chair Zimel wanted to know why we paid it because it was over 60 days late. If the Village disputed it, maybe the amount would have been reduced. Director Flakus explained that it was an expense included in the contracted price and costs. Chair Zimel also asked about an invoice for flooding in the police station, and Director Flakus stated she would look into it because she was not aware of it off the top of her head.

Chair Zimel asked when the Board Agenda was done and why the Finance Committee didn't receive their packet until Sunday. Director Flakus stated the Board Agenda and packet was sent on Friday, November 15th, and the Finance Committee Packet was sent the following Sunday. Chair Zimel stated the Finance Committee should have received the agenda item for this meeting prior to the general public and the rest of the Board.

Committee member Kemper stated he would rather increase the levy by 6.99% now rather than reduce services. For example, if the weather is bad and public works will need to do a lot of plowing, we may not have the money to cover it. Salt was cut in the last budget process and that is something we have to consider this year. With a flat budget, Public Works will need to cut something else needed to accommodate this. Committee Member Cole asked how all Committee members felt about the increase,

because he did not see it as a large increase to residents. Chair Zimel answered by stating he's against the 6.99% because Staff hasn't even begun to cut expenditures yet and residents are just getting back on their feet and the Village shouldn't increase their taxes. Member Kemper stated the increase could prevent service reductions, and believes that Staff did cut last year and are already operating on a lean capacity.

Director Flakus stated there are only 4.5 months of data at this point and the projections could change, but it is difficult to project. Once converting to a calendar year, Staff will have more accurate projections, but until then, Staff has been conservative on revenues. Once the budget process begins and departments prepare budgets, the Committee and Staff will be able to see where expenditures may be reduced. Staff cannot do the budget prior to the levy process because of the levy deadline. The budget instructions were sent out this week and aren't due until the end of December. The meetings to review department requests will take place in January.

Chair Zimel asked what levy would be needed to balance the budget. Director Flakus calculated at \$106,103 per percent increase, the total needed would be 8.67%.

All Committee Members had no other questions and Chair Zimel requested a poll of votes from Committee Members. Member Cole was not opposed to 6.99%.

Chair Zimel requested calculations be made by the Thursday Village Board Workshop meeting on what revenues could be generated by an increase in Electric Utility Tax. Director Flakus explained the process of submitting information to the Illinois Commerce Commission and the time frame is unsure, but there are other communities who are currently increasing the tax and that she would reach out to those communities and the Commerce Commission to gather the information needed and provide it to the Committee. Member Kemper agreed with Member Cole and stated he was in favor of 6.99% and to proceed with the Utility Tax increase. Chair Zimel stated if the consensus is 6.99% with the Utility Tax increase then the Finance Committee will support Staff's recommendation of the 6.99% increase and we would present it to the Village Board.

8. NEW BUSINESS

9. ADJOURNMENT – Committee Chair Zimel asked for a motion to adjourn at 6:37 p.m. Committee Member Kemper made a motion to adjourn the Finance Committee meeting, seconded by Committee Member Cole. Motion approved.