

MINUTES

BOARD / COMMISSION: Finance Commission

DATE: March 2, 2012

MEETING: Regular

CALLED TO ORDER: 7:03 AM

QUORUM: Yes

ADJOURNED: 8:45 AM

MEMBER ATTENDANCE:

PRESENT: Commissioners Faber, Geiselhart, Moody, Nuehring, Skirvin and Student Commissioner Cooney

ABSENT: Chairman Parker, Commissioner McCloskey

ALSO PRESENT:

Trustee Liaison Henninger; Village Manager Franz; Finance Director Wachtel; Acting Assistant Finance Director Barbeau; Recording Secretary Blake

I. **CALL TO ORDER:**

This Regular Meeting of the Glen Ellyn Finance Commission was called to order at 7:03 AM by Acting Chairman Skirvin in Room 301 at the Civic Center at 535 Duane Street; Glen Ellyn, Illinois. Roll call was taken, and it was determined that a quorum was present.

II. **PUBLIC COMMENT**

None

III. **APPROVAL OF MINUTES**

After a clarification for Commissioner Moody, Commissioner Faber moved, and Commissioner Moody seconded, that the minutes from the December 9, 2011 meeting, as amended, be approved. The motion was passed unanimously.

After one revision, Commissioner Faber moved, and Commissioner Nuehring seconded, that the minutes from the January 6, 2012 meeting, as revised, be approved. The motion was passed unanimously.

IV. FINANCIAL UPDATE

Finance Director Wachtel reported that both the revenue and expense sides of the budget were behind 2%. For the year, the we are projecting a deficit, although it is less than the revised budget. In response to a question, Director Wachtel said that although unspent expenses are rolled into the next year's budget, dollars received in a prior year are shown in that year, and sits in a fund balance. The budget is prepared on a cash basis, rather than accrual. Director Wachtel said, for the February report, he will look at fund transfer balances and how the front-loaded motor fuels tax impacts those balances.

Finance Director Wachtel said that staff is working with the ambulance and fire companies to confirm how ambulance services are billed and that the Village is collecting what it should be receiving. There are new processes in place to better track this revenue source. Although income fluctuates, expenses for ambulances are fixed with an annual escalator. Trustee Henninger noted that this is an area of heavy scrutiny by the Board of Trustees, and it may lead to an effort to renegotiate the contract. The collection company is also being studied. Ambulance and fire revenue will be a topic of discussion at the March 19 Board of Trustees meeting.

Commissioner Faber asked if delays in receiving tax receipts from other jurisdictions causes cash shortages. The answer was no, that Village policy requires a certain balance in the bank at any time. Of the \$11 million in fund balances, approximately \$2 million is in cash, and quick access can be gained to the rest through IMET.

Village Manager Franz said that changes in pension plan funding requirements as well as success with health insurance costs have helped control costs. The budget is balanced and no service cuts are expected. In response to a question from Trustee Henninger, Village Manager Franz noted that although the police pension funding requirement is reduced because of longer amortization, it is still only 64% funded. Finance Director Wachtel noted that while not ideal, Glen Ellyn's Police Pension Fund has a healthier fund balance than many pension funds.

V. FIVE YEAR FORECAST

Commissioner Skirvin reviewed the five year financial forecast document. There was discussion concerning what form of document should be presented to the Village Board and the public. It was generally agreed that the more succinct the document, the better. The key is communicating substance and solutions.

Each page was reviewed. Special note was made of the following:

Page 6: shows the cumulative deficit with the biggest change being the inclusion of capital expenditures. The downward effect of pensions is felt in 2013. It was also noted that the caption reversed the axes, and should be corrected.

Page 7: there is nervousness about state revenues. The 3.5% figure used for projected annual property tax growth is from the historic average. Over the past few years, it has been 2% to 2.4%. The projected figure takes into account inflation plus added value.

Page 8: other income is primarily investment income.

Page 9: there will be annual volatility.

Page 10: shows three primary spending areas: operating, capital outlays and debt service.

Page 11: sets out assumptions for expenditures. Revenues are expected to grow by 1.3%, but every expenditure category on this page is projected to grow faster. Manager Franz said that the Village has been in a health insurance pool for three years, allowing for some reserve to be set aside. Open enrollment is in July, and the Village is looking at higher copays or higher deductibles. Pension rates are set by the state, not the Village. The header will be changed to read "Operating Expenditure Assumptions". Manager Franz said that ambulance services will be analyzed. They should pay for themselves, but they do not and will not, although efforts are being made to bring income and expenses closer to net zero.

Page 12: it was noted that the debt service on the bonds ends in 2014.

Page 13: it was clarified that most personnel expenditure growth is benefit growth.

Page 14: Public Safety is the largest department and is growing the fastest.

Page 15: assumes the number of employees remains flat.

Page 16: benefits totaled 23% of salaries and overtime in 2006, and are expected to reach 41% of salaries by 2017 if the current trends continue. Higher health plan deductibles were mentioned, but Police Chief Norton noted that employees are now paying 20%, which is high for municipal workers. Pensions payments from employees are 9.91% of salary, and contributions have been at that level for 20 years.

Page 17: once the bonds mature in 2014, the tax revenues used to pay the debt service will go to capital projects. Manager Franz said that the 20 year plan to restore streets has been in place for a long time. A review of capital projects needs to be done in the next couple of years, which is sooner than planned. Significant levels of grant funds have been received over the past few years, which affect how funds are spent. There is a need to take a broader look at the 20 year plan. There was discussion concerning prevailing wage requirements and cost savings by working with other municipalities. There is also a facilities plan which has not been funded for a few years, and the hope is to start funding it again. The biggest facilities needs are at the fire station on Main and review of the uses of the municipal building. There was discussion concerning the role of the Capital Improvements Commission with the facilities plan.

Page 18: Finance Director Wachtel will clarify the captions for the asterisks and the bullets. The message to convey is that the capital projects program is in a good position.

Page 19: it was suggested that the red and blue colors be defined differently. Finance Director Wachtel noted that cash reserves that cannot be tapped are not included on this page, and that fund balance and cash reserves are close numbers and sometimes used interchangeably.

Page 20: shows the difference between revenues and expenditures cumulative over the next five years. For example, capital projects are spending \$4.1 million more than revenues received over five years. Benefits are calculated on growth rates. There was discussion concerning capital projects. If infrastructure repairs are not addressed now, the Village will pay for it later. The property tax portion of revenues now being used to retire the bonds must continue to be used for capital projects unless the Board of Trustees decides to redirect that portion of the taxes.

Commissioner Skirvin said that the document needs to be tightened up, and that Commissioners will send their comments to Director Wachtel.

During consideration of page 21, "What Can We Do?", there was extensive discussion of the capital projects. The \$4.1 million shortfall does not take into consideration any grants that may be received, other than some known grants. The Capital Improvements Commission juggles the projects' schedules with possible grants. There may be a grant for Crescent Blvd. Every grant program is different. Manager Franz said that the Capital Improvements Commission has to keep the reserve in mind and pay attention to the bottom line, as they are eating into the fund balance and have been affected by the downturn in revenue. Trustee Henninger noted that project bids are coming in less than the engineers' estimates for the past couple of years. The Board of Trustees approves change orders as well as approves any contract over \$20,000. It is a tightly controlled process.

While considering solutions, Manager Franz mentioned that Glen Ellyn has been a leader in intergovernmental cooperation and pooling for insurance. The Village has the lowest number of full time employees in the county. Commissioners suggested that other governmental bodies, i.e. park district, library district and schools, need to do what the Village has already done in these areas. Future decisions on tax increases versus service cuts may ultimately need to be made by the residents. Purchasing cooperatives and joining other municipalities in bidding infrastructure projects were also suggested. Food, beverage and motor fuel taxes should be looked at before property taxes are considered for increases. One thing the Commission agreed upon is to emphasize economic development. Other suggestions included deferring capital improvements, and coordinating with other municipalities to gain better control of expenditures required by the State.

There were also comments on how much sales taxes would have to grow, that a big box would need to move into the Village to increase sales taxes enough, that the level of taxes brought in by the TIF are currently unknown, and that it is possible that new businesses might syphon off sales from existing businesses rather than bring new dollars to the Village.

The Commission will again consider the question on page 21 "What Can We Do?" Other governing bodies are outside the scope of this Commission. Commissioner Nuehring mentioned that he was not sure that residents would understand how economic development would add revenues.

In response to questions, Manager Franz said that the engineering studies for the Fresh Market are completed, but the Taft Road discussion with Wheaton has not been resolved. However, IDOT issues on Roosevelt have been addressed, and the project is moving along. The Roosevelt Glen property, which is in foreclosure, is out for bid. It is a huge parcel and we are months away from learning what any potential developer may propose for the site. He concluded that there is some real potential for the site, but it needs to be considered long term.

VI. OTHER BUSINESS

Finance Director Wachtel distributed the Board and Commission Manual to all Commissioners. It provides guidance on boards and commissions in general, and the Finance Commission in particular. A replacement page with address corrections will be distributed. The ethics statements have already been signed by Finance Commissioners.

Village Manager Franz mentioned that if there is anyone interested in serving on a commission, to pass that name along to Trustees or the Village President. It was also noted that the terms of all current Finance Commissioners end December 31, 2012. There will need to be discussion about transitions. The terms should be staggered in the future.

VII. ADJOURN

Commissioner Geiselhart moved, seconded by Commissioner Moody, to adjourn the meeting at 8:45 AM. The motion carried unanimously.

Submitted by Karen Blake, Recording Secretary

Reviewed by Finance Director Wachtel