

MINUTES

BOARD / COMMISSION: Finance Commission DATE: October 10, 2014

MEETING: Regular CALLED TO ORDER: 7:04 AM

QUORUM: Yes ADJOURNED: 8:33 AM

MEMBER ATTENDANCE: PRESENT: Chairman Ford, Commissioners
Cleaver, DeLeon, Greeno, Halkyard, Rackl
and Van Ek

ABSENT: Commissioners Nathwani and Wallace

ALSO PRESENT: Merrill Rajeck, President of Jay Company,
Trustee O'Shea, Finance Director Coyle,
Recording Secretary Blake

I. CALL TO ORDER:

This Regular Meeting of the Glen Ellyn Finance Commission was called to order at 7:04 AM by Commissioner Ford in Room 301 at the Civic Center at 535 Duane Street; Glen Ellyn, Illinois. Roll was taken, and it was determined that a quorum was present.

II. PUBLIC COMMENT

None

III. APPROVAL OF MINUTES

Chairman Ford had revisions. Commissioner VanEk moved, and Commissioner Halkyard seconded, to approve the September 12, 2014 meeting minutes as revised. The motion was approved unanimously.

IV. POLICE PENSION FUNDING

Chairman Ford reviewed the matrix he prepared that shows the target and the equity return assumptions need to hit that target. Mr. Rajeck said that the investments are currently 40% in equities, 15% in corporate debt securities and the balance in money market-type funds. Ultimately, the more the needed funds are made up of investment returns, the fewer dollars need to come from the Village. State statutes restrict the types of investments allowed by the Fund. The goal is to be fully funded by 2041. This goal will not be reached by investment earnings alone.

Commissioner Greeno noted that the true cost of the plan is what is paid out in benefits, and if a lower return is assumed, today's liabilities will be increased. If a 6% return is assumed, the unfunded portion increases and the annual contribution increases. He also said that the average age of current participants in the pool is 46. Twenty-eight of the 40 participants have less than 25 years' service and five are close to retirement. The participants are neither young nor old aside from the current retirees.

Commissioners discussed the mix of investments and the percentage of equities. The Pension Board has traditionally been conservative when considering the investment mix. The consensus among Commissioners is that the Pension Board would not be taking on too much risk to increase the equities in the investment mix to 55%. Mr. Rajeck said that the Pension Board is taking a 30 year perspective. It is conservative in its investment allocation, but more aggressive in its return assumptions.

After discussion, the consensus was that Commissioners would be more comfortable with a 6% return assumption. The lower assumption would increase the Village's contribution from the General Fund by approximately \$550,000 each year to reach full funding by 2041. However, it was acknowledged that the Village Board can only control the amount it contributes to the Fund, not how those funds are invested. The Village Board also may decide to base its contribution on a return different from that recommended by the Commission. The possibility of raising taxes was mentioned, but it was not a palatable option. Director Coyle noted that out of a \$16 million General Fund budget, \$1 million is already going to pensions. Adding \$550,000 to that number will be a big increase.

The discussion turned to whether it is possible to reduce the number of participants in the Fund going forward, including hiring more non-officer employees for tasks such as writing tickets. In the future, it was discussed that there will probably not be enough annexations taking place to warrant additional officers.

Chairman Ford said that this Commission's responsibility is to make a recommendation on a return assumption that is realistic and based on facts. There was discussion concerning some of the funding for various activities such as road reconstruction and downtown enhancements that might be reallocated for pension contributions.

After much additional discussion, Commissioner Halkyard moved, and Commissioner Greeno seconded, the following motion:

The Village of Glen Ellyn Finance Commission recommends to the Board of Trustees for the Village of Glen Ellyn the following rate of return assumptions for the Village of Glen Ellyn Pension Fund:

- 1) 6% per annum if the policy of the Police Pension Board is to limit the equity allocation of the portfolio to the current 45%; and**
- 2) 6.25% per annum if the policy of the Police Pension Board is changed to allow an equity allocation up to the statutorily allowed 55%.**

This recommendation is not intended to communicate an opinion on the allocation limits set by the Policy Pension Board, but is solely a reflection of the Commission's view of probable long-term experience for the above allocation cases.

V. FINANCIAL UPDATE

Director Coyle said that the General Fund performed well in September. Year-to-date, as of September the fund is slightly behind last year, but well above the year-to-date budget. In response to questions, she noted that reserves are at approximately 33%-35%. Any extra funds are being put into reserves against any future economic downturns. Manager Franz said that the Village is AA rated currently, and the goal is to achieve a AAA bond rating. Both reserves and pension liabilities are affecting reaching that goal. Notes to the General Fund reported a large stormwater engineering fee received from School District 41 and several other large permit fee payments. Also noted were personnel changes in the Village Manager's office and Finance Department, as well as vacant positions in the Police Department.

At the Links, the Recreation Fund ended September with net operating income of \$1.1 million. Food service ended with a positive net income with an average of approximately \$7,000 per day. It will taper off as golfing ends for the year. The margins are trending in the right direction. The feedback is that the course is in excellent condition and the food service is getting better. There is a \$500,000 debt payment to make in December. The original plan was to use reserves to make up shortfalls during the first two years of operations, and it will be helpful if they do not need to be tapped for that purpose.

VI. PROJECT UPDATES / PENDING PROJECTS

ECONOMIC DEVELOPMENT

Manager Franz said that the Board of Trustee heard presentations on two possible redevelopment projects: the Geische site and the McChesney site. Although the Board liked the McChesney plan, it was too costly for the Village. The Board decided to move forward with the plans for the Geische site and will continue negotiations with that developer. There is an expected long term increase in property taxes resulting from moving most of the property from commercial to residential. There will be challenges during the design and architectural review processes.

Other vacancies in the downtown area and along Roosevelt Road were discussed. A Pet Supplies Plus store is being built next to the Fresh Market, and a Dunkin' Donuts is moving in east of I-355. There is nothing to report on the Five Corners property. Any environmental issues resulting from its previous use as a gas station have been remediated.

VIII. OTHER BUSINESS

Chairman Ford announced that Christina Coyle has been appointed permanent Finance Director, and is no longer "interim".

The next Finance Commission meeting will be on November 14, 2014 at 7:00 AM at the Civic Center.

IX. ADJOURNMENT

Commissioner Cleaver moved, and Commissioner Halkyard seconded, to adjourn the meeting. The October 10, 2014 meeting ended at 8:33 AM.

Submitted by Karen Blake, Recording Secretary
Reviewed by Finance Director Coyle