

MINUTES

BOARD/COMMISSION: Finance Commission

DATE: July 25, 2014

MEETING: Regular

CALLED TO ORDER: 7:05 AM

QUORUM: Yes

ADJOURNED: 8:46 AM

MEMBER ATTENDANCE:

PRESENT: Chairman Ford, Commissioners Cleaver, De Leon, Greeno, Van Ek, Rackl

ABSENT:

Commissioners Nathwani, Wallace, Halkyard

ALSO PRESENT:

Interim Finance Director Coyle, Assistant Village Manager Stonitsch, Village Attorney Mathews and Recording Secretary Romanelli

I. CALL TO ORDER:

This Regular Meeting of the Glen Ellyn Finance Commission was called to order at 7:05 AM by Chairman Ford in Room 301 of the Civic Center at 535 Duane Street in Glen Ellyn, Illinois. Roll call was taken, and it was determined that a quorum was present.

II. PUBLIC COMMENT

None.

III. SUMMARY OF FINANCE COMMISSION RESPONSIBILITIES

Interim Finance Director Coyle encouraged everyone to ask questions reiterated the informal nature of the orientation. Chairman Ford reviewed the open meeting policy and its importance. Interim Finance Director reviewed the projects included in the Village Code that the Finance Commission has been created to oversee including long term financial strategies, purchasing policies, borrowing, revenue generation, management reporting and/or investments, financial policies, the annual audit, and other special projects as assigned. The Village Code outlines that the Finance Commission should focus on items which are long term in nature and not on day-to-day operations.

IV. GOVERNMENTAL ACCOUNTING

Interim Finance Director Coyle discussed the differences between governmental and private sector accounting and explained that the Village keeps its financial records on a cash basis for its day to day operations. There is very little aging on our accounts payable. Some the difficulties involved with doing any sort of accruals for accounts receivable lies with the amount of control the Village has over some of its revenue streams. As an example, sales tax is collected by businesses in December, but the Village does not know what that amount was until March.

Chairman Ford commented on the challenge of how little control the Village has over timing and amount of major revenue streams. Revenue streams that can be volatile are sales taxes, income taxes and home rule sales taxes. Commissioner Van Ek asked about how the forecasting is done. Interim Finance Director Coyle responded that we rely on Illinois Municipal League among others for projection estimates. Chairman Ford commented that property taxes are more stable. Commissioner Van Ek commented about the fact that home values can go down and property taxes will still go up. Commissioner Cleaver commented she's never seen property taxes reduced. Chairman Ford asked for the proportion of revenue that makes up the general fund. Interim Finance Director Coyle answered that the main revenues for the general fund are sales tax 18%, home rule sales tax 10%, income tax 15% and property tax 17%. She also commented that most services are paid for out of the General Fund i.e. police services, EMS, administration, planning and development, facilities maintenance. Income taxes are apportioned by the state on a per capita basis. Chairman Ford commented that economic development is the main way to drive revenue. Interim Finance Director Coyle commented that grocery stores are our main source of sales tax and home rule sales tax revenue. For the most part, revenue performance is relatively even throughout the budget year with a few exceptions (property tax, vehicle stickers, etc). For example, if we are 25% of the way through the fiscal year we should be roughly 25% through the budget. We then look at the outliers we need to focus on. Interim Finance Director Coyle discussed home rule sales tax. Assistant Village Manager Al Stonitsch commented that there are some home rule sales tax restrictions. Interim Finance Director Coyle discussed the fact that Illinois lawmakers have considered taking some of the municipalities' share of the income tax. If this were to happen, it would be a huge hit for our general fund. The Village monitors this closely. Commissioner Cleaver asked if the state pays on time. Interim Director Coyle responded that there is typically a 2-3 month lag. Interim Director Coyle discussed the other different Village funds besides the General Fund—Motor Fuel Tax Fund, Water & Sewer Fund, etc that are restricted for specific purposes. It was explained that property taxes go to the General Fund and Capital Projects Fund. Village Attorney Mathews discussed the fact that the Village promised to adhere to the property tax cap when considering home rule status in the 1980's.

V. INTERNAL CONTROLS

Interim Director Coyle discussed that the Finance Commission is an important part of the Village's internal control structure. Along with the Village Board, the Finance Commission sets the "tone at the top" for the organization. The Finance Commission balances being both an aid to the Village Board and Village Staff, but also serves as a system of checks and balances. Chairman Ford discussed the recent ad hoc committee that looked at the new and improved Village Links and Reserve 22. Commissioner Van Ek asked about the annual audit. Interim Director Coyle explained that the Village has an annual audit discussed the difference between a municipal and private company audit.

VI. REVIEW OF FINANCIAL REPORTS

Interim Director Coyle discussed the monthly and a mid-year reports. Annual audit and budgets are prepared. This past year the Village prepared a zero-basis budget which resulted in additional discussion and review with the Village Board. Commissioner Van Ek asked for the reason behind the additional scrutiny. Interim Director Coyle responded that the process resulted in greater involvement and engagement of the board members in the decision process. Assistant Village Manager Stonitsch added that the transition to the short year added to the concerns of the Board. Commissioner DeLeon asked if there were plans to involve the Board in such budget detail in an on-going basis so as to coincide with each 5 year forecast. Interim Director Coyle responded that there has been no discussion of that at this point, but that it is at the discretion of each Board to decide how it wants to approach the budget.

The Financial Scorecard and the Five Year Forecast were also reviewed. The 5 year forecast is done every year to assist in the budget process. Due to the short time frame from the last 5 year forecast created by the Short Fiscal Year, we will not be doing the 5 year forecast this budget season. The Five Year Forecast highlighted that revenues are expected to grow at a slower rate than our expenses. Salaries and benefits are the greatest portion of our general fund expenditures.

The Scorecard shows performance relative to peer communities. Commissioner Ford commented on the benefit of the Volunteer Fire Company and its savings opposed to a professional department. Interim Director Coyle said the Scorecard highlighted it has resulted in approximately \$3 million savings per year for the Village. The most recent Scorecard is based from 2013 data. Commissioner Cleaver commented on receiving inquiries as to why Glen Ellyn property taxes high compared to other surrounding communities. Interim Director Coyle responded that Glen Ellyn's property mix with very little industrial and commercial property is the main reason. As a result, a greater burden is placed on the homeowner compared to other communities. Village Attorney Mathews commented on prior year's annexation strategies which are an attempt to reach Wal-Mart.

VII. VILLAGE PENSIONS

Interim Director Coyle explained that the Village has two pensions—Police and Illinois Municipal Retirement Fund (IMRF) for other non-sworn Village employees (who work more than 1000 hours per year). The Village portion of the IMRF contribution is forecasted to decrease from 12% to 10 ½% in Calendar Year 2015. There was review of the actuarial assumptions used in the Police Pension as well as the funding structure.

8:15 AM Commissioner DeLeon excused himself

VIII. FINANCE COMMISSION PROJECTS

Interim Director Coyle highlighted typical Finance Commission projects including Five Year Forecast, Scorecard, economic development incentive agreements, review of the annual audit and other special projects as needed.

IX. OTHER BUSINESS

None.

X. ADJOURN

Chairman Ford moved to adjourn the meeting. The July 25, 2014 orientation ended at 8:46 AM.

Submitted by Mary Romanelli, Recording Secretary

Reviewed by Interim Finance Director Coyle