

**Minutes
Regular Village Board Workshop
Glen Ellyn Village Board of Trustees
November 19, 2012**

Time of Meeting: 7:00 p.m.

Present: President Pfefferman; Trustees Cooper, Hartweg, Henninger and McGinley. Trustee Friedberg at 7:56 p.m.; Deputy Village Clerk Solomon; Staff present: Village Manager Franz, Assistant to the Village Manager Schrader, Deputy Police Chief Acton, Finance Director Wachtel, Assistant Finance Director Coyle and Engineer Bob Minix.

1. Call to Order

President Pfefferman called the Board Workshop to order at 7:00 p.m. with a roll call. Trustees Cooper, Hartweg, Henninger and McGinley responded "Present." Trustee Friedberg arrived at 7:56 p.m. Trustee Ladesic was excused. President Pfefferman called for a moment of silence in remembrance of the passings of retired Glen Ellyn Volunteer Fire Company firefighters Fred Leonard and Rodney Pennington, who served the Village for a combined total of more than 72 years.

2. Police Pension – Determine Assumptions for Actuarial Valuation

Finance Director Wachtel presented information on the actuarial assumption the Village will use to determine the calculations for the employer contribution to the Police Pension Fund. Management requested independent input from the Finance Commission and the Police Pension Board on selecting the actuarial assumptions. Adjusting the assumptions changes the calculation of the total liability of the fund, thereby affecting the current normal costs, the unfunded liability, the annual contribution requirement and funding level of the pension fund. Actuarial assumptions are long-term in nature and are intended to reflect what the Village expects to occur long term, not activity that is expected in the next 3 to 5 years.

For the past several years, the Village has been assuming a 7.5% investment rate of return and a 6.0% annual increase in pensionable salaries for the officers. Over the past 10 years, the investor returns of the pension fund have averaged 5.32% which is below the target of 7.5%, but better than many pension funds across the state. Over the past 4 years, the pensionable salaries have increased 5.2%, which again is below the target. The Finance Commission recommended a salary increase assumption of 3.5% and an investment return of 6.75%. The Police Pension Board recommended that the salary increase assumptions be lowered to 5.5% and investment return assumption to 7.25% for this year, and a salary assumption of 5.25% and the investment return assumption to 7.0% for next year. Management recommended lowering the assumptions to 7.25% for investment returns and 5.5% for salary increases and continue to lower the investment return assumptions by 0.25% increments to 7.0% or 6.75%. Finance Director Wachtel said Management is requesting for direction from the Board on the direction of assumptions.

There was discussion around on why the different numbers from the Finance Commission, Police Pension Board and Management, the definition of salary increase used with these assumptions, assumptions in surrounding communities, who the Pension Board includes, the length of time to use these assumptions and what numbers might make the most sense. After some discussion, the consensus of the Village Board is to lower the assumptions to 7.25% for the investment rate of return and to 5.0% for the annual increase in pensionable salaries for the officers and to only use these assumptions for 1 year and revisit this issue next year again.

3. Preliminary Budget Discussions Part II

Finance Commission Chairman Skirvin presented information on the Audit Report and reminded the Board that the Finance Commission goes to the historical results, lays out the trends and benchmarks and does analysis to help them understand how the Village is performing results-wise. The scoreboard which has been used in the past to compare the Village to other communities was deferred to next year.

The Finance Commission does an evaluation of all the governmental funds and the enterprise/service funds as well as the expenditures. There are inconsistencies in revenues on a year to year basis, and as the Village goes forward, the operating costs are trending to take up a bigger slice of the total annual revenues of the governmental funds from year to year. Revenues have grown about 2.5%, and expenditures have grown over 4% in the last several years. Expenditures are more predictable as they are still going up. The total employee benefits percent of salaries are now 40.5% which is a big expenditure. The debt service will be gone in 2014, and the property taxes will then be shifted to the Capital Projects fund.

Finance Director Wachtel presented information on the 2nd Quarter (August 1, 2012 to October 31, 2012) Fiscal 2012/2013 Budget Report. He reviewed the aggregate, governmental and enterprise fund activity as well as highlights and projections for the fiscal year. The governmental funds revenues have increased in the 1st 6 months of the year compared to the 1st 6 months of the prior year. Expenditures have increased also. The income tax is 12% higher than this point last year which is very positive for the Village. In the 1st 6 months of the year, the general fund has a surplus of about \$2 million. The Fiscal 2012/2013 general fund projections show revenues at 102% of the budget and expenditures at 101% of the budget so there is a projected surplus of \$180,000. Village-wide, governmental funds are on target, and enterprise funds are projecting better than budget due to capital projects savings and weather-related costs. This report will be available on the Village's website.

Finance Director Wachtel presented information on the 5-Year Forecast and talked about the goals and approach to the 5-Year Forecast as well as the differences in this forecast from last year. He showed charts showing net governmental funds, projected governmental fund balances, key revenue sources and assumptions, governmental revenue sources, governmental expenditures by type, operating expenditures and assumptions, contributions to the deficit, personnel and other operating expenditures and capital activity. These charts contained historical data from 2006-2011 and projection data through 2018. There was

discussion regarding what it would take to balance the budget in the next 5 years, potential solutions in expenditure and revenue categories, other potential sources of revenue, other avenues to explore and different scenarios that could occur. Village Manager Franz said the Village is trying to be efficient as they can be.

Finance Director Wachtel presented information on possible revenue options of a food and beverage tax or a gasoline tax. Finance Director Wachtel projects a food and beverage tax could generate about \$375,000 to \$400,000 for every percentage point that the Village levies this tax; however, this tax could cause concerns around the Village attracting and retaining new businesses and the Village's businesses attracting customers. There was discussion regarding the taxes in the communities around the Village and the worth in levying this tax. The majority of the Board is willing to look at a food and beverage tax for the Village, but it does need to be based on some need, either budget shortfall or in combination with a master plan.

4. 10-Year Capital Improvements Plan

Professional Engineer Bob Minix presented information on the 10-Year Capital Improvements Plan which includes the proposed improvements for the 2013-2022 calendar year timeframe (Fiscal 2014-2023) for streets, water, sanitary sewer and parking lots. The overall goal of the Street Program Plan is to develop a program that systematically and cost-effectively rehabilitates the Village roadway network so that all streets are in continuously good condition. There are 87 miles of streets and alleys which the Village is responsible for. These streets and alleys go through a condition assessment every 4 years to determine the Pavement Condition Index (PCI) parameter. In 2012, the PCI was determined for each roadway segment on a block-by-block basis. Mr. Minix showed a map overview of color-coded street conditions and a map overview of the proposed years when streets will be rehabilitated. He presented information on type of work and implementation schedule, the construction program, the pavement preservation program and challenges and opportunities with the Street Program Plan. The Water and Sanitary Sewer Capital Improvements Program includes some stand-alone projects, roadway related projects, water production facility improvements and lift station improvements. The Parking Lot Program includes the 13 parking facilities within and nearby the Central Business District for commuter and downtown patron/employee usage. Mr. Minix said this plan will be presented to the Capital Improvements Commission in a public forum in January.

Assistant to the Village Manager Schrader presented information on the Facilities Maintenance Reserve Study which provides the Village with a snapshot of a long range plan for the maintenance, repair or replacement of capital assets maintained by the Facilities Maintenance Division. The last study was conducted in 2003, and the current study allows for the Division to estimate the cost for complete replacement of assets within each of the Village-owned buildings over a 20-year period. This study includes the building elements of the exterior, the interior, building services, property site, long-lived and miscellaneous. The buildings included in this study were the Civic Center, Fire Stations 1 and 2, the Reno Center, Stacy's Museum and History Center, the lift stations, the pumping stations and the Village's 2 rental properties. Over the next 20 years, the anticipated expenditures would total

about \$3.7 million, with about \$2 million for the 1st 10 years and the other \$1.7 million for years 11 through 20. Management is recommending a contribution of \$75,000 starting in FY13/14 and then increasing the contribution \$25,000 each year until FY18/19, where there would be a \$200,000 contribution. This \$200,000 would then be continued going forward so there will be maintained a healthy reserve in the Facilities Maintenance Reserve Fund. The estimates in the study were conservative. There was discussion around things included in the study and specific improvements.

5. Adjournment

At 10:20 p.m., Trustee Cooper moved and Trustee Hartweg seconded the motion to adjourn. All voted “Aye.” Meeting adjourned.

Respectfully Submitted,
Debbie Solomon,
Deputy Village Clerk

Reviewed by,
Patti Underhill,
Acting Village Clerk