



January 1, 2016

Honorable President Demos and Village Board of Trustees
Village of Glen Ellyn

Subject: Budget Transmittal for Fiscal Year 2016 Budget

Introduction

Transmitted with this letter is the adopted budget of the Village of Glen Ellyn for Calendar Fiscal Year 2016 (FY16), which runs from January 1, 2016 through December 31, 2016. This document presents a comprehensive look at major financial and non-financial goals and priorities for the Village both from a near-term as well as long-range perspective. This document, in many ways, acts as the corporate plan for the Village over the next twelve months. The budget formation was again conducted through a zero-based process budget and involved a transition towards utilizing the Village's financial system MUNIS, to compile the budget for the first time. The FY16 budget process required all departments to justify all line items and summarize the need for all expenses incorporated in their respective department budgets. Some additional detail will be included in future years as we transition to this new budget format. In addition, the Village was recently upgraded to an AAA rating which provides a clear illustration of how our financial planning, budget process, and reserves have all assisted in providing a sound financial foundation.

The budget consists of 16 different funds, many summarized below. The General Fund continues to be a main focus and is in balance with a small surplus of \$2,418. The Capital budget includes projects that have been conceptually approved by the Village Board: the Police Station, Lake Ellyn stormwater improvements and Taylor Street underpass. General street work, CBD street and streetscape, Elm/Geneva stormwater improvements, and other projects are included consisting of an overall capital budget of \$26.5 million.

By keeping the General Fund spending in line, keeping pace with aging infrastructure replacement and maintenance, the Village is able to maintain service levels and invest in the community in a responsible way. During this process, we spent considerable time shaping and refining the budget plan to meet the community's demand for high quality services while delivering these services in an efficient and economical manner.

Background (Financial Scorecard and Five Year Forecast)

In order to provide context for the merits and challenges of the Village's financial standing as the Village prepared its budget for Fiscal Year 2016, it is important to review the highlights of the Village's Scorecard and Five Year Forecast. The Scorecard compares and contrasts the Village's financial performance to its peers. In the Scorecard, the Village was identified to have a strong financial position with less debt and lower pension liabilities than its peers. The Village was also shown to have lower spending for fire, police, and administration as compared to the peer group.

The Village also fared well in its ranking for property taxes going to the Village/Library for a median value home. The Scorecard did underscore the need for the Village to stimulate economic development to increase the non-residential property base. Increasing the non-residential property tax base would shift the property tax burden from the residential properties and may also increase sales tax and home rule sales tax revenues to the Village.

In contrast to the Scorecard which looks at current and historical trends, the Five Year Forecast is a look into the Village's financial future. It is important to note that the Five Year Forecast is not a prediction of the future; it is a financial model for the Village to identify and understand potential imbalances in revenues and expenditures in order to take strategic action to mitigate those imbalances. The Five Year Forecast identified that the General Fund revenues are growing at a slower rate than General Fund expenditures. Revenues are forecasted to grow at 2.0% while expenditures grow at 3.5%, which creates a forecasted imbalance in the General Fund. Personnel costs, including salaries, FICA, health insurance, and pension costs are the majority of expenditures in the General Fund (67% of General Fund Expenditures). Personnel costs are projected to increase 3-4.5%, depending on department over the next five years.

The Five Year Forecast provides a warning with respect to unfunded pension liabilities estimated at \$18.71 million at the end of FY2015. A positive identified in the Five Year Forecast is that FY14 was the last debt service payment on our governmental debt (the Village still holds debt in its Recreation Fund.) Therefore, the Village was able to issue \$13.5M in debt for the Police Station project and Lake Ellyn stormwater projects. These Five Year Forecast trends highlight that balancing the General Fund budget will remain difficult each year. However, the Village rises to this challenge to present a balanced General Fund budget. A presentation of the Village's Five Year Forecast can be found in the FY2016 budget appendix.

Budget Guidelines, Discussion Topics and Challenges

Total recommended budget (net of interfund transfers) is \$63.8 million, about \$6.0 million less than the CY15 revised budget (an 8.6% decrease). The FY16 proposed budget projects an overall net deficit of about \$13.5 million overall. This is due to timing of the police station project. The Village issued \$13.5 million in General Obligation Bonds in FY15, which creates an estimated surplus of \$13.8 million for FY15. The majority of the facility will be constructed in FY16 (approximately \$11.8 million of the facility's \$12.0 million cost) and thus the costs will be realized in FY16.

Budget Guidelines: Management developed the budget under the following guidelines:

- General Fund Balanced budget – The General Fund must be balanced, whereas other funds might be out-of-balance based on capital investment and timing of projects, provided we follow the long-range capital plans to ensure the fiscal sustainability of the Village.
- Cash Reserves – Maintain the same cash reserve policy. The General Fund policy is 29% of operating expenditures for FY16, increasing by one percentage point per year up to 35%. Water and Sewer Fund cash reserve policy will increase to \$2.193M with a 1.6% CPI increase. For certain other funds, the policy calls for cash reserves of at least 25% of operating costs.
- Special service areas for economic development – Rate will remain the same at 12.5 cents per \$100 of EAV.
- Home Rule Sales Tax – Home Rule Sales tax rate will remain unchanged.
- Personnel Costs - These costs are the largest expense for any municipality, so we pay special attention to all components of personnel. We continue to be one of the lowest users of full-time employees per capita in DuPage County. Job sharing and the utilization of seasonal employees and part-time employees allow us to control health insurance and pension costs.
 - The Village Links/Reserve 22 Fund continues to adapt to changing business conditions and has including some staffing shifts to respond to a projected \$2.5M food and beverage business. The FY16 budget proposes adding a Sous Chef position to meet the growing demand of this operation and has identified a number of positions that will be considered permanent part-time and receive IMRF benefits. This staffing structure is necessary to meet operation needs and will improve continuity and quality of service.

- In addition, we continue to see some turnover and vacancies in many department budgets. These savings and the fifth year of below-market health insurance cost increases, has allowed us to beat the Five Year Forecast projections again. A four-year Police Union Contract is in the final year and includes a 2.75% COLA increase, the contract expires in November 2016. The recommended budget includes a compensation merit pool of funds based on a 2.50% increase. The Village is in the second year of a merit based pay system that allows Management to establish a scale and reward top performers more effectively.
- Capital improvement plan (CIP) – The Village updated a 10-year project and funding plan (some projects are unscheduled and unfunded). From that long-term analysis, Management develops a list of projects for the coming fiscal year which is included in a Five Year CIP. The Village issued debt in 2015 to fund a new Police Station and Lake Ellyn stormwater improvements and will continue funding other capital projects on a pay-as-you-go basis.

Unfunded/Unbudgeted projects include Pedestrian Underpass near train station, Vehicular Underpass, Fire Station improvements, and potential downtown parking garage (likely as a public/private partnership).

Discussion Topics for the Fiscal Year 2016 Budget Process. In addition to the background presented on the Scorecard and Five Year Forecast, Management feels that several items are important to communicate regarding the Fiscal Year 2016 budget:

- *Property Tax* – Typically, the Village voluntarily abides by the tax caps laws, meaning the Village historically increases the tax levy based on the lesser of the consumer price index (CPI) or 5%. In 2014, the Village Board did not increase property taxes towards the General Fund or the Capital Improvement Plan budget. This created a savings of \$154,900 to the taxpayers. Three factors have led Management to include a property tax increase in this recommended budget.
 - Annexed Areas: Newly annexed properties should be accounted for when setting a tax levy to ensure we are able to meet the costs of serving these new areas both operationally and through the capital plan. Newly annexed residential areas do not provide significant new revenue and are, at best, cost neutral. Therefore, both the General Fund and capital levies should be increased to account for this “new growth.”
 - New Construction: New construction represents growth in the Village’s equalized assessed value (EAV) and should be captured to meet the cost of serving newly developed areas. The Village Board decided to adopt a policy of levying for the new construction identified by DuPage County for the prior levy year. This eliminates the need to estimate a new growth factor in the levy.
 - CPI: The Village Board elected not to include a CPI increase in this year’s property tax levy. Therefore, there is no increase to the levy for this factor.
- *Fire Services Fee* - The Village Board approved a new fire service fee that went into effect on May 1, 2014 that has sustained the volunteer model for the community. When it was approved, there was discussion about how the capital needs of the Fire Company, *i.e.*, apparatus and facilities, were not fully addressed with the projected revenue. In addition, the Village had to exclude a portion of town, east of I-355, from the fire service fee because they are served by the Lombard Fire Department through a contract with a small “paper” Fire District. This fee was not increased in the 2016 budget, but should be evaluated during 2016 to determine how to meet the Fire Company’s capital needs.

- *Water and sewer rates* – In 2013, in response to increased rates from the City of Chicago and DuPage Water Commission, the Village formulated a multi-year plan to cover the increased costs, maintain our facilities and infrastructure and build cash reserves to an appropriate level. The budget includes a 5% rate reduction. However, rates for 2016 were held constant from the 2015 levels.
- *Unbudgeted and Unfunded Capital Plans* – See above for list of Unfunded/Unbudgeted positions
- *Cost Control and Evaluation* – Service modifications or eliminations over the last few years include:
 - Health Insurance Pool
 - Eliminated Community Grants and eliminated separate Economic Development Corporation
 - Shifted legal in-house and consolidated Village Clerk operations
 - Shifted to a turnkey EMS Operation
 - Reduction in Force (RIF)-15 full-time positions in last 10 years (12% of workforce)
 - Shifted towards outsourcing GIS model
- *Changes/Initiatives for FY16* –
 - Recommending outsourcing a portion of IT
 - E-billing and automated accounts payable process through MUNIS Financial Software
 - Parking fund evaluation and automation
 - Overall fee/fine analysis throughout organization include building permits, parking permits, parking fines, etc.

Challenges/Opportunities. As the Village looks forward into 2016, there are several challenges on the horizon.

1. State of Illinois: The State of Illinois continues to mismanage its finances and this has a potential to impact local governments. As the State of Illinois budget impasse continues, the potential property tax freeze and potential reduction of Local Government Distributive Fund (LGDF) will apparently not be determined leaving municipalities with a great deal of uncertainty. Building reserves and controlling costs in preparation for state decisions has been the Village's response to this. Management will continue to monitor this situation closely and take action through the DuPage Mayors and Managers Conference (DMMC) and Illinois Municipal League (IML) as necessary.
2. Pension Liability: See Pension summary below.
3. Unfunded/Unbudgeted CIP Projects: Several capital projects remain unbudgeted and unfunded. The Village must determine a plan on how to meet these capital needs.
 - Fire Station-Space Needs Study and Station #2 Improvements
 - Train Station and pedestrian over/underpass & Vehicular Underpass
 - Salt Storage
 - Downtown Parking Garage-Potential
 - DuComm-New Facility

General Fund

As with other municipalities, the majority of General Fund costs are borne by the largest departments of Police and Public Works, as well as providing services to the Volunteer Fire Company including ambulance services. (When totaled, these three departments make up 69% of General Fund expenditures.) The expenditures in our General Fund are dominated by salaries, pensions, and benefits (68%). The Village of Glen Ellyn has a diverse revenue stream; however, much of the revenue base is derived from sales and home rule sales taxes, income tax, and property taxes (66%). The recommended General Fund budget includes a \$2,418 surplus with \$17.274 million in revenues and \$17.272 in expenditures. Below is a comparison of the Fiscal Year 2015 Estimated Actual Results compared to the proposed Fiscal Year 2016 budget.

	Estimated FY15 Actual	FY16 Budget	Difference	Percent Change
Revenues*	\$17,039	\$17,274	\$235	1.4%
Expenditures*	\$16,301	\$17,272	\$971	6.0%
Net*	\$738	\$2	(\$736)	

**In thousands*

- **Village Operations** make up 63% of the total budget for all funds in FY16. Operating costs typically are associated with the provision of day-to-day basic Village services. This includes all staffing costs, various contract and consulting services, the purchase of a number of materials and commodities, and expenditures related to the maintenance of Village owned assets and rights of way. Some examples of Village operating expenditures/expenses include:
 - Police and fire protection
 - Purchase of Lake Michigan water
 - ED Awards
 - Volunteer Fire Company support
 - Golf course maintenance
 - Street sweeping
 - Tree planting, maintenance, removal
 - Parking facilities
 - Employment benefits
 - Police and fire dispatch services
 - Treatment of sanitary sewage by the Glenbard Wastewater Authority
 - Weekly garbage pick-up
 - General, liability, property and workers compensation insurance
 - Snow and ice control
 - Water and sewer system maintenance
 - Pavement patching, line striping, and roadway signage
 - Ambulance service contract
 - Retirement benefits administration (Police Pension Fund)

In many ways, these costs are non-discretionary, if we want to maintain the same level of services we currently provide. The discretionary portion of the budget: materials, dues and subscriptions, training, supplies, uniforms, postage, etc., has remained flat for many years which limits our ability to control overall costs.

- The Village continues to proactively seek economic development opportunities to increase sales tax revenues and create vibrant and diverse commercial districts. The Village established two TIF districts and enhanced the Award program. This year, Management is recommending utilizing \$100,000 in TIF funding to support these award programs. In addition, the General Fund will continue to support \$30,000 of requests in non-TIF areas. Therefore, overall award funding will be increased by \$50,000. Given the new Fire Alarm program as well as increased commercial activity, Management believes this increase is necessary.

- The General Fund budget required a number of cuts in order to bring it into balance with projected revenues. At the time we developed our first revenue estimates and received our initial budget submissions from department directors, the preliminary General Fund budget was out of balance by approximately \$228,000. By working with departments to decrease budgets and reviewing revenues, this budget gap was eliminated. Further changes during the budget deliberation process resulted in an additional \$1,389 removed from the General Fund budget.

Water and Sanitary Sewer Fund

On January 1, 2015, the Village's cost for water increased 17% respectively. This brings the total increase for the Village's cost of water from 2011 to 2015 to 115%. The DuPage Water Commission has decreased their rates for next year and the City of Chicago will be increasing their rates by the CPI of 5%, whichever is lower for the foreseeable future. Therefore, the Village should be able to freeze or lower our rates this year. The budget includes a 5% decrease in water and sewer rates. However, at the end of 2015, the Village Board determined to keep Water & Sewer rates unchanged from 2015 to 2016. The Water/Sewer Fund continues to include capital replacement of infrastructure assets. This capital investment is closely correlated to the level of street infrastructure improvements funded through the Capital Projects Fund.

Village Links Reserve 22 Fund

The Village Links/Reserve 22 Fund which continues to be a self-sustaining enterprise fund. The restaurant operations have been restructured and repositioned to capture a new customer base and well as continue to support the existing customers. The Executive Chef/Food and Beverage Manager continues to grow the business and institutionalize new operations for the restaurant, banquet facility, and ancillary operations such as halfway house and beverage cart. Two new full-time positions were created, the Assistant Food and Beverage Manager and a Sous Chef. These changes were funded by eliminating a full-time position in golf, and requiring the experienced staff to step up to accept more challenges. We are projecting \$2.5M in revenues and estimated close to a 20% in profits in Food and Beverage for FY16. Overall, we are projecting \$5.6M in revenues and \$5.4M in expenses.

Pension Fund

The Finance Commission has worked with the Pension Board to develop some long-term strategies to address the growing pension cost liabilities. By identifying some modifications to the assumptions, the Village can begin to see the benefits of compound growth and is slowly addressing the problem. The following recommendations are incorporated into this draft budget:

- Set the assumption for long-term investment at 6.75% (down from 7.00%) with the goal of getting to 6.0% (6.25% if the Pension Board maximizing their investment options) over the next four years.
- The FY16 budget dedicates \$1,292,000 to the Police Pension Fund an increase of \$139,000 over FY15.

Conclusion

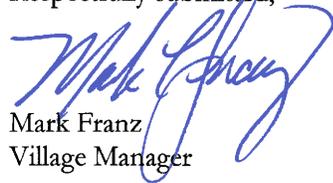
The Village of Glen Ellyn's FY16 budget sustains the Village's current level of services, increases funding for pensions, increases funding for Facilities Reserves, and increases funding for economic development. Striking the right balance between service levels and taxes to pay for those services is debated and decided during the budget process. This process, allocating scarce resources and prioritizing programs and projects, is difficult each year because the demand for municipal services often exceeds the revenues available to pay for those services. We are pleased that the recommended budget continues to be balanced despite the potential challenges cited in our Five Year Forecast. We hope to continue to surpass these projections to ensure we keep balanced annual budgets, invest in our infrastructure, and add to the overall cash reserves in various funds. Strong cash reserves protects the Village from unforeseen emergencies and strengthens our bond rating and overall financial position.

In closing, I wish to extend a thank you to everyone for their hard work in preparing the FY16 budget. The development of the budget could not take place without the commitment and cooperation of many Village

employees. Many Management employees actively participate in developing and reviewing budget information which leads to an award-winning budget document for the past 20+ years.

I would also like to thank the Village Board for their responsible and progressive manner in which it conducts the fiscal affairs of the Village. Difficult budget decisions are made each year during the budget process, but those decisions are critical in that they provide a game plan for what level of municipal service the Village can provide. The understanding, cooperation and resourcefulness of everyone helped to strengthen this year's budget process. We look forward to working with the Village Board in implementing the initiatives outlined in this budget.

Respectfully submitted,



Mark Franz
Village Manager



Village Strategic Issues and Critical Goals
FINAL REPORT

1/1/2016

GOALS	Strategic Issue I: CAPITAL ALLOCATION - Adopt a strategic approach to allocating funds to maintain and improve infrastructure and facilities based on highest priority Village needs.	Target Date	Status
I-1	Evaluate Police Station alternatives and pursue a course of action as determined by the Village Board. Shifting towards implementation.	8/1/2014	Completed
I-2	Evaluate downtown pedestrian and vehicle traffic improvements.	1/15/2016	Completed
I-3	Develop a priority list of capital projects and evaluate funding options.	8/1/2014	Completed
I-4	Complete Village Board approved capital and ongoing maintenance projects.	12/31/2014	Completed
I-5	Identify projects and funding options for unfunded/unbudgeted projects for Village Board consideration.	8/1/2014	Completed

GOALS	Strategic Issue II: FINANCIAL STABILITY - Assure continued financial stability by aligning Village services with revenue.	Target Date	Status
II-1	Create and deliver a bottom up budget approach and transition to a calendar year budget.	5/1/2014	Completed
II-2	Evaluate 10 different cost controls that continue to deliver high quality services.	Ongoing	Completed
II-3	Complete necessary financial monitoring including audit, five-year forecast, and Scorecard.	8/1/2014	Completed
II-4	Implement e-billing and e-government solutions that improves service to the residents and/or controls costs.	3/1/2015	Completed
II-5	Develop short and long term strategies and plans to meet any and all financial challenges including sustaining the Volunteer Fire Company.	1/1/2014	Completed
II-6	Evaluate new revenue concepts and ensure fees are in line with market.	10/1/2015	Not Started

GOALS	Strategic Issue III: ECONOMIC DEVELOPMENT - Increase economic vitality by recruiting and retaining quality businesses and fostering their growth.	Target Date	Status
III-1	Create and deliver strategic plan for Economic Development that focuses on overall commercial vitality.	7/1/2014	Completed
III-2	Review and implement efficiency changes in permit processes.	10/1/2015	Pending
III-3	Improve communication with Village Board on economic development progress.	6/1/2014	Completed
III-4	Review and consider annexation opportunities to increase the tax base and control future development.	4/1/2016	Partially Complete
III-5	Review ARC/Planning Commission roles.	On Hold	On Hold

GOALS	Strategic Issue IV: CUSTOMER SERVICE - Deliver high-quality customer service, build trust and invite involvement through caring interaction, improved processes and superior communication.	Target Date	Status
IV-1	Create communication plan for emergencies.	2/1/2014	Completed
IV-2	Develop a resident (customer) management strategy that mandates responsiveness and convenience.	10/1/2014	Completed
IV-3	Evaluate efficiencies that continue to deliver high quality services in three areas, false alarms, crime free housing, and Administrative Adjudication.	11/1/2015	Partially Complete
IV-4	Enhance and improve communications with residents and the Village Board	12/1/2014	Completed
GOALS	Strategic Issue V: HUMAN RESOURCES - Focus on employee learning and growth to further develop a workforce committed to excellence and able to meet the Village's evolving needs.	Target Date	Status
V-1	Review Staff allocation and opportunities to eliminate redundancies annually as part of budget process.	5/1/2014	Completed
V-2	Implement merit based pay system organization wide.	5/1/2014	Completed
V-3	Develop succession plans for all departments focused on talent management and an overall training program.	12/1/2014	Completed
V-4	Evaluate internal human resources improvements to assist in protecting the greatest organizational asset: employees.	12/1/2015	Completed
V-5	Evaluate all position vacancies and analyze needs and opportunities for efficiencies for SY14.	5/1/2014	Completed

Village of Glen Ellyn

Financial Policies

The annual budget is built upon a series of basic financial policies and guiding principles as established by the Village Board and Management. Although these policies are fundamental in nature, they have contributed significantly to the historical financial strength of the Village and demonstrate the Village's ongoing commitment to being a responsible steward of the public's finances.

These Board approved policies have served the Village well, not just in good economic times, but particularly in periods of sustained economic downturn and uncertainty. Adherence to these principles help to maintain a position that ensures the Village is able to deliver uninterrupted basic government services on both a near-term and long-term basis. Further, well established and thoughtful policy development contribute toward ensuring services are delivered in a cost-effective manner, maintaining a well-diversified community and economic base, and distributing the cost of government fairly across those it serves.

A. General

The Village of Glen Ellyn embraces a tradition of sound financial management in the conduct of its financial affairs. The annual Village budget is founded on a set of fundamental policies and principles which contribute toward maintaining an organization with a strong financial condition and a proactive approach to serving the needs of its residents.

B. Budget

1. A balanced budget shall be defined (at each individual fund level) as a budget where projected revenues are equal to budgeted expenditures within the current fiscal period. The adopted budget, on an individual fund basis, may or may not be balanced, depending on the availability and appropriateness of utilizing cash reserves. Use of cash reserves are generally determined to be acceptable for one-time or capital expenditures after minimum reserve levels are observed.
2. The Village shall publish an annual budget which serves as a communications tool which demonstrates the government's accountability for the sources and uses of public funds. Expansive narrative discussion should be included to communicate the organization's policies and objectives as well as detailed descriptions of revenue and expenditure line items. The budget should also serve as an operations guide to assist personnel in the responsible management and application of Village resources.
3. The Village desires to annually participate in the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Awards Program.
4. The Village shall approach the annual budget process in a spirit of openness which encourages public information and participation. To that end, the annual budget shall be provided in its entirety on the Village's web-site, and the Village will annually exceed statutory requirements for public discussion and deliberation on the budget.

Village of Glen Ellyn

Financial Policies

5. Interim financial reports shall be distributed and reviewed with the Village Board on at least a quarterly basis which track actual experience against budgeted revenues and expenditures in the current fiscal period.

C. Revenue

1. The Village endeavors to maintain a diverse and stable revenue base to protect operations from short-term fluctuations in any one revenue source. The mix of various revenues employed will include both elastic and inelastic revenue sources to minimize to the extent possible the effects of economic downturn.
2. The Village will employ, where appropriate, various available economic development incentive tools, which will add to long-term revenue stability and growth.
3. The Village will monitor changes in key revenues on, at a minimum, a quarterly basis, and report on significant changes in collections or emerging trends.
4. The Village will oppose State and/or Federal legislation that would result in unfunded expense mandates to units of local government without providing for compensating authority to increase available revenues to offset such mandates.
5. Village enterprise funds (e.g. Water and Sanitary Sewer, Recreation, Parking, Residential Solid Waste) shall have fees set in such a manner which fully support all direct and indirect (depreciation of capital) costs associated with providing the service.
6. The Village will avoid the use of one-time or otherwise intermittent revenues to support continuing operating expenses.
7. The Village will explore to the extent practicable the award of various local, State and/or Federal grants to support one-time capital or non-recurring expenditures. Consideration of grant opportunities shall include an evaluation of required local matching funds and possible on-going operating costs associated with accepting grant funding.

D. Expenditure

1. The Village shall maintain a level of expenditures which will provide for the public well being and the safety of the residents of the community.
2. The Village shall pay for current operating expenses from available operating revenues where possible.
3. The Village should avoid budget practices which balance current costs at the expense or detriment of future years, such as deferring or postponing necessary expenses.

Village of Glen Ellyn

Financial Policies

4. The Village should avoid the implementation of new programs or services without the identification of a dedicated revenue stream to pay for them.
5. The Village annual budget shall provide a systematic approach for the replacement of municipal equipment and facilities which includes funding replacement of these assets over their anticipated useful life.
6. The Village shall provide for the responsible and timely funding of required employee pension plans.
7. The Village shall prepare a long-term financial forecast for the systematic replacement of its public infrastructure assets.

E. Debt Administration

1. It is the objective of the Village's debt policies that:
 - a. The Village will issue debt only when necessary.
 - b. The process of identifying the amount and timing of debt issuance is conducted as efficiently as possible, and
 - c. The most favorable interest rate and other costs be obtained
2. The Village will seek the assistance and expertise of a qualified Financial Advisor when considering debt issuance. Selection of a Financial Advisor may be achieved through a request for proposals process.
3. Long-term debt obligations will be used to finance significant capital projects or improvements, not for operational purposes.
4. The duration of long-term debt obligations will not extend beyond the anticipated useful life of the projects financed.
5. Level or declining debt service shall be employed unless operational matters dictate otherwise, or unless to achieve overall level debt service considering other outstanding obligations.
6. The Village shall be mindful of the potential benefits of bank qualification and will strive to limit its annual issuances of debt to \$10 million or less when such estimated benefits are greater than exceeding the benefits of exceeding the bank qualification limit.
7. When feasible and economical, obligations shall be issued through competitive versus negotiated sale. When circumstances dictate that a negotiated issuance take place, the reasons for such action shall be disclosed in a public meeting.
8. The criteria to select an underwriter in a competitive sale shall be the true interest cost.

Village of Glen Ellyn

Financial Policies

9. The Village shall consider refunding debt whenever an analysis indicates the potential for present value savings in excess of 2% of the principal being refunded.
10. The Village shall strive to conduct its financial affairs in a manner which would maintain or improve its bond rating.
11. When a general obligation bond is issued, the Village will receive a rating from at least one national rating agency.
12. The Village will fully comply with all continuing disclosure requirements as established by SEC Rule 15c2-12 and shall upon completion of each year's audited financial statements, submit required continuing disclosures to all Nationally Recognized Municipal Information Repositories (NRMSIRs) and to any required State Information Depositories (SIDs).

F. Reserve Policy

Definitions

Fund Balance – the difference between assets and liabilities in a Governmental Fund.

Nonspendable Fund Balance – the portion of a Governmental Fund's fund balances that are not available to be spent, either short term or long term, in either form (e.g., prepaid assets) or through legal restrictions (e.g., endowments).

Restricted Fund Balance - the portion of a Governmental Fund's fund balances that are subject to external enforceable legal restrictions as to what the fund balance can be spent on.

Committed Fund Balance - the portion of a Governmental Fund's fund balances with self-imposed constraints or limitations that have been placed by formal action at the highest level of decision making.

Assigned Fund Balance - the portion of a Governmental Fund's fund balances to denote an intended use of resources.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not the object of tentative management plan (i.e. assignments). (Only in the General Fund, unless negative.)

Note: In non-governmental funds, management may decide to "assign" funds for a specific purpose. This will be done as an internal budgeting procedure rather than as a formal accounting entry. Creating a governmental fund automatically assigns fund balance in that fund to the purpose of the fund.

1. The Village will maintain adequate cash reserves (unassigned fund balance) in its operating funds (General Fund) in an amount equal to or greater than 25% of the

Village of Glen Ellyn

Financial Policies

current year fund operating expense budget (excluding capital) for FY2012/13. In following years, the target amount of cash reserves will increase by 1 percentage point growing to 35% of current year fund operating expense budget (excluding capital). [28% for CY15]

Adequate reserve balances are maintained to:

- a. offset unexpected changes in operating revenues,
 - b. provide sufficient cash flow for daily transaction volumes, and
 - c. provide a buffer for unexpected or emergency expenditures.
2. The Village will spend the most restricted dollars before less restricted, in the following order:
1. Restricted,
 2. Committed,
 3. Assigned,
 4. Unassigned.
3. The Finance Director will determine if a portion of fund balance should be assigned and will document said assignment by a memorandum to the Village Manager and appropriate disclosure in the audited financial statements.
4. ENTERPRISE FUNDS CASH RESERVES:
- a. The Village will maintain \$2,000,000 in cash reserves in the Water and Sanitary Sewer Fund for FY2011/12, increased annually by the 12-month change in the CPI-U (December before the beginning of the fiscal year) or 3%, whichever is less. [The 12 month change in the CPI-U for December 2013 was 1.5%. For CY15, the amount of required cash reserves will be \$2,158,000.]
 - b. The Village will maintain adequate cash reserves in the Parking Fund and Recreation Fund in an amount equal to or greater than 25% of the current year fund operating expense budget (excluding capital) for FY2012/13. In following years, the target amount of cash reserves will increase by 1 percentage point growing to 35% of current year fund operating expense budget (excluding capital). [28% for CY15]
 - c. The Village will maintain adequate cash reserves in the Residential Solid Waste Fund, in an amount equal to or greater than 25% of the current year fund operating expense budget (excluding capital).

G. Cash Management

Village of Glen Ellyn

Financial Policies

1. The Village shall invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state statutes governing the investment of public funds.
2. In order to maximize interest earnings, the Village comingles the cash of all funds (excluding those legally required to be kept separate – e.g. Police Pension Fund). Interest revenue derived from comingled cash accounts is allocated to the participating funds monthly based on the relative cash balance of each fund.
3. Criteria for investment of funds, in the order of priority are as follows:
 - a. **Safety** of principal is the foremost objective of the investment program. Investments of the Village of Glen Ellyn shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio.
 - b. The investment portfolio shall remain sufficiently **liquid** to meet all operating requirements that may be reasonably anticipated.
 - c. The investment portfolio shall be designed with the objective of attaining a market **rate of return** throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

H. Accounting, Auditing and Financial Reporting

1. The Village shall establish and maintain a high standard of accounting practices in conformance with Generally Accepted Accounting Principles (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).
2. The Village shall select a qualified firm of Certified Public Accountants to perform an annual audit in accordance with Generally Accepted Auditing Standards (GAAS) and issue an opinion on the financial statements.
3. The Village shall annually prepare a Comprehensive Annual Financial Report (CAFR) and submit it to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting award.
4. The Village will utilize the modified accrual basis of accounting for its governmental funds (general, special revenue, capital projects and debt service funds). Revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred.

Village of Glen Ellyn
Financial Policies

5. The Village will utilize the accrual basis of accounting for its proprietary funds (enterprise and internal service funds). Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the liability is incurred.