

CORPORATE RESERVE FUND

The Corporate Reserve Fund was established by Ordinance #2072 in 1976, funded by a Federal grant reimbursement of about \$407,000 for the Village Green (open space) project that was received several years after the work was completed. The Fund may be used for emergency needs (“rainy day reserve”), and as a "revolving loan fund" to assist Village departments and Village activities in financing major projects. Loans made to assist departments and activities generally include a rate of interest, and include a pay-back schedule as determined by a Village Board resolution or ordinance.

In FY91/92 the Village Board directed that interest earned on Corporate Reserve Fund balances would be transferred to the General Fund as an ongoing and important revenue source.

During the past several years, the Corporate Reserve Fund has been utilized for loans for a variety of Village projects and activities. This allows the Village to avoid the cost of borrowing through the issuance of bonds or bank loans. In addition, the Corporate Reserve Fund is available to backstop other activities which are involved in major projects. Although a specific department or activity may be able to fund a project, cash flow difficulties are sometimes experienced. For example, the Village Board approved this use during the Lorraine Road storm sewer and road reconstruction project in 1996. A similar cash flow need may arise in FY06/07 in the Water and Sanitary Sewer Fund, and the Capital Projects Fund, due to the expedited work on capital improvement projects.

Recent uses of Corporate Reserve Fund monies include:

- **Glen Ellyn Park District** - During fiscal year 2000/01, the Village extended a \$1,000,000 interest-free loan to the Glen Ellyn Park District to assist with their demolition of the Maryknoll Seminary buildings at the southeast corner of Route 53 and Pershing. This loan was set up to be re-paid in annual installments of \$100,000 over a 10 year period, with the first \$100,000 received in December, 2001. The terms of the loan agreement were modified by Ordinance 5124 adopted January 13, 2003 (in follow-up to the long-term lease of the Village Green to the Park District approved in December, 2002) which provided for the deferral of the \$100,000 annual loan repayments due in December, 2003, 2004 and 2005 until December, 2011, 2012, and 2013.
- **DuPage Mayors and Managers Conference** - Also during fiscal year 2000/01, the Village Board was one of 12 DuPage home-rule communities to each provide a \$125,000 loan to the DuPage Mayors and Manager’s Conference to assist in the \$1.5 million acquisition and renovation of their facility in Oak Brook. This loan will be paid back over 20 years and will pay the Village interest at the average Illinois Funds Rate (this is the Illinois Treasurer’s Investment Pool, where the Village invests a portion of its cash balances). Re-payments to the Village on this

- loan are made annually each May 1 starting with May 1, 2002.
- **Glen Ellyn Historical Society** - The Corporate Reserve Fund provided funding for the Village purchase and ownership of the building at **800 N. Main Street** (now named the “History Center” and located at the NW corner of Main and Elm) in November, 2002 for the benefit of the Glen Ellyn Historical Society. The \$1,050,000 purchase price was paid from an initial deposit of \$325,000 from the Historical Society, with the remaining \$725,000 loaned from this Corporate Reserve Fund. The Historical Society repays the Village \$725,000 with an annual payment each November over the next five year period with interest at the average Illinois Funds rate. Rental income received by the Village from leased space in the building is credited against the loan re-payments due from the Historical Society. Just like Stacy’s Tavern Museum, the Village owns and maintains this property and building and depends on the Historical Society for its use and operation for public benefit.

More recently, in December, 2005, the Village Board approved the purchase of **810-816 N. Main Street**, located north of the 800 N. Main History Center property, at a cost of \$1,200,000. This property will further the long-term goal of the Glen Ellyn Historical Society and the Village’s 2001 Comprehensive Plan by expanding the existing Stacy’s Museum site into a larger History Center and park on the West side of Main Street. The Historical Society provided a \$150,000 down-payment toward this purchase.

All purchase costs paid by the Village for this 810-816 N. Main acquisition will be reimbursed by the Historical Society over a 10 year period at a fixed interest rate of 5%. As with the 800 N. Main property, annual reimbursements due the Village will be reduced by rental income generated by existing tenants on the property. The first two repayments to the Village, which are due April 1st, 2007 and 2008, are “interest only” payments (interest is credited to the General Fund per Corporate Reserve Fund policy). This will allow the Historical Society to complete the 5 year repayment schedule on the 800 N. Main property prior to the commencement of principal repayments on the 810-816 N. Main property.

- **Volunteer Fire Company** - A March, 2003 request of the Volunteer Fire Company was approved which extended equipment financing assistance totaling \$550,000 for their purchase of 2 replacement fire engines costing \$832,000. Terms of the loan agreement call for annual re-payments each April 1st by the Fire Company over a three year period (beginning April 1, 2004) with interest charged at the average Illinois Funds rate.
- **Infrastructure Maintenance Fee Lawsuit** - In August, 2004 the Village Board approved the General Fund transfer of \$900,000 from its cash reserves to the Corporate Reserve Fund as a litigation reserve for a class action lawsuit related to the Village’s collection of a 1% **infrastructure maintenance fee (IMF)** which the Illinois General Assembly approved following their elimination of municipal telephone franchise fees in 1998. All resulting settlement costs allocated to Glen

Ellyn will be paid from the Corporate Reserve Fund. Glen Ellyn is one of 24 DuPage municipalities that have joined together to collectively defend against this lawsuit.

- **Pickwick Place Sales Tax Rebate Agreement** - In April, 2005, the Corporate Reserve Fund received a \$450,000 transfer from the General Fund representing the Village's obligation under a sales tax sharing agreement with the property managers of the **Pickwick Place** shopping center approved by Village Ordinance 4501 on June 23, 1997. Due to uncertainties about the timing of payments to be made, the Village Board agreed to "pay-off" this liability (using a portion of the FY04/05 General Fund budget surplus) into the Corporate Reserve Fund to remove this future liability from the General Fund. All rebate payments will be paid from the Corporate Reserve Fund. While the sales tax rebate agreement ends in February, 2008, nine years from the date of substantial completion of the shopping center improvements (March, 31, 1999), it is likely that the maximum rebate amount of \$450,000 will be reached by mid-2006.

In December, 2005, the Village Board approved an Early Retirement Incentive (ERI) program with the Illinois Municipal Retirement Fund (IMRF) which provides employees who, at a minimum, are 50 years old, and have 20 years of IMRF service credit, the opportunity to purchase an additional 5 years of service credit and retire early. Although there is a cost to the Village to offer this program, the Village will benefit from future reductions in staffing costs by eliminating a number of positions and rehiring replacements for retiring employees at lower salaries.

The early retirement option will only be available during calendar year 2006. The Village will not know the final amount of its financial obligation for this program until sometime in early 2007. It is planned that the General Fund, and other Funds where applicable, will make a payment into the Corporate Reserve Fund to fund this obligation. The payment to IMRF will be budgeted as a Corporate Reserve Fund expense in the FY07/08 fiscal year, and is expected to be made by December, 2007 in order to avoid all interest expense.

Note: \$600,000 of a projected FY05/06 General Fund budget surplus has been established as an additional General Fund cash reserve until the final General Fund ERI liability is known, at which time it will be transferred to the Corporate Reserve Fund.