



April 30, 2012

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

**Subject: Budget Transmittal for Fiscal Year 2012/13**

### **Introduction**

Transmitted with this letter is the adopted budget of the Village of Glen Ellyn for fiscal year 2012/13, which runs from May 1, 2012 through April 30, 2013. 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 a long-range perspective.

This financial road map for the coming fiscal year is the culmination of months of planning and prioritizing, which began last fall. 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. Prior to final adoption on April 23, 2012, the budget was the subject of several public meetings including a formal public hearing conducted on April 9, 2012.

### **Budget Priorities and Issues**

The principal issues facing Glen Ellyn in the development of the FY12/13 budget were:

1. Continued stagnation in a number of key revenues including state shared revenues (such as income taxes), utility taxes, and investment income. Although the economy apparently has hit the low point, these revenues continue to lag their peaks from 2007 to 2009.
2. Planning for current and future year unfunded expense mandates, particularly escalating pension funding costs in response to unprecedented investment losses in prior years. While investment returns of these pension systems have rebounded to some degree in the last two years, this continues to be an area of long-term concern.
3. Continuing a focus on the efficient delivery of core Village services to the community in light of revenue constraints.
4. Identification of new revenues, as appropriate, to ensure maintenance of core Village services and appropriate fund reserve levels. The Village Board reviewed fund balance goals and adjusted policies such as the Water Fund reserve fund was set at \$2 M.

5. Planning for the timely replacement and rehabilitation of the Village's expansive network of infrastructure assets in conjunction with established long-range capital improvement plans. Management created a comprehensive Capital Improvements Plan (CIP) including capital plans for all funds and will continue to enhance these plans over the next year.
6. Maintaining a watchful eye on actions in Springfield which would further diminish Village revenues.

### **Funds and Fund Structure**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that make up its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The FY12/13 budget is composed of 14 individual funds, each of which can be classified into one of three categories: governmental funds, proprietary funds, and fiduciary funds. All Village funds are subject to appropriation and all budgeted funds are included in the audited financial statements.

1. **Governmental Funds** are generally used to account for functions, which are principally supported by taxes and intergovernmental revenues. We typically associate these functions with the core services provided to the general public at large including items such as public safety, roadway and storm sewer maintenance and replacement (and other public works related services), and general administration (including administration, finance, building and zoning). The FY12/13 budget includes 7 governmental funds:

- General Fund
- Corporate Reserve Fund
- Motor Fuel Tax Fund
- Central Business District Tax Increment Financing Fund (new)
- Debt Service Fund
- Capital Projects Fund
- Facilities Maintenance Reserve Fund

2. **Proprietary Funds.** The Village maintains two types of proprietary funds: enterprise funds and internal service funds. **Enterprise funds** are used to report functions, which are intended to recover most or all of its costs through the imposition of user fees and charges. These funds are accounted for in a manner much similar to private-sector businesses. The FY12/13 budget includes 4 enterprise funds:

- Water and Sewer Fund
- Parking Fund
- Residential Solid Waste Fund
- Recreation Fund

3. **Internal Service Funds** are an accounting mechanism designed to accumulate and allocate costs internally among other Village funds and other government customers. Revenues of internal service funds consist primarily of transfers in from other funds to accumulate financial resources to pay for items which benefit those funds. For example, the Village maintains an Insurance Fund to pay the costs of its employee health benefits plan and to provide liability and workers compensation insurance coverage. Each department/fund pays into the Insurance Fund, as an internal transfer, an amount calculated to provide coverage for its employees and its general insurance risk and experience. The FY12/13 budget includes 2 internal service funds:

- Insurance Fund
- Equipment Services Fund

4. **Fiduciary Funds** are used to account for resources accumulated for the benefit of parties outside of the primary Village government. The Village maintains one fiduciary fund, the Police Pension Fund. The structure and rules of the Police Pension Fund is established by State statute, and the fund is overseen by the Police Pension Board of Trustees, to collect and invest resources to pay the retirement benefits of Glen Ellyn police officers. These resources are accumulated through salary deductions made by police officers, investment income generated from the Police Pension Fund's portfolio of investments, and an annual contribution made by the Village based on an actuarial study. These assets are held in trust for the sole benefit of retired Glen Ellyn police officers and are not available for use by the Village.

- Police Pension Fund

### **Budget Summary**

- **Total adopted budget** (net of interfund transfers) is \$43.5 million, about \$1.2 million more than the FY11/12 adopted budget (a 3% increase).
- The FY12/13 proposed budget projects an overall net deficit of about \$1.8 million overall. This is due to a planned use of cash reserves to fund capital programs, most notably investments to reconstruct Hawthorne Boulevard and construction of the west end of Taft Avenue to help facilitate development of this critical commercial area.

- **Village operations** make up 74% of the total net budget for FY12/13. 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 expenses include:
  - Police and fire protection
  - Purchase of Lake Michigan Water
  - Economic development
  - 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
  - Retirement benefits administration (Police Pension Fund)
  
- **The total authorized staff level** for the Village will increase slightly (0.25 FTE) in FY12/13 due to bringing part time economic development and stormwater engineer employees in-house. This follows staff reductions, both voluntary and involuntary, over the past four years in which the Village's full time equivalent employees have fallen from about 184 to 159. The other change includes not filling a vacant full time position at the Village Links.
  
- **Personnel costs**, including retirement and health benefits, make up 29% of total budgeted operating costs for FY12/13.
  
- **Pension costs** for FY12/13 will actually decrease by 0.7% due to a change in state law, which lengthens the amortization period of our current unfunded liability in the Police Pension Fund. Over time, more financial resources will be diverted away from other services so that we can meet our required pension obligations. The Village is statutorily required to participate in (and make actuarially determined contributions to) the Glen Ellyn Police Pension Fund for sworn police officers, and the Illinois Municipal Retirement Fund for all other employees working more than 1,000 per year. In FY12/13, contributions to the Illinois Municipal Retirement Fund will grow by 6.1%, and contributions to the Glen Ellyn Police Pension Fund will decline by 6.5%. The Police Pension contribution is expected to again grow next year and future years.

- **Total capital investment** for next year is higher, up by \$2.7 million from \$10.5 million in the current year (revised FY11/12 budget) to \$11.2 million proposed for FY12/13. This component makes up 26% of the proposed FY12/13 budget compared to 21% of the approved FY11/12 approved budget. This year, the largest capital project is the Hawthorne Boulevard reconstruction, which includes water and sewer infrastructure improvements, budgeted for a total of \$4.7 million.

**General Fund**

The General Fund includes the day-to-day expenses of operating the Village of Glen Ellyn and therefore is the primary discussion topic during budget reviews. As with other municipalities, the General Fund is dominated by the largest departments of Police and Public Works as well as providing services to the Volunteer Fire Company including ambulance services (73% of General Fund expenditures). The expenses in our General Fund are dominated by salaries, pensions, and benefits (64%).

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 (62%). The Village continues to proactively seek economic development opportunities to increase sales tax revenues and sees some improvements with the overall economy that could positively impact future budgets. However, the State of Illinois continues to mismanage their finances and this has a potential to impact local governments. Management will continue to monitor this situation closely and take action through the DMMC and IML as necessary.

Listed below are the most significant elements impacting the Village’s General Fund budget for our coming fiscal year FY12/13.

- The General Fund pays most of the day-to-day operating costs of the Village and makes up 32% of the total expenditure budget.
- The adopted General Fund budget includes a \$147,452 surplus with \$16,401,600 in revenues and \$16,254,148 in expenditures. Below is a comparison of the original FY11/12 budget compared to the adopted FY12/13 budget.

	<b>FY2011/12 Budget (original)</b>	<b>FY2012/13 Budget</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Revenues*</b>	\$16,109	\$16,401	\$292	1.8%
<b>Expenditures*</b>	\$16,109	\$16,254	\$145	0.9%
<b>Net*</b>	\$0	\$147	\$147	

*\*In thousands*

- 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 \$385,000. By working with departments to decrease budgets and reviewing revenues, this budget gap was eliminated.
- Personnel costs included in the draft budget include a 1% General Wage Adjustment (GWA) and a 2% merit increase for those employees not already at the top of the range. In addition, the Village had a very good year in terms of health insurance and we are able to budget renewal rates of 1.0% for PPO and 3.6% for HMO for the 2012/13 year. The Village joined an insurance pool three years ago and over time, we have seen some positive trends in terms of costs.
- To meet the goal set by the Village Board last fall, this budget does transfer \$50,000 to the Facilities Maintenance Reserve Fund for FY12/13. This fund pays for significant rehabilitations of municipally owned buildings and components. After three consecutive years, we are finally able to transfer additional funds to this important cause. The Village Board decided to defer the decision to dedicate additional revenues to the FM Reserve Fund the end of the fiscal year.
- Beginning last year, the Special Programs Fund was consolidated into the General Fund. The Finance Commission made this recommendation to the Village Board following a review of the Special Programs Fund budget process last year. The intent of merging the two funds was to eliminate inefficiencies within the budget process and to allow the Village Board to focus additional time on the rest of the Village budget. By eliminating the Special Programs Fund, the Village has reviewed many of the components of this fund and reduced expenditures to assist in balancing the budget. The Community Grant Program, History Park, and the Economic Development activities have seen cost reduction over the last few years.
- Three new General Fund divisions were created as part of the reallocation of Special Program Fund expenditures last year. The Economic Development, Senior Services and History Park divisions are included within the Administration Department. Economic Development functions were transitioned from the Economic Development Corporation to the Village in FY 12/13. A new Economic Development Coordinator will be hired to provide day to day economic development services. The Village Manager, with assistance of the Planning and Development Department and in conjunction with the Chamber of Commerce and Downtown Alliance of Glen Ellyn, will work closely with the Economic Development Coordinator to attract new businesses, retain existing businesses, and continue to promote Glen Ellyn as a place to locate and operate your business.

- The General Fund budget includes the full-funding of required employer pension costs to both the IMRF and the Police Pension Fund. This includes a 12% increase in our budgeted contribution to IMRF (from 12.73% to 12.09% of payroll), and a 6.5% decrease in our annual contribution to fund the Glen Ellyn Police Pension Fund (from \$1,036,000 to \$969,000). The drop in contribution to the Police Pension Fund results from legislative changes that extend the amortization period to pay for our unfunded liability. After this year, we expect the police pension contributions to resume annual increases.

### **Capital Projects Fund**

- The Capital Projects Fund is now receiving \$1.66 million in property tax revenue previously utilized for debt service payments and now used to support our capital program. This is following the Capital Improvements Commission's 2008 recommendation and Village Board approved decision to transition to a pay-as-you-go program over the next several years as our remaining infrastructure debt is paid off.
- Other key revenues in this Fund, primarily utility taxes, are showing little sign of growth and will likely continue to remain stable at best. Real estate transfer taxes are remaining low, with a modest recovery expected.
- The FY12/13 budget includes a more comprehensive five year capital improvement plan that will enable us to better plan and fund important infrastructure and facility improvements. The 12/13 FY budget includes a number of critical improvement projects, the largest being the reconstruction of Hawthorne Boulevard. The Capital Improvement Commission is scheduled to review and update our long term capital street program to align current project needs with available resources and evaluate other major components of the five-year plan.

### **Facilities Maintenance Reserve Fund**

- After three years of no funding, the Facilities Maintenance Reserve Fund budget includes a contribution of \$50,000 from the General Fund.
- Despite the small amount of funding, a few small high priority safety related projects have been included which will draw from fund reserves.

### **Water and Sanitary Sewer Fund**

- Water consumption continues to decline and costs are projected to increase for both purchasing water from the DuPage Water Commission and for wastewater treatment by the Glenbard Wastewater Authority. Following sizeable rate increases from the City of Chicago, the DuPage Water Commission raised its rate on water by 30%. Each January 1 from 2013 through 2015, the Village's cost for water will increase 20%, 18%, and 17% respectively, for a total 4 year increase of 115%.
- 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.
- Proposed for January 1, 2013 are customer rate increases of 9.5% for water and 9.5% for sewer. This fund has relied on cash reserves for several years and the rate increases are recommended to bring the fund into balance, continue restoring cash reserves, and prevent future larger spikes in rates.

### **Residential Solid Waste Fund**

- We have utilized recycling rebates for customer price stability and did not increase rates to customers in the first four years of the initial five year solid waste hauler contract. A 5% rate increase was implemented in both FY09/10 and FY10/11 to counter the sudden collapse of the recyclables market and elimination of rebates.
- Recycling rebates have recovered during FY10/11 and FY11/12; our use of cash reserves will likely be half of what we originally projected in the adopted FY11/12 budget.
- Our current waste hauling contract extension is up for renewal as of August 2012. The Village is examining contract proposals and will bring a contract and recommendations to the Village Board.

## **Strategic Planning**

The Village of Glen Ellyn Village Leadership worked through a strategy planning process in the fall of 2011. The plan consisted of three separate take home exercises, two leadership retreats, and much follow up to complete a preliminary strategic plan. The goal of this process is to develop a series of strategic issues and corresponding goals and objectives that the Village Board and staff can refer to when determining an appropriate course of action for the city over the next few years.

In undertaking this planning effort, the Village Board is committing itself to an assessment of the strategic issues that affect the progress of the village. A strategic plan provides a vision and mission for the community, identifies the strategic issues that impact the achievement of that vision, and then sets goals and objectives for addressing those issues. The following strategic issues were identified as follows:

**STRATEGIC ISSUE #1: How do we commit to a Village-wide philosophy of quality customer service?**

**STRATEGIC ISSUE #2: How do we maintain and improve our infrastructure?**

**STRATEGIC ISSUE #3: How do we enhance partnerships with intergovernmental groups.**

**STRATEGIC ISSUE #4: How do we recruit and retain quality businesses?**

**STRATEGIC ISSUE #5: How do we best implement the goals of the approved downtown plan?**

**STRATEGIC ISSUE #6: How do we capitalize on our greatest resource, employees?**

**STRATEGIC ISSUE #7: How are we going to provide services in a new revenue environment?**

The corresponding goals are included in the appendix of this document.

## **Economic Factors and Looking Ahead**

Over the past 5 years, the local, national and world economies have suffered dramatically. There are indicators that the local economy is rebounding with accelerating home sales (still well below peak levels) and strong non-vehicle sales tax and home rule sales tax revenues. In 2009, the Village established a Finance Commission, made up of resident expert in various fields relating to business and government finance. The Finance Commission has spearheaded efforts to compare Glen Ellyn to area peer communities (Financial Scorecard) and has developed a five year forecast (recently updated using FY2011/12 budget data, included in the appendix of this document.) These planning and comparison tools have helped guide local policy decisions and have highlighted the need for a significant emphasis on economic development to shore up our revenue base.

The Village has responded in many ways, including traditional approaches to lower staffing levels and use available new revenue sources (such as the home rule sales tax) to maintain appropriate levels of service. While some economic indicators are not as strong as we would hope, there are

signs of an economic recovery. In Illinois, the state-wide income tax revenues appear to be on the rebound. Housing based transactions remain slow, resulting in few real estate transfers, and the prices have dipped.

The Village has increased its focus on economic development. A new tax increment financing district has been established in the central business district. We have hired an economic development coordinator, and are aggressively pursuing redevelopment projects along Roosevelt Road, our critical commercial corridor.

The five year forecast (February 2012) provided projections for all government funds to assess the impact of tax supported funds as a whole. Tax supported operations are projected to see total deficits over 5 years of about \$8 million. This projection included a capital improvement plan that is nearing the end of its planning period; the capital budget expenditures have not been revised and aligned with current revenues. This led to a shortfall of \$5.1 million in capital funds, which is unlikely to materialize as the capital plan is scheduled to be revised with current revenue estimates, updated cost estimates, and adjusting project scheduling to assure an ongoing, sustainable program.

These five year projections are concerning, but we have proved to be agile enough to avoid any long term deficits in the past. In fact, over the last two years, the Village is projected to increase its cash position in the General Fund by almost \$500,000. A thorough five-year forecast exercise ensures that the Village is looking long term and provides advance warning of financial concerns arise and adapt to these conditions.

## **Conclusion**

The recent recession has resulted in a combination of tighter money supply, increase in unemployment, decrease in spending, and a general lack of confidence. Furthermore, the State of Illinois is confronting one of the largest budget deficits of any state in the Country. Given these factors, balancing the level of services and appropriate funding is always difficult but was even more difficult in recent years. The Village takes a collaborative approach to budget development. Management begins with a thorough analysis of revenues which provides the foundation for discussions on what expenses the Village can undertake. The Village continues to have the lowest number of full time employees of any community in DuPage County and strives to find ways to control costs without negatively impacting the overall quality of services.

Recession concerns aside, Glen Ellyn enjoys some special advantages. We have a very talented and resourceful community with substantial assets. Glen Ellyn is geographically located within transportation to the interstate expressway system, Chicago airports, and train access. The tax base is diversified with no one major industry or employer dominating the Village's tax base. Our goal is to help maintain the community's advantages while protecting its public assets. Even with a solid base and wonderful achievements of the past, we must confront new challenges. The staff has been and will continue to diligently pursue the most economical uses of the Village's valuable but limited resources.

The development of the fiscal year 2012-13 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 last 3 years. Many thanks go out to these employees for their cooperation and sincere diligence in looking at ways to reduce expenditures, and at the same time provide the highest quality of services to the residents and businesses of Glen Ellyn.

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

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Village of Glen Ellyn, Illinois for the Annual Budget beginning May 1, 2011. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Budget Presentation  
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For the Fiscal Year Beginning

**May 1, 2011**

*Linda C. Dawson Jeffrey R. Enos*

President

Executive Director

# 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 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.

# Village of Glen Ellyn

## Financial Policies

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.
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.

# Village of Glen Ellyn

## Financial Policies

### 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.
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.

# Village of Glen Ellyn

## Financial Policies

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.
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).

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## Financial Policies

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 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).

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.
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2. The Village will spend the most restricted dollars before less restricted, in the following order:
    1. Restricted,
    2. Committed,
    3. Assigned,
    4. Unassigned.

## Village of Glen Ellyn

### Financial Policies

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. [For FY2012/13, the 12 month change in the CPI-U for December 2011 was 3%. Therefore, the amount of required cash reserves will be \$2,060,000.]
  - b. The Village will maintain adequate cash reserves in the Parking Fund, Residential Solid Waste 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).

#### G. Cash Management

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.

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## Financial Policies

- 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.
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.