
MEMORANDUM

DATE: April 30, 2014

TO: Honorable President and Village Board

FROM: Mark Franz, Village Manager
Kevin Wachtel, Finance Director

RE: Short Year 2014 (SY14) Budget



The SY14 budget is a transition budget, as the Village shifts its fiscal year to a full calendar year beginning in 2015. A shortened fiscal year does not allow a simple comparison year to year, so additional analysis and review was necessary. 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 document, in many ways, acts as the corporate plan for the Village over the next eight months.

This financial road map for the coming fiscal year is the culmination of months of planning and prioritizing, which began last fall. We embarked on a comprehensive, zero based budget approach this year which required much more detailed review and analysis for many departments. We added additional cost centers to the Police Department, Planning and Development Department, Finance Department and Public Works Department to better track costs for actual services provided. In addition, each line item was reviewed and justified through the internal review process. During this review, 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.

Given that this is an 8-month budget and that the Village typically had a cash balance in the General Fund at the end of each calendar year, we wanted to ensure a surplus existed to provide for the Village's cash flow needs at the beginning of calendar fiscal year 2015. An 8-month budget creates many timing issues with particular revenues, expenses, and payments. The most significant examples are property taxes which are collected for the entire year and police pension contribution and annual liability insurance contribution which are paid in full within this shortened 8-month cycle. These outliers offset each other to a large degree, but assisted in creating a surplus which will give the Village more flexibility going into the first full calendar year budget in CY15.

Due to tight budget control, the recommended SY14 General Fund budget achieved a \$290,140 surplus which will enable the Village to mitigate any issues caused by the shift to a calendar year budget.

Budget Policies, Priorities and Issues

The budget process begins with a fundamental review of budget policies. The midpoint of the budget year is typically when the Village Board and management discuss and reaffirm the financial policies and priorities of the Board as we approach the budget process, which begins in earnest in

December. Over the last few months, the Village Board directed management to proceed with the budget process under the following guidelines:

- **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. With the shortened fiscal year this year, we have some expense and revenue outliers that were significant including property tax revenue, police pension contribution, and liability insurance premium.
- **Fire Services Fee** - The Village Board approved a new fire service fee to be included on the water bill beginning on May 1, 2014 that will help sustain the Volunteer Fire Company. Funds will be earmarked for GEVFC operations, Village costs associated with serving the Fire Company, and future equipment and facility needs.
- **Ambulance Contract** – A new 5-year contract was approved which could be renewed for an additional five years. This will create more fixed costs as billing responsibility is no longer the Village responsibility. The overall contract is a fixed cost, but includes a potential reimbursement to offset other EMS costs based on revenue collected; but, we are not anticipating any reimbursement in SY14. It should be noted that some EMS revenue will continue to be realized as we close out the previous EMS contract.
- **Cash reserve levels for all funds** – Maintain the same cash reserve policy which is as follows:
 - The General Fund policy is 27% of operating expenditures for SY14, increasing by one percentage point per year up to 35%. The Village currently is projecting that we will end 2014 with 39% of the FY13/14 expenditure budget.
 - Water and Sewer fund cash reserve policy will increase to \$2.126M with a 1.5% CPI increase for SY14.
 - 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.
- **Pension actuary assumptions** – In 2012, after careful deliberation and input from the Finance Commission and Police Pension Board, the Village Board set the assumption for long term investment returns at 7.25% (down from 7.5%) and salary increases at 5.0% (down from 6.0%). A policy was established last fall which memorialized this direction. Most recently, the Village Board directed staff to review these assumptions and provide alternative ways to meet our pension obligations short-term, mid-term and long-term.
- **CIP funding philosophy** – property tax levy – Continue funding capital projects with reallocated property tax levy eliminating all debt.
- **Community grant funding level** – Eliminate future grant funding.
- **Water and Sewer Fund rates** – In 2012, 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. Our rate plan calls for 9.5% total rate increases in 2014 and 2015, at which time the rates will be well positioned for future operating and capital costs.

The principal issues facing Glen Ellyn in the development of the SY14 budget were:

1. Continued stagnation in a number of key revenues including sales taxes, home rule sale 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. State income tax and franchise fees performed better than expected, which help to offset these stagnant revenues sources.
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 had a good year this year, this continues to be an area of long-term concern. Even with the Village making all required contributions, total pension costs and unfunded liabilities have grown in recent years. Without changes, costs and liabilities are projected to grow. We are working with other communities and the DMMC to lobby for long term affordable funding solutions.
3. Comprehensive capital improvement plan (CIP) – The Village developed a 10-year project and funding plan (some projects are unscheduled and unfunded) in 2012. 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 projects budgeted for SY14 are what is recommended as part of the overall draft budget, and future projects are subject to change based on direction from the Village Board. Of note are the following:
 - **Street Program** – Aggressive schedule of street improvements including Lenox/Linden that that was deferred last year. The Capital Improvement Commission and Village Board will be identifying priority projects and will likely be shifting some funding to address other Village needs.
 - **Lorraine Parking Lot** - At the direction of Village Board, this parking lot will not be reconstructed at this time, but instead resurfaced at a budgeted cost estimate of \$280,000 over the next two years to be funded out of the Parking Fund.
 - **Salt Storage Facility** – Currently budgeted \$500,000 in MFT Funds and \$300,000 in capital funds in SY14.
 - **Police Station** – Currently unfunded and unscheduled, but a Committee continues to evaluate a possible project and alternatives.
 - **Downtown Streets and Streetscape** – Budgeted in out years of CIP, but scope, timing, and possibly grants will impact this project.
 - **Fire Station #1** – Currently unfunded and unscheduled, however the Fire Service Fee will allow the Village to begin to earmark funds for some of the costs associated with replacing this station over the next 10 years.

4. Facilities plan – Utilizing the 2012 20-year Facilities Plan as a guide, a list of facility projects was developed for SY14. All Civic Center improvements for SY14 were deferred as we continue to evaluate the Space Needs Analysis and the Police Station project. However, we need to make some improvements to the HVAC system in the Civic Center over the next 20 months, so there are funds earmarked in CY15. We included \$50,000 for additional consulting for the Police Station/Civic Center project. Lastly, as recommended in the 20-year plan, \$150,000 contribution from the General Fund to the Facilities Reserve fund was budgeted for CY15, an increase of \$50,000 from the full FY13/14 contribution. For SY14, \$85,000 will be contributed to the fund. This is a step in the right direction as we continue to meet future facility needs.
5. Personnel Costs - These costs are the largest expense for all municipalities, 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, seasonal employees, and part time employees allow us to control health insurance and pension costs. This budget includes no new positions in the General Fund, but does include three new full time employees for Recreation Fund to meet the needs of the Grounds Division and to comply with the Affordable Care Act.

A four-year Police Union Contract was finalized in 2012 setting wages at 2.5% and an extra 1% for those at the top of the range plus step adjustments as of November 1, 2014. A new performance review process was implemented including an enhanced merit system. The new merit program calls for annual performance reviews and wage increases to occur as of January 1. As such, only minor pay increases will be provided as part of the transition from anniversary reviews and increases. We have used a 2.25% merit increase as a basis for these minor adjustments during SY14.

Health insurance costs continue to be managed below the market. The budget includes rate adjustments of 3.5% for HMO coverage, and a 4.5% decrease for PPO coverage, plus the costs for three new employees in the Recreation Fund and the added costs of one Police Officer that was disabled in the line of duty and receives health insurance as part of his benefits as required by law.

6. New cost centers and new Fire Services Fund – to provide more clarity in the budget, we have increased the number of cost center in the General Fund. The Operating Department cost centers remain and include the summed totals of each cost center for comparison purposes. Four operating departments now have additional cost centers as follows:

<u>Operating Department</u>	<u>New Cost Centers</u>
Police	Police – Administration Police – Operations Police – Investigations
Planning and Development	P & D – Planning P & D – Building
Public Works Operations	PW Ops – Forestry PW Ops – Streets
Finance	Finance – Administration and Operations Finance – Cashiers Office

Also, due to the significant changes that are being made to the Volunteer Fire Company cost center, we have created two new cost centers (Fire Department and EMS) in the General Fund and a separate fund to track the Fire Service Fee as well as revenue generated from the Fire Special Service Areas.

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/expenses. 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 SY14 budget is composed of 16 individual funds, each of which can be classified into one of four categories: governmental funds, enterprise funds, internal service 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 that 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 SY14 budget includes 9 governmental funds:

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

2. **Enterprise Funds** are used to report functions that 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 SY14 budget includes 4 enterprise funds:
 - Water and Sewer Fund
 - Residential Solid Waste Fund
 - Parking 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 (or other customers, such as GWA or other taxing agencies) 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 SY14 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 recommended budget (net of interfund transfers) is \$37.6 million.
- The SY14 recommended General Fund budget projects an overall surplus of about \$290,000 overall. This is due to tight budget control, the shortened budget year, below market health insurance rate increases, and no new programs or employees.
- The recommended budget is projected to outperform the 5-year forecast again this year, although the short year is difficult to compare to previous years. Generating a surplus in SY14 would likely be the 3rd consecutive surplus for the General Fund and create \$2M increase in reserves in the last three years. This improves the Village's position to meet our pension liability, potentially address some capital project needs, and sustain the Aa1 bond rating.

- **Village operations** make up 73% of the total budget for SY14. 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
 - 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 is 104 full time employees which includes three additional full time employees in the Grounds Division of the Recreation Department. This increase was necessary due to operational needs and due to the Affordable Care Act. The overall full-time employee count is still lower than the 116 FT employees back in 2005.

- **Personnel costs**, including retirement and health benefit contributions, make up 29% of total net budgeted expenditures/expenses for all funds in SY14.

- **Pension costs** continue to increase over time. For SY14, the Police Pension contribution is increasing by 0.1% over FY14, this increase was less than we would typically expect due to modifying actuarial assumptions. Our IMRF contribution rate for 2014 is lower than 2013, and with good investment returns will likely drop for 2015. This is good news in the short term, but it does not reduce the Village's long term liabilities. 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 hours per year. Limiting the number of employees eligible for pensions has been an effective strategy for some time in the Village of Glen Ellyn.

General Fund

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 Village continues to proactively seek economic development opportunities to increase sales tax revenues as the economy begins to show some signs of improvement. However, the State of Illinois continues to mismanage its finances and this has a potential to impact local governments. 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.

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. When totaled, these three departments make up 73% of General Fund expenditures. The expenditures in our General Fund are dominated by salaries, pensions, and benefits (64%). The General Fund budget includes a \$290,000 surplus due to tight budget control and as a way to mitigate any issues with the shift to a calendar budget. In putting together an 8-month budget, there are many timing issues. Management recommends that actual surplus funds should be set aside to meet pension obligations, capital needs, or increase reserve funds

Recreation Fund

With the completion of the new facility, the Recreation Department has increased labor and food costs as well as projects a substantial increase in revenues for SY14. Revenue in the Food Services Division is project at \$1.3M for the short year. Additional costs are budgeted on the Golf Maintenance Division including hiring three full time employees from our seasonal employee group. In addition, food division staff has increased significantly since the new facility opened. These employees will be kept below the 30 hour threshold for health insurance, but some will receive IMRF benefits. Overall, we look to maximize the use of the facility and grow the business and our profits in SY14.

Water and Sanitary Sewer Fund

- Water consumption continues to decline; 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%. On January 1, 2015, the Village's cost for water will increase 17% which is the third and final increase. This brings the total increase for the Village's cost of water from 2011 to 2015 to 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.
- Effective January 1, 2015, total water and sewer consumption rates are scheduled to increase by a total of 9.5%. In recent years, the water and sewer rates have been adjusted in response to the significant water cost increases from the DuPage Water Commission, while restoring cash reserves. The multi-year rate plan includes a moderated, yet healthy cash reserve, and positions the fund well for ongoing operations and to adequately maintain our infrastructure, with appropriate rates to avoid large spikes in the future.

Residential Solid Waste Fund

The Village Board approved a new Residential Solid Waste Program with Republic Services (Allied Waste) that went into effect on August 1, 2012. In addition to these continued services, the contract also offers a new leaf sticker for \$1.50 providing a reduced rate each October and November. As part of the new contract, refuse rates were adjusted starting in August 2012. Rates for these services include a base rate for refuse and recycling removal, and supplemental costs for other program services such as branch and brush, clean sweep and administration. The supplemental fees beginning with the August bill also included a new allocation for the replacement of refuse and recycling totes, a revised administrative cost, and a recycling *credit*. As an incentive to continue to recycle, the Village will now be providing a monthly credit to each account based on recycling revenues received by the Village in the previous year. From August 2013 through July 2014, this credit is \$2.15 per month. This credit will be adjusted on an annual basis depending on the level of recycling and revenues received by the Village. As part of the rate review in August 2013, the Board approved setting aside a portion of the rate to save dollars for future storm clean-up. Storms in recent years have depleted the cash reserves in the fund. Lastly, FY14 will be the final clean sweep service provided to the community within this contract. As part of the approved contract, the Village decided to phase this service out.

Capital Projects Fund

The Village developed a 10-year project and funding plan (some projects are unscheduled and unfunded) in 2012. From that long term analysis, the SY14 budget includes a number of critical improvement projects and the five-year CIP summarizes what projects are tentatively scheduled over the next few years.

- The Capital Projects Fund is now receiving \$3.4 million in property tax revenue previously utilized for debt service payments and now used to support our capital program. This follows the Village's 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 rebounding, with a strong 2013 real estate market, which we anticipate will continue in 2014 and 2015.
- Projects not scheduled/funded are new Police Station, and downtown viaduct and pedestrian tunnel projects, CBD street and streetscape project and Fire Station #1.
- The Capital Projects Fund has a planned deficit of \$1.3M in SY14 due, in large part, to the deferred Lenox/Linden project, which has been paired with the Chidester/Elm project at a projected cost of \$2.3 million during in SY14. This project also includes \$1.06M in water and sewer infrastructure improvements, which are budgeted in the Water and Sanitary Sewer Fund.

Conclusion

The Village of Glen Ellyn's SY14 recommended budget sustains the Village's current level of services without increasing staffing levels except in the Recreation Fund. Striking the right balance between service levels and taxes to pay for those services is debated and decided during the budget process. The budget process, allocating scarce resources is a difficult process 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 beats the projections of the five-year forecast on both the revenue and expenditure sides of the equation. We hope to continue to surpass these projections to ensure we keep balanced annual budgets and add to the overall cash reserves in various funds.

In closing, I wish to extend a thank you to everyone for their hard work in preparing the SY14 budget. Budget discussions benefit all by increasing citizen awareness of the municipal services we are responsible to provide. Staff will continue to find ways to improve efficiency and control costs and work diligently to bring finish the SY14 under budget.

Respectfully submitted,

Mark Franz
Village Manager

Village Strategic Issues and Critical Goals

5/19/2014

GOALS	Strategic Issue #1: CAPITAL ALLOCATION - Adopt a strategic approach to allocating funds to maintain and improve infrastructure and facilities based on highest priority.	Target Date
1	Evaluate Police Station alternatives and pursue a course of action as determined by the Village Board	By 08/01/2014
2	Evaluate downtown pedestrian and vehicle traffic improvements	By 06/01/2014
3	Continue to develop a priority list of capital projects and evaluate funding options	By 08/01/2014
4	Complete Village Board approved capital and ongoing maintenance projects	By 12/31/2014
5	Identify projects and funding options for unfunded/unbudgeted projects for Village Board consideration	By 08/01/2014
GOALS	Strategic Issue #2: FINANCIAL STABILITY - Assure continued financial stability by aligning Village services with	Target Date
1	Create and deliver a bottom up budget approach and transition to a calendar year budget	5/1/2014
2	Evaluate cost controls that continue to deliver high quality services	Ongoing
3	Complete necessary financial monitoring including audit, five year forecast, and Scorecard	By 08/01/2014
4	Implement e-billing and e-government solutions that improves service to the residents and/or controls costs	By 03/01/2015
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
6	Evaluate new revenue concepts and ensure fees are in line with market	Ongoing
GOALS	Strategic Issue #3: ECONOMIC DEVELOPMENT - Increase economic vitality by recruiting and retaining quality businesses and fostering their growth.	Target Date
1	Create and deliver strategic plan for Economic Development that focuses on overall commercial vitality	By 7/1/2014
2	Review and implement efficiency changes in all permit processes	By 12/31/2014
4	Review and consider annexation opportunities to increase the tax base and control future development	Ongoing
5	Review ARC/Planning Commission roles	By 10/01/2014
GOALS	Strategic Issue #4: CUSTOMER SERVICE - Deliver high-quality customer service, build trust and invite involvement through caring interaction, improved processes and superior communication.	Target Date
1	Create communication plan for emergencies	By 02/01/2014
2	Develop a resident (customer) management strategy	By 06/01/2014
3	Evaluate efficiencies that continue to deliver high quality services	Ongoing
4	Enhance and improve communications with residents and the Village Board	By 06/01/2014

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GOALS	Strategic Issue #5: 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
1	Review Staff allocation and opportunities to eliminate redundancies	Ongoing
2	Implement merit based pay system organization wide	Ongoing
3	Develop succession plans for all departments focused on talent management and an overall training program.	Ongoing
4	Evaluate internal human resources improvements to assist in protecting a greatest asset: employees.	Ongoing
5	Evaluate all position vacancies and analyze needs and opportunities for efficiencies for SY14.	Ongoing

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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.

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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.

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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.

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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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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). [27% for SY14]

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.

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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 SY14, the amount of required cash reserves will be \$2,126,000.]
 - 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). [27% for SY14]
 - 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

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.

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- 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.
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.

