January 1, 2015

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

Subject: Budget Transmittal for Calendar Year 2015 Budget

Introduction

Transmitted with this letter is the recommended draft budget of the Village of Glen Ellyn for Calendar Year 2015 (CY15), which runs from January 1, 2015 through December 31, 2015. This is the first calendar year budget as the Village shifted from a May 1 fiscal year to a full calendar year beginning in 2015. 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 twelve months.

This financial road map for the coming fiscal year is the culmination of months of planning and prioritizing, which began in the fall 2013. The Village completed a strategic planning process and then embarked on a comprehensive, zero-based budget approach for Short Year 2014 (SY14) which required much more detailed review and analysis for many departments. 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.

The CY15 budget process was very similar as departments had to justify all line items and summarize the need for all expenses incorporated in their respective department budgets. The General Fund has been balanced with a small surplus of $60,337. By keeping the General Fund spending in line, we are able to maintain service levels without needing a property tax increase this year to support the General Fund. The Village also will not be increasing the property tax levy in the Capital Projects Fund.

Background (Financial Scorecard and Five-Year Forecast)

In order to provide context for the merits and challenges of the Village's financial standing as the Village prepared its budget for CY15, it is important to review the highlights of the Village's Financial Scorecard and Five-Year Forecast. The Financial Scorecard compares and contrasts the Village's financial performance to its peers and was first completed in 2011. The 2014 Village Scorecard identified a strong financial position with less debt and lower pension liabilities than its peers. The Village was also shown to have lower spending for fire, police, and administration as compared to the peer group.

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

In contrast to the Scorecard which looks at current and historical trends, the Five-Year Forecast is a look into the Village's financial future. It is important to note that the Five-Year Forecast is not a prediction of the future; it is a financial model for the Village to identify and understand potential imbalances in revenues and expenditures in order to take strategic action to mitigate those imbalances. The Five-Year Forecast identified that the General Fund revenues are growing at a slower rate than General Fund expenditures. Revenues are forecasted to grow at 0.9% while expenditures grow at 2.9%, which creates a forecasted imbalance in the General Fund. Personnel costs, including salaries, FICA, health insurance, and pension costs are the majority of expenditures in the General Fund (63% of General Fund Expenditures). Personnel costs are projected to increase 3-4%, depending on department over the next five years.

The Five-Year Forecast provides a clear depiction of the unfunded pension liability issue, $16.5 million at the end of FY14 that requires attention now and in the future. The FY15 budget includes additional funding for the Police Pension, see below, but a long-term strategy is needed in order to resolve the pension obligation. One positive trend identified in the Five-Year Forecast is that FY14 was the last debt service payment on our governmental debt (the Village still holds debt in its Recreation Fund). Overall, trends identified in the Five-Year Forecast highlight the fact that balancing the General Fund budget will remain a challenge each year. However, each year, the Village rises to the task of presenting a balanced General Fund budget and has done so again for the CY15.

Budget Polices, 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. 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.

- Cash reserve levels for all funds – Maintain the same cash reserve policy. The General Fund policy is 28% of operating expenditures for CY15, increasing by one percentage point per year up to 35%. Water and Sewer Fund cash reserve policy will increase to $2.158 million with a 1.5% CPI increase. For certain other funds, the policy calls for cash reserves of at least 25% of operating costs.

- Special service areas for economic development – Rate will remain the same at 12.5 cents per $100 of EAV for CY15.

- Pension actuary assumptions – The Village Board directed staff to review these assumptions with the Finance Commission and provide alternative ways to meet our pension obligations short-term, mid-term and long-term. An analysis was done with both the Finance Commission and Police Pension Board and a recommendation was brought to the Village Board. The Village Board modified the investment return assumption to 7% and directed staff to review this assumption again in the up-coming calendar year. A decrease to 7% investment return assumption increases the contribution to the Police Pension Fund to $1,153,000, an increase of $172,000 over SY14.

- CIP funding philosophy – property tax levy – Continue funding capital projects on a pay-as-you-go basis, but continue to consider issuing debt to address some long-term capital needs. The Village has been in the process of updating the 10-year Capital Improvement Plan in order to identify potential avenues to complete several substantial capital projects including a police station, storm water improvements, central business district capital improvements and a potential parking garage (likely as a public/private partnership).

- Issues for CY15 Budget Process – As we embarked on the first calendar year budget, there are several issues which deserved consideration. In addition to the background presented on the Scorecard and Five-Year Forecast, Management felt that several items were important to communicate regarding the CY15 budget:
    - *Meaningful Comparisons:* CY15 will be the first calendar year Budget prepared by the Village. With the exception of the SY14 budget which ran from May to December 2014, all previous budgets have been on a May-to-April fiscal year basis. Both April and December fiscal year-end timeframes encompass a year of financial activity; however, it is also important to note that there are timing nuances which may differ from an April fiscal end to a December fiscal end. To facilitate discussion and analysis of the CY15 budget, the budget includes comparisons to calendar year 2013 actual results and to a calendar year 2014 estimated actual results. Providing these numbers facilitates evaluation of the budget amounts for CY15.
    - *Zero-Based Budget:* Starting with the SY14 budget, the Village embraced a zero-based budget process. The CY15 budget continues to be prepared using this philosophy. Line item detail is provided with the budget to specify the purposes for which resources are being accumulated or used. The Village strives to ensure that the Village budgets are realistic depictions of the financial needs of the Village. We are mindful of the contributions of residents and businesses which make our operations possible. As the Village prepared its Budget, especially for the General Fund, it focused on discretionary versus non-discretionary spending. Non-discretionary spending is considered to be what is essential to maintain the current level of service provided to the community. By preparing a zero-based budget again for CY15, the Village is reaffirming its commitment to transparency in the cost of its services.
    - *Fire Services Fee* - The Village Board approved a new fire service fee that went into effect on May 1 that will help sustain the Volunteer Fire Company for the future.
    - *Ambulance Contract* - A new five-year contract, renewable for another five years, went into effect and the turnkey approach allows the Village to budget for this expense on a fixed-cost basis.
    - *Water and Sewer Rates* – In 2013, in response to increased rates from the City of Chicago and DuPage Water Commission, the Village formulated a multi-year plan to cover the increased costs, maintain our facilities and infrastructure and build cash reserves to an appropriate level. Our rate plan calls for 9.5% total rate increases in January 2015, at which time the rates will be well positioned for future infrastructure costs.

Budget Summary

- **Total Adopted Budget** (net of interfund transfers) is $54.6 million, about $1.9 million more than the FY13/14 revised budget (a 3.6% increase). The revised SY14 budget was $42.4 million, but only included 8 months of activity as opposed to the 12 months of activity budgeted for CY15.

  The CY15 proposed budget projects an overall net deficit of about $4.9 million overall. This is due to a planned use of savings to fund $18.6 million in our capital programs.

- **Village Operations** make up 69% of the total budget for CY15. Operating costs typically are associated with the provision of day-to-day basic Village services. This includes all staffing costs, various contract and consulting services, the purchase of a number of materials and commodities, and expenditures related to the maintenance of Village owned assets and rights of way. Some examples of Village operating expenditures/expenses include:
  - Police and fire protection
  - Purchase of Lake Michigan water
  - ED Awards
  - Volunteer Fire Company support
  - Golf course maintenance
  - Street sweeping
  - Tree planting, maintenance, removal
  - Parking facilities
  - Employment benefits
  - Police and fire dispatch services
  - Treatment of sanitary sewage by the Glenbard Wastewater Authority
  - Weekly garbage pick-up
  - General, liability, property and workers compensation insurance
  - Snow and ice control
  - Water and sewer system maintenance
  - Pavement patching, line striping, and roadway signage
  - Ambulance service contract
  - Retirement benefits administration (Police Pension Fund)

  In many ways, these costs are non-discretionary, if we want to maintain the same level of services we currently provide. The discretionary portion of the Budget such as dues, subscriptions, training, supplies, uniforms, postage, and other items have remained flat for many years which limits are ability to control overall costs further.

- **Cost Control Measures** have been evaluated and implemented over the years. The Village has reviewed many operations, ongoing costs, and/or workflows to ensure that we are providing services in the most effective and efficient manner. In SY14, the Village approved a comprehensive contract for EMS services under a fixed cost agreement that included a reimbursement provision. In addition, the Village outsourced GIS, participated in the Municipal Partnering Initiative (MPI) with other DuPage communities to explore the purchasing power for a variety of Public Works contracts, and hired an in-house Village Attorney to control legal expenses and provide a higher level of service.

- **Capital Improvements Plan (CIP)** – The Village updated a 10-year project and funding plan (some projects are unscheduled and unfunded). From that long-term analysis, management develops a list of projects for the coming fiscal year which is included in a Five-Year CIP. The projects budgeted for CY15 were approved in the overall budget, and future projects are subject to change based on direction from the Village Board. Of note are the following:
    - Street Program {Capital Fund} – Shift more towards maintenance of streets and less towards total reconstruction of streets which is the natural progression of the 20-Year Street Program; and the Village Board approved deferring reconstruction projects in areas without curbs and sidewalks.
    - Salt Storage Facility {MFT Fund and Capital} – Continue to value engineer the project and look for other alternatives to decrease the cost of the project.
    - Police Station {Capital Fund} – In July, 2014 the Village Board provided direction on preliminary funding amount of $12 million.
    - Downtown Streets and Streetscape {Capital Fund} – In July, 2014 the Village Board provided direction on preliminary funding $3.5 million, preliminary engineering work is tentatively scheduled to begin next year.
    - CBD Parking Garage {Capital Fund to be reimbursed by TIF Fund} – Potential Public/Private Partnership that would increase the amount of parking in the downtown.
- **Facilities Plan** – Utilizing the 2012 20-year Facilities Plan as a guide, we developed a list of facility projects for CY15. The Village Board approved a renovation project that would consolidate the Finance Department on the first floor of the Civic Center at a cost of $150,000. In addition, we need to plan for significant HVAC system improvements at the Civic Center over the next two years. The CBD Marque Sign will be replaced this year. Finally, a $150,000 contribution was budgeted this year to the Facilities Maintenance Reserve Fund from the General Fund.
- **Personnel Costs -** These costs are the largest expense for any municipality, so we pay special attention to all components of personnel. We continue to be one of the lowest users of full-time employees per capita in DuPage County. Job sharing, seasonal employees, and part-time employees allow us to control health insurance and pension costs. We have incorporated a number of new positions in the Budget. The hiring of the Village Attorney occurred in SY14, so that shift was incorporated in the budget along with the part-time Executive Secretary becoming full-time.

  In addition, the Recreation Fund has been repositioned as the Village Links/Reserve 22 Fund and was restructured to improve overall operations of the new restaurant. Two new full-time positions of Assistant Food and Beverage Manager have been created. These changes were funded by eliminating a full-time position in golf, and requiring the existing experienced staff to step up to accept more challenges.

This budget includes one new full-time Engineer in the Public Works Department to be funded primarily through the Capital Budget, and we anticipate the cost to be offset by reduced engineering consulting costs. In addition, the Police Department includes a part-time Investigative Aide position to assist the Investigations Division in their responsibilities and focus primarily on Cyber Crime. Lastly, the Assistant to the Village Manager position has been eliminated and a part time Help Desk position has been created to assist the Information Technology Division.

In addition, we continue to see some turnover and vacancies in many department budgets. These savings and the fourth year of below-market health insurance cost increases, has allowed us to beat the Five-Year Forecast projections again. A four-year Police Union Contract is in its third year and includes a 2.5% COLA increase. The recommended budget includes a compensation merit pool of funds based on a 2.25% increase that was agreed to by the Village Board as part of the SY14 budget process. A revised compensation system was finalized in SY14 that includes a new performance review process and an enhanced merit system. The modified merit bases system will allow management to establish a scale which rewards top performers more effectively.

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 CY15 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 CY15 budget includes 9 governmental funds:

    - General Fund
    - Corporate Reserve Fund
    - Motor Fuel Tax Fund
    - CBD TIF Fund
    - Roosevelt Rd. TIF Fund
    - Debt Service Fund
    - Capital Projects Fund
    - Facilities Maintenance Reserve Fund
    - Fire Services Fund

2. ***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 CY15 budget includes four enterprise funds:

   - Water and Sewer Fund
   - Parking Fund
   - Residential Solid Waste Fund
   - Village Links/Reserve 22 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 CY15 budget includes two 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

General Fund

The General Fund includes the day-to-day expenditures 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 (when totaled, these three departments make up 70.5% of General Fund expenditures). The expenditures in our General Fund are dominated by salaries, pensions, and benefits (68%).

The Village of Glen Ellyn has a diverse revenue stream; however, much of the revenue base is derived from sales and home rule sales taxes, income tax, and property taxes (66%). The Village strives to only increase the tax burden on its residents if it is necessary to do so. To this end, General Fund Revenues will be reviewed after expenditures to determine the necessary revenues to balance the budget. With the switch to a calendar year budget, the tax levy process will align with the budget process to ensure the Village only levies for what it needs.

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 current financial crisis in Illinois 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. Listed below are the most significant elements impacting the Village's General Fund budget for our CY15 budget:

- The General Fund pays most of the day-to-day operating costs of the Village and makes up 31% of the total expenditure budget.
- The adopted General Fund budget includes a $60,337 surplus with $16,891,300 in revenues and $16,830,963 in expenditures.
- Below is a comparison of the calendar year estimated actual results compared to the proposed CY15 budget.

	Estimated CY14 Actual	CY15 Budget	Difference	Percent Change
Revenues*	$17,015	$16,891	($124)	(0.1%)
Expenditures*	$16,494	$16,831	$337	2.0%
Net*	$521	$60	($461)	

**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 $371,000. By working with departments to decrease budgets and reviewing revenues, this budget gap was eliminated.

Water and Sanitary Sewer Fund

With the exception of the dry weather in 2012, 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% respectively. 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, cash reserve, and positions the fund well to adequately maintain our infrastructure, with appropriate rates to avoid large spikes in the future.

Village Links/Reserve 22 Fund

The Recreation Fund has been reinvented as the Village Links/Reserve 22 Fund which continues to be a self-sustaining enterprise fund. The restaurant operations have been restructured and repositioned to capture a new customer base and well as continue to support the existing customers. The Executive Chef/F&B Manager has full reign to grow the business and institutionalize new operations for the restaurant, banquet facility, and ancillary operations such as a halfway house and beverage cart. Two new full-time positions of Assistant Food and Beverage Manager were created. These changes were funded by eliminating a full-time position in golf, and requiring the experienced staff to step up to accept more challenges. We are projecting $2 million in food revenues and estimate close to a 20% in profits in F&B. Overall, we are projecting $5 million in revenues and $4.8 million in expenses.

Capital Improvement Plan (CIP) Fund

The Village developed a 10-year CIP and funding plan (some projects are unscheduled and unfunded) in 2012. Early in 2014, staff updated the plan and the Village Board prioritized projects and discussed some funding options to address unfunded and unplanned projects. The CY15 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 and 204 real estate market, which we anticipate will continue in 2015.

- Projects not scheduled/funded are the new Police Station, downtown viaduct and pedestrian tunnel projects, CBD street and streetscape project and Fire Station #1.

- The Capital Projects Fund has a planned deficit of $3.1 million in CY15 due, in large part, to the deferred Elm-Geneva Connectors-Cottage Project, the planned Glenwood-Arbor-Ridgewood Project, and the Crescent Boulevard Reconstruction Project which is receiving $1.6 million in grant revenue, but does require about $1.2 million in funding.

Pension Fund

The Finance Commission has worked with the Pension Board to develop some long term strategies to address the growing pension cost liabilities. By identifying some modifications to the assumptions, dedicated additional revenue to the Fund, and creating an accelerating approach, the Village can begin to see the benefits of compound growth and slowly address the problem. The following recommendations are incorporated into this Budget:

- Set the assumption for long-term investment at 7.0% (down from 7.25%) with the goal of getting to 6.0% (6.25% if the Pension Board maximizes their investment options) over the next five years.

- The CY15 budget dedicates $1,153,000 to the Police Pension Fund at an increase of $172,000 over SY14.

Strategic Planning

The Village of Glen Ellyn, through a strategic planning process in the summer/fall of 2013, identified five key strategic issues as the focus for the next four years. 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:

- **Strategic Issue #1: CAPITAL ALLOCATION** - Adopt a strategic approach to allocating funds to maintain and improve infrastructure and facilities based on highest priority.
- **Strategic Issue #2: FINANCIAL STABILITY** - Assure continued financial stability by aligning Village services with revenue.
- **Strategic Issue #3: ECONOMIC DEVELOPMENT** - Increase economic vitality by recruiting and retaining quality businesses and fostering their growth.
- **Strategic Issue #4: CUSTOMER SERVICE** - Deliver high-quality customer service, build trust and invite involvement through caring interaction, improved processes and superior communication.
- **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.

The corresponding goals and action steps have been established and continue to be refined by shifting priorities and resources management. Additional strategic planning sessions are scheduled with the newly elected Village Board in the second quarter of CY15 to review and refine new goals for the next two years.

Conclusion

The Village of Glen Ellyn's CY15 recommended budget sustains the Village's current level of services. 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 and prioritizing programs and projects, is difficult each year because the demand for municipal services often exceeds the revenues available to pay for those services. We are pleased that the budget continues to be balanced despite the potential challenges cited in our Five-Year Forecast. We hope to continue to surpass these projections to ensure we keep balanced annual budgets and add to the overall cash reserves in various funds. Strong cash reserves protects the Village from unforeseen emergencies, strengthens our bond rating which provides favorable interest rates, and strengthens are overall financial position.

In closing, I wish to extend a thank you to everyone for their hard work in preparing the CY15 budget. The development of the CY15 budget could not take place without the commitment and cooperation of many Village employees. Many management employees actively participate in developing and reviewing budget information which leads to an award-winning budget document for the past 20+ years. Staff will continue to find ways to improve efficiency and control costs and work diligently to bring in CY15 under budget.

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.

Respectfully submitted,

Mark Franz
Village Manager

Village Strategic Issues and Critical Goals

12/16/2014

GOALS	Strategic Issue I: CAPITAL ALLOCATION - Adopt a strategic approach to allocating funds to maintain and improve infrastructure and facilities based on highest priority. Village needs.	Target Date	Status
I-1	Evaluate Police Station alternatives and pursue a course of action as determined by the Village Board. Shifting towards implementation.	8/1/2014	Completed
I-2	Evaluate downtown pedestrian and vehicle traffic improvements	1/15/2015	Pending
I-3	Develop a priority list of capital projects and evaluate funding options	8/1/2014	Completed
I-4	Complete Village Board approved capital and ongoing maintenance projects	12/31/2014	Completed
I-5	Identify projects and funding options for unfunded/unbudgeted projects for Village Board consideration	8/1/2014	Completed

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

GOALS	Strategic Issue III: ECONOMIC DEVELOPMENT - Increase economic vitality by recruiting and retaining quality businesses and fostering their growth.	Target Date	Status
III-1	Create and deliver strategic plan for Economic Development that focuses on overall commercial vitality	7/1/2014	Completed
III-2	Review and implement efficiency changes in permit processes	10/1/2015	Pending
III-4	Review and consider annexation opportunities to increase the tax base and control future development	12/31/2014	Pending
III-5	Review ARC/Planning Commission roles	On Hold	On Hold

GOALS	Strategic Issue IV: CUSTOMER SERVICE - Deliver high-quality customer service, build trust and invite involvement through caring interaction, improved processes and superior communication.	Target Date	Status
IV-1	Create communication plan for emergencies	2/1/2014	Completed
IV-2	Develop a resident (customer) management strategy that mandates responsiveness and convenience.	6/1/2014	Ongoing
IV-3	Evaluate efficiencies that continue to deliver high quality services in three areas, false alarms, crime free housing, and Administratvie Adjudication.	2/1/2015	Pending
IV-4	Enhance and improve communications with residents and the Village Board	12/1/2014	Completed

GOALS	Strategic Issue V: HUMAN RESOURCES - Focus on employee learning and growth to further develop a workforce committed to excellence and able to meet the Village's evolving needs.	Target Date	Status
V-1	Review Staff allocation and opportunities to eliminate redundancies annually as part of budget process.	5/1/2014	Completed
V-2	Implement merit based pay system organization wide	5/1/2014	Completed
V-3	Develop succession plans for all departments focused on talent management and an overall training program.	12/1/2014	Completed
V-4	Evaluate internal human resources improvements to assist in protecting a greatest asset: employees.	5/1/2015	Pending
V-5	Evaluate all position vacancies and analyze needs and opportunities for efficiencies for SY14.	5/1/2014	Completed

Village of Glen Ellyn
Financial Policies

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

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

A. General

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

B. Budget

1. A balanced budget shall be defined (at each individual fund level) as a budget where projected revenues are equal to budgeted expenditures within the current fiscal period. The adopted budget, on an individual fund basis, may or may not be balanced, depending on the availability and appropriateness of utilizing cash reserves. Use of cash reserves are generally determined to be acceptable for one-time or capital expenditures after minimum reserve levels are observed.

2. The Village shall publish an annual budget which serves as a communications tool which demonstrates the government's accountability for the sources and uses of public funds. Expansive narrative discussion should be included to communicate the organization's policies and objectives as well as detailed descriptions of revenue and expenditure line items. The budget should also serve as an operations guide to assist personnel in the responsible management and application of Village resources.

3. The Village desires to annually participate in the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Awards Program.

4. The Village shall approach the annual budget process in a spirit of openness which encourages public information and participation. To that end, the annual budget shall be provided in its entirety on the Village's web-site, and the Village will annually exceed statutory requirements for public discussion and deliberation on the budget.

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

C. Revenue

1. The Village endeavors to maintain a diverse and stable revenue base to protect operations from short-term fluctuations in any one revenue source. The mix of various revenues employed will include both elastic and inelastic revenue sources to minimize to the extent possible the effects of economic downturn.

2. The Village will employ, where appropriate, various available economic development incentive tools, which will add to long-term revenue stability and growth.

3. The Village will monitor changes in key revenues on, at a minimum, a quarterly basis, and report on significant changes in collections or emerging trends.

4. The Village will oppose State and/or Federal legislation that would result in unfunded expense mandates to units of local government without providing for compensating authority to increase available revenues to offset such mandates.

5. Village enterprise funds (e.g. Water and Sanitary Sewer, Recreation, Parking, Residential Solid Waste) shall have fees set in such a manner which fully support all direct and indirect (depreciation of capital) costs associated with providing the service.

6. The Village will avoid the use of one-time or otherwise intermittent revenues to support continuing operating expenses.

7. The Village will explore to the extent practicable the award of various local, State and/or Federal grants to support one-time capital or non-recurring expenditures. Consideration of grant opportunities shall include an evaluation of required local matching funds and possible on-going operating costs associated with accepting grant funding.

D. Expenditure

1. The Village shall maintain a level of expenditures which will provide for the public well being and the safety of the residents of the community.

2. The Village shall pay for current operating expenses from available operating revenues where possible.

3. The Village should avoid budget practices which balance current costs at the expense or detriment of future years, such as deferring or postponing necessary expenses.

4. The Village should avoid the implementation of new programs or services without the identification of a dedicated revenue stream to pay for them.

5. The Village annual budget shall provide a systematic approach for the replacement of municipal equipment and facilities which includes funding replacement of these assets over their anticipated useful life.

6. The Village shall provide for the responsible and timely funding of required employee pension plans.

7. The Village shall prepare a long-term financial forecast for the systematic replacement of its public infrastructure assets.

E. Debt Administration

1. It is the objective of the Village's debt policies that:
    a. The Village will issue debt only when necessary.
    b. The process of identifying the amount and timing of debt issuance is conducted as efficiently as possible, and
    c. The most favorable interest rate and other costs be obtained

2. The Village will seek the assistance and expertise of a qualified Financial Advisor when considering debt issuance. Selection of a Financial Advisor may be achieved through a request for proposals process.

3. Long-term debt obligations will be used to finance significant capital projects or improvements, not for operational purposes.

4. The duration of long-term debt obligations will not extend beyond the anticipated useful life of the projects financed.

5. Level or declining debt service shall be employed unless operational matters dictate otherwise, or unless to achieve overall level debt service considering other outstanding obligations.

6. The Village shall be mindful of the potential benefits of bank qualification and will strive to limit its annual issuances of debt to $10 million or less when such estimated benefits are greater than exceeding the benefits of exceeding the bank qualification limit.

7. When feasible and economical, obligations shall be issued through competitive versus negotiated sale. When circumstances dictate that a negotiated issuance take place, the reasons for such action shall be disclosed in a public meeting.

8. The criteria to select an underwriter in a competitive sale shall be the true interest cost.

9. The Village shall consider refunding debt whenever an analysis indicates the potential for present value savings in excess of 2% of the principal being refunded.

10. The Village shall strive to conduct its financial affairs in a manner which would maintain or improve its bond rating.

11. When a general obligation bond is issued, the Village will receive a rating from at least one national rating agency.

12. The Village will fully comply with all continuing disclosure requirements as established by SEC Rule 15c2-12 and shall upon completion of each year's audited financial statements, submit required continuing disclosures to all Nationally Recognized Municipal Information Repositories (NRMSIRs) and to any required State Information Depositories (SIDs).

F. Reserve Policy

Definitions

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

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

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

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

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

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

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

1. The Village will maintain adequate cash reserves (unassigned fund balance) in its operating funds (General Fund) in an amount equal to or greater than 25% of the current year fund operating expense budget (excluding capital) for FY2012/13. In following years, the target amount of cash reserves will increase by 1 percentage point growing to 35% of current year fund operating expense budget (excluding capital). [28% for CY15]

Adequate reserve balances are maintained to:

a. offset unexpected changes in operating revenues,
b. provide sufficient cash flow for daily transaction volumes, and
c. provide a buffer for unexpected or emergency expenditures.

2. The Village will spend the most restricted dollars before less restricted, in the following order:

    1. Restricted,
    2. Committed,
    3. Assigned,
    4. Unassigned.

3. The Finance Director will determine if a portion of fund balance should be assigned and will document said assignment by a memorandum to the Village Manager and appropriate disclosure in the audited financial statements.

4. ENTERPRISE FUNDS CASH RESERVES:

    a. The Village will maintain $2,000,000 in cash reserves in the Water and Sanitary Sewer Fund for FY2011/12, increased annually by the 12-month change in the CPI-U (December before the beginning of the fiscal year) or 3%, whichever is less. [The 12 month change in the CPI-U for December 2013 was 1.5%. For CY15, the amount of required cash reserves will be $2,158,000.]

    b. The Village will maintain adequate cash reserves in the Parking Fund and Recreation Fund in an amount equal to or greater than 25% of the current year fund operating expense budget (excluding capital) for FY2012/13. In following years, the target amount of cash reserves will increase by 1 percentage point growing to 35% of current year fund operating expense budget (excluding capital). [28% for CY15]

    c. The Village will maintain adequate cash reserves in the Residential Solid Waste Fund, in an amount equal to or greater than 25% of the current year fund operating expense budget (excluding capital).

G. Cash Management

1. The Village shall invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state statutes governing the investment of public funds.

2. In order to maximize interest earnings, the Village comingles the cash of all funds (excluding those legally required to be kept separate – e.g. Police Pension Fund). Interest revenue derived from comingled cash accounts is allocated to the participating funds monthly based on the relative cash balance of each fund.

3. Criteria for investment of funds, in the order of priority are as follows:

    a. **Safety** of principal is the foremost objective of the investment program. Investments of the Village of Glen Ellyn shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio.

b. The investment portfolio shall remain sufficiently **liquid** to meet all operating requirements that may be reasonably anticipated.

c. The investment portfolio shall be designed with the objective of attaining a market **rate of return** throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

H. Accounting, Auditing and Financial Reporting

1. The Village shall establish and maintain a high standard of accounting practices in conformance with Generally Accepted Accounting Principles (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).

2. The Village shall select a qualified firm of Certified Public Accountants to perform an annual audit in accordance with Generally Accepted Auditing Standards (GAAS) and issue an opinion on the financial statements.

3. The Village shall annually prepare a Comprehensive Annual Financial Report (CAFR) and submit it to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting award.

4. The Village will utilize the modified accrual basis of accounting for its governmental funds (general, special revenue, capital projects and debt service funds). Revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred.

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.