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October 22, 2021

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



Subject: Budget Transmittal for Fiscal Year 2021 – Recommended Draft Budget

### Introduction

Transmitted with this letter is the recommended budget of the Village of Glen Ellyn for Fiscal Year 2022 (FY22), which runs from January 1, 2022 through December 31, 2022. 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. The budget formation was again conducted through a zero-based budget process. The FY22 budget process required all departments to justify all line items and summarize the need for all expenses incorporated in their respective department budgets. This process, allocating scarce resources and prioritizing programs and projects, is difficult each year because the demand for municipal services often exceeds the revenues available to pay for those services.

## BUDGET OVERVIEW

### Financial Scorecard

In order to provide context for the merits and challenges of the Village's financial standing as the Village prepares its budget for Fiscal Year 2021, it is important to review the highlights of the Village's Scorecard, which was updated at the beginning of 2020, before the Covid-19 pandemic. The Scorecard compares and contrasts the Village's financial performance to its peers. In the Scorecard, the Village was identified to have a strong financial position with less debt and lower pension liabilities than its peers. The Village also fell on the low to moderate range among the peer communities on expenditures.

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 tax base. Increasing the commercial property tax base, which includes multi-family and mixed use development, could shift the property tax burden from the residential properties and may also increase sales tax and home rule sales tax revenues to the Village. The full scorecard can be found on the Village's website (<https://www.glenellyn.org/218/Finance-Commission-Reports>).

### Budget Summary

The budget consists of 18 different funds, many summarized below. The 2022 budget can be bifurcated into capital and operating components as highlighted below. The increase in the budget in 2022 is divided evenly between operating and capital components.

	2022 draft budget	2021 original budget	\$ Change	% Change
Operating (net of transfers)	\$44,881,255	\$41,108,744	\$3,772,511	9.2%
Capital & Debt Service	\$27,107,768	\$23,579,787	3,527,981	15.0%
Total Budget	\$71,989,023	\$64,688,531	7,300,492	11.3%

The operating components provide consistent Village services. The 2022 budget enhances service levels in public safety and emergency medical services. The capital component fluctuates from year to year and is based upon the Village's capital plan. In 2022, the Village has planned several major capital projects.

## OPERATING BUDGET

Village Operations make up 62% of the total budget for all funds in FY22. 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 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)
- Covid-19 pandemic expenses

The total operating budget for 2022 increases \$3.7 million or 9.2% from the prior year. The reasons for this increase are many. First, the 2021 budget was depressed by the financial uncertainty of the pandemic. Several positions were held vacant and the Village held its operating budget at a 1.3% increase for the 2021 budget. Next, personnel costs for the Village increased \$1.5 million Village-wide from 2021 to 2022. The largest single department contributing to this increase is the police department, supported by a staffing study completed in 2021. The personnel budget is discussed in depth later in the memo.

Next, the Village Board enhanced Emergency Medical Service (EMS) in 2021 by amending our current ambulance contract. The amendment provided additional compensation to paramedics to keep pace with industry standards and to retain qualified paramedics to serve Village residents and visitors. The amendment also added a layer of supervisors and an increase in daily staffing levels to meet the needs of the community. The supervisors will man a new rapid-response vehicle which will supplement the Village's two ambulances. The budgeted cost of this enhancement is \$500,000 for 2022.

The budget also includes snow removal and de-icing for the new Civic Center parking garage and surrounding campus. This cost is budgeted at \$150,000 for 2022. The Village Board approved a snow removal contract in Fall 2021. The cost is per occurrence and it is possible the Village will incur less cost than is budgeted. However, this estimate is based upon an average snow year. The majority of the cost is related to the de-icing material that is required to be used on the garage to maintain warranties. The Village is working with the garage engineers to hopefully utilize more inexpensive de-icing materials if possible.

The 2022 budget includes several one-time items which impact its comparison to the prior year:

- Zoning Code Update: The Village has budgeted \$115,000 to update its Zoning Code to reflect changes and recommendations in the Comprehensive Plan, once completed. The Zoning Code was last updated in 1989, and since then only minor changes have been made over the years.
- Roosevelt Road Hotel Consultant: The Village has a contract to purchase a hotel on Roosevelt Road with the goal of redeveloping the site. The Village Board engaged a consultant in 2021 to evaluate and provide recommendations for the site and the 2022 budget includes \$60,000 for this evaluation.
- Compensation Study: The last compensation study conducted by the Village was over 10 years ago. With the resurgence of the employment market, the Village has found that its current pay and class structure is not functional. The current employment market is out of line with our current structure and staff is continually needing to readjust the current structure to keep pace with the market and attract and retain qualified staff. Any adjustment causes a domino effect throughout the organization; therefore, staff is recommending to budget to engage firm to complete a compensation study to align our structure with the market.
- Community Survey: The Village's last Community Survey was completed in 2017 and is recommended to perform a re-evaluation every three years. The 2022 budget includes \$23,000 to perform a Community Survey.
- American Rescue Plan Act: The 2022 operating budget includes \$800,000 of expenses for the American Rescue Plan, which is discussed in more depth later in this memo. The \$800,000 is budgeted for assistance to other government entities, business support, behavioral/mental health support, community grants, and water/sewer bill assistance.

### *PERSONNEL*

Personnel Costs are the largest component of the operating budget. These costs are the largest expense for any municipality, so we pay special attention to all components of personnel. The Scorecard, updated in 2020, showed the Village ranking 5 out of 12 on the number of full-time equivalent employees and 7 out of 12 on the number of FTE per 1,000 residents. The ranking is based on 1 being the lowest and 12 the highest. The Village was ranked 4 out of 12 for the number of full-time employees. Job sharing and the utilization of seasonal employees and part-time employees allow us to control health insurance and pension costs. From a personnel standpoint, the Village has operated leanly. However, stressors have created the need to address staffing levels in most departments.

In 2020, the Village froze three vacant positions due to the pandemic, which generated approximately \$250,000 savings in 2021. As the Village moved into spring and summer of 2021, the Village began to experience what is now known as "The Great Resignation." In 2021, the Village placed 41 job search adds for open positions. The Village has not experienced such high levels of turnover in the last decade of permanent positions. The high demand for the job market is placing upward pressure on starting salary and wages. The turnover experienced in 2021 is also driving personnel costs below budget for 2021 by over \$579,000.

In 2021, the Village completed a staffing study of the police department. The goal of the study was to access appropriate staffing and structure for the police department. The study recommended that the sworn staff be increased from 40 to 45 officers. The study recommended that the department add three Commander positions, two of which result in elimination of a Sergeant position. The study recommended 4 additional police officers. Lastly, the study recommended one additional part-time administrative assistant and to fill the vacant non-sworn Police Program Coordinator position. The basic salary and health insurance cost of these recommendations, which have been incorporated in the 2022 budget is \$502,025. Additional costs will include any contractual time, uniforms, training, etc. Village pension contributions are in arrears. The contribution for these officers will begin in 2023 and is estimated at \$120,000 - \$130,000 for the first year.

Personnel budget changes by department are as follows:

Administration: A full-time Human Resources Manager was brought on board in 2021. The Village was on the very low end of Human Resources staff per employees. The HR function oversees regular Village staff, Glenbard Wastewater and the Village Links/Reserve 22. An additional Maintenance Worker is recommended in the Facilities division to be able to keep pace with the maintenance schedule for all Village buildings. An additional part-time Custodian is also budgeted; however, the Village has been unable to attract candidates to that position. Lastly, the Communications Coordinator position has been budgeted to increase to full-time.

Finance: The Payroll Specialist position held vacant in 2020 and 2021 will be refilled in 2022.

Community Development: An additional full-time permit clerk was added in 2021 to provide succession planning and to address the booming building market. The part-time Property Site Inspector and a part-time Fire Inspector position were combined into a full-time Fire/Property Inspector. The part-time vacant Administrative Clerk role was filled in 2021.

Public Works: A Forester position was added in 2021 and a Mechanic is proposed for Equipment Services in 2022 to provide for succession planning for the division.

Village Links/Reserve 22: A full-time Golf Supervisor position is proposed.

Other notable highlights of the 2022 personnel budget include:

- The Village is in the eighth year of a merit-based pay system for non-union employees that allows Management to establish a scale and reward top performers more effectively. The FY21 budget recommends a personnel budget adjustment at a cost of approximately \$350,000 which includes payroll tax and pension costs. The budget also includes steps allotted under the union contract a 2.25% increase for the police union effective November 1, 2021 and a 2.25% increase effective November 1, 2022. The actual increase effective November 1, 2022 will be determined on negotiation of a new contract.
- The IMRF pension rate (for those pensions for non-sworn employees) decreased from 8.92% of covered payroll to 6.85% of covered payroll in 2021, decreasing the IMRF expense for 2022 by almost \$100,000.
- The Village budget assumes a 2% increase in health insurance premiums, effective July 1, 2022.
- The FY22 budget maintains police pension contribution at \$2.059 million based upon the Village's actuarial report.

## CAPITAL BUDGET

The proposed 2022 Capital Budget was presented to the Village Board at the September 13, 2021 Village Board Meeting.

The hallmarks of the 2022 Capital Program are:

- Roadway & Utility Projects
  - Utility and Roadway Project 20001 (0.8 mile) - \$4.3 million
  - Utility and Roadway Project 22002 (4.5 miles) - \$5.9 million
  - Central Business District Street & Underground Improvements – Phase 1 – (0.5 mile) - \$6.7 million
- Other Water & Sewer Projects
  - Sanitary Sewer Lining Program: \$200,000

- Hill Avenue Water & Sewer: \$1.4 million
- South Park Boulevard Water Main Replacement: \$1.6 million
- Glen Ellyn/IL American Water Interconnect: \$385,000
- Other Projects:
  - Train Station/Underpass Engineering: \$500,000
  - Panfish Park Improvements: \$75,000
  - McKee House \$100,000
  - Bike Plan Update: \$25,000
- Facilities Expenditures: \$339,200
- The budget continues to move forward Phase I engineering for the Train Station project.

The Capital Budget also includes an updated 5-year Capital Improvement Plan (CIP) which forecasts projects over the next five years. This document can be found in the Capital section of the budget.

The Capital Program for Enterprise Funds such as the Water & Sewer Fund are funded through user charges and the Village currently funds its Water & Sewer capital program on a pay-as-you-go basis. In Water & Sewer, the available amounts above the reserve policy are dedicated to the capital program and the Village has earmarked those for several large projects, including those in this year's budget as well as the forecasted utility improvements for the Central Business District.

The Capital Program for the Village's roadways, storm sewers and sidewalks is funded through revenues in the Village's Capital Projects Fund. Revenues in the Capital Projects Fund are forecasted to increase 30.3% from the 2021 budget. However, this increase is mostly driven by a one-time transfer of \$2 million from the Motor Fuel Tax Fund. Absent that transfer, revenues will increase 9.4%. Part of the increase is driven by a low budget in 2021 for real estate transfer taxes and food and beverage taxes. The 2021 budget was conservative given the unknown financial impact of Covid-19 at that time. A robust real estate market has increased the real estate transfer taxes to a budget of \$900,000, an annual amount greater than pre-pandemic levels. The Village's food and beverage tax has also performed well despite the pandemic. The 2021 budget budgeted \$1.08 million, short of the Village's 2020 budget of \$1.3 million. The 2021 projection and 2022 budget are \$1.5 million. Utility taxes in the fund continue to decline, particularly telecommunications tax.

The Capital property tax levy for the 2022 budget is increased only by new growth of 0.8% or \$32,000. Increasing the levy by new growth fairly assesses taxes to those who gain the use of Village services and infrastructure. No consumer price index adjustment is included.

The Village has not budgeted to issue debt in 2022.

## COVID-19 AND THE 2022 BUDGET

It is not possible to discuss or review the 2022 budget without considering the impact of the Covid-19 pandemic. From a budgeting standpoint, the challenge of the pandemic is that it not been experienced in recent history and its end date is unknown. The pandemic began at the end of the first quarter of 2020. The Village responded quickly, modeling potential financial impact of the event and discussing with the Village Board as early as March 2020. The Village updated its financial modeling several times over the course of 2020, each time sharing the results with the Village Board. The Village's fiscal year 2020 results were much better than anticipated only a small deficit, before CARES Act Funding. The overall Village calculated revenue loss for 2020 was \$1 million, across all funds.

In 2021, the local economy rebounded, positively impacting major revenues including sales tax and home rule sales tax. Income tax was boosted growth in the labor market and government incentives. Additionally, growth in gross corporate income tax has also positively impacted income tax. Revenues in the General

Fund for 2021 are expected to exceed the 2021 budget by \$2.2 million, with the majority of the increase from sales, home rule sales, and income tax.

The one Village Fund still being impacted by Covid-19 is the Parking Fund. The Village Board reduced commuter permit fees by 25% in 2020 and the same reduction is proposed for 2021. The daily lot, which generated approximately \$85,000 in annual revenue prior to the pandemic, is only anticipated to generate \$6,300 in 2021 and 2022. The 2022 proposed budget does include allocating \$450,000 in American Rescue Plan Act funding to sustain the Parking Fund.

In 2021, the Village received its first payment of American Rescue Plan Act funds of \$1.88 million. The Village's second and final payment of \$1.88 million is budgeted for 2022. Please see the discussion of the Village's Funds later in this memo for additional information on the Village's American Rescue Plan Act Fund.

## ECONOMIC DEVELOPMENT

The Village continues to prioritize economic development. In 2021, the Village's first major redevelopment project in many years in the Central Business District (CBD), Avere on Duane, was completed. This development will positively impact the Village's Central Business District TIF Fund. The 2022 budget includes \$338,000 of increment from this development. A second commercial/multi-family development (Apex 400) is currently under construction with completion anticipated in Spring 2022. A third development (Glenwood Station) has been approved by the Village Board, but has not yet begun construction.

In 2021, the Village entered into a contract to purchase two hotel buildings on Roosevelt Road for the purpose of redevelopment. The Village hopes to close on the properties in late 2021. The 2022 budget includes \$60,000 for a consultant to evaluate and recommended redevelopment use and strategy.

The 2022 budget continues to include façade, interior and fire awards for businesses (a total of \$245,000 is included across all funds) and budgets for all existing sales tax incentive agreements (\$224,000). The budget also continues to support the Alliance of Downtown Glen Ellyn. Additional business support is proposed from the American Rescue Plan Act funding and is discussed below.

## CASH RESERVES

The budget maintains the targets outlined in the Village's cash reserve policy. The Village's AAA bond rating was reaffirmed in 2021 and Standard & Poor's report cited the Village's commitment to strong reserves and a 30% reserve policy for its General Fund as a financial strength. The General Fund policy is 30% of operating expenditures. Water and Sewer Fund cash reserve policy will increase to \$2.442M with a CPI increase. For certain other funds, the policy calls for cash reserves of at least 25% of operating costs. The budget shows all funds remain above their cash reserve policy.

## BUDGET HIGHLIGHTS OF THE VILLAGE'S FUNDS

### GENERAL FUND

As with other municipalities, the majority of General Fund costs are borne by the largest departments of Police and Public Works, as well as providing funding to the Volunteer Fire Company including ambulance services. When totaled, these three departments make up almost 67% of General Fund expenditures. The expenditures in our General Fund are dominated by salaries, pensions, and benefits (70%). 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 (33% of General Fund revenues), income tax (15%), and property taxes (17%). Below is a comparison of the FY2022 draft budget to the FY2021 original budget

	FY21 Budget	FY22 Budget	Difference	Percent Change
Revenues*	\$18,891	\$22,510	\$3,619	19.2%
Expenditures*	\$20,796	\$22,504	\$1,708	8.2%
Net*	\$(1,905)	\$6	\$1,911	

\*In thousands

#### General Fund Revenues

General Fund Revenues increase by 19.2% over the prior year's budget. Much of this increase is due to a depressed 2021 budget, which anticipated decreases in several of the Village's key revenues. The economy rebounded strongly in 2021 and has improved the revenue budget for the General Fund for 2022. Notable revenue highlights in 2022 include:

- o Property Tax - The General Fund property tax levy for the 2022 budget is increased only by new growth of 0.8% or \$30,000. Increasing the levy by new growth fairly assesses taxes to those who gain the use of Village services and infrastructure. No consumer price index adjustment is included
- o Special Service Areas (SSA) for Economic Development– The SSA rate will remain the same at 12.5 cents per \$100 of EAV.
- o Sales Tax– The budget anticipates a 30.4% increase in sales tax from 2021 to 2022 budgets. This is based upon the projected 2021 revenue of \$4.3 million. As noted above, much of this increase is due to a depressed 2021 budget. However, sales tax is at an all time high for the Village. This is due to a strong economy, but also due to sales tax law changes in Illinois which direct more online sales tax dollars to the Village.
- o Home Rule Sales Tax – The Home Rule Sales Tax is budgeted at 1.25%, the rate that went into effect July 2018. The Home Rule Sales tax is budgeted to increase by 42.7% from the 2021 budget. As Sales Tax is being positively affected, so is Home Rule Sales Tax. The 2022 budgeted Home Rule Sales Tax is based upon estimated actual 2021 revenue of \$3.058 million.
- o Income Tax– Income tax is anticipated to see a 32.9% increase from the 2021 to 2022 budgets, based upon per capita estimates from the Illinois Municipal League. Strong employment and wage growth as well as corporate income is positively impacting income tax.



- Use Tax – Based upon per capita estimates from the Illinois Municipal League, Use Tax is anticipated to increase by 2.9%. Use tax is positively affected by internet sales. In 2022, revenue that used to come to the Village as use tax will now be directed as sales tax, due to sales tax law changes in Illinois.
- Building Permit Revenue – Building permit revenue is forecast at \$1.3 million based upon 2021 activity and the anticipation of the Glenwood Station development at the former McChesney Miller grocery store.
- Investment Income – Declining interest rates have reduced investment income into the General Fund. Therefore, the budget is further lowered by 64%. In 2019, the Village was receiving in excess of \$200,000 of investment income in the General Fund. Only \$15,000 is budgeted for 2022.
- Transfers In – The 2022 budget includes a transfer in from the American Rescue Plan Act of \$810,000. This is to account for revenue loss experienced during the pandemic and will be used to fund public safety expenditures.

### General Fund Expenditures

General Fund Expenditures are budgeted to increase by 6.3%. The chart below by category highlights the changes from the prior year budget:

(in thousands)	FY21 Budget	FY22 Budget	Difference	Percent Change
Personnel Services	\$11,075	\$12,359	\$1,284	11.6%
Contractual Services	\$3,832	\$4,414	\$582	15.2%
Commodities	\$783	\$326	(\$457)	-58.3%
Capital Outlay	\$217	\$295	\$79	36.5%
Transfers Out	\$4,890	\$5,108	\$218	4.5%

- Personnel Services includes the \$500,000 impact of staffing changes from the police staffing study. Approximately \$350,000 is budgeted merit-based wage adjustments for Village employees. The remainder accounts for filling previously vacant positions as well as new positions proposed in the budget as noted in the personnel section.
- Several one-time items are budgeted for in contractual services. A Zoning Code update is budgeted at \$115,000, a compensation study at \$50,000, and a community survey at \$23,000. Tree removal is increased by \$40,000.
- In 2021, \$500,000 was budgeted in the commodities category to account for Covid-19 expenditures and also as a hedge against revenue loss. This amount was reduced to \$15,000 in 2022.
- Capital Outlay for the General Fund is incidental in nature. The Police Department has budgeted to replace its in-car cameras in 2022 for \$175,000. Other budgeted capital are small capital items such as computer equipment or small equipment for Public Works.
- Transfers out increased by \$218,000. Health insurance increased by \$79,500. The transfer to the Equipment Services Fund for fleet replacement and maintenance increased by \$109,900.

## Balancing the General Fund

As noted in the revenue section above, the General Fund has been balanced using American Rescue Plan Act (ARPA) funds that the Village is eligible for under ARPA guidelines. These funds provide needed public safety funding which allows the Village to accomplish several one-time expenditures in the General Fund (approximately \$363,000 of one-time expenditures). However, absent those expenditures, there is a structural deficit that, once the ARPA funds are no longer available, will have to be supported by another revenue source. Also, it is unrealistic to think that there will be no one-time expenses in other years that will need to be budgeted for. Staff is not recommending increasing or adding new revenues in 2022 given the receipt of the ARPA funds. However, the Village needs to commit to working towards a plan to sustain the General Fund in 2023, which will need to include raising or implementing revenues. In future years, the General Fund may also need to capture both new growth and consumer price index increases in the property tax levy.

### *AMERICAN RESCUE PLAN ACT FUND*

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law. The law provided \$1.9 trillion in economic stimulus and Covid-19 funding and directed \$65.1 billion in financial assistance to municipalities nationwide.

The Village has been designated as a non-entitlement unit of local government (NEU). This means that the Village's funding will be passed through to the Village from the State rather than directly from the federal government. The Village received notification on July 21, 2021 that the Village is currently estimated to receive \$3.77 million in ARPA Funds. The Village received its first payment of \$1.88 million in September 2021 and will receive the second payment approximately a year later (September 2022). Funds must be obligated by December 2024 and must be spent by December 2026.

The 2022 budget allocates \$2.06 million in ARPA funding to allowable spending categories:

1. Public Health Response - \$50,000: This amount will cover \$20,000 in direct covid-19 related expenses and also proposes \$30,000 in additional behavioral health services allowed by the Act.
2. Replace Public Sector Lost Revenue – This includes \$500,000 of support to other taxing bodies, \$450,000 to support the Village's Parking Fund which has been impacted by the pandemic, and \$810,000 to support lost revenue in 2020 in the General Fund.
3. Address Negative Economic Impacts of Covid-19 – This includes \$125,000 in business support, either directly to businesses or through support of business organizations, \$75,000 in water & sewer bill assistance, \$25,000 in tourism and business support through programs such as the polar plaza, and \$25,000 in community grants to be targeted to other community organizations.

The 2022 budget allocates \$2.06 million of funding, leaving \$1.71 million to be allocated. As the monies will not be received until late 2022, it is recommended to allocate these dollars through a budget amendment late in 2022 or via the 2023 budget process. Some suggested other uses for these remaining funds may include items such as additional behavioral health support, water and sewer infrastructure, or affordable housing.

### *FIRE SERVICES FUND*

The Fire Services Fund supports the Village's Volunteer Fire Company, the fire fleet, and the fire stations, which are owned by the Village. The Fund is supported by Special Service Area taxes from unincorporated areas served by the Volunteer Fire Company and by operating and capital Fire Service Fees that are on the monthly Village Services Bill. EMS service is provided through a contract provider who houses two ambulances in the fire stations. Basic EMS service is paid for by the General Fund. In 2021, the Village Board enhanced Emergency Medical Service (EMS) by amending our current ambulance contract. The amendment provided additional compensation to paramedics to keep pace with industry standards and to retain qualified paramedics to serve Village residents and visitors. The amendment also added a layer of supervisors to provide additional supervision to paramedics and generally support the fire operations. The supervisors will man a new rapid-response vehicle which will supplement the Village's two ambulances. The budgeted cost of this enhancement is \$500,000 for 2022 and is budgeted in the Fire Services Fund. In 2021, the Village Board re-allocated 40% of the Capital Fire Service Fee to an EMS Service Fee. This change is also presented in the 2022 budget. The Special Service Area revenue will increase in 2023, when the increased cost can be incorporated into those levies.

### *WATER AND SANITARY SEWER FUND*

The FY22 budget does not include a rate change for water and sewer rates. The fund currently has a healthy net position; however, several large capital projects decrease that position over the five year forecast. The Village will undertake a rate study in late 2021/early 2022 to further evaluate our long term needs and associated rates.

### *PARKING FUND*

The one Village Fund still being impacted by Covid-19 is the Parking Fund. The Village Board reduced commuter permit fees by 25% in 2020 and the same reduction is proposed for 2021. The daily lot, which generated approximately \$85,000 in annual revenue prior to the pandemic, is only anticipated to generate \$6,300 in 2021 and 2022. The 2022 proposed budget does include allocating \$450,000 in American Rescue Plan Act funding to sustain the Parking Fund. The Village will continue to monitor commuter lot usage. However, if commuters do not return to their pre-pandemic levels, the Village will need to take action modify the parking program. Some options may include, but are not limited to, increasing the number of permits sold, changing commuter permit lots to pay-and-display payments or reducing the number of commuter lots.

The Civic Center Parking Garage was completed in 2021 and the 2022 Parking Fund budget includes approximately \$180,000 in annual maintenance expenses.

### *VILLAGE LINKS RESERVE 22 FUND*

Covid-19 closed the course and restaurant in late March/April 2020. The golf course was allowed to reopen with restrictions in May 2020. Beginning in June 2020, those restrictions were loosened and the restaurant opened to outdoor dining. Covid-19 was a boon for the golf industry in 2020 and 2021 as it is an activity that can be done in a socially distant manner. Working from home and the cancellation of many organized sports left may with time to spend on the golf course. The golf course beat many revenue goals in 2021 and revenue is expected to exceed budget by over \$500,000. In 2021, for the first time since June 2017, the Fund exceeded its cash reserve policy. The 2022 budget anticipates \$3.56 million in revenues from golf and \$2.75 million in revenues from restaurant and banquets.

## *POLICE PENSION FUND*

The required contribution to the Police Pension Fund remains the same at \$2.059 million for 2022. The contribution to the Police Pension Fund remains 10% of General Fund expenditures for 2022. As noted earlier in the memo, the cost of implementing the staffing study recommendations is estimated to increase the pension contribution required by the Village to the Police Pension Fund by approximately \$120,000 to \$130,000 in 2023. This will be an additional cost to bear for the General Fund in the future. Late 2019, the State of Illinois passed a law which requires consolidation of investments among downstate police pension funds. The Police Pension Board will no longer oversee investment of funds once that transition occurs (statutorily must occur by June 2022). The local Glen Ellyn Police Pension Board will still maintain authority over pension and disability determinations. The Village still remains responsible for funding the police pension.

## **CONCLUSION**

The Village of Glen Ellyn's FY22 budget enhances the Village's current level of services, particularly in public safety. Striking the right balance between service levels and taxes to pay for those services is debated and decided during the budget process. This process, allocating scarce resources and prioritizing programs and projects, is difficult each year because the demand for municipal services often exceeds the revenues available to pay for those services. Strong cash reserves protect the Village from unforeseen emergencies, such as Covid-19, and strengthen our bond rating and overall financial position.

In closing, we wish to extend a thank you to everyone for their hard work in preparing the FY22 budget. The development of the budget could not take place without the commitment and cooperation of many Village employees, many of whom who have already worked relentlessly this year on the many challenges that 2021 has brought. Many Management employees actively participate in developing and reviewing budget information which leads to an award-winning budget document for many years.

We 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 helps to strengthen this year's budget process.

Respectfully submitted,



Mark Franz  
Village Manager



Christina Coyle  
Finance Director

# Village of Glen Ellyn

## Financial Policies

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

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

### A. General

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

### B. Budget

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

# Village of Glen Ellyn

## Financial Policies

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

### C. Revenue

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

### D. Expenditure

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

# Village of Glen Ellyn

## Financial Policies

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

### E. Debt Administration

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

# Village of Glen Ellyn

## Financial Policies

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

### F. Reserve Policy

It is the Village's philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds for future growth. It is essential to maintain adequate levels of funds balance/net position to mitigate current and future risks. Fund balance/net position levels are also crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance/net position to evaluate the Village's continued creditworthiness.

Fund Balance (governmental funds) or Net Position (proprietary funds) provides for the operational stability of the Village of Glen Ellyn and provides the capacity to:

- a) offset significant economic downturns or revenue shortfalls,
- b) provide sufficient cash flow for daily financial needs,
- c) maintain or improve the village's bond ratings, and
- d) provide funds for unforeseen expenditures related to emergencies or opportunities.

#### Definitions:

- a. Fund Balance – The difference between assets, deferred outflows, liabilities, and deferred inflows in a governmental fund.
- b. 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.
- c. 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.
- d. 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.



# Village of Glen Ellyn

## Financial Policies

- e. Assigned Fund Balance – the portion of a governmental fund's fund balances to denote an intended use of resources.
- f. Unassigned Fund Balance – available spendable financial resources in a governmental fund that are not the object of tentative management plan (i.e. assignments).
- g. Net Position – The difference between assets, deferred outflows and liabilities and deferred inflows in a proprietary fund, trust fund, or entity wide financial statements.

### Desired Reserve Policies:

General Fund: Cash reserves of the General Fund should be maintained at thirty percent (30%) of the current year's budgeted operating expenditures (excluding debt and capital outlay expenditures). At any point should the unreserved balance reach above 40% at the low point of the year (April or May), an item shall be brought to the Village Board for action on the excess balance.

Water & Sanitary Sewer Fund: The Village will maintain \$2,000,000 in cash reserves in the Water and Sanitary Sewer Fund for FY2011/12, increased annually by the 12-month change in the CPI-U (December before the beginning of the fiscal year) or 3%, whichever is less. [For FY18, the amount of required cash reserves will be \$2,261,000.] Amounts held in the fund above the reserve policy limit are assigned for water and sewer capital projects.

Village Links/Reserve 22 Fund: The Village will maintain adequate cash reserves in the Village Links/Reserve 22 Fund, in an amount equal to or greater than 25% of the current year fund operating expense budget (excluding debt and capital).

Residential Solid Waste Fund: 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 debt and capital).

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

### Attaining and Maintaining Desired Reserve Levels:

Should the reserves in one or more funds fall below the benchmark established by this policy, the Village Manager will notify the Village Board in a timely manner and will develop and present to the Village Board as part of the annual budget a plan to return fund balance to the benchmark level within three (3) fiscal years.

### Use of Fund Balance or Net Position:

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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## Financial Policies

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.

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.

Fund balance or net position should only be used or depleted in the following situations:

1. Revenue shortfalls result in an operating deficit.
2. Unforeseen material expenditures arise which cannot be avoided or delayed.
3. Excess fund balance exists and the village intentionally draws down on the balance to come into compliance with this policy.

### 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.

# Village of Glen Ellyn

## Financial Policies

### 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.