Agenda
Village of Glen Ellyn
Finance Commission
Regular Meeting
Friday, November 8, 2019
7:00 AM
Glen Ellyn Civic Center, Room 306

A. Call to Order

B. Public Comment (Non Agenda Items)

C. Approval of Minutes

1. Finance Commission - Regular Meeting - Jul 12, 2019 7:00 AM
2. Finance Commission - Special Meeting - Aug 30, 2019 7:00 AM
3. Finance Commission - Regular Meeting - Sep 13, 2019 7:00 AM

D. Financial Reports

1. General Fund Update - September 2019
2. Village Links/Reserve 22 - Manager's Report - September 2019
3. Village Links/Reserve 22 - Financial Statements - September 2019

E. Staff Report

1. Finance Director Coyle will present an overview of the 2020 draft budget. (Discussion Only)

2. Finance Director Coyle will update the Finance Commission on a bill filed to consolidate Downstate Fire and Police Pension Funds. (Discussion Only)

3. Finance Director Coyle will present new information for the Scorecard for the Finance Commission to review. (Discussion Only)

F. Trustee Liaison Report

G. Chairman's Report

H. Other Business

1. Economic Development Update
2. Next Meeting: Friday, December 13, 7:00AM

I. Adjournment

1. Motion to Adjourn

Individuals with disabilities who plan to attend the hearing and who require certain accommodations in order to allow them to observe and participate, or who have questions regarding the accessibility of the meeting or facilities, are requested to contact the Village at least 24 hours before the meeting.

Finance Commission
535 Duane St.
Glen Ellyn, IL 60137

Meeting: 11/08/19 07:00 AM
Department: Finance Commission
Department Head: Christina Coyle
Category: Minutes
Prepared By: Christina Coyle

SCHEDULED

AGENDA ITEM (ID # 4223) DOC ID: 4223

July 12, 2019 Regular Finance Commission Meeting Minutes

ATTACHMENTS:

- Revised Minutes 2019-07-12 (PDF)

Minutes
Village of Glen Ellyn
Finance Commission
Regular Meeting
Friday, July 12, 2019
7:00 AM
Glen Ellyn Civic Center, Room 306

A. Call to Order

Attendee Name	Title	Status
Lisa A Cleaver	Commissioner	Present
Jose G DeLeon	Commissioner	Present
Scott R Greeno	Commissioner	Present
Jeremy S VanEk	Commissioner	Absent
Christopher D. Oakes	Commissioner	Present
Lea Dan	Commissioner	Absent
Michael Campagna	Commissioner	Present
Brenton J. Peck	Commissioner	Present
Matthew L Halkyard	Chairman	Present
Ben Harrington	Student Commissioner	Absent

Also present: Village Manager Franz, Finance Director Coyle, Assistant Finance Director Thomas and Recording Secretary Haslett.

Chairman Halkyard called the meeting to order at 7:00 AM.

B. Public Comment (Non Agenda Items)

None.

C. Approval of Minutes

1. Finance Commission - Regular Meeting - Jun 14, 2019 7:00 AM

RESULT:	**ACCEPTED [UNANIMOUS]**
MOVER:	Christopher D. Oakes, Commissioner
SECONDER:	Brenton J. Peck, Commissioner
AYES:	Cleaver, DeLeon, Greeno, Oakes, Campagna, Peck, Halkyard
ABSENT:	VanEk, Dan, Harrington

D. Financial Reports

1. General Fund Update - May 2019

Finance Director Coyle distributed the May 2019 General Fund report and noted that income taxes came in at $557,000 compared to $380,000 last year. Sales and home rule sales taxes are still below the budgeted amounts, while other revenues are on par with last year and are on budget. On the expense side there is a variance in the Facilities Maintenance Department because the full transfer was made at the beginning of the year to fund the Civic Center improvements, whereas last year monthly transfers were processed. The Information Technology (IT) department is below budget, due to lower personnel costs. The IT Director will be retiring at the end of the year and the budget included funds to fill this position so that cross training could occur with the new IT Director. The new employee is slated to start in August, which will allow several months of a smooth transition.

2. Village Links/Reserve 22 - Manager's Report - May 2019

Finance Director Coyle indicated that May was not a good month for golf due to the poor weather. Finance Director Coyle said General Manager Jeff Vesevick informed her that revenues for June were one of the best on record.

RESULT:	**DISCUSSION ONLY**

3. Village Links/Reserve 22 - Financial Statements - May 2019

Finance Director Coyle indicated that May was not a good month for golf due to the poor weather. Finance Director Coyle said General Manager Jeff Vesevick informed her that revenues for June were one of the best on record.

Commissioner Campagna asked if any contingency plans have been drafted for the Village Links. Finance Director Coyle replied staff is aware that cost cutting could be necessary if a poor season continues, which could include deferring capital items for next year. Commissioner Campana inquired about capital spending. Finance Director Coyle said the Links had some significant capital costs recently with the replacement of the golf carts in 2017 and the Reserve 22 renovation at the end of 2018. For 2019, some capital equipment was obtained because these purchases could not be put-off any longer. Finance Director Coyle said the July 2019 sales reports for the Links and Reserve 22 look good as well. Finance Director Coyle said it is important to restore the cash reserve balance for the slower winter months in January, February, and March. Finance Director Coyle said the new minimum wage requirements become effective in 2020 which will impact costs at the Links and Reserve 22.

RESULT:	**DISCUSSION ONLY**

4. Capital Reporting - June 2019

Finance Director Finance Director Coyle highlighted some of the major capital projects taking place in the Village. The Baker Hill access improvements should be done before Pete's Market opens. Some punch list items from last year's Park Avenue resurfacing project are currently being finished. The Village Board is reviewing the Central Business District (CBD) improvements. Commissioner Peck inquired if the small business owners have been engaged on the CBD project. Finance Director Coyle replied yes and that the CBD improvements will be done over several years so that the downtown is not completely under construction. Also, there will be meetings with the small business owners before construction as well as during construction in order to improve retail access and parking. The Civic Center renovations are almost completed. There are still some site issues that are being worked through on the new parking garage.

Chairman Halkyard asked how overages are handled for capital improvements. Finance Director Coyle replied staff tries to balance out the Capital Improvement Fund as a whole and none of the projects have been significantly over budget. Finance Director Coyle said project costs can be modified if there are unforeseen conditions and there are change orders from time to time, but most projects include about a 3% -10% contingency, which is built into the budget amount. Finance Director Coyle noted Professional Engineer Daubert will be attending the Finance Commission meeting in August or September to discuss the capital budget.

RESULT:	**DISCUSSION ONLY**

E. Purchasing Policy Updates

1. Finance Director Coyle and Professional Engineer Daubert will present proposed revisions to the purchasing policy.

Finance Director Coyle noted the Village purchasing guidelines are reviewed every few years and went on to discuss several proposed changes. Finance Director Coyle referenced the memorandum prepared by Professional Engineer Daubert regarding changes in procuring engineering services. In addition to these changes, staff is recommending that the Village Manager's spending authority be increased from $20,000 to $25,000 to mirror the Illinois State Statute. In addition, the Village Manager's authority to approve change orders will also be at the $25,000 threshold. Finance Director Coyle also discussed the proposed changes to the vendor quotation requirements. Chairman Halkyard said the proposed changes were reasonable as long as the purchasing process is continually audited and checked upon. Finance Director Coyle said the proposed changes will be presented to the Village Board for their approval.

RESULT:	**DISCUSSION ONLY**

F. 2018 Audit

1. Finance Director Christina Coyle will present the December 31, 2018 Comprehensive Annual Financial Report.

Finance Director Coyle encouraged all the Finance Commissioners to review the Management Discussion and Analysis included in the 2018 Comprehensive Annual Financial Report. The funded status of the Village's pension decreased due to the market downturn that occurred at the end of December. Finance Director Coyle noted had the report been prepared as of January 31, 2019, the funded status would have been different. The fund balance of the General fund decreased by only $139,000 compared to the projected $600,000 shortfall originally budgeted. The good news for 2018 is that not as much of the General Fund reserves were needed to cover the State of Illinois revenue shortfalls and overall the General Fund ended better than anticipated. Cash reserves exceeded the policy levels for all the funds except the Village Links and Reserve 22. At the end of 2018 the Village issued $9.9 million in bonds for capital projects. The auditor issued a management letter with no comments regarding internal matters.

RESULT:	**DISCUSSION ONLY**

G. Trustee Liaison Report

No report.

H. Chairman's Report

No report.

I. Other Business

1. Economic Development Update

Village Manager Franz updated the Finance Commission on recent economic developments within the Village.

2. Next Meeting: Friday, August 9, 7:00AM

J. Adjournment

1. Motion to adjourn

The meeting was adjourned at 7:40 AM.

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Lisa A Cleaver, Commissioner
SECONDER:	Christopher D. Oakes, Commissioner
AYES:	Cleaver, DeLeon, Greeno, Oakes, Campagna, Peck, Halkyard
ABSENT:	VanEk, Dan, Harrington

Minutes
Village of Glen Ellyn
Finance Commission
Special Meeting
Friday, August 30, 2019
7:00 AM
Glen Ellyn Civic Center, Room 306

A. Call to Order

Attendee Name	Title	Status
Lisa A Cleaver	Commissioner	Present
Jose G DeLeon	Commissioner	Present
Scott R Greeno	Commissioner	Present
Jeremy S VanEk	Commissioner	Present
Christopher D. Oakes	Commissioner	Absent
Lea Dan	Commissioner	Absent
Michael Campagna	Commissioner	Present
Brenton J. Peck	Commissioner	Present
Matthew L Halkyard	Chairman	Present
Ben Harrington	Student Commissioner	Absent

Also present: Village Manger Franz, Finance Director Coyle, and Recording Secretary Haslett.

Chairman Halkyard called the meeting to order at 7:00 AM.

B. Public Comment (Non Agenda Items)

None.

C. Staff Report

1. Scorecard Working Session (Discussion Only)

Finance Director Coyle stated the purpose of the today's meeting was to discuss the first sections of the working copy of the Financial Scorecard. Finance Director Coyle stated Commissioner VanEk emailed her and suggested that the Scorecard be formatted with a question and answer approach beginning with the top 10 questions residents ask about the Village's finances. Finance Director Coyle said the report could be reformatted to follow the question and answer approach or retain the current report style format and add a question and answer section that is more social media friendly.

Commissioner Cleaver suggested starting off with the percentage of the tax bill that goes to the Village. Commissioner VanEk said it may be a good idea to spend some time brain-storming about the questions residents may have regarding Village finances. Commissioner VanEk suggested that one of the questions could be, "Are taxes high in Glen Ellyn and how do we compare to other towns?" Commissioner

Campagna suggested the term competitor be removed and replaced with alternative places to live. Commissioner VanEk suggested peer communities.

The Finance Commission went on to review the first sections of the draft of the Financial Scorecard. Finance Director Coyle stated the first page provides background on the Scorecard and the selected peer communities. Commissioner Peck suggested stating on the demographics page that compared to the peer communities, Glen Ellyn is much more financially healthy than the general population. Commissioner VanEk suggested adding the national median income to the demographic page. Commissioner Campagna asked if Naperville is really a comparable community. Chairman Halkyard replied yes because you are choosing to live in the western suburbs. Commissioner Cleaver said in her experience as a realtor, she often shows clients Glen Ellyn, Wheaton, and Naperville. Finance Director Coyle said Naperville provides a nice contrast. Commissioner Peck said another good data point would be household size.

Finance Director Coyle said the property tax page illustrates that the Village only receives 6.7% of the bill and explains the property tax cycle. Commissioner Peck suggested using a line graph instead on this page. Commissioner Greeno suggested a stacked bar graph might work. Village Manager Franz suggested highlighting the real estate tax bill for properties south of Roosevelt.

Finance Director Coyle said the EAV pages answer a common question many residents have about, "If their EAV went down, why did the tax bill go up." Finance Director Coyle noted that last year was the first year Glen Ellyn went back up to the pre-recession 2008 EAV levels and Glen Ellyn moved up one spot in the EAV comparison. The Village would like to see more commercial properties on the tax rolls. Finance Director Coyle said these pages also explain implications of having a higher residential percentage of EAV.

Finance Director Coyle said she thinks we need two (2) reports including: a social media edition and the current Financial Scorecard format. Finance Director Coyle said she added a new chart detailing the percentage of the total tax burden borne by the largest taxpayers. Finance Director Coyle indicated the property taxes as a percentage of median family income graphs show where Glen Ellyn is and what the progression has been. A new chart has been added to this page comparing the median property tax bill to the median family income. Commissioner VanEk recommended adding a 10-year trendline for Glen Ellyn to the total property tax rate as a percentage of property value page. Commissioner Campagna recommended highlighting the distinction that Glen Ellyn does not assess property taxes for the Village Links on the property taxes paid to park district graph. A link to the Illinois State Board of Education website will be added to the property taxes paid to school graph page. On the peer comparison of the property tax pie graphs, Chairman Halkyard suggested including the top three (3) benefits provided by DuPage County/Other category.

Commissioner Peck asked how the Financial Scorecard will be distributed. Finance Director Coyle replied the full Financial Scorecard will be provided to the Village Board and the Finance Commission. The report will also be placed on the Village's website. In an effort to share this information with the public; from time to time an Eblast will be sent to residents and include a question and answer format of key items from the Scorecard. Commissioner VanEk recommended the full report and an Executive Summary be prepared. Commissioner Dan suggested distributing the report to local realtors. Commissioner Cleaver said it would be nice if the Village could make a 30-minute lunch presentation to the realtors and then provide them with the report. Village Manager Franz said he would like to meet with the realtors. Finance Director Coyle said the Economic Development newsletter could include the top 10 questions and answers from the Scorecard.

Finance Director Coyle asked for any other suggestions. Chairman Halkyard recommended including the website links to the local taxing districts outside of the Village of Glen Ellyn.

D. Other Business

1. Economic Development Update

Village Manager Franz updated the Finance Commission on recent economic developments within the Village.

2. Next Meeting: Friday, September 13, 7:00 AM

E. Adjournment

1. Motion to Adjourn

The meeting was adjourned at 8:00 AM.

RESULT:	**APPROVED [UNANIMOUS]**
AYES:	Cleaver, DeLeon, Greeno, VanEk, Campagna, Peck, Halkyard
ABSENT:	Oakes, Dan, Harrington

Minutes
Village of Glen Ellyn
Finance Commission
Regular Meeting
Friday, September 13, 2019
7:00 AM
Glen Ellyn Civic Center, Room 306

A. Call to Order

Attendee Name	Title	Status
Lisa A Cleaver	Commissioner	Present
Jose G DeLeon	Commissioner	Present
Scott R Greeno	Commissioner	Present
Jeremy S VanEk	Commissioner	Present
Christopher D. Oakes	Commissioner	Present
Lea Dan	Commissioner	Present
Michael Campagna	Commissioner	Absent
Brenton J. Peck	Commissioner	Present
Matthew L Halkyard	Chairman	Present
Ben Harrington	Student Commissioner	Absent

Also present: Village Manager Franz, Finance Director Coyle, Recording Secretary Haslett.

Chairman Halkyard called the meeting to order at 7:00 AM.

B. Public Comment (Non Agenda Items)

None.

C. Approval of Minutes

1. Finance Commission - Regular Meeting - Jul 12, 2019 7:00 AM

RESULT:	**ACCEPTED [UNANIMOUS]**
MOVER:	Lisa A Cleaver, Commissioner
SECONDER:	Christopher D. Oakes, Commissioner
AYES:	Cleaver, DeLeon, Greeno, VanEk, Oakes, Dan, Peck, Halkyard
ABSENT:	Campagna, Harrington

D. Financial Reports

1. General Fund Update - July 2019

Finance Director Coyle distributed the July 2019 General Fund report. She reported that home rule sales taxes, income taxes, and interest income are on an upward trend. Miscellaneous income is also up from last year due to reimbursements from workers compensation and damage to property claims. However, this also means that expenses are up to cover these claims. Food and beverage taxes are projected to be $1.3 million for 2019. Food and beverage taxes are earmarked for the Capital Projects fund. There have been some food and beverage tax compliance issues that staff is working through. The Village Board approved administrative adjudication for violations, which should help with the food and beverage tax compliance issues. Commissioner Dan asked if the Village's downtown sales tax rate is the same for the whole Village. Finance Director Coyle replied yes, the sales tax rate is the same across the Village.

RESULT:	**DISCUSSION ONLY**

2. Village Links/Reserve 22 - Manager's Report - July 2019

Finance Director Coyle reported that the Village Links and Reserve 22 experienced a good July and are on track for a good August as well. Commissioner Peck inquired if the Village Links is still recruiting for a restaurant manager. Village Manager Franz replied yes. Village Manager Franz said it will be interesting to see how the dining room improvements impact Reserve 22 during the off-season. Village Manager Franz noted the Marketing Strategist Julie Rusin is doing a really nice job.

RESULT:	**DISCUSSION ONLY**

3. Village Links/Reserve 22 - Financial Statements - July 2019

Finance Director Coyle stated that the Village Links was up $68,000 over last year, while Reserve 22 was up $94,000 mainly due to an increase in banquets. Year-to-date combined operating income for July was $139,503. The goal is to build cash up as much as possible to cover the debt payments in December.

RESULT:	**DISCUSSION ONLY**

E. Five Year Forecast

1. Finance Director Coyle will present a draft of the 2019 Five Year Forecast.

Finance Director Coyle noted that the Five-Year Forecast serves as a guide and is compiled as a kick-off to the budget process. The Capital Budget will be presented to the Village Board on Monday, September 16, 2019. The Village has a very diverse revenue portfolio. For the General Fund, 46% of revenues come from three (3) key sources including sales, home rule, and income taxes. The reliance on these key revenue sources increased by 2% from 2017. Property taxes comprise 19%, while the reliance on this source decreased 1% since 2017. User fees represent 14% of total revenues.

Overall sales taxes grew 1.47% over the past 10 years. The FY 2020 budget includes a 5.6% increase in sales taxes due to new business growth, while the forecast includes a 2% growth factor over the next five (5) years. The largest growth sector in sales taxes has been in the eating and drinking category. The recent Wayfair ruling may help grow the Village's sales taxes. Chairman Halkyard recommended footnoting in the forecast the potential impact of the Wayfair ruling on internet sales taxes. Home rule sales taxes have grown 2.3% per year over the last 10 years, while the forecast includes a 2% growth factor over the next five (5) years. Income taxes are more volatile than sales tax streams. Income taxes increased on average 1.89% per year over the last 10 years. A 3.6% income tax growth factor has been included in the forecast. The Village continues to self-impose the tax cap rules and the average property tax increase over the last 10 years has been 3.28%. For property taxes, the FY 2020 budget includes a 1.9% CPI (set by DuPage County) increase and a 0.9% new growth estimate. Property taxes are estimated to grow 2.5% over the forecast. Property tax freeze concerns are no longer imminent. The Village's revenue streams are challenged by the lack of control over the key revenue sources that are influenced by the economy.

The Police Department represents the largest expense at 48% or $8.8 million of the General Fund budget. It is important to note that the Village does not have a career fire department, therefore significant savings are achieved. In terms of expenditures by type, personnel costs comprise 48% of total expenditures, while health insurance represents 5%. The Village's health insurance costs have beaten the market place trend with an average 2.8% increase over the last eight (8) years. Health insurance is projected to increase 4% annually. The 2018 investment market ended poorly, which impacted the 2018 actuarial contribution and increased pension liabilities for both IMRF and the Police Pension. Finance Director Coyle noted Governor Pritzker convened a pension task force and their recommendation will be issued this fall.

Overall revenues are forecasted to grow by 2%, while expenditures are expected to increase by 4.7%, which would decrease the fund balance of the General Fund by $3.9 million over the next five (5) years. In 2021, the General Fund will transfer $2 million in excess reserves to the Capital Plan. This contribution will decrease General Fund cash reserves to the policy level of 30% or $6.3 million. Chairman Halkyard inquired about what the $2 million General Fund transfer will be used for. Finance Director Coyle replied the planned transfer will help finance the parking garage, street scape, and train station projects.

In summary, the Village will need to focus on controlling and meeting the challenges of health care and pension costs. Pension costs comprise 10% of the General Fund expenditures. The Village is working on adjusting user fees, otherwise a larger part of the burden is placed on taxes. The recent home rule sales tax rate increase helps the forecast, but does not solve expenses that are growing faster than revenues. Strong financial decisions will help the Village make the $2 million contribution towards the Capital Plan in 2021, but this will reduce General Fund reserves to the policy limit. The Village's AAA bond rating received in 2018 cited strong reserve balances. Chairman Halkyard recommended that forecast detail how the Village's AAA bond rating results in significant interest cost savings.

RESULT:	**DISCUSSION ONLY**

F. Chairman's Report

None.

G. Trustee Liaison Report

None.

H. Other Business

1. Economic Development Update

Village Manager Franz noted Pete's Fresh Market is expected to open at the end of September.

2. Next Meeting: Friday, October 11, 2019, 7:00 AM

I. Adjournment

1. Motion to Adjourn

The meeting was adjourned at 7:59AM.

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Jeremy S VanEk, Commissioner
SECONDER:	Christopher D. Oakes, Commissioner
AYES:	Cleaver, DeLeon, Greeno, VanEk, Oakes, Dan, Peck, Halkyard
ABSENT:	Campagna, Harrington

Finance Commission
535 Duane St.
Glen Ellyn, IL 60137

Meeting: 11/08/19 07:00 AM
Department: Finance Commission
Department Head: Christina Coyle
Category: Report
Prepared By: Ann Pedersen

SCHEDULED

AGENDA ITEM (ID # 4206) DOC ID: 4206

Village Links/Reserve 22 - Manager's Report - September 2019

Please see the attached report.

ATTACHMENTS:

- Managers Report 0919 (PDF)

VILLAGE LINKS
GLEN ELLYN

RESERVE 22 TWENTY-TWO

"Committed to Excellence since 1967"

Manager's Report for September 2019

Submitted by Jeff Vesevick, General Manager

September 2019, while relatively warm, was the wettest since 2008. There was above normal rain of 5.9" over 11 days. The average rainfall for September is 3.4". Golf carts were grounded for 8 days. The wet weather severely hampers the ability for staff to maintain the grounds, as well as the ability to produce revenues.

High Temperatures/Precipitation in September

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
100º days																					
90º days	1	3	7	1	1		2	1	2			2	3		4			3	1	2	4
80º days	8	11	5	12	11	6	7	6	3	8	7	7	14	4	14	15	12	13	7	9	8
70º days	15	6	12	12	13	14	12	14	7	15	17	13	9	14	8	12	10	11	10	9	14
60º days	6	7	6	4	5	5	8	6	13	5	5	7	4	10	4	3	6	3	10	8	4
50º days		3		1		5	1	3	5	2	1	1		2			2		2	2	
40º days																					
Rain	7.6"	2.8"	0.5"	1.9"	3.8"	2.4"	1.8"	1.8"	3.4"	2.1"	3.4"	10.9"	0.9"	5.5"	1.7"	0.3"	2.2"	2.0"	5.8"	5.1"	3.0"

GOLF

Rounds played were down 4% for the month, and are flat for the year

Green Fee revenue was down 2% for the month, as is up 4% for the year

Driving Range revenue was up 5% for the month, and is flat for the year

Motor Car revenue was down 19% for the month, and is down 5% for the year

Pro Shop sales were up 1% for the month, and are down 12% for the year

Golf Revenue September										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Rounds	10,022	8,865	9,747	9,576	9,612	10,189	9,216	9,620	8,849	8,460
Green Fees	226,227	216,810	241,225	234,590	231,421	254,798	245,672	254,974	249,558	244,080
Driving Range	20,929	19,938	23,341	27,614	33,388	30,545	29,124	30,957	30,528	32,156
Pro Shop	19,090	19,003	18,903	22,319	24,039	26,308	23,782	28,518	20,830	21,070
Carts	61,112	59,976	69,048	72,224	72,374	81,706	76,637	80,935	81,638	65,907
Resident Cards	323	362	260	610	380	220	300	300	150	140
Miscellaneous	13,716	3,134	12,059	3,040	5,159	4,007	5,686	6,782	5,741	5,073
Total Revenue	**341,325**	**319,227**	**364,829**	**360,243**	**366,760**	**397,583**	**381,201**	**402,465**	**388,444**	**368,426**

Golf Revenues were the 5th best in the last 10 years

The annual ***Glen Ellyn Open***, originally scheduled for August 18, was rescheduled for Sunday, September 8 due to heavy rains in August. 83 golfers recommitted to the event, and competed. **Zach Jecklin** posted a 2 under par 70 to capture the Men's title. **Mary Ellen Martin** scored 77 to best the Women, and **Mike Kotalik** fired a 76 for the Senior title.

There were 18 outside events in September, 9 less than 2018. The outings were of various sizes, and generated $65,583 in golf revenue, down 28% from a year ago. Revenue from outings accounted for 19% of all green fee, cart, and driving range revenue for September. The wetness of the month cancelled, or diminished several events.

The Golf Staff will again offer the ***Fall Special Membership*** for $199, to inspire continued play in the later months of the year, when play typically drops off. The offer is similar to the popular *Spring Special*, introduced 4 years ago. Fall Special Members will receive ½ price green fees on weekdays in September, and FREE weekday green fees for the rest of the year, for the $199 membership. Purchasers not realizing at least $199 in discount value will receive a credit for the difference, to be used in 2019. To date, 30 golfers are signed up, as opposed to 20 a year ago in September.

The 4th annual fall version of the ***PGA Junior League*** attracted 37 junior golfers, roughly half of the successful summer league, and 4 more than the initial program of 2016. High School golf practices and matches began in August, and continued through September.

Golf Boards were rented 20 times on the 18-hole course, and 21 times on the 9-hole course in September, generating $652 in revenue. Lease costs are $1,100 per month. To date they have been rented 185 times, generating $3,324 in revenues.

GROUNDS

September weather continued the pattern of too much rain for both golfers and our maintenance staff. There was above normal rain of 5.58” over 11 days. The average rainfall for September is 3.38”. Golf carts were grounded for 8 days during the month.

Grounds

1. Litter was removed from the parkways twice.
2. Bunker sand was shoveled/plowed back into place 3 times.
3. Micro-nutrients, growth regulators and disease prevention treatments were applied to greens, tees and fairways 2 times.
4. Greens were sand top dressed once.
5. The fairways were spiked with solid tines.
6. Tees were aerated with .5” diameter cores.

Mechanical and Building Maintenance

1. Fourteen pieces of equipment were repaired and serviced.
2. Fifteen cutting units were sharpened.
3. The Reserve 22 and Blue Heron carpets were cleaned.
4. Reserve 22/Blue Heron windows were washed twice.
5. 4 natural gas patio heaters were installed on the main patio.
6. A failed refrigerated food prep unit was replaced.

Horticulture/Conservation

1. Landscape beds at the police station were cleaned up and weeded.
2. The rehab of several landscape beds was completed.

Lambert Lake/Panfish Park

1. Branches generated from removing invasive trees were chipped once.

RESERVE 22

Reserve 22 revenues were up 11% for the month of September. While the restaurant and bar saw an increase of 20%, the banquet business slowed, with a modest increase of 3% increase from September of last year. Reserve 22 is still recovering from a dismal spring, but is up 5% in sales year to date. Banquets continue to grow slowly, up 2% for the year.

Reserve 22 - SEPTEMBER				Year to Date		
Restaurant	**2018**	**2019**	**+/-**	**2018**	**2019**	**+/-**
Beverages	5,462	3,432	*-37.2%*	43,236	29,215	*-32.4%*
Beer	32,354	33,781	*4.4%*	255,168	276,762	*8.5%*
Wine	9,492	17,425	*83.6%*	131,804	133,482	*1.3%*
Spirits	18,377	18,501	*0.7%*	152,999	146,821	*-4.0%*
Food	71,990	91,923	*27.7%*	711,977	755,707	*6.1%*
Total	**137,675**	**165,062**	***19.9%***	**1,296,221**	**1,355,021**	***4.5%***
Banquet & Outings	**2018**	**2019**	**+/-**	**2018**	**2019**	**+/-**
Beverages	1,532	4,138	*170.1%*	10,355	7,591	*-26.7%*
Beer	10,558	13,619	*29.0%*	48,651	55,374	*13.8%*
Wine	8,653	5,229	*-39.6%*	29,054	40,879	*40.7%*
Spirits	9,238	6,606	*-28.5%*	41,438	26,370	*-36.4%*
Food	55,237	58,986	*6.8%*	361,790	378,863	*4.7%*
SVC Fees	17,911	17,895	*-0.1%*	109,834	102,977	*-6.2%*
Other	645	75		3,745	7,237	
Total	**103,773**	**106,548**	***2.7%***	**604,867**	**619,290**	***2.4%***
Other	**30,677**	**30,468**	***-0.7%***	**155,554**	**181,052**	***16.4%***
Total Reserve 22	**272,125**	**302,078**	***11.0%***	**2,056,642**	**2,155,363**	***4.8%***

A large portion of the service staff has returned to college, and management is hiring new people for the fall.

Food & Beverage Director Brad Chapple announced the addition of ***Tommy Caruso*** to the Full Time staff. Tommy left a little over a year ago, to manage the restaurant operations at Drury Lane in Oakbrook Terrace. Tommy's first day will be Friday, October 18.

Oktoberfest preparations are under way, as Chef Tom and F&B Director Brad Chapple are preparing special seasonal dishes and offerings, as well as the fall and winter season Restaurant and Bar menu.

Marketing Specialist ***Julie Rusin*** attended the Glen Ellyn Park District's Glow in the Park, promoting the Restaurant and Banquet businesses to Glen Ellyn. Julie handed out 200 glow sticks to families in attendance.

Finance Commission
535 Duane St.
Glen Ellyn, IL 60137

Meeting: 11/08/19 07:00 AM
Department: Finance Commission
Department Head: Christina Coyle
Category: Report
Prepared By: Ann Pedersen

SCHEDULED

AGENDA ITEM (ID # 4207) DOC ID: 4207

Village Links/Reserve 22 - Financial Statements - September 2019

Please see the attached financial statements.

ATTACHMENTS:

- Village Links - Financial Statements - September 2019 (PDF)

VILLAGE LINKS GLEN ELLYN | RESERVE 22 TWENTY-TWO

VILLAGE LINKS / RESERVE 22
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of September 30, 2019

ORG	DESCRIPTION	2019 BUDGET	MONTH 2019	MONTH 2018	MONTH DIFF	MONTH % DIFF	YEAR-TO-DATE 2019	YEAR-TO-DATE 2018	YEAR-TO-DATE DIFF	YEAR-TO-DATE % DIFF
	REVENUES:									
5500	Village Links Revenues	$ 2,993,000	$ 369,710	$ 390,093	$ (20,383)	-5%	$ 2,421,606	$ 2,391,681	$ 29,925	1%
5520	Reserve 22 Revenues	2,623,600	302,078	272,125	29,953	11%	2,155,363	2,056,558	98,805	5%
	Total Revenues	**$ 5,616,600**	**$ 671,789**	**$ 662,218**	**$ 9,571**	**1%**	**$ 4,576,969**	**$ 4,448,240**	**$ 128,729**	**3%**
	EXPENDITURES:									
55700	Administration	$ 411,057	$ 32,344	$ 32,472	$ (127)	0%	$ 312,394	$ 295,570	$ 16,824	6%
55710	Golf Course Maintenance	835,951	66,187	59,162	7,026	12%	611,285	595,881	15,403	3%
55720	Golf Services	717,368	65,552	73,336	(7,784)	-11%	583,329	591,963	(8,634)	-1%
55730	Reserve 22	2,275,945	247,740	224,303	23,437	10%	1,973,783	1,960,923	12,860	1%
55740	Stormwater Management	30,756	3,923	2,449	1,474	60%	16,681	18,448	(1,768)	-10%
55750	Pro Shop Merchandise	164,405	18,591	19,662	(1,071)	-5%	117,597	134,863	(17,266)	-13%
55780	Motorized Carts	43,641	6,638	7,473	(835)	-11%	34,867	37,461	(2,594)	-7%
557X5	Mechanical Maintenance	172,879	13,160	14,211	(1,051)	-7%	147,119	179,068	(31,949)	-18%
	Total Operating Expenses	$ 4,652,002	$ 454,136	$ 433,068	$ 21,069	5%	$ 3,797,055	$ 3,814,178	$ (17,123)	0%
	Operating Income	**$ 964,598**	**$ 217,652**	**$ 229,151**	**$ (11,498)**	**-5%**	**$ 779,914**	**$ 634,062**	**$ 145,852**	**23%**
	Debt Service	658,070	-	-	-	0%	59,035	66,048	(7,013)	-11%
	Capital Expenditures	332,787	8,775	40,966	(32,191)	-79%	232,689	109,313	123,376	113%
	CHANGE IN NET POSITION	**$ (26,259)**	**$ 208,878**	**$ 188,185**	**$ 20,693**	**11%**	**$ 488,190**	**$ 458,702**	**$ 29,488**	**6%**

KEY METRICS

	Goal	MONTH 2019	MONTH 2018	MONTH DIFF	YTD 2019	YTD 2018	YTD DIFF
Personnel Expenses as % of Sales	*46%*	*34%*	*36%*	*-1%*	*44%*	*46%*	*-2%*
Cash Balance (End of Month, in $000's)	*$ 1,164*	*$ 1,424*	*$ 1,835*	*$ (411)*			

VILLAGE LINKS GLEN ELLYN | RESERVE 22 TWENTY-TWO

VILLAGE LINKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF
(Including Administration, Grounds, & Mechanical Maintenance)

As of September 30, 2019

ORG/ OBJECT	DESCRIPTION	2019 BUDGET	MONTH 2019	MONTH 2018	MONTH DIFF	MONTH % DIFF	YEAR-TO-DATE 2019	YEAR-TO-DATE 2018	YEAR-TO-DATE DIFF	YEAR-TO-DATE % DIFF
5500	**VILLAGE LINKS REVENUES:**									
440550	Green Fees	$ 1,850,000	$ 244,080	$ 249,558	$ (5,478)	-2%	$ 1,498,407	$ 1,447,960	$ 50,448	3%
440554	Pro Shop - Sales	180,000	21,070	20,830	240	1%	131,302	148,398	(17,096)	-12%
440555	Motor Carts	525,000	65,907	81,710	(15,803)	-19%	408,181	430,413	(22,232)	-5%
440556	Driving Range	280,000	32,156	30,528	1,628	5%	242,564	241,367	1,197	0%
440557	Resident Cards	32,000	140	150	(10)	-7%	31,090	31,340	(250)	-1%
460100	Investment Income	17,000	718	1,279	(560)	-44%	8,367	12,151	(3,784)	-31%
489000	Miscellaneous Revenue	109,000	5,583	6,220	(638)	-10%	101,678	80,060	21,618	27%
489100	Miscellaneous - Over/Short	-	57	(182)	238	-131%	16	(8)	25	-294%
	Total Revenues	**$ 2,993,000**	**$ 369,710**	**$ 390,093**	**$ (20,383)**	**-5%**	**$ 2,421,606**	**$ 2,391,681**	**$ 29,925**	**1%**
	COST OF GOODS SOLD:									
520945	Cost of Goods Sold - Pro Shop	$ 135,000	$ 16,165	$ 17,019	$ (854)	-5%	$ 95,363	$ 111,976	$ (16,613)	-15%
	Total Cost of Goods Sold	**$ 135,000**	**$ 16,165**	**$ 17,019**	**$ (854)**	**-5%**	**$ 95,363**	**$ 111,976**	**$ (16,613)**	**-15%**
	Gross Profit	**$ 2,858,000**	**$ 353,545**	**$ 373,074**	**$ (19,529)**	**-5%**	**$ 2,326,243**	**$ 2,279,706**	**$ 46,537**	**2%**
	OTHER OPERATING EXPENSES:									
510100	Salaries - Pensionable	$ 870,950	$ 71,572	$ 70,790	$ 781	1%	$ 620,701	$ 611,030	$ 9,672	2%
510120	Salaries - Non-Pensionable	219,010	18,788	22,762	(3,974)	-17%	188,474	155,367	33,106	21%
510200	Salaries - Overtime	6,000	930	479	452	94%	5,509	5,152	357	7%
510400	FICA Taxes	83,886	6,817	7,059	(242)	-3%	61,144	57,934	3,210	6%
510500	IMRF	62,314	5,024	6,849	(1,826)	-27%	43,316	59,164	(15,848)	-27%
590600	Health Insurance	95,150	9,960	8,156	1,804	22%	86,803	80,372	6,431	8%
52XXXX	Contractual Services	595,447	48,888	51,566	(2,677)	-5%	470,652	520,218	(49,565)	-10%
53XXXX	Commodities	308,300	28,252	24,084	4,168	17%	251,309	252,043	(734)	0%
	Total Operating Expenses	**$ 2,241,057**	**$ 190,231**	**$ 191,745**	**$ (1,514)**	**-1%**	**$ 1,727,909**	**$ 1,741,280**	**$ (13,370)**	**-1%**
	Operating Income	**$ 616,943**	**$ 163,314**	**$ 181,329**	**$ (18,015)**	**-10%**	**$ 598,334**	**$ 538,426**	**$ 59,908**	**11%**
	Operating Income Percentage	**21%**	**44%**	**46%**			**25%**	**23%**		

KEY METRICS

	Goal	*MONTH 2019*	*MONTH 2018*	*MONTH DIFF*	*YTD 2019*	*YTD 2018*	*YTD DIFF*
Rounds Played	*72,000*	*8,460*	*8,849*	*(389)*	*55,787*	*55,783*	*4*
Revenue Per Round	*$ 41.57*	*$ 43.70*	*$ 44.08*	*$ (0.38)*	*$ 43.41*	*$ 42.87*	*$ 0.53*
Resident Cards Sold	*N/A*	*8*	*9*	*(1)*	*2,455*	*2,570*	*(115)*
Cost of Goods Sold % - Pro Shop	*75%*	*77%*	*82%*	*-5%*	*73%*	*75%*	*-3%*
Personnel Expenses as % of Sales	*45%*	*31%*	*30%*	*1%*	*42%*	*41%*	*1%*

VILLAGE LINKS GLEN ELLYN | RESERVE 22 TWENTY-TWO

VILLAGE LINKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF
(Including Administration, Grounds, & Mechanical Maintenance)
As of September 30, 2019

ORG/ OBJECT	DESCRIPTION	2019 BUDGET	MONTH 2019	MONTH 2018	MONTH DIFF	MONTH % DIFF	YEAR-TO-DATE 2019	YEAR-TO-DATE 2018	YEAR-TO-DATE DIFF	YEAR-TO-DATE % DIFF
	MISCELLANEOUS REVENUE									
	Miscellaneous Revenue includes the following items, which don't fit into any of the major revenue categories:									
	Handicaps		*$ 40*	*$ 155*	*$ (115)*		*$ 37,495*	*$ 25,370*	*$ 12,125*	
	Hand Cart Rentals		*3,082*	*2,038*	*1,044*		*21,385*	*17,392*	*3,993*	
	Adult & Junior Golf Lessons		*-*	*546*	*(546)*		*24,701*	*13,228*	*11,474*	
	Golf Club Rentals		*910*	*1,220*	*(310)*		*4,400*	*5,580*	*(1,180)*	
	Golf Club Repairs		*291*	*336*	*(45)*		*3,423*	*4,660*	*(1,237)*	
	Locker Rentals		*-*	*-*	*-*		*3,200*	*3,360*	*(160)*	
	Illinois Sales Tax (1.75%)		*462*	*480*	*(17)*		*2,633*	*2,493*	*140*	
	Glen Ellyn Food & Beverage Tax (1%)		*47*	*-*	*47*		*124*	*-*	*124*	
	Memorial Tree Donations		*-*	*250*	*(250)*		*500*	*500*	*-*	
	Caddie Equipment		*-*	*-*	*-*		*-*	*150*	*(150)*	
	FootGolf Ball Rentals		*35*	*50*	*(15)*		*250*	*285*	*(35)*	
	ATM Machine Commission		*38*	*55*	*(17)*		*165*	*190*	*(25)*	
	Misc./Misc.		*678*	*1,091*	*(413)*		*3,402*	*6,853*	*(3,451)*	
	Total	*$ 109,000*	*$ 5,583*	*$ 6,220*	*$ (638)*		*$ 101,678*	*$ 80,060*	*$ 21,618*	

VILLAGE LINKS
GLEN ELLYN

RESERVE 22 TWENTY-TWO

RESERVE 22
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of September 30, 2019

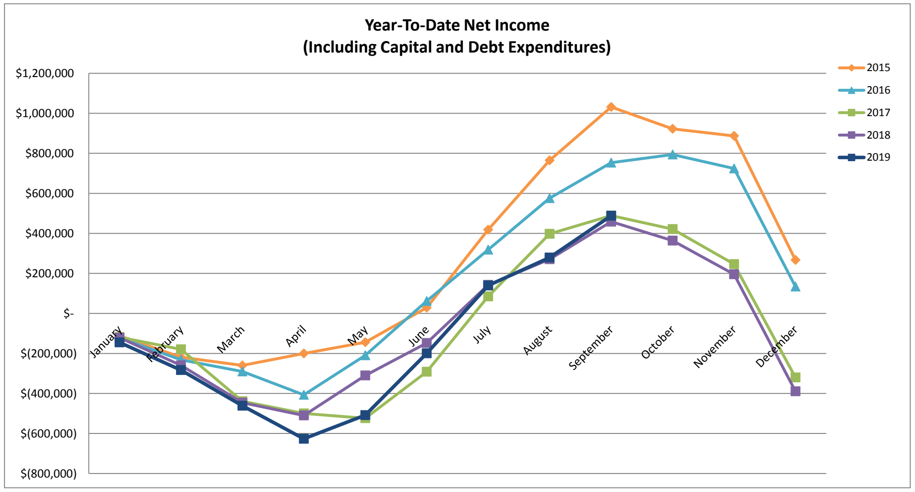
ORG/ OBJECT	DESCRIPTION	2019 BUDGET	MONTH 2019	MONTH 2018	MONTH DIFF	MONTH % DIFF	YEAR-TO-DATE 2019	YEAR-TO-DATE 2018	YEAR-TO-DATE DIFF	YEAR-TO-DATE % DIFF
5520	**RESERVE 22 REVENUES:**									
441100	Food	$ 1,450,000	$ 156,366	$ 134,019	$ 22,347	17%	$ 1,181,057	$ 1,113,527	$ 67,530	6%
441101	Liquor	260,000	30,919	34,474	(3,555)	-10%	200,304	217,590	(17,286)	-8%
441102	Beer	465,000	61,578	56,744	4,834	9%	416,848	378,154	38,694	10%
441103	Wine	215,000	22,654	18,145	4,509	25%	173,940	159,918	14,022	9%
441104	NA Beverages	95,000	12,599	10,332	2,267	22%	72,735	76,521	(3,786)	-5%
441106	Room Charges	1,500	75	500	(425)	-85%	3,925	3,600	325	9%
441107	Service Charges	137,000	17,895	17,911	(16)	0%	102,977	107,203	(4,226)	-4%
489000	Miscellaneous Revenue	100	(8)	-	(8)	0%	3,577	45	3,531	7767%
	Total Revenues	**$ 2,623,600**	**$ 302,078**	**$ 272,125**	**$ 29,953**	**11%**	**$ 2,155,363**	**$ 2,056,558**	**$ 98,805**	**5%**
	COST OF GOODS SOLD:									
530400	Cost of Goods Sold - Beer	$ 119,080	$ 21,323	$ 15,501	$ 5,822	38%	$ 99,202	$ 98,359	$ 843	1%
530401	Cost of Goods Sold - Wine	61,360	5,820	3,546	2,274	64%	53,613	48,310	5,303	11%
530402	Cost of Goods Sold - Liquor	50,400	9,112	5,796	3,315	57%	49,417	49,193	224	0%
530405	Cost of Goods Sold - NA Beverages	27,600	6,483	3,362	3,120	93%	41,361	29,323	12,038	41%
530420	Cost of Goods Sold - Food	460,800	57,663	42,273	15,390	36%	425,316	409,582	15,734	4%
	Total Cost of Goods Sold	**$ 719,240**	**$ 100,400**	**$ 70,479**	**$ 29,921**	**42%**	**$ 668,909**	**$ 634,767**	**$ 34,142**	**5%**
	Gross Profit	**$ 1,904,360**	**$ 201,678**	**$ 201,646**	**$ 32**	**0%**	**$ 1,486,454**	**$ 1,421,791**	**$ 64,662**	**5%**
	Gross Profit Percentage	**73%**	**67%**	**74%**			**69%**	**69%**		
	OTHER OPERATING EXPENSES:									
510100	Salaries - Pensionable	$ 629,440	$ 56,093	$ 56,792	$ (699)	-1%	$ 488,177	$ 491,456	$ (3,279)	-1%
510120	Salaries - Non-Pensionable	370,000	38,546	39,180	(635)	-2%	335,903	368,042	(32,140)	-9%
510200	Salaries - Overtime	6,000	2,427	1,235	1,192	97%	15,889	8,174	7,715	94%
510399	Tips Paid Through Payroll	-	649	246	403	164%	3,053	2,193	860	39%
510400	FICA Taxes	95,662	9,780	9,266	515	6%	81,842	82,565	(724)	-1%
510500	IMRF	45,114	4,816	6,214	(1,397)	-22%	39,700	53,036	(13,337)	-25%
590600	Health Insurance	86,000	4,888	7,480	(2,592)	-35%	58,509	59,951	(1,442)	-2%
52XXXX	Contractual Services	201,189	18,020	17,549	471	3%	146,323	145,096	1,227	1%
53XXXX	Commodities	123,300	12,121	15,864	(3,742)	-24%	135,478	115,642	19,836	17%
	Total Operating Expenses	**$ 1,556,705**	**$ 147,340**	**$ 153,824**	**$ (6,484)**	**-4%**	**$ 1,304,874**	**$ 1,326,156**	**$ (21,282)**	**-2%**
	Operating Income	**$ 347,655**	**$ 54,338**	**$ 47,822**	**$ 6,516**	**14%**	**$ 181,580**	**$ 95,635**	**$ 85,944**	**90%**
	Operating Income Percentage	**13%**	**18%**	**18%**			**8%**	**5%**		

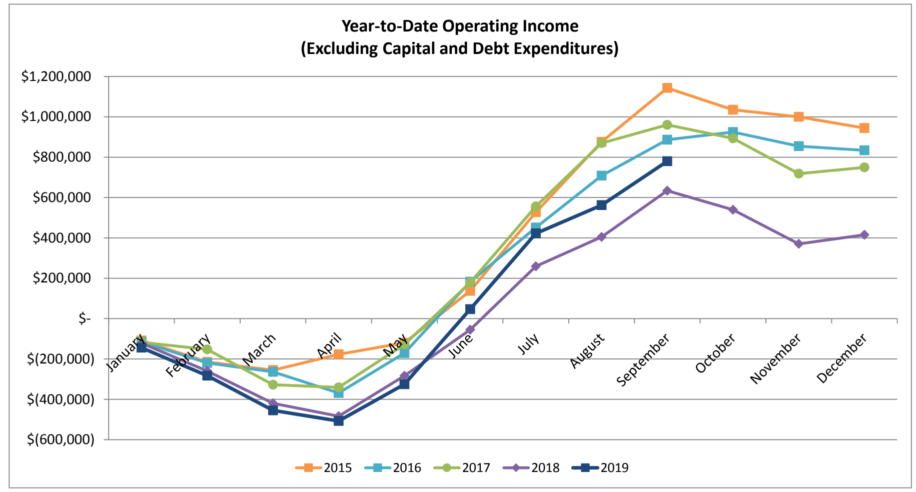
VILLAGE LINKS GLEN ELLYN | RESERVE 22 TWENTY-TWO

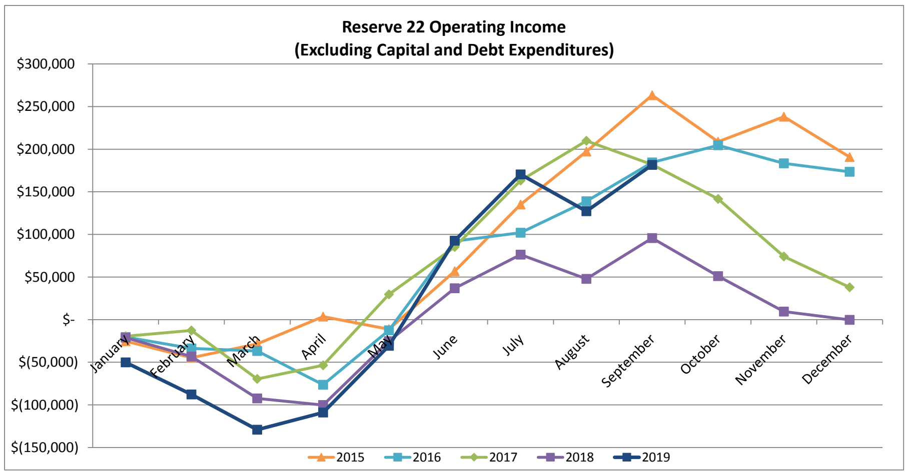
RESERVE 22
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of September 30, 2019

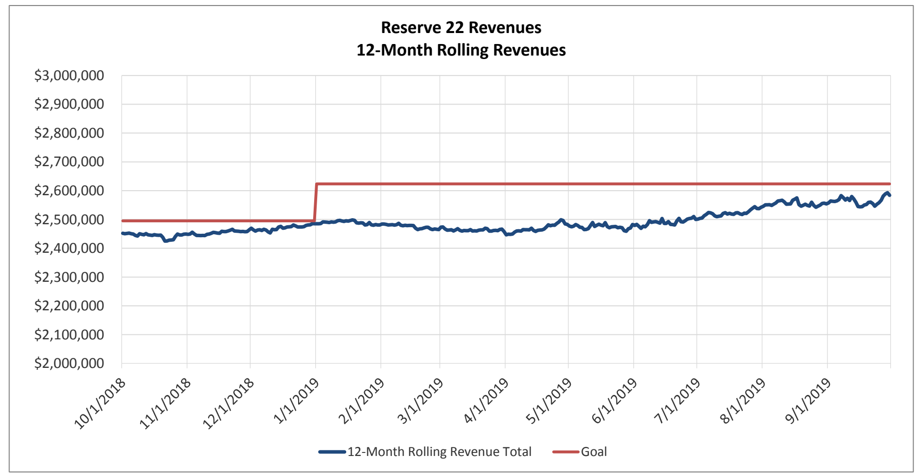
ORG/ OBJECT	DESCRIPTION	2019 BUDGET	MONTH 2019	MONTH 2018	MONTH DIFF	MONTH % DIFF	YEAR-TO-DATE 2019	YEAR-TO-DATE 2018	YEAR-TO-DATE DIFF	YEAR-TO-DATE % DIFF
	KEY METRICS									
		Goal								
	Revenue Source:									
	Restaurant/Bar	*N/A*	*$ 165,062*	*$ 137,675*	*$ 27,387*	*20%*	*$ 1,354,632*	*$ 1,295,207*	*$ 59,425*	*5%*
	Banquets	*N/A*	*106,548*	*103,773*	*2,775*	*3%*	*619,290*	*604,867*	*14,423*	*2%*
	Other	*N/A*	*30,468*	*30,677*	*(209)*	*-1%*	*181,441*	*156,484*	*24,957*	*16%*
	Total	*$ 2,623,600*	*$ 302,078*	*$ 272,125*	*$ 29,953*	*11%*	*$ 2,155,363*	*$ 2,056,558*	*$ 98,805*	*5%*
	Reserve 22 Revenues (Last 12 Months)	*$ 2,623,600*					*$ 2,584,030*	*$ 2,456,792*	*$ 127,238*	*5%*
	Reserve 22 Expenses (Last 12 Months)	*$ 2,275,945*					*$ 2,498,306*	*$ 2,505,120*	*$ (6,814)*	*0%*
	# Guest Checks (Restaurant/Bar)	*N/A*	*5,034*	*5,413*	*(379)*		*40,664*	*44,572*	*(3,908)*	
	Revenue Per Guest Check	*N/A*	*$ 32.79*	*$ 25.43*	*$ 7.36*		*$ 33.31*	*$ 29.06*	*$ 4.25*	
	# Guests (Restaurant/Bar)	*N/A*	*8,565*	*7,850*	*715*		*69,698*	*75,107*	*(5,409)*	
	Average Guest Spend	*N/A*	*$ 19.27*	*$ 17.54*	*$ 1.73*		*$ 19.44*	*$ 17.24*	*$ 2.19*	
	Cost of Goods Sold %	*27%*	*33%*	*26%*	*7%*		*31%*	*31%*	*0%*	
	Cost of Goods Sold % (By Category):									
	Cost of Goods Sold - Beer	*26%*	*35%*	*27%*	*7%*		*24%*	*26%*	*-2%*	
	Cost of Goods Sold - Wine	*29%*	*26%*	*20%*	*6%*		*31%*	*30%*	*1%*	
	Cost of Goods Sold - Liquor	*19%*	*29%*	*17%*	*13%*		*25%*	*23%*	*2%*	
	Cost of Goods Sold - NA Beverages	*29%*	*51%*	*33%*	*19%*		*57%*	*38%*	*19%*	
	Cost of Goods Sold - Food	*32%*	*37%*	*32%*	*5%*		*36%*	*37%*	*-1%*	
	Personnel Expenses as % of Sales	*47%*	*38%*	*44%*	*-6%*		*47%*	*52%*	*-5%*	
	Prime Cost (Cost of Goods Sold + Personnel Expenses) as % of Sales	*74%*	*72%*	*70%*	*2%*		*78%*	*83%*	*-4%*	

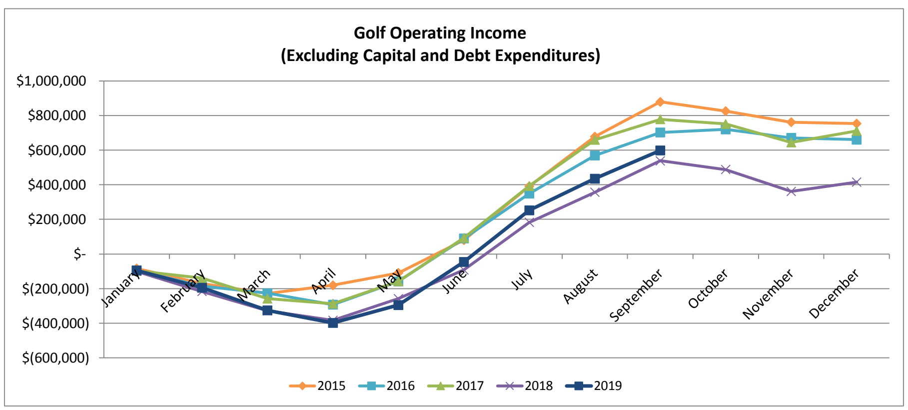
Village Links / Reserve 22
Dashboard Financial Report
As of September 30, 2019

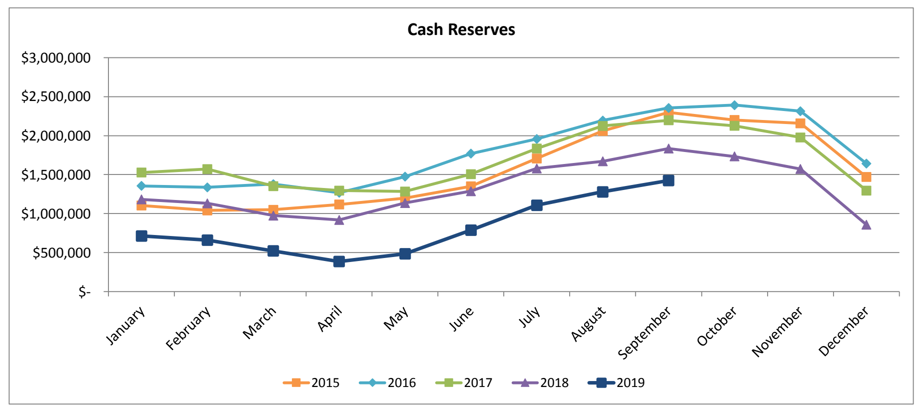












Attachment: Village Links - Financial Statements - September 2019 (4207 : Village Links/Reserve 22 -

Finance Commission
535 Duane St.
Glen Ellyn, IL 60137

Meeting: 11/08/19 07:00 AM
Department: Finance Commission
Department Head: Christina Coyle
Category: Budget
Prepared By: Christina Coyle

SCHEDULED

AGENDA ITEM (ID # 4224) DOC ID: 4224

Finance Director Coyle will present an overview of the 2020 draft budget. (Discussion Only)

Attached is a copy of the presentation that was presented to the Village Board for the public hearing on October 28, 2019. At the Finance Commission meeting, we will go over the information presented to provide the Finance Commission context for what is planned for 2020.

ATTACHMENTS:

- Budget Public Hearing Powerpoint FY20 (PDF)

2020 BUDGET PUBLIC HEARING

October 28, 2019

VILLAGE OF GLEN ELLYN DRAFT BUDGET

Available on the Village's website

- www.glenellyn.org

Hard Copies Available at:

- Civic Center

Budget Workshops Held October 7, 10, 14, and 21

Public Hearing tonight (October 28)

Scheduled for Adoption on November 12

OVERVIEW OF 2020 DRAFT BUDGET

- Includes 17 Funds of the Village
- Developed using zero-based budgeting philosophy

FUND

DEPARTMENT	General	Corporate Reserve	Motor Fuel Tax	Debt Service	CBD TIF	Roosevelt Road TIF	Forfeiture Fund	Capital Projects	Facilities Maintenance Reserve	Fire Service	Water/Sewer	Parking	Residential Solid Waste	Village Links/Reserve 22	Insurance	Equipment Services	Police Pension
Village Board & Clerk	✓																
Village Manager's Office	✓	✓								✓			✓				
Facilities Maintenance	✓								✓								
Law	✓																
Information Technology	✓																
Economic Development	✓				✓	✓											
Finance	✓			✓							✓	✓			✓		✓
Planning & Development	✓																
Police	✓						✓										
Public Works																	
Administration & Eng.	✓		✓					✓			✓	✓					
Operations	✓		✓								✓	✓					
Equipment Services																✓	
Village Links/ Reserve 22														✓			

BUDGET OVERVIEW – ALL FUNDS

Total budget of $77,387,244 (net of transfers)

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Operating expenses	$38,245,432	$40,088,450	$1,843,018	4.82%
Capital & debt service expenses	$23,662,202	$37,298,794	$13,636,592	57.63%
Total	$61,907,634	$77,387,244	$15,479,610	25.00%

See following slides for detailed analysis and explanations

BUDGET OVERVIEW – OPERATING EXPENSES ALL FUNDS

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Personnel Services	$14,284,653	$14,780,264	$495,611	3.5%
Contractual Services	$17,499,820	$18,829,644	$1,329,824	7.6%
Commodities	$6,460,959	$6,478,542	$17,583	0.3%
Total Operating Expenses	$38,245,432	$40,088,450	$1,843,018	4.8%

- Personnel
  - 2.75% merit pool for non-union employees and contractual adjustments for police
  - Three new full-time positions (police officer, economic development coordinator (from part time) and senior building inspector)
  - IMRF rate increase from 7.15% of covered payroll to 9.09% of covered payroll
  - Police Pension contribution constant

BUDGET OVERVIEW – OPERATING EXPENSES ALL FUNDS

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Personnel Services	$14,284,653	$14,780,264	$495,611	3.5%
Contractual Services	$17,499,820	$18,829,644	$1,329,824	7.6%
Commodities	$6,460,959	$6,478,542	$17,583	0.3%
Operating expenses	$38,245,432	$40,088,450	$1,843,018	4.8%

- Contractual Services
  - Increase in contractual street maintenance in Capital Projects Fund ($535K)
  - Increase in police pension benefit payments ($120K)
  - Contractual increase in refuse service to Groot ($135K)
  - Increase in contribution to Glen Ellyn Volunteer Fire Company ($212K)
  - Increased plumbing inspections ($60K) which are pass through
  - Economic Development incentive increases due to agreements, namely Pete's Market ($189K)

BUDGET OVERVIEW – CAPITAL & DEBT SERVICE ALL FUNDS

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Capital Outlay	$19,839,161	$34,057,626	$14,218,465	71.7%
Debt Service	$3,823,041	$3,241,168	($581,873)	-15.2%
Capital & debt service expenses	$23,662,202	$37,298,794	$13,636,592	57.63%

Capital Outlay

- $16M Central Business District Parking Garage in 2020

Debt Service

- 2019 budget contemplated issuing $9.5M in bonds which were not needed in 2019. The 2020 budget includes issuing $9.5M in bonds. Debt service on the 2018 issuance was also lower than anticipated

ADDITIONAL COST TO THE AVERAGE RESIDENT FOR 2020

Item	Additional Annual Cost
Village Property Tax Increase	$7.16
Water & Sewer (4,000 gallon monthly usage)	$0 – No increase to rates
Refuse (65 gallon cart)	$0.48 per month; $2.40 for 2020 (increase only effective August 2020)
Total Additional Cost to the Average Resident for 2020 Budget	**$9.56 for the year**

- Property taxes based on a $494,000 home.
- Property tax levy includes 0.9% new growth and 1.9% CPI which falls within the tax caps
- This Village only levies the Village property tax. In actuality, some tax bills may go up and some may go down, depending on relative assessment values and other taxing districts.

BUDGET OVERVIEW – GENERAL FUND

****General Fund is balanced with a surplus of $244.00**

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Revenues	$18,902,546	$19,557,485	$654,939	3.5%
Expenditures	$18,860,753	$19,557,241	$696,488	3.7%
Change in Fund Balance	41,793	$244		

BUDGET OVERVIEW – GENERAL FUND – CONT'D

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Personnel Services	$10,213,807	$10,608,722	394,915	3.9%
Contractual Services	$3,480,787	$3,708,710	$227,923	6.5%
Commodities	$273,259	$263,009	($10,250)	-3.8%
Capital Outlay	$223,600	$131,550	($92,050)	-41.2%
Transfers to Other Funds	$4,669,300	$4,845,250	$175,950	3.8%

- Personnel
  - 2.75% merit pool for non-union employees and contractual adjustments for police
  - Three new full-time positions (police officer, economic development coordinator (from part time) and senior building inspector)
  - IMRF rate increase from 7.15% of covered payroll to 9.09% of covered payroll

BUDGET OVERVIEW – GENERAL FUND – CONT'D

	2019 Original Budget	2020 Proposed Budget	$ Increase	% Increase
Personnel Services	$10,213,807	$10,608,722	394,915	3.9%
Contractual Services	$3,480,787	$3,708,710	$227,923	6.5%
Commodities	$273,259	$263,009	($10,250)	-3.8%
Capital Outlay	$223,600	$131,550	($92,050)	-41.2%
Transfers to Other Funds	$4,669,300	$4,845,250	$175,950	3.8%

- Contractual Services
  - Plumbing inspections ($60K)
  - Economic Development incentive increases due to agreements, namely Pete's Market ($189K)
- Capital Outlay fluctuates based on projects
- Transfer to Other Funds
  - Three positions require health insurance in 2020 that did not in 2019
  - Most transfers are tied to personnel and fluctuate with personnel costs (2.75%)

QUESTIONS OR COMMENTS?

Finance Commission
535 Duane St.
Glen Ellyn, IL 60137

Meeting: 11/08/19 07:00 AM
Department: Finance Commission
Department Head: Christina Coyle
Category: Discussion Item
Prepared By: Christina Coyle

SCHEDULED

AGENDA ITEM (ID # 4225) DOC ID: 4225

Finance Director Coyle will update the Finance Commission on a bill filed to consolidate Downstate Fire and Police Pension Funds. (Discussion Only)

Background

Early in 2019, Governor Pritzker created a Pension Consolidation Feasibility Task Force to review the Downstate Police and Fire Pension Funds and issue a report and recommendations. In October, that task force released its recommendations (See report attached).

Based on those recommendations, Senator Cullerton filed a bill in veto session which is available here: <http://www.ilga.gov/legislation/101/SB/PDF/10100SB0616sam001.pdf>

The main components of the bill include:

- Mandatory consolidation of the more than 650 Article 3 (police) and Article 4 (firefighter) investment funds into two separate statewide funds (one Article 3 fund and one Article 4 fund), maintaining individual accounts for each community's pension fund and having equal labor-management board governance, using the Illinois Municipal Retirement Fund (IMRF) as a general model;
- Consolidation of all investing, auditing and actuary services into those two separate statewide funds;
- Restructuring the Tier 2 benefits including changes to the retirement COLA and surviving spouse benefits.

The Illinois Municipal League has created a toolkit with a variety of information that is available at this link: <https://www.iml.org/toolkit>

The Illinois Public Pension Fund Association (IPPFA) has voiced its opposition to consolidation.

The Glen Ellyn Police Pension Board did meet to discuss the report and passed a resolution which requested the legislature wait until the next regular session to consider the bill (rather than in veto session). This resolution was passed by many downstate police and fire pension boards.

Action Requested

This item is only to inform the Finance Commission. No action is required.

ATTACHMENTS:

- Governors Pension Consilidation Feasibility Task Force Report (PDF)

Report to Governor JB Pritzker
Illinois Pension Consolidation Feasibility Task Force

October 10, 2019

Table of Contents

Executive Summary

Of the financial challenges facing the State of Illinois, perhaps the most critical to state and local governments' overall long-term financial health is the long-standing challenge of our unfunded pension liabilities and the ever-increasing burdens that places on local property taxes. Illinois has more than 660 funds, the second-highest number of pension plans of any state in the country.

Within the constellation of pensions in Illinois, roughly 650 of them are suburban and downstate police and fire plans, most of which face headwinds in large part caused by the relatively small size of each plan. Because many are so small, they are unable to gain access to investment opportunities that provide the highest returns and competitive investment fees. Collectively these pension plans today earn significantly lower investment returns than larger pension plans. For example, suburban and downstate police and fire plans generated on average 2 percentage points less annually over the past 10 years than the statewide municipal employees' fund. In addition, these numerous small funds pay substantially higher expenses to manage their assets and administer benefits. The sheer number of plans and the extraordinarily modest asset levels relative to other plans exacerbate both of these challenges.

Not only does this negatively impact the funding level of police and fire pension plans, but local taxpayers are left with the burden of paying taxes to make up for these lower investment returns, forcing most municipalities to rely on a never-ending cycle of increasing local property taxes or cutting services to meet their pension obligations.

To help solve the police and fire pension funding problem and relieve the burden on taxpayers, Governor Pritzker announced the creation of the Pension Consolidation Feasibility Task Force on February 11, 2019, to explore and make recommendations for consolidation of pension funds in order to achieve the greatest value for employees, retirees, and taxpayers. Members of the task force include municipalities, labor unions, former elected officials and financial experts.

After eight months of data collection, analysis, and many meetings, the Task Force recommends the State take the following actions:

STEP 1: Consolidate suburban & downstate police & fire pension plan assets.

The single most impactful step that the State can take to address the underfunding of downstate and suburban police and fire pension funds is to consolidate the plans' investment assets. This step is immediately actionable and beneficial to the health of the plans, retirees, and taxpayers. Analysis by the Department of Insurance estimates that if the **more than $14 billion** of suburban and downstate police and fire plans were to achieve investment returns similar to the other larger Illinois plans over the next five years, they would collectively generate an additional **$820 million to $2.5 billion** in investment returns alone. If they were to achieve comparable returns over the remaining 20 years on their statutory ramp to 90% funded status, they would create an additional **$3.6 to $12.7 billion** in investment returns alone.

To achieve this consolidation, the Task Force recommends that the State create two new funds, one for municipal police beneficiaries and one for municipal fire beneficiaries, to pool the assets of the roughly 650 downstate and suburban police and fire funds and manage those assets. Each fund would be governed by a board with equal representation of employees and employers. Each local pension plan would maintain an individual and separate account within the new consolidated funds, such that no assets or liabilities are shifted from one plan to another. Each of the two consolidated funds will be held in independent trusts, separate from the State Treasury, with sole governance provided by their respective boards.

With up to $1 million a day in lost investment returns to the pension plans, the Task Force recommends there be legislation passed by the General Assembly in the fall of 2019 that will achieve this consolidation.

In addition, the Task Force recommends other statutory changes to ensure the State is compliant with the safe harbor standard of the Social Security Administration and Internal Revenue Code, thereby avoiding substantial and sudden future costs to municipalities resulting from non-compliance.

STEP 2: Review consolidation of suburban/downstate police & fire pension plan benefit administration; review of other state and local plans to determine advantages of consolidation

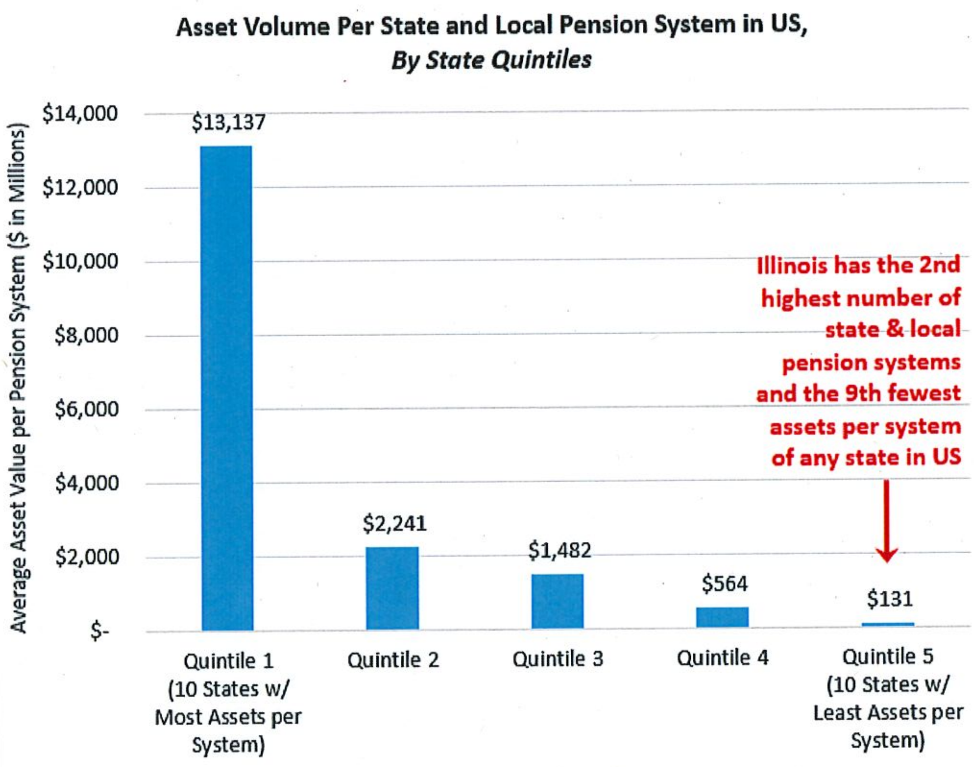
Downstate and suburban police and fire funds face further financial challenges beyond just the underperformance of investment returns and high cost of administering assets of these systems that consolidation will address. Therefore, the Task Force recognizes there may be additional advantages to consolidating the benefit administration of these plans. However, because such action requires further discussion with those who would be affected by such a change, it is the recommendation of the Task Force that it should continue to review the advantages and challenges of consolidating benefit administration, and to make potential recommendations to the Governor on this issue.

Additionally, there are 15 other pension systems in Illinois outside of suburban and downstate police and fire that bear significant financial burdens. Unlike suburban and downstate police and fire plans these funds are larger funds, and consolidation would not achieve material improvement of their investment returns. Because the current financial pressures on these systems are so significant, especially for the City of Chicago, it is recommended that the Task Force to continue to review the potential advantages of consolidation of these larger systems and to make recommendations to the Governor on this issue.

Background on Illinois Pension Plans

In the United States, all state governments maintain some form of retirement system(s) (or otherwise referred to as "funds" or "plans") for the retirement security of their public employees. The size, shape, form, and number of these systems varies dramatically, however, across states. Pennsylvania, Illinois, and Minnesota are the states with the highest number of public state and local pension systems, with 1,597; 664; and 577, respectively. 78% of states in the US have fewer than 100 state and local pension systems, with 26% of states having fewer than 10. As for the size of each state's average state and local pension system, Illinois ranks 42nd out of 50 states for the average value of total assets per pension system.[1]

Chart 1: Size Comparison of Pension Plans in US



Source: US Census Bureau, 2017 Census of Governments: Finance—Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data

In order of most-to-least assets per system:
Quintile 1: NY, WI, OH, HI, ME, NV, CA, MS, NM, NJ
Quintile 2: OR, SC, SD, UT, IA, VA, ID, AK, TX, GA
Quintile 3: AL, NH, NC, LA, WA, OK, TN, KS, KY, WY
Quintile 4: MD, MO, MA, CO, MI, AZ, NE, VT, DE, FL
Qintile 5: ND, IL, RI, WV, CT, AR, IN, MN, MT, PA

---

[1] US Census Bureau, 2017 Census of Governments: Finance—Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data, with amended Illinois local funds based on Department of Insurance FY 2017 report

In other large states with comparable population size (such as New York, California, and Texas), the number of pension systems are significantly less than Illinois (9, 86, and 140, respectively). For a regional comparison, Ohio has only one pension system for all police and fire personnel, and 8 state and local pension systems in total. Some states that have gone through a consolidation process over the years include Wisconsin, Massachusetts, West Virginia, Ohio, and Colorado. Two specific state systems that have substantially consolidated assets are the Massachusetts Pension Reserve Investment Management Board (PRIM) and the State of Wisconsin Investment Board (SWIB). PRIM, for example, is a not-for-profit agency with a chief investment officer and other investment managers specializing in various markets such as real estate, private equity, hedge funds, etc. Salaries and other costs of operation are charged on a pro rata basis back to the participating funds. [2]

Suburban and Downstate Police and Fire

In Illinois, the vast majority (649) of the existing 664 pension plans are for police and fire personnel employed by municipalities outside of the City of Chicago.[3] These plans are commonly referred to as "suburban and downstate" police and fire pension plans. While 98% of Illinois pension plans are for suburban and downstate police and fire, their plan assets represent less than 10% of the total plan assets for all Illinois public pension plans. This makes these plans unique to the other plans in the state in that their governmental aggregate volume of assets is significantly smaller than the other Illinois, Cook County, and City of Chicago plans.

Table 1: Average Volume of Assets by IL Pension Plan Category ($ in Millions)

Plan Category	# of Plans	Average Actuarial Value of FY 2017 Assets Per Fund
Suburban & Downstate Police & Fire Plans	649	$22
Cook County & City of Chicago Plans	9	$3,533
Illinois Statewide Plans	6	$16,883

While the average suburban and downstate police and fire pension plan has $22 million in actuarial value of assets, 65% of those plans have less than $20 million in assets, and 44% of them have less than $10 million in assets.[4]

[2] Sources: Boston Consulting Group analysis; March 2019 phone conversation with Keith Brainard, Research Director of National Association of State Retirement Administrators (NASRA); March 2019 phone conversation with Michael Travaglini, prior senior staffer at PRIM..
[3] The number of plans varies year-to-year and as such, these numbers may differ slightly from other publicly-available sources
[4] Source: Illinois Department of Insurance, Public Pension Division, 2017 Biennial Report

Table 2: Suburban and Downstate Police and Fire Pension Plan Asset Volumes ($ in Millions)[5]

Plan Assets	Count	% of Total Count	Total Actuarial Value of FY 2017 Assets	% of Total Assets
$0-$10M	285	43.9%	$1,136	7.9%
$10M-$20M	139	21.4%	$2,069	14.4%
$20M-$30M	88	13.6%	$2,182	15.2%
$30M-$40M	47	7.2%	$1,627	11.4%
$40M-$50M	26	4.0%	$1,118	7.8%
$50M-$60M	9	1.4%	$539	3.8%
$60M-$70M	10	1.5%	$653	4.6%
$70M-$80M	15	2.3%	$1,132	7.9%
$80M-$90M	8	1.2%	$677	4.7%
$90M-$100M	1	0.2%	$96	0.7%
$100M+	21	3.2%	$3,092	21.6%
Total	649		$14,321	

As of December 31, 2017, the smallest and the largest suburban and downstate plan assets among these pension funds held $2,000 and $250 million, respectively, with only 3% of the plans having assets exceeding $100 million. Due to liquidity concerns around smaller plans bearing larger risk, plans with smaller size generally achieve substantially lower investment returns. In addition to a wide gap in assets, the number of active fund participants varies greatly by fund. The average number of plan participants per plan is only 67 individuals, with 24 plans having only one active participant. Only five suburban and downstate police and fire plans have more than 500 active participants, with the Rockford Police Pension Fund having the most at over 600.

[5] Based on Illinois Department Insurance data available in the spring of 2019

Table 3: Funded Levels of Suburban and Downstate Police and Fire Pension Plans

IL Department of Insurance
Pension Division
Summary of Pension Funds in Article 3 and Article 4 of IL Pension Code
Data as filed for Fund's FY 2017 ($ in Millions)

% Funded Range	# of Funds	Total Participants in Funds	Actuarial Value of Assets (A)	Actuarial Calculated Accrued Liabilities (L)	Unfunded Accrued Liability (L-A)	Avg. % Funded (A/L)
201% - 700%	3	8	$5.2	$1.3	-$3.9	397%
151% - 200%	2	23	$7.4	$4.4	-$2.9	166%
101% - 150%	17	385	$208.7	$199.0	-$9.8	105%
81% - 100%	36	1,107	$411.7	$479.0	$67.3	86%
61% - 80%	207	12,534	$5,142.6	$7,477.9	$2,335.2	69%
41% - 60%	275	23,976	$7,601.6	$14,585.2	$6,983.6	52%
21% - 40%	21	671	$893.9	$2,765.6	$1,871.7	32%
0% - 20%	88	4,963	$53.9	$340.5	$286.6	16%
Total	**649**	**43,667**	**$14,325.0**	**$25,852.9**	**$11,527.9**	**55%**

Notes:
(1) Four funds did not submit an Annual Statement in FY 2017. Pending hearings.
(2) The funds with over 151% are new funds with more active participants than annuitants or have only one member in the fund.
(3) The information is based on the Division's enrolled actuary valuation reports with assumptions developed and documented in 2017 experience report.
(4) Assets are calculated based on a five year smoothing as required by Article 1 of the IL Pension Code.

The funded ratio for the average suburban and downstate police and fire pension plan is 55% funded, with 59% (384 of 649) of funds at or below a 60% funded level. In many of these plans, the cash inflows (contributions from employers and employees, and investment returns) are less than the cash outflows (benefits and expenses). Also, their investment returns are often less than their assumed actuarial discount rate, meaning the average unfunded accrued liability gap of 45% is unlikely to ever be closed without major corrective action.

For the purposes of this Task Force, the Illinois Department of Insurance conducted an analysis of the investment returns of these plans, looking at 592 suburban and downstate police and fire plans from FY 2004 to 2013.[6] The market values of the sample plan assets were $6.7 billion in FY 2004 and $11.5 billion as of FY 2013, and earned an annual average of 5.61% on investments, net of fees. The Department then looked at what those plans would have earned had they been pooled together into a larger system to take advantage of economies of scale, broader investment options, and more choices on investment vehicles. The analysis showed that had they performed similarly over the FY 2004-2013 time period to the Illinois State Board of Investment (ISBI) or the Illinois Municipal Retirement Fund (IMRF), they would have returned 6.73% or 7.62%, respectively. These two systems were used as a basis for comparison because of their composition of a pooling of smaller funds. This 112 to 201 basis-point increase in returns would have netted suburban and downstate police and fire plans an additional estimated **$160 million to $288 million** annually.

[6] Some funds were excluded from the analysis because they either had different fiscal year dates, or were terminated at some point during the 10-year period of analysis.

Table 4: Comparison of Suburban & Downstate Police & Fire Plans' Net Investment Returns to IMRF & ISBI, FY 2004 - 2013

FY 2004 - 2013 Avg. Annual Investment Returns (Net Fees), $ in Millions			
	Avg. Ann. Returns	*If Suburban & Downstate Police & Fire Returns Matched That of IMRF or ISBI...*	
		Basis Point Increase	Annual $ Increase
Suburban & Downstate Police and Fire	5.61%	N/A	N/A
IMRF	7.62%	201	$288
ISBI	6.73%	112	$160

Table 5 shows a more recent 5-year investment return average and compares the returns of suburban and downstate police and fire plans to other pension plans in Illinois, besides just IMRF and Illinois State Board of Investment ("ISBI")-managed assets. Based on the data for this time period, were suburban and downstate police and fire plans to achieve investment returns similar to the other Illinois plans over the next five years, they would create an estimated additional **$820 million to $2.5 billion** in investment returns alone, above and beyond the returns they would ordinarily experience.

As the statutorily defined pension ramps are currently constructed, higher returns will ultimately mean a reduction in the required annual employer contribution, and therefore an easing of the burden on taxpayers to pay down the unfunded pension liabilities. While required employer contributions adjust to changes in investment returns, it would be reasonable to inquire how an increase in these returns would impact the overall health of the pension plans if required employer contributions remained unchanged. For the sake of comparison, if the suburban and downstate police and fire plans were to have experienced returns similar to the Illinois Municipal Retirement Fund (IMRF) over the last *5 years*, and that additional $2.5 billion were layered on top of the employer contributions actually made over that time period, the plans would be 10 percentage points better funded today as a result of just those 5 years of improved returns (65% funded instead of 55%).

Table 5: Comparison of Suburban & Downstate Police & Fire Net Investment Returns to All Other Illinois Pension Plans, FY 2012 - 2016

FY 2012 - 2016 Avg. Annual Investment Returns (Net Fees) For IL Pension Systems ($ in Millions)					
	No. of Plans	5-Yr Avg. Ann. Returns	*If Suburban & Downstate Police & Fire Returns Matched That of the Other IL Systems...*		
			Basis Point Increase	Annual $ Increase	5-Yr Total $ Increase
Suburban & Downstate Police and Fire	649	5.06%	N/A	N/A	N/A
Total All Other Systems in IL	15	6.89%	183	$262	$1,360
IMRF	1	8.28%	322	$461	$2,460
IL Statewide Systems	5	6.18%	112	$160	$820
Chicago Area	6	6.94%	188	$269	$1,398
Cook County	3	7.38%	232	$332	$1,741

As indicated, the larger pooled systems tend to operate more efficiently in terms of investment fees and expenses than smaller ones. For example, as of FY 2018, IMRF spent $127 million on direct investment expenses on $40.8 billion in total assets, for an investment expense-to-assets ratio of 32 basis points. In the same year, ISBI spent $22 million on direct investment expenses on $18.4 billion in total assets, for an investment expense-to-assets ratio of 12 basis points. When the Illinois Department of Insurance analyzed the suburban and downstate police and fire pension plans in FY 2013, they found that these plans spent $65 million on direct investment expenses on $11.5 billion in assets, for an investment expense-to-assets ratio of 57 basis points. Were these assets pooled and managed similar to the assets of IMRF or ISBI, they would have saved an estimated $38-$51 million annually on investment-related expenses alone.[7]

Aside from the difference in the rate of investment returns there is also administrative duplication (e.g. accounting, legal services, auditing, actuarial, training, association fees, travel, etc.) and a potential lack of uniformity in the administration of benefits associated with having 649 individual and independent funds. Further analysis will need to be performed to quantify the costs associated with duplicative administrative efforts across these local pension plans. For instance, all 3,250 police and fire plan trustees are required to take initial training of 32 hours, and annual/reoccurring training of 16 hours. The largest provider of local pension trustee training in Illinois charges local pension plans $800 to $1,700 per trustee for initial training and $465 to $930 per trustee for annual/reoccurring training. Training of this multitude of trustees costs taxpayers $3 to $5 million for initial training and $1.5 to $3.0 million annually for reoccurring training. This does not include costs associated with these trainings of travel, lodging, wages, etc.[8]

[7] Source: 2018 Comprehensive Annual Financial Reports. Note, because IMRF and suburban and downstate police and fire pension plans also administer benefits to pensioners, whereas ISBI does not, general administrative expenses were excluded from this comparison.
[8] "Public Safety Pension Fund Consolidation: The Benefits to Illinois Taxpayers," March 2017: https://iml.org/file.cfm?key=15332

Cook County & City of Chicago Pension Plans

Nine of Illinois' pension plans cover just the areas of Cook County and City of Chicago. With around 100,000 participants, these systems make up 18% of all participants in Illinois' pension plans. Similarly, their plan assets make up 19% of Illinois' total pension assets.

Table 6: City of Chicago and Cook County Pension Plan Funding Levels ($ in Millions)[9]

Retirement Systems/ Pension Funds by Area:	FY 2016 Unfunded Liability	Increase in Liability from FY 2015	FY 2016 Actuarial Assets	FY 2016 Funded Level
CHICAGO TEACHERS' PENSION FUND	$9,635.4	0.30%	$10,610.7	52.41%
COOK COUNTY EMPLOYEES' A&B FUND	$7,238.2	-0.04%	$9,488.2	56.73%
MUNICIPAL EMPLOYEES A & B FUND OF CHICAGO	$10,465.0	6.35%	$4,590.4	30.49%
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO	$9,804.5	21.02%	$3,052.1	23.74%
METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND	$1,070.9	0.74%	$1,372.4	56.17%
LABORERS' & RETIREMENT BOARD EMPLOYEES' A&B FUND	$1,245.6	7.27%	$1,263.7	50.36%
FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO	$3,971.0	12.41%	$1,074.9	21.30%
PARK EMPLOYEES' & RETIREMENT BOARD EMPLOYEES' A&B	$611.9	18.90%	$393.6	39.15%
FOREST PRESERVE DISTRICT EMPLOYEES' A&B FUND	$132.0	2.27%	$198.2	60.04%
Chicago and Cook total	$44,174.5	7.69%	$32,044.1	42.04%
State Total	**$185,192.1**	**10.10%**	**$170,230.5**	**47.90%**

As shown in Table 6, the funds range from nearly $200 million in plan assets to over $10.6 billion. The funded ratios for each vary between 20% and 60%. The funded ratio for the Cook County and City of Chicago plans falls below the state average. In FY 2016, no funds significantly decreased their unfunded liability. Instead, most funds saw an increase in unfunded liability. From FY 2012 to FY 2016, the funds experienced a 7.16% investment return, somewhat better than the average for the state.[10]

[9] Source: Illinois Department of Insurance, Public Pension Division, 2017 Biennial Report
[10] Based on Illinois Department Insurance analysis in the spring of 2019, using Comprehensive Annual Financial Reports

Illinois Statewide Pension Systems and Other Pension Plans

In addition to the pension plans addressed above, there are five state-funded pension plans and the Illinois Municipal Retirement Fund (IMRF). Like the five state-funded plans, IMRF serves government employees across Illinois, but the State of Illinois does not have the same obligation to pay benefits to IMRF's pensioners. In addition, IMRF is significantly better funded than the other plans, and has exercised greater ability to order the intercept of state-shared revenue that would ordinarily go to a municipality, if that municipality fails to make a full statutorily required contribution to the pension system in a timely fashion. Altogether, these six plans have approximately 460,000 participants, more than all of Illinois' other plans combined.

Table 7: Statewide Pension Plans ($ in Millions)[11]

Retirement Systems/ Pension Funds by Area:	FY 2016 Unfunded Liability	Increase in Liability from FY 2015	2016 Actuarial Assets	FY 2016 Funded Level
TEACHERS RETIREMENT SYSTEM OF ILLINOIS	$71,407.8	13.91%	$47,222.1	39.81%
ILLINOIS MUNICIPAL RETIREMENT FUND	$4,585.3	0.26%	$43,226.9	90.41%
STATE UNIVERSITIES RETIREMENT SYSTEM	$23,221.7	3.56%	$17,701.6	43.26%
STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS	$29,882.8	14.93%	$15,632.6	34.35%
JUDGES' RETIREMENT SYSTEM OF ILLINOIS	$1,675.6	10.97%	$870.9	34.20%
GENERAL ASSEMBLY RETIREMENT SYSTEM	$312.5	13.36%	$50.8	13.99%
Statewide Plans Total	$131,085.6	9.50%	$124,704.9	48.75%
Statewide Plans Total except for IMRF	$126,500.3	11.35%	$81,478.0	39.18%
All Illinois Pension Plans	**$185,192.1**	**10.10%**	**$170,230.5**	**47.90%**

The average statewide plan has approximately $21 billion in assets. With $51 million in assets, the General Assembly Retirement System is the smallest fund. The Teachers Retirement System (TRS) is the largest, holding $47 billion in assets. Because of TRS' size relative to the other statewide systems, TRS' unfunded liability is more than half the unfunded liability for these six plans combined.

When IMRF is excluded, the statewide systems averaged a 39.18% funded ratio in FY 2016, which is below the average of all Illinois pension plans. This makes Illinois one of the most underfunded for state pension systems in the country. In FY 2016, none of the funds reduced their unfunded liability over the previous year. Instead, most statewide funds' unfunded liabilities grew by at least 10%. From FY 2012 to FY 2016, the five state-funded plans experienced a 6.18% investment return, slightly better than the average all Illinois state and local pension plans.

[11] Source: Illinois Department of Insurance, Public Pension Division, 2017 Biennial Report

IMRF's 90% funded ratio is by far the best of all statewide funds, and the return on its investments has surpassed all others over the past five years, leading many to consider it a model plan for best practice comparison.[12]

Recommendation, Step 1: Consolidate Suburban & Downstate Police & Fire Pension Plan Assets

The breadth of the pension issue in Illinois is vast, extending to all areas of the state and to many different public sector workers. From Chicago to Cairo, and from teachers to first responders, the effects of underfunded Illinois pensions negatively impacts state and local finances, and therefore crowds out funding available for other critical public goods and services. The Task Force recognizes that it must make recommendations that will tackle the issue holistically and that also can be effectuated as soon as practicable.

There are a number of facts which underlie the initial recommendation of the Task Force:

- Illinois has more pension plans than all but one other state in the US, and some of the greatest levels of underfunding
- The plan assets in each individual police and fire plan are substantially smaller than most plans nationwide and in the state
- It is extremely inefficient to maintain so many pension plans with so few active participants and such small asset bases
- Unless the investment returns of the police and fire plans are improved, substantial additional contributions from employers and/or employees will be required to make progress on improving funded levels
- Healthy investment returns are vital to public employee pension plan survival, as investment income is required to compensate for cash-flow shortfalls
- The suburban and downstate police and fire pension plans are falling behind in meeting their minimum required investment rates of return
- If these plans were consolidated, they would achieve substantially higher returns and could save the taxpayers in excess of $160 million on an annual basis

Therefore, the clearest and most compelling initial recommendation of the Task Force is to consolidate the assets of all of the 649 suburban and downstate police and fire pension plans under two new statewide funds—one for police and one for fire. Currently, as separately managed assets, these plans achieve investment returns and investment expense efficiencies far below what they would if they were pooled and managed together. As separate funds, each would have their own board in charge of their own personnel and asset management decisions, and each fund's assets would remain separate from the assets of other statewide pension systems. Consolidated statewide police and fire funds have been achieved in other states, including Ohio, where in 1967, $75 million in assets and $490 million in liabilities were consolidated from local public safety funds across the state. As of FY 2018, the Ohio Police and Fire Pension Fund had an investment portfolio of $15.7 billion and approximately 27,000 active members.[13]

---

[12] Based on Illinois Department Insurance analysis in the spring of 2019, using Comprehensive Annual Financial Reports

[13] https://www.op-f.org/information/aboutopf

The decision of voluntary versus mandatory pension plan participation in the consolidation was also contemplated by the Task Force. It was determined that mandatory consolidation is the sensible approach as the better performing plans would perform at least as well in the long term under a consolidated model; the worst performing plans would perform substantially better; and greater consolidation would provide greater cost efficiencies to all plans.

Similar to the assets of the existing funds under consolidated management, the suburban and downstate police and fire pension plan assets would be pooled into two separate trusts, one for police and another for fire, for the sake of investment performance, but for accounting purposes would maintain individual and separate accounts for each municipality. On a regular basis each consolidated fund would provide a valuation of total assets, which would be done annually in accordance with the Governmental Accounting Standards Board, and a pro-rata share of each of the trusts' assets will be assigned to each account held by the individual municipalities. The assets and liabilities will remain within the individual local pension plan accounts, such that no assets or liabilities will be shifted from one local plan to another.

With the daily opportunity cost of lost investment returns to the pension plans, the Task Force recommends that there be legislation passed by the General Assembly in the fall of 2019 to provide for this consolidation immediately.

Combining the management of the assets will have the following advantages:

- Achieve economies of scale by minimizing administration costs and investment consulting services fees
- Create better and more efficient asset liability management with respect to short term cash-flow matching
- Create the ability to invest in more diversified, higher return assets to achieve better performing portfolios
- Enhance uniformity in setting investment and other actuarial assumptions
- Provide greater choice in selecting investment vehicles (e.g., equity-related instruments)
- Dramatically reduce the number of asset managers and other service providers to reduce fees and maximize efficiencies
- Monitoring two plans rather than 649 plans would dramatically improve the supervisory efficiency and enable more in-depth review and audit without incurring substantial additional cost by the Department of Insurance

While consolidation of assets will provide the greatest benefit to the plans at this time, the Task Force does recognize some challenges to such action:

- Plan sponsors may feel their influence is being diluted
- Misinformation creates skepticism about the stated advantages of consolidation
- Pushback from asset managers as the savings on investment fees through consolidation mean less money for those managers
- There could be initial costs for transitioning assets into the consolidated asset pool; although this would be substantially less than the upside from stronger investment returns over a matter of a few years
- The change in structure and governance of a consolidated pool will come with typical transition challenges
- Possible objections from better funded pension plans, although underfunded plans will not dilute better-funded plans due to separate account management as previously stated.

Task Force Consideration of Consolidation Under ISBI

The Illinois State Board of Investment (ISBI) currently manages $18.4 billion in defined benefit assets of the State Employees' Retirement System, the General Assembly Retirement System, the Judges' Retirement System of Illinois, the Illinois Power Agency, as well as the State of Illinois Deferred Compensation Plan.[14] Under current statute, the 9-member ISBI board consists of 5 trustees appointed by the Governor, with the advice and consent of the Senate, who may not hold an elective State office; the State Treasurer; the State Comptroller, as the Chairperson of the State Employees' Retirement System; the Chairperson of the General Assembly Retirement System; and the Chairperson of the Judges Retirement Systems.[15] This role of only administering assets works well with the initial recommendation for only asset consolidation of suburban and downstate police and fire funds. With respect to maximizing the investment returns of these police and fire funds, ISBI has done fairly well at meeting its investment return benchmarks in recent years, but has experienced lower returns on average than IMRF. However, it is still unclear that if the return assumptions between the ISBI and IMRF were similar over the years, how the average returns for each system would compare over the long term; as investment strategy is largely dictated by the assumed investment returns by the systems' boards.

Members of the Task Force voiced several concerns with the consolidation of police and fire assets under ISBI. Those concerns included, but were not limited to, the relationship between state-level retirement systems and the local-level police and fire plans, and the negative connotations of state and local employee asset consolidation. As such, the Task Force agreed that the consolidation of suburban and downstate police and fire assets under ISBI would be abandoned, in favor of separate statewide police and fire funds.

Task Force Consideration of Consolidation Under IMRF

The Illinois Municipal Retirement Fund (IMRF) manages both the assets ($40.8 billion in assets) and the benefit administration ($45.4 billion in liabilities) of local government and school district employees outside of the City of Chicago and Cook County.[16] Because the initial recommendation of the Task Force is to consolidate only the assets of suburban and downstate police and fire, IMRF's role in managing only the assets of these plans would be different from its current model. IMRF's strong return on investments makes such a fund appealing for the consolidation of these police and fire funds. Additional appeal of IMRF is that it has much of the existing fund infrastructure in place to quickly expand management to the assets of suburban and downstate police and fire plans. Generally, IMRF would seek to mirror its current investment categories and strategy with the newly consolidated police and fire assets to replicate its successes for these additional $14 billion in assets. However, since the alternative assets held by IMRF are not always as easily divisible as conventional investment categories, police and fire assets would need to be managed by IMRF in a trust separate from the existing assets until IMRF would be able to replicate the portfolio composition of the existing assets; at which time, the two trusts could be consolidated.

Under current statute, the 8-member IMRF board consists of:

- 4 executive trustees elected by participating units of government

---

[14] https://www.isbinvestment.com/

[15] 40 ILCS 5/22A-109

[16] Source: 2018 Comprehensive Annual Financial Reports

- 3 employee trustees elected by participating IMRF members
- 1 annuitant trustee elected by IMRF annuitants[17]

Some members of the Task Force voiced concerns with the consolidation of police and fire assets under IMRF, as well. Ultimately, amending the current IMRF governance structure to accommodate the new suburban and downstate police and fire assets without diluting the representation of existing IMRF employees proved problematic for consensus among the Task Force. It was determined that, while setting up two new statewide police and fire plans would take additional time and resources, it is more amenable than consolidation under IMRF, and far more financially advantageous to these plans than to maintain the status quo with no consolidation.

Task Force Consideration of Consolidation Under a New Police Fund and New Fire Fund

While creating new statewide funds for suburban and downstate police and fire may create some minimal duplication of effort with the other statewide funds and entail some start-up and ongoing costs, it is fairly common practice to differentiate pension systems by the types of members they're serving. Insomuch as the interests of police and fire personnel are different from other government employees served by existing retirement systems, and different from one another, it would be reasonable to establish separate systems for these employees. In light of the aforementioned challenges with consolidation under existing systems, the Task Force recommends establishing two new statewide police and fire funds that include all existing suburban and downstate funds, with assets consolidated under their own respective trusts and under the purview of separate governing boards. The Task Force recommends setting up board structures to provide equal representation of employees/annuitants and employers on the board of trustees. The Task Force also recommends including two ex officio members to each board—one representative of the statewide association representing participating municipalities (65 ILCS 5/1-8-1) and one representative of a statewide association representing police/fire employees, each with full voting and other rights.

The Task Force recommends each board composition consist of 8 trustees, as follows:

- 3 executive trustees elected by participating municipalities, as defined by Article 7, Section 1 of the Illinois Constitution
- 2 police/fire employee trustees elected by participating police/fire members
- 1 police/fire annuitant trustee elected by police/fire annuitants
- 1 ex officio trustee that is a representative of the statewide association representing participating municipalities (65 ILCS 5/1-8-1)
- 1 ex officio trustee that is a representative of the largest statewide association representing police/fire employees

Note: The Illinois Fraternal Order of Police dissented on this recommended board composition, desiring a board composition with a majority of employee trustees and a minority of employer trustees.

The Task Force also notes that if consolidation of benefit administration for these funds is recommended in the future, that the composition of consolidated fund boards will likely be revisited.

[17] 40 ILCS 5/7-174

The Task Force recognizes that there will be unique challenges from the period of the consolidation legislation becoming effective and the normal board operations of a fully consolidated pool of assets, which may be referred to as the "transition period." As such, and only for the transition period, it recommends an interim board for each be appointed, with the State Treasurer appointed as a trustee and chair to preside over meetings and only to cast a vote in the event of a tie among the other 8 trustees. The 9-member interim board would consist of the same categories of the aforementioned trustees, but would be appointed by the Governor. The Governor would also appoint an interim executive director.

The Task Force recommends the following timeline for consolidation of assets for each police and fire board:

- July 1, 2020: Effective date of enacting legislation; transition period begins
- Following effective date of enacting legislation:
    - Governor appoints, and terms begin, for interim trustees and the two interim executive directors
    - Interim custodian, actuary, general counsel, independent consultant(s), and auditing firm selected
    - Election and seating of permanent trustees; transition period ends
    - Seating of permanent executive director, selected by the new board (existing executive director may be considered)
    - Selection of permanent custodian, actuary, general counsel, independent consultant(s), and auditing firm (may extend existing contracts)
- By July 1, 2023: Newly consolidated funds are fully operational, assuming at least 80% of existing assets have been consolidated into the trusts, with permanent boards and staff seated.

Final "Step 1" Recommendation: Fix to Tier 2

The Task Force also recognizes that there are some unique Tier 2 benefit issues that are particular to the work of first responders. Among the many changes to the pension plans for state and local government employees hired since 2011, Tier 2 members receive a substantially smaller benefit relative to Tier 1 members (those hired before 2011) and experience a pensionable salary cap that grows at a slower rate. While advantageous to the long-term financial health of the pension systems, these changes have received criticism from Tier 2 members as creating inequity in comparison to Tier 1 members. There have also been significant concerns that the slower Tier 2 pensionable salary cap growth and revised final average salary calculation will be in violation of the "safe harbor" standard of the Internal Revenue Code and Social Security Administration. Some state, county, and municipal employees covered by a public pension plan are not required to pay into the Social Security system; this includes teachers and almost all public safety personnel in Illinois, among others. Generally, the "safe harbor" standard requires that those employees exempted from Social Security receive a retirement benefit from their public pension plan that is at least equal to the benefit they would receive under Social Security, in order to continue being exempted from the program. If the benefits do not wind up being at least equal to that of Social Security, the state and local governments will have to either bring up the level of Tier 2 benefits to meet Social Security, or enroll Tier 2 employees in Social Security and pay the associated contributions retroactively. The annual cost of delaying this safe harbor fix to Tier 2 first responders is substantial, as it compresses great liabilities into a shorter timeframe to be paid down. As such, the Task Force recommends the following changes to Tier 2 benefits be made to make the asset consolidation package as comprehensive as possible:

1. Surviving Spouse Benefit for Non Line of Duty Death — Under Tier 1 benefits, surviving spouses of police and fire pension participants were entitled to 54% of final average salary, and if the employee passes away before they are vested, the spouse is still eligible for 54% of the salary at the time of death. When Tier 2 was enacted, Tier 2 spouses became entitled to two-thirds of the pension the deceased was entitled to at time of death, and therefore no pension benefit if the employee has not worked at least 10 years. This change is of particular concern, and unique to, first responders. To ensure surviving spouses are entitled to some benefit in the event of a tragic pre-mature death of a first responder, the Task Force recommends the Tier 1 surviving spouse benefits be reinstated for Tier 2 police officers and firefighters.
2. Pensionable Salary Cap — Due to the aforementioned federal safe harbor concerns, for downstate and suburban police and fire employees the Task Force recommends increasing the pensionable salary cap growth (since the enactment of Tier 2 in 2011) from the current lesser of *one-half* the Consumer Price Index (CPI-U) or 3%, to the lesser of CPI-U or 3%. This will attempt to ensure the pensionable salary cap grows quickly enough to avoid non-compliance with the federal safe harbor provision.
3. Final Average Salary — Currently under Tier 2, pension benefits are calculated based on the average of the highest 8 of the last 10 years of a member's service. Because of the physical demands of the job for first responders, their years of service tend to be more abbreviated than other public-sector occupations. With this concern and the aforementioned safe harbor concerns, the Task Force recommends police officers' and firefighters' benefits be calculated instead on the average of the highest 4 of the last 5 years of a member's service.

While the fixes to Tier 2 benefits for suburban and downstate police and fire plans will have some associated cost, that cost is minimal in proportion to the improved investment returns resulting from consolidation. On average and over a five-year period, the recommended fixes to Tier 2 benefits are estimated to offset between $70 and $95 million of the $820 million to $2.5 billion (3-9%) in investment return gains, and avoids a potential and costly safe harbor violation.

Recommendation, Step 2: Review consolidation of suburban/downstate police & fire pension plan benefit administration; review of other state and local plans to determine advantages of consolidation

While much of the focus of the Task Force's initial recommendations have been on the advantages to consolidating assets of suburban and downstate police and fire pension plans, there also may be advantages to the consolidation of the benefit administration of these plans as well. The Task Force does recognize the latter may require a longer discussion with those affected by such a change, particularly the members of the plans themselves. At $26 billion in actuarial accrued liabilities, as of fiscal year 2017, across these suburban and downstate plans, the stakes are high, both for the financial resources of the plans and taxpayers, and for the life-altering decisions in awarding members certain benefits. With many of these plans in dire financial positions, and with an average funded level of only 55%, both components of assets and liabilities need a thorough review.

The more decentralized the structure is for benefit administration, the greater the cost becomes to administer those benefits, but with perhaps more nuanced information guiding the prevailing decision to offer certain benefits in unique cases. As mentioned prior in this report, the trade-offs for this nuance entail administrative duplication (e.g. accounting, legal services, auditing, actuarial, training, association fees, travel, etc.) and a lack of consistency in decision-making among funds, associated with having 649 individual and independent funds. While the exact cost of these issues is not easily quantifiable, it is likely to have added embedded costs to the plans over time. These hidden costs result in fewer dollars to be invested over time and therefore, ultimately, fewer dollars to pay retirement benefits for plan members.

In looking at the overall cost of administering funds, a system such as IMRF, which administers benefits centrally on behalf of thousands of local government employees, spends an estimated 8 basis points annually as a proportion of total fund actuarial value of assets. Annual administrative costs-to-actuarial value of assets for all Illinois plans, except for suburban and downstate police and fire, equate to an estimated 9 basis points. Suburban and downstate police and fire pension plans on the other hand spend an estimated 19 basis points annually as a proportion of total fund actuarial value of assets.[18] Aside from any potential financial benefit due to changes in benefits awarded under a consolidated model, suburban and downstate police and fire plans could experience in excess of $14 million annually in savings from administrative costs alone were their costs-to-asset expenditures to fall more in line with the other Illinois systems. That is not to say that consolidation can only entail one centralized benefits administration board, as is the case with other plans in Illinois. It may very well be that some other form of consolidation could occur to preserve local knowledge of unique local cases, while saving on duplicative efforts and increasing consistency in benefit-awarding decisions.

In addition to the review of consolidation of benefit administration, some Task Force members have expressed concerns around the suburban and downstate police and fire funding ramp, which should also be reviewed in "step 2" of the Task Force's work.

The arguments in favor of considering a review of the ramp include the following: While consolidation of assets will be a strong net positive to the pension plans and therefore their beneficiaries, additional time may be needed on the required employer contribution schedule for the pension plans to benefit from improved year-over-year investment returns. For reference, under the Illinois Pension code, the required minimum employer contribution for these plans is calculated each year as a level percentage of payroll sufficient to bring the funded-ratio up to 90% by 2040, and is determined under the projected unit credit actuarial cost method. Beginning in fiscal years after March 30, 2011, any actuarial gains or losses from investment return incurred in a fiscal year is "smoothed" over the following 5-year period. The impact of this amortization schedule generally means dramatic year-over-year increases in required municipal employer contributions (largely funded by property taxes) until a 90% funded-ratio is achieved in 2040, at which time the required contribution drops tremendously. The Task Force recommends reviewing the feasibility of this date, in conjunction with other actuarial changes to help front-load contributions and thereby curb the annual rate of growth in employer contributions. For context, other Illinois pension plans have the following statutorily-required year by which they are to hit 90% funded: 2045 for Illinois statewide systems, 2050 for one of Cook County's plans, and an average of 2057 for the City of Chicago pension plans.

The 15 other pension systems in Illinois, outside of suburban and downstate police and fire, clearly bear significant financial burdens, with the unique exception of IMRF, which is currently 90% funded. These systems are clearly differentiated from the suburban and downstate police and fire plans in that there may be no immediate discernable and material investment return advantage by further investment fund

---

[18] Source: FY 2018 IMRF Comprehensive Annual Financial Report and Department of Insurance analysis of all other systems' financial reporting. Includes total fund administration, as it is difficult to differentiate the administrative costs associated with asset management versus benefit administration.

consolidation. On average, they tend to achieve returns more consistent with other larger systems nationally and do not bear the same restrictions on asset classes as plans with substantially smaller asset volumes. That is not to say, however, that they cannot improve their investment returns, that they cannot invest more efficiently, or that they should not be consolidated in some way. Some form of consolidation of these larger systems may also reduce administrative overhead, create more efficient investment through further economies of scale, and create more consistency and efficiency in the administration of benefits.

The greatest financial issue facing these systems is that the growth in liabilities has been consistently diverging from the growth in assets. A fixed 90% funded level target date, market experiences vastly different from actuarial assumptions, and insufficient contributions into the system, have compressed remaining unfunded actuarial accrued liabilities into a shorter and shorter timeframe. This has led to unsustainable growth in required employer contributions and has consistently increased the burden on state and local government operating revenues.

The City of Chicago pension funds have experienced their own unique financial challenges in recent years that warrant specific considerations with respect to the future work of the Task Force. Their current funded levels and projected growth in required employer contributions means significant changes will need to be made to correct course; which may entail greater efficiencies captured through some level of consolidation. As such, the Task Force and the Governor's Office will continue to work with the City of Chicago on this issue as part of the next phase of this work.

Therefore, it is the recommendation of the Task Force that it continues to review these issues and include them in a final recommendation to the Governor.

Conclusion

The issues surrounding pension funding in Illinois have been decades in the making. Underinvestment, overly optimistic projections, and the required trade-offs with other critical public services all place great pressure on the financial health of retirement systems. The State and local governments are now faced with limited options to remedy these issues. The consolidation of asset management is one way to maximize returns and minimize overhead for these pension plans, and will have the most immediate impact on improving their financial health. Additional review of the administration of plan benefits and the consolidation of larger pension systems in Illinois will require more time to weigh the benefits and costs associated with further consolidation.

Respectfully Submitted,

By: William J. Brodsky

Signature: William J. Brodsky

By: Patrick Devaney

Signature: Pat Devaney

By: Christine Radogno

Signature: Christine Radogno

Appendix: Illinois Pension Consolidation Feasibility Task Force Creation & Members

On February 11, 2019 Governor Pritzker announced the creation of the Pension Consolidation Feasibility Task Force to explore and make recommendations for consolidation of pension funds in order to achieve the greatest value for pensioners and taxpayers. Task Force members include:

- William J. Brodsky – Co-Chair, former Chairman and CEO of the Chicago Board Options Exchange (CBOE)
- Pat Devaney – Co-Chair, President of the Associated Fire Fighters of Illinois
- Hon. Christine Radogno – Co-Chair, former Illinois Senate Minority Leader
- Michael Carrigan, President, Illinois AFL-CIO
- Hon. Brad Cole, Executive Director, Illinois Municipal League
- Hon. Karen Darch, Village President, Barrington, IL
- Dan Hynes, – Ex Officio, Deputy Governor for Budget & Economy, State of Illinois
- Tim Kobler, Executive Board Member, Illinois Fraternal Order of Police
- Louis Kosiba, Former Executive Director, Illinois Municipal Retirement Fund
- Cameron Mock, – Ex Officio, Chief of Staff & Senior Fiscal Advisor to the Deputy Governor, Governor's Office of Management & Budget, State of Illinois