Agenda
Village of Glen Ellyn
Finance Commission
Regular Meeting
Friday, December 11, 2015
7:00 AM
Glen Ellyn Civic Center, Room 301

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**A. Call to Order**

**B. Public Comment (Non Agenda Items)**

**C. Approval of Minutes**

1. Finance Commission - Regular Meeting - Oct 9, 2015 7:00 AM
2. Finance Commission - Regular Meeting - Nov 13, 2015 7:00 AM

**D. Financial Update**

**E. Police Pension Recommendation to Village Board**

1. Pension Recommendation to the Village Board

**F. Trustee Liaison Report**

**G. Chairman's Report**

**H. Other Business**

1. Economic Development
2. Police Facility Update
3. Next Meeting: January 8, 2015, 7:00 A.M.

**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.*

# Minutes
## Village of Glen Ellyn
## Finance Commission
## Regular Meeting
## Friday, October 9, 2015
## 7:00 AM
## Glen Ellyn Civic Center, Room 301

A. Call to Order

| Attendee Name | Title | Status |
|---|---|---|
| Erik G Ford | Chairman | Present |
| Lisa A Cleaver | Commissioner | Present |
| Jose G DeLeon | Commissioner | Present |
| Scott R Greeno | Commissioner | Present |
| Matthew L Halkyard | Commissioner | Present |
| Yadav N Nathwani | Commissioner | Absent |
| Steve Rackl | Commissioner | Present |
| Jeremy S VanEk | Commissioner | Present |
| Jeffrey S Wallace | Commissioner | Present |

Also Present: Trustee O'Shea, Finance Director Coyle, Assistant Finance Director Lori Thomas

B. Public Comment (Non Agenda Items)

None

C. Approval of Minutes

1. Finance Commission - Regular Meeting - Aug 14, 2015 7:00 AM

| | |
|---|---|
| RESULT: | ACCEPTED [UNANIMOUS] |
| MOVER: | Matthew L Halkyard, Commissioner |
| SECONDER: | Jose G DeLeon, Commissioner |
| AYES: | Ford, Cleaver, DeLeon, Greeno, Halkyard, Rackl, VanEk, Wallace |
| ABSENT: | Nathwani |

D. Financial Reports

1. Financial Update

Director Coyle summarized the September financial results. For the General Fund, she noted that the State has stopped distributing use tax payments due to the State budget situation. This accounts for the majority of the monthly negative variance. These funds are ultimately not at risk for receipt unless the State law is changed.

Year-end projections have been added to the General Fund report. At this point, the General Fund is projected to end this fiscal year with a $739,000 positive change to the fund balance. On the income side, Director Coyle made note of building permit income being down. Also, drug forfeiture funds which must be used only for certain purposes. It is possible, however, to use these funds for certain aspects of the new police station. On the expense side, Director Coyle highlighted changes in the Village Manager's Office. Also noted was the transfer of $47,000 from the General Fund to the Corporate Reserve Fund to reimburse for Taft Avenue expenses.

The dashboard for the Village Links shows that the facility had a very good September, with green fees rounds up 11% from the prior year. There have been more golf outings, and weather cooperated. The facility is doing better with controlling personnel costs, and has installed scheduling software to help determine staff needs based on weather.

Commissioners discussed the Village's reserve level, which is over the 35% goal. While it was suggested that part of the overage be rolled into the pension fund, caution was advised give the state of the State right now.

Commissioners also discussed the concept of having the Links pay a dividend from its reserves to the Village to compensate for guaranteeing its bonds. It was pointed out that Links' staff provides benefit to the Village by maintaining parks and provides stormwater detention for the south side of the Village. It was also noted that the reserves are used to sustain the facility over the winter when there is no golf revenue.

2. Quarterly Capital Project Reporting

Included in the Commissioners' packet is the Construction Projects report prepared by the engineering staff. Director Coyle highlighted Crescent Blvd., in that the work was sufficiently completed in time for school opening; the central business district over/underpass feasibility study which will be in front of the Board for a workshop in the next couple of months; and Downtown area enhancements, which will also be the subject of an upcoming Board workshop. In response to questions, Director Coyle said that upgrades or replacements for fire houses are unfunded at this point, although two new engines will be purchased this year at a cost of $1 million to be split between the Village and the Fire Department. Commissioners noted the importance of keeping the facilities up to attract volunteer fire fighters. Additionally, the 10 year plan report shows actual against estimated costs, which helps in estimating future projects.

The police station construction will be a maximum amount contract, so it will not go over the "guaranteed maximum price".

| RESULT: | DISCUSSION ONLY |
|---|---|

E. Pension Recommendation to Village Board

1. Finance Commission Recommendation to Village Board Regarding the Pension Funding Policy

Director reviewed her memorandum concerning pension fund policy. The budget before the Village Board assumes a 6.75% investment return assumption. The Pension Board has not changed the investment mix; however it is sending out an

RFP for pension advisors. The portfolio earned 7.28% last year. Commissioners noted that performance over the past five years has been at historic market highs.

Commissioners discussed their recommendation. It was noted that the fixed income allocation of the portfolio is set by statute. The idea behind incrementally reducing the return assumption was to avoid too much of a change too fast. However, the Commission's efforts have raised the attention level to the pension situation over the past 2 years.

It was agreed that Chairman Ford will revise the existing recommendation by strengthening the recommendation. He will circulate the draft before the November Finance Commission meeting.

Commissioners discussed the upcoming police personnel contract negotiations. The police department is not budgeting to increase staff, but there will be salary increases, and also possibly a "Cadillac tax" on the Village's health insurance plan (which would affect the entire Village staff, not just police officers).

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| RESULT: | DISCUSSION ONLY |

F. Investment Subcommittee Update

Director Coyle and Chairman Ford have meet with several investment firms and will be recommending PMA to the Village Board. The firm will also assist with cash flow modeling. The hope is to take this recommendation to the Board in November, and then start laddering investments.

G. Trustee Liaison Report

None

H. Chairman's Report

None

I. Other Business

1. Economic Development

Director Coyle reported that the Village has agreed to an economic development agreement for DeSitter to move to Roosevelt Road within the Village.

2. 2016 Budget Update

Director Coyle said that no additional proceeds are expected from IMET until 2016. The thought is that the Village will eventually recoup 50% of its investment. There are several lawsuits pending over the matter.

Director Coyle will send out information on the times and locations of upcoming Board budget workshops.

J. Adjournment

1. Motion to Adjourn

The meeting was adjourned at 8:00 AM.

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| RESULT: | APPROVED [UNANIMOUS] |
| MOVER: | Jeffrey S Wallace, Commissioner |
| SECONDER: | Matthew L Halkyard, Commissioner |
| AYES: | Ford, Cleaver, DeLeon, Greeno, Halkyard, Rackl, VanEk, Wallace |
| ABSENT: | Nathwani |

# Minutes
# Village of Glen Ellyn
# Finance Commission
# Regular Meeting
# Friday, November 13, 2015
# 7:00 AM
# Glen Ellyn Civic Center, Room 301

**A. Call to Order**

| Attendee Name | Title | Status |
|---|---|---|
| Erik G Ford | Chairman | Present |
| Lisa A Cleaver | Commissioner | Absent |
| Jose G DeLeon | Commissioner | Absent |
| Scott R Greeno | Commissioner | Present |
| Matthew L Halkyard | Commissioner | Present |
| Yadav N Nathwani | Commissioner | Absent |
| Steve Rackl | Commissioner | Absent |
| Jeremy S VanEk | Commissioner | Present |
| Jeffrey S Wallace | Commissioner | Absent |

Also Present: Trustee O'Shea, Finance Director Coyle, Village Attorney Matthews, Village Manager Franz, Assistant Finance Director Thomas

It was determined there was no quorum.

**B. Public Comment (Non Agenda Items)**

None.

**C. Approval of Minutes**

1. Finance Commission - Regular Meeting - Oct 9, 2015 7:00 AM

Minutes could not be considered, no quorum.

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| **RESULT:** | **TABLED [UNANIMOUS]** |
| **AYES:** | Ford, Greeno, Halkyard, VanEk |
| **ABSENT:** | Cleaver, DeLeon, Nathwani, Rackl, Wallace |

**D. Financial Reports**

1. Financial Update - October 2015

The State has not paid approximately $50,000 for each month of September and October due to lack of a budget. The State Senate has passed a bill to release funds owed to municipalities, and it is now in front of the State House. Other revenues are performing well. The Village received a large stormwater engineering fee from the memory care facility on Park Avenue. There is also a large balance in miscellaneous income due to Federal forfeiture revenues, although these funds can be used only for specific purposes. Expenditures were 2% below the prior year and 4% below budget.

In response to questions, Director Coyle said that sales tax revenues are highest since 2008. The Dominick's closure has not impacted revenues, as patrons shop elsewhere in the Village. To be able to react to future economic downturns, staff wants a 35% reserve in the General Fund. It now has approximately 40%.

The Village Links ended October with positive operating income of $1 million, which is ahead of all of the past 5 years. Director Coyle said that the overage in food service has to do with commodities purchases, i.e., services and platters for banquets, etc. Staff hopes to be able to reduce temporary staff with new software that will help to predict staffing needs in the restaurant. Staff is also working through the challenges of IMRF requirements for those working more hours.

Commissioners asked about the plan for the operating reserve at the Links. It is used for meeting expenses in the lean winter months. There are also additional capital improvements staff has identified as necessary to keep the quality of the facility on par with competing courses.

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| **RESULT:** | **DISCUSSION ONLY** |

2. Third Quarter 2015 Financial Report

During her review of the Third Quarter results, Director Coyle noted that metered water and sewer revenue dropped due to a rainy summer. Other notable items are the real estate transfer tax revenues that are at 91% of budget at the 75% mark of the fiscal year. However, the telecommunications tax is expected to continue to decline as more customers are dropping land lines.

Director Coyle highlighted the cash balances in each fund as of September 30, 2015. She noted that September is the month with the highest reserves over the 12 month calendar year, as that is generally when the most tax revenue is realized. The Solid Waste fund is building reserves back since a major storm event in 2012. Staff continues to monitor this reserve level. Manager Franz commented that, while the State has said that municipalities can use their reserves as opposed to receiving State funds, these reserves are necessary for the efficient operation of the Village, and to maintain its credit rating.

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| **RESULT:** | **DISCUSSION ONLY** |

**E. Pension Recommendation to Village Board**

1. Pension Recommendation to the Village Board

Commissioners reviewed the recommendation and memo as drafted by Chairman Ford. The recommendation urges the Village Board to add the approximate $730,000 revenue increase over budget in the General Fund for 2015 to the Police Pension Fund as an extraordinary contribution. He explained that he wanted to keep the recommendation language simple, and would, hopefully, be able to elaborate on it in person when it is presented to the Board of Trustees. The other part of the recommendation is that the investment return assumption employed in calculating the funded status be set at 6.5% if the fund invests in equities at the statutory allowed maximum, and 6.25% if invested under the current allocation. The Pension Board is interviewing new brokers, so there may be a change in philosophy toward equities. Director Coyle will present the recommendation at the upcoming Board meeting, and Chairman Ford will be in attendance. Commissioners noted that understating the pension liability understates the Village's liability, which will be shown on the balance sheet starting in 2016. The goal is to be fully funded by 2041, which means that there should be an increase of 1 ½% in funding each year.

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| **RESULT:** | **DISCUSSION ONLY** |

**F. Property Tax Levy**

1. 2015 Property Tax Levy

The Board of Trustees will consider the 2015 property tax levy later in November. As proposed, the 4% increase will come from new growth and not otherwise increases in the levy. The new growth comes from newly annexed areas and housing tear-downs and redevelopments. The Village tax to an individual homeowner should be flat, and approximately 6.45% of their entire tax bill. Director Coyle noted that the Village is able to abate the bonds from the Village Links project, as they can be paid back from operations. After discussion, the consensus from the Commissioners was to keep revenue expectations as tight as possible.

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| **RESULT:** | **DISCUSSION ONLY** |

**G. Water & Sewer Rates**

1. Water & Sewer Rates for 2016

Director Coyle said the rates will need to be considered for 2016. Over the past three years, the rate increases from the City of Chicago/DuPage Water Commission were locked. However, starting in 2016, the City of Chicago will raise rates yearly based on the yearly increase in the calculated rate of inflation, but not to exceed 105% of the previous year. She reviewed the rate model and provided the 2016 Water & Sewer Rate Analysis which presented four scenarios. The goal in reviewing the rate structure is to assure that reserves do not go below the policy-established levels within the five year analysis period. It was noted that the program to replace residential water meters is scheduled to commence in 2020, and will be spread over three years. Testing and analysis shows that about 10% of the cost of water is being lost in the water mains and meters.

The consensus of the Commissioners is to follow the recommendation from staff to not increase rates this year because of hefty increases over the past three years. In the future, scenarios A or B seem to be supported, with less of an increase and support from the reserves. The Board will review rates at its next meeting.

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| **RESULT:** | **DISCUSSION ONLY** |

**H. Trustee Liaison Report**

Trustee O'Shea reported that the Village will be receiving the exterior plans for the new Police Station next week. He also noted that the Phase I study for over or underpasses at the railroad tracks will be discussed.

**I. Chairman's Report**

Nothing additional to report.

**J. Other Business**

1. Economic Development

Manager Franz reported that the proposed development by Springbank at the McChesneys property was well received. There will be 80,000 square feet of retail space with the hope of attracting more variety of stores. There will be a net of approximately 200 new parking spaces. Parking will be two levels below grade, and the project will be very intensive from a public infrastructure standpoint. The proposal is on the Village's website.

The Opus project is moving forward slowly, which will be amended without the St. Petronille property.

New restaurants are opening, and the property next to the Post Office has been closed with a new owner. At the Roosevelt Road office area, there is a proposal to move the Panera to that location, along with creating additional out lots.

2. 2016 Budget Update

3. Next Meeting: Friday, December 11, 2015 at 7:00AM

**K. Adjournment**

1. Motion to Adjourn

The meeting was closed without a quorum at 8:20 A.M.

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| **RESULT:** | **APPROVED [UNANIMOUS]** |
| **AYES:** | Ford, Greeno, Halkyard, VanEk |
| **ABSENT:** | Cleaver, DeLeon, Nathwani, Rackl, Wallace |

Finance Commission
535 Duane St.
Glen Ellyn, IL 60137

Meeting: 12/11/15 07:00 AM
Department: Finance Commission
Department Head: Christina Coyle
Category: Commission Recommendation
Prepared By: Christina Coyle

SCHEDULED

**AGENDA ITEM (ID # 2034)** DOC ID: 2034

# Pension Recommendation to the Village Board

**Background**

This item was discussed at the November 13, 2015 Finance Commission meeting but could not be voted on because there was not a quorum. Therefore, this item is being duplicated to the December agenda so that the Commission may take a formal vote to recommend the item.

At the last meeting, the Commission discussed making a recommendation to the Village Board concerning the Glen Ellyn Police Pension Fund investment return assumption used to calculate the annual contribution to the pension fund. After discussion, the Commission determined that it would reiterate its previous recommendation regarding the investment return assumption. The Commission also indicated that it would like to make a recommendation to the Village Board to use any General Fund surplus for FY15 and contribute it to the Police Pension Fund to further fund the pension costs.

**Issues**

Chairman Ford volunteered to draft the recommendation which is as follows:

Recommendations of the Glen Ellyn Finance Commission

1) Recommendation as to Pension Fund Return Assumption:

The Glen Ellyn Finance Commission recommends that the investment return assumption employed in calculating the funded status of the Glen Ellyn Police Pension Fund be set at 6.50% if the fund is invested with an equity allocation at the maximum allowed by statute and 6.25% if invested under the current allocation.

This recommendation is based primarily on the allocation and composition of investments permitted in the Pension Fund and how the fund is managed within those constraints. Additionally, current market conditions and expectations for near term returns are generally modest for both equity and fixed income. Finally, a review of past returns from the last quarterly report shows returns of 4.21%, 5.12% and 4.83% for the previous 3 years, 5 years and 10 years respectively.

The Commission believes strongly that recognizing a realistic investment return is critical to recognizing the true funded level of the Pension Fund and therefore providing the basis for making the appropriate annual pension contributions. By utilizing an aggressive (too high) assumption for the long term investment return, the degree to which the fund is underfunded is understated and contribution decisions may not be made at appropriate levels.

2) Recommendation as to Extraordinary Police Pension Fund Contribution:

The Glen Ellyn Finance Commission recommends that the approximate $730,000 expected increase in the General Fund for 2015 above budget be added as an extraordinary contribution to the Police Pension Fund. As the Pension Fund is funded at a 64.02% level (as of December 31, 2014) under current assumptions and the Commission believes that under more realistic assumptions for future returns, the Fund would be underfunded to a greater extent, additional funding at this time is a responsible use of these assets.

**Action Requested**

Please review these recommendations and bring any comments or suggestions to the meeting for discussion.