Minutes
Village of Glen Ellyn
Finance Commission
Special Meeting
Friday, November 3, 2017
7:00 AM
Glen Ellyn Civic Center, Room 301

A. Call to Order

Attendee Name	Title	Status
John Mulherin	Commissioner	Absent
Brenton J. Peck	Commissioner	Present
Lisa A Cleaver	Commissioner	Absent
Jose G DeLeon	Commissioner	Present
Scott R Greeno	Commissioner	Present
Jeremy S VanEk	Commissioner	Present
Matthew L Halkyard	Chairman	Present
Christopher D. Oakes	Commissioner	Present

Also Present: Finance Director Coyle, Assistant Finance Director Thomas, Trustee Fasules, Recording Secretary Haslett

The meeting was called to order at 7:00 AM by Chairman Halkyard.

B. Public Comment (Non Agenda Items)

None.

C. Financial Reports

1. General Fund Update - September 2017

Finance Director Coyle reported that sales taxes have not been doing as well, likely due to lower vehicle sales resulting from the recent dealership mechanic strike. Building permit revenues rebounded; with 101 more permits issued in September in 2017 than last year at this time. Adjudication fines amounting to $20,900 were received In September 2017. Income taxes are projected to be $314,000 below budget because of the legislative changes and the 10% reduction instituted by the State. A small operating surplus in the range of $10,000 to $20,000 is expected at year end. Police operations were more than the prior September because the police pension contribution was $117,500 higher. Expenditures are tracking pretty well to budget and are currently 5% below the estimates. However, this could change if a significant snowfall is experienced in the months of November and December.

2. Village Links Reserve 22 Financial Statement - September 2017

September was a good month for the golf course due to the limited rain experienced. The overall operating income for both the Village Links and Reserve 22 was above the 2016 amount. Reserve 22's 12-Month rolling revenues trended towards the $2.4 million mark, which is close to the goal of $2.5 million. Year-to-date banquet income increased by 12% and this source continues to drive revenues upward at Reserve 22. Reserve 22 recently completed a survey and the Recreation Commission and the Village Board will be holding a combined planning session on November 28, 2017 to set goals for the upcoming year.

RESULT:	**DISCUSSION ONLY**

D. Police Pension Funding

1. Finance Director Christina Coyle will present Information on the Police Pension Actuarial Model

Finance Director Coyle said the rolling average pension payroll growth was 6.72% from 2005 to 2016, compared to the payroll growth factor of 4% included in the actuary calculation. The Illinois Department of Insurance reports reflect a rolling average of 4.49% for the period of 2005 to 2016. Commissioner VanEk noted the positive payroll trends experienced over the last couple of years compared to 10 years ago and asked why this occurred. Finance Director Coyle responded the reduction in the payroll growth over the last couple of year is due to retirements as well as officer vacancies, which take longer to fill because of the training required.

The Police Pension met on October 30, 2017 and established 6.5% as the investment return goal. Commissioner Greeno said the 6.5% return rate is reasonable and reminded the Commission the return rate was 7.5% in the past. Commissioner Greeno stated more money earlier is always better. Commissioner Greeno noted the new investment advisor will utilize more of a long-term approach for investments. Commissioner Greeno agreed that the 15-year open model makes sense, but there are the financial realities of the Village that need to be kept in perspective as well. Commissioner Greeno suggested the Commission look at options on how to reduce the amortization period. Commissioner VanEk supported the 15-year open as well and asked what is the Police pension contribution budget amount for 2018. Finance Director Coyle replied $1,958,109. Commissioner VanEk recommended using the General Fund Surplus to offset the difference between the 15-year open amount and the current model.

Commissioner Oakes asked what is a reasonable time period to implement the 15-year open. Finance Director Coyle said the numbers will have to be calculated and suggested possibly lowering the amortization period by two (2) years every year. Finance Director Coyle also advised that the Village could take advantage of when the 90% fully funded deadline date is reset to beyond 2040 and then transition to a 15-year amortization schedule. Commissioner VanEk said the 15-year open is a fiscally responsible way to manage the police pension liability. Discussion ensued regarding the usage for the 2016 surplus of $548,000. One of the options for the FY 2016 surplus is to fund some of the Civic Center improvements to the former Police

Station. Trustee Fasules noted the Village Board is currently looking at a gap of possibly of $800,000 for the 2018 Budget.

Finance Director Coyle recommended to retain both the 4% payroll growth and 6.5% investment return rate, and to research in the coming year the options to implement a 15-year open amortization schedule. Chairman Halkyard favored retaining both the 6.5% investment return rate and the 4% payroll growth rate, while the long-term goal is to lower the amortization period and move from a closed approach to an open approach.

Commission VanEk moved to retain the 6.5% discount rate and the 4% payroll growth rate and to eventually transition to a 15-year open model and explore in 2018 how to best transition to this model.

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

E. General Fund Reserve Policy

1. Motion to Recommend a General Fund Reserve Policy Level to the Village Board

Finance Director Coyle explained that cash reserve policies were last updated back in 2012. At this time the General Fund reserve policy was set at 25% of operating expenditures and increased by 1% until the reserved reached 35%. Reserves are currently used for cash flow due to changes in revenue cycles and to plan for emergencies or economic downturns. The biggest cash flow challenge for the Village is that property taxes are received in June and September. In past years the surplus has been used to fund capital projects and the Police pension. Back in 2009, the Village transferred $3 million to the Capital Projects Fund. In 2016, $400,000 of the surplus was transferred to the Police pension and $200,000 to the Facility Maintenance Reserve Fund.

The Government Finance Officers Association (GFOA) recommends some reserve policy best practices, which were included in the agenda packet. The GFOA also offers an assessment tool which guides a government towards a reserve level. Staff completed this assessment tool, which recommended a 26%-35% reserve level for the General Fund. One of the reasons the Village received the Standard and Poor's AAA rating was due to the 40% - 45% reserves on hand at the time of the rating. It is possible that lowering the Village's reserves could jeopardize this high rating and increase future interest expenses.

The IML recently reported that Personal Property Replacement Tax (PPRT) distributions from the State are at risk, which could potentially mean a $140,000 loss in revenues. There are several property tax freeze bills circulating in Springfield which could limit the Village's ability to increase property taxes.

The average reserve policy level was 33% for the communities that have been included on the Village's Scorecard in the past. Chairman Halkyard asked where the reserve policy is currently at. Finance Director Coyle replied 40%, but this will fluctuate during the year. Chairman Halkyard noted the reserves are working for the Village through earned interest income.

Finance Director Coyle recommended the current reserve policy be retained at 35% due the uncertainty at the state level and since we are currently in a boom economy and we know this will change at some point. Coyle also advised based upon the Standard and Poor's comments that the reserve level not go below the 30% mark. Commissioner VanEk suggested having a range for the reserve policy so that it changes during good and slower economic times. Commissioner DeLeon recommended that the reserve level be no lower than 31% in order to sustain the Standard and Poor's rating. After further discussions the Council concurred on the motion detailed below.

Commissioner DeLeon moved to recommend a general fund reserve policy ranging from a minimum of 31% and a maximum of 40% and reserves outside the range should be reviewed.

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Jose G DeLeon, Commissioner
SECONDER:	Scott R Greeno, Commissioner
AYES:	Mulherin, Peck, Cleaver, DeLeon, Greeno, VanEk, Halkyard, Oakes

F. Chairman's Report

Chairman Halkyard said the goal is to continue to review matters as requested by the Village Board. The Finance Commission will continue to explore the various functions of the Village.

G. Trustee Liaison Report

Trustee Fasules indicated the second reading of the budget will take place on November 13, 2017. Jimmy John's will be moving to the former jewelry store location at Park and Roosevelt. The Village Board received two (2) proposals for the renovation of the former Police Station at the Civic Center. The first proposal is for an incubator partnership with the College of DuPage. The second proposal is from School District 41, whereby the early childhood program would be relocated to the Glen Ellyn Park District facility on Spring Avenue and the Glen Ellyn Park District administrative offices would move from Spring Avenue to the former Police Station site.

H. Other Business

1. Economic Development

Finance Director Coyle briefed the Commission on the current economic development projects.

2. Budget Update - Next Workshop November 6

3. Next Meeting: Friday, December 8, 7:00 AM, Room 301

I. Adjournment

1. Motion to Adjourn

The meeting was adjourned at 8:28 AM.

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Christopher D. Oakes, Commissioner
SECONDER:	Scott R Greeno, Commissioner
AYES:	Mulherin, Peck, Cleaver, DeLeon, Greeno, VanEk, Halkyard, Oakes