Agenda
Village of Glen Ellyn
Special Workshop Meeting
Thursday, January 30, 2014
6:45 PM
Glen Ellyn Civic Center, Room 301

Village Board Workshop Procedures Statement

Visitors are most welcome to attend all meetings of the Village Board and can find copies of the Agenda on their chairs or online at www.glenellyn.org prior to the meeting. Any individual with a disability requiring a reasonable accommodation in order to participate in a meeting should contact Harold Kolze, Village of Glen Ellyn ADA Coordinator, 630-469-5000, at least five (5) business days in advance of the next scheduled meeting. All matters on the Agenda may be discussed, amended, and acted upon.

1. Call to Order

2. Roll Call

3. Audience Participation

   A. Open:

   Members of the public are welcome to speak to any item not specifically listed on tonight's agenda for up to three minutes. For those items which are on tonight's agenda, the public will have the opportunity to comment at the time the item is discussed. In either case, please complete the Audience Participation form and turn it in to the Village Clerk. It is requested that, if possible, one spokesman for a group be appointed to present the views of the entire group. Speakers who are recognized are requested to step to a microphone and state their name, address and the group they are representing prior to addressing the Village Board.

4. SY14 Budget Process *(Finance Director Wachtel)*

   A. Transition to Calendar-Year Budget
   B. Zero-Based/Bottom-Up Budget Approach
   C. Village Board Education: Budget Overview Including Internal Controls and Long-Term Budget Goals
   D. Budget Calendar

5. Other Items?

6. Motion to adjourn to Executive Session for the purpose of discussing the appointment, employment, compensation, discipline, performance or dismissal of specific employees and adjourning thereafter without returning to open session. *(Trustee McGinley)*

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting: 01/30/14 06:45 PM
Department: Administration
Department Head: Al Stonitsch
Category: Discussion Item
Prepared By: Caroline Conlon

SCHEDULED

AGENDA ITEM (ID # 1069) DOC ID: 1069

Open: Members of the public are welcome to speak to any item not specifically listed on tonight's agenda for up to three minutes. For those items which are on tonight's agenda, the public will have the opportunity to comment at the time the item is discussed. In either case, please complete the Audience Participation form and turn it in to the Village Clerk. It is requested that, if possible, one spokesman for a group be appointed to present the views of the entire group. Speakers who are recognized are requested to step to a microphone and state their name, address and the group they are representing prior to addressing the Village Board.

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting: 01/30/14 06:45 PM
Department: Administration
Department Head: Al Stonitsch
Category: Discussion Item
Prepared By: Caroline Conlon

SCHEDULED

AGENDA ITEM (ID # 1068) DOC ID: 1068 B

BUDGET PROCESS

The focus of the January 30 Village Board Workshop is to discuss the transition to the Calendar Year Budget, discuss the zero-based/bottom-up budget process we have embarked on this year, and provide a brief overview of the budget process focusing on a few key policy issues that we would like to discuss with the Village Board including the Purchasing Policy and Reserve Fund Policy.

The Village spends approximately six months of each year developing the annual budget for the year. The budget acts as the operations plan for the organization and includes performance reports and goals for all Village functions. In addition, the budget provides a variety of ways to track specific trends and provides valuable information for the organization and community. At the end of the meeting, we would like to spend some time on Village Board education and provide a high-level overview of the budget. This short orientation has proven to be helpful for new Finance Commission members.

Budget Transition

As you know, the Village is in the process of shifting to a Calendar Year budget. To accomplish this, the Village is drafting a short year (SY14) budget (May 1 through December 31) as well as a Calendar Year 2015 (CY15) Budget. Back in November, we shared some initial thoughts on the advantages and disadvantages of CY over FY and explained some of the challenges we face to complete this transition. We seem to have addressed most of those concerns and we are confident that this transition should be fairly seamless for the Village Board and community. Attached is a memo from Finance Director Kevin Wachtel summarizing key steps in the transition period (Attachment 1).

Budget Process

One of the primary responsibilities of the Village Manager is to provide a recommended budget to the Village Board annually. In addition, the Village Manager is responsible for administering the budget after it is adopted by the Village Board. In order to achieve those key responsibilities, it takes a team effort that includes the Finance Department, management team, and Village Board. Each year, departments submit their budget requests and we set up a series of internal meetings to discuss operational department, internal department and enterprise fund budgets. A Budget Review Committee reviews and conducts these meetings and consists of the Village Manager, Assistant Village Manager, Finance Director, Assistant Finance Director, Assistant to the Village Manager, and an Administrative Intern. The Committee is responsible for ensuring the budgets are accurate and consistent, and discusses ways to control costs and review additional needs. This year, the Village has embarked on a more detailed zero-based budget approach and has made some significant improvements in creating a bottom-up review of department budgets. Specifically, all departments were required to submit line item requests detailing why funds are needed. This detailed information will be made available to the Village Board for review either electronically or hard copy. Also, we have requested that operational budgets are divided into cost centers by function to assist us in tracking the costs associated with a particular service. For example, the Police Department budget has been segmented into Administration, Investigations, and Patrol (Operations). This bottom-up approach will allow management, the Village Board, and the community to understand the specific costs for various Village functions. Planning and Development, Police, Public Works, and Finance have modified their budgets this year accordingly. It should be noted that each department continues to have summary information that allows for simplified comparisons, year to year.

In addition to increased cost centers (bottom-up) budgeting and detailed line item (zero-based) budgeting; management continues to review core services and determine what programs should be considered for outsourcing, in-sourcing, or elimination. This analysis is ongoing and we anticipate providing the Village Board with an update on the core services survey next month.

Lastly, the Village Board has provided some direction on capital projects through a capital allocation discussion last November. These priorities have been incorporated into the Capital or CIP budget for next year. Management will be working with the CIC to further update and evaluate our capital needs and funding options to meet some of the Village Board priorities. The Police Station, Central Business District street and streetscape, and downtown viaduct projects continue to be unscheduled and unfunded projects.

Village Board General Education:

Budget Overview: Local government accounting and budgeting is complex. We have a number of different funds for different purposes, and many different types of business operations. Some of these funds are required by state law (MFT, CBD TIF, and Roosevelt Road TIF) and some are established to segregate funding sources (Water/Sewer Fund, Parking Fund, Capital Projects Fund). Each business operation and fund has different sources of revenue and spending cycles, resulting in an inherently complicated process. As mentioned above, we would like to spend some time at the Workshop meeting to provide a broad overview of the budget process. Since most of the Village Board will be participating in their first budget process, we wanted to provide you with an opportunity to ask questions and provide feedback. Attached you will find "Government Accounting 101" PowerPoint slides that were prepared for orientation of Finance Commission members (Attachment 2). This information provides an overview of our fund structure and the difference between our budget reporting (which is done throughout the year) and financial reporting in the audit.

Policy Review: Management also wanted to address a few questions that have surfaced over the last month. One question relates to Reserve Policy and the current stability of our funds. Attached is a memo summarizing our Reserve Fund Policy (Attachment 3).

Also, we attached the purchasing policy which was re-written in 2011 and updated last year (Attachment 4). The purchasing policy applies to all purchases and is a key internal control. However, there are a number of other internal controls that assist in managing the day-to-day finances of the Village. Below is a list of other key internal controls:

- Pre-purchase approvals – quotes, RFPs, Bids
- Board approvals for purchases over $20,000 – purchase order established
- Department manager reviews all department expenses (invoices and purchasing cards)
- Village Manager signs invoices above purchasing threshold
- Internal purchasing audit (Finance Department)
- Trustee review of invoices – voucher review
- Monthly budget reports
- Monthly report – Finance Commission review
- Quarterly budget report
- Audit
- Departments and Village Manager are accountable to perform better than their budget
- Unbudgeted mid-year requests are not approved unless they spend less in another area or have a new revenue source (such as a grant)
- Unbudgeted events with emergency expenses (storm damage, snow events) are reported to the elected officials as soon as possible

We hope this budget discussion provides some background information that is helpful to the Village Board and we will certainly try to address any other questions that may arise. We will also share the budget calendar for this year and look for any feedback you may have.

If you have any questions, please let me know.

Attachments:
1 – Memo Re Transition to Calendar Year Fiscal Year – Dated 01-28-2014
2 – Powerpoint Slides Re Governmental Accounting 101
3 – Memo Re Cash Reserve Policy – Dated 01-28-2014
4 – Administrative Order No. 3 Re Village Purchasing Policies and Procedures – Dated 09-16-2013

ATTACHMENTS:

- Attachment 1 Memo Re Transition to Calendar Year Fiscal Year (PDF)
- Attachment 2 Powerpoint Slides Re Governmental Accounting 101 (PDF)
- Attachment 3 Memo Re Cash Reserve Policy (PDF)
- Attachment 4 Administrative Order No 3 Re Purchasing Policies and Procedures (PDF)

Date: January 28, 2014

To: Mark Franz, Village Manager

From: Kevin Wachtel Finance Director

RE: Transition to calendar year fiscal year

In recent months, staff has devised a plan to transition from a May-April fiscal year to January-December fiscal year. There are a number of issues related to the transition.

Timing

We will make this transition during the upcoming budget process. We are developing an 8 month budget that will cover April 2014 through December 2014. This short year (or stub year) will be termed SY14. While 8 months is 67% of a full year, many revenues and expenses are not received or paid equally each month, so some budget items could be 0% or 100% of a full year of activity. As such, we will also be presenting a full calendar year budget for 2015 (CY15) alongside the SY14 budget number for comparability and assessment.

Tax Levy

The January-December budget cycle will align the levy with the budget process. Because property tax disbursements from the county occur in May and September, a full tax levy will be budgeted as revenue in SY14. The Village will also need the reserves generated by these property tax payments to provide cash flow in the first half of the CY15 budget.

Financial software and reporting

After consulting with MUNIS and other communities that have made this transition, we have developed a strategy for a smooth conversion. Our MUNIS software does not allow for a second 2014 fiscal year, so we will keep our current FY14 "open" during SY14 and record all activity within period 13. As a result, our monthly reporting procedures will change. Currently, monthly reports are produced after the bank reconciliations, month end journal entries, and period close procedures are completed. During the SY14, we will make monthly reports as of a specific date at month end.. The monthly reports will be include all data up to the date the report was ran, but staff will not be able to modify the dataset or the report after it has been created. These reports will be saved electronically for future reference and for reconciliation purposes. Additionally, we have been cautioned by others to avoid making significant changes to the MUNIS system during the short year. This will mean that we will defer upgrading to UBCIS and the next planned upgrade (which was scheduled for November, 2014) until sometime in 2015. This means that some customer service enhancements, such as e-billing, will be delayed.

Our comparable reporting will also be affected for monthly and quarterly reports until two years of data begin to be available in calendar 2016. We will strive to retain consistent reporting, but there will be minor differences in our comparability reporting through 2016. We will minimize these issues as much as possible.

Audit

We will be required to have audited financial statements for each fiscal period, including the SY14. The SY14 audit will cover 8 months; all other audits will cover 12 months. We are in the last year of our current arrangement, so we will need to solicit proposals once our current audit is complete. Timing is planned as follows:

- April 30, 2014: FY14 ends
- October 30, 2014: FY14 audit is completed
- November/December, 2014: RFP for audit services for Village and GWA
- December 31, 2014: SY14 ends
- June 30, 2015: SY14 audit is completed
- December 31, 2015: CY15 ends
- June 30, 2016: CY15 audit is completed

Other agencies
The Village's transition to a calendar year fiscal period does not, in and of itself, require that other agencies also transition their fiscal period. The Glen Ellyn Public Library, Glenbard Wastewater Authority, and Glen Ellyn Volunteer Fire Company will also be transitioning their fiscal year end to remain in alignment with the Village.

Governmental Accounting 101

July 17, 2013 and August 5, 2013

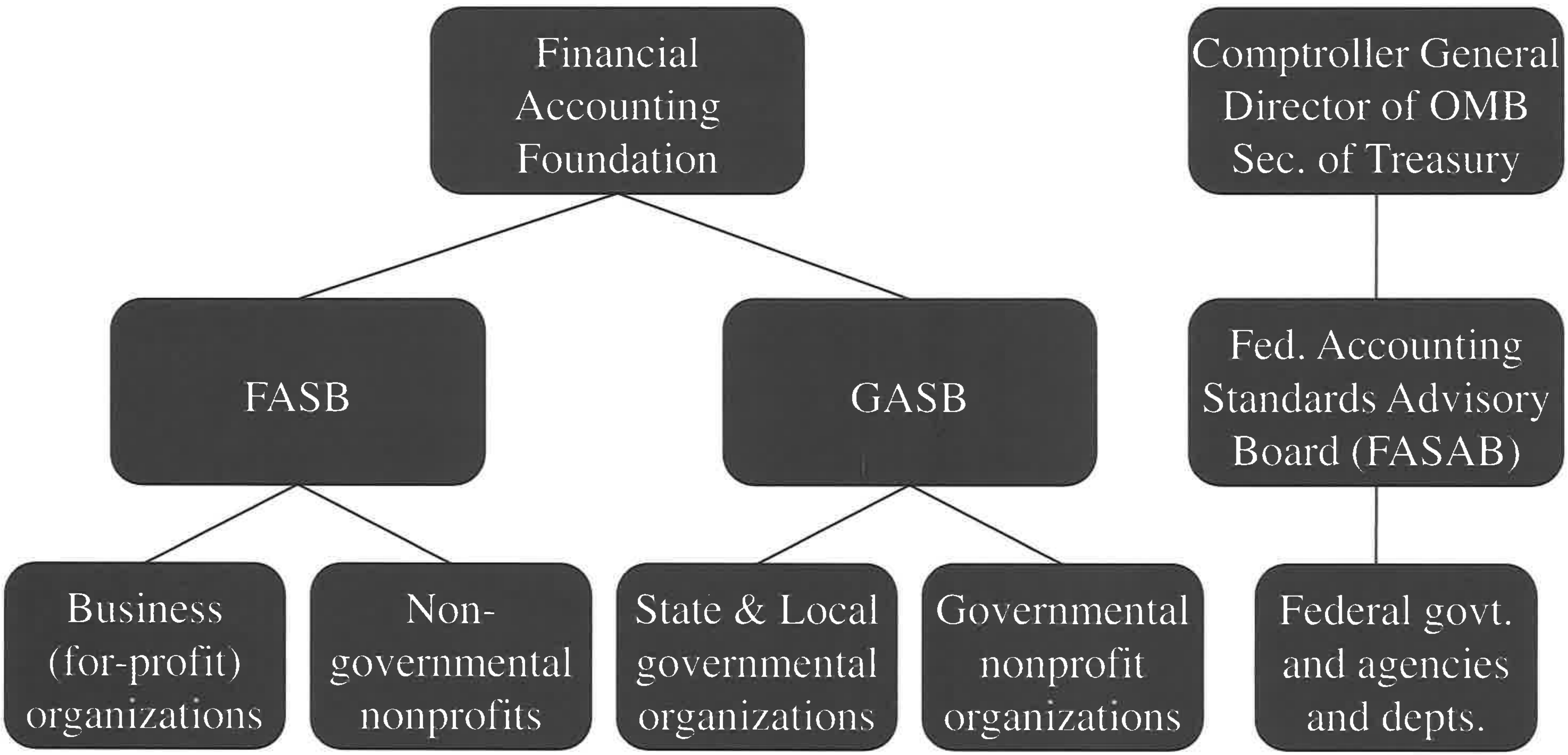
Types of Governments

- General purpose governments
  - States, counties, municipalities
  - Police and fire protection, sanitation, streets, roads, bridges, etc.
- Special purpose governments
  - Provide only single function or a limited number of functions
  - School districts, public colleges and universities, public utilities

Financial Reporting Objectives for State and Local Government

- Financial reporting is used in making economic, social, and political decisions and in assessing accountability primarily by
  - Comparing actual financial results with the legally adopted budget
  - Assessing financial condition and results of operations
  - Assisting in determining compliance with finance-related laws, rules, and regulations
  - Assisting in evaluating efficiency and effectiveness

Primary Sources of Accounting & Reporting Standards



Government-wide Financial Statements

- Provides an overall view of government's net assets and changes in net assets
- Uses an accrual basis
- Reports on the government as a whole and assists in assessing operational accountability—whether government as a whole has used its resources efficiently and effectively in meeting operating objectives
- Activities for Governmental functions are reported separately from Business Type Activities (more on these later)
- The Village only prepares government-wide financial statements as part of the annual audit due to the investment of time required as well as the availability of information on a timely basis.

Fund Financial Statements

- Fund financial statements – reports on the fiscal accountability, whether the government has raised and spent resources in accordance with budget plans and in compliance with laws and regulations
- You can think of funds like buckets or separate bank accounts. They account for the activity of that "bucket" or "account". For the most part, each fund is self supporting.

Government Funds

- Short term focus on inflows and outflows of current financial resources
- Typically supported by tax dollars and charges for services
- Has "expenditures" rather than "expenses"
- Village reports these funds on a cash basis in our monthly and quarterly reports
- Modified accrual basis is used for the annual audit
  - Revenues are recorded if measurable and available for paying current period obligations
    - This means that revenues must be earned as well as available (available means they are collected within the period or within 60-90 days after the reporting date)
  - Expenditures are recognized when incurred
- Balance sheet reports only current assets and current liabilities and fund balances (i.e. no capital assets, debt, etc)
- Government Funds of the Village
  - General Fund
  - Capital Projects Fund
  - Debt Service Fund
  - Other non-major funds include: Motor Fuel Tax, Corporate Reserve, Facilities Maintenance, and CBD TIF

General Fund

- A governmental unit has one and only one general fund
- Unless a financial resource is required to be accounted for in a different fund type, it is accounted for in the general fund
- Includes general government services such as administration, public safety, finance, planning and development, economic development, public works administration, streets, forestry, senior services, and history park

Other Funds

- Debt Service Fund:
  - Accounts for financial resources segregated for the purpose of making principal and interest payment on general long term debt.
  - Only includes debt for governmental (typically street and storm sewer projects) activities. Debt for Water & Sewer and Recreation is not reported in this fund.
- Capital Projects Fund:
  - Accounts for the construction of major projects such as buildings, highways, bridges, as well as the revenues to fund those projects
- Other non-major governmental funds:
  - Motor Fuel Tax – Motor fuel taxes received are used to fund street lights, road salt and other expenditures allowed by state statutes. Only certain types of expenditures are eligible to be spent out of this fund.
  - Corporate Reserve – Used for a "rainy day" funding as well as a "revolving loan fund" to assist Village departments and Village activities in financing major projects. An example of the most current project is the Taft Ave reconstruction associated with Fresh Market.
  - Facilities Maintenance – Used to fund and pay for maintenance of Village facilities
  - CBD TIF – Used to account for the resources received and monies spent for the Central Business District Tax Increment Financing District

Proprietary Fund Statements—Business Type Activity

- Account for business type activities; follow principles similar to a business entity
- Cash basis of accounting for monthly and quarterly reports
- Full accrual basis of accounting for the annual audit
- Two types of Proprietary Funds:
  - Internal service funds – Accounting of resources that provide goods or services to other departments/funds
  - Enterprise funds – used to account for activities in which goods or services are provided to the public for a fee

Internal Service Funds

- Insurance Fund
  - Collects monies from various departments and funds to pay for health and liability insurance. Also accounts for insurance for Library and Glenbard Wastewater Authority (GWA)
- Equipment Services Fund
  - Collects monies from various departments and funds to pay for the use of the Village's fleet of vehicles
  - Manages vehicles for police, fire, planning, facilities, and public works
  - Provides fuel Village fleet vehicles as well as to GWA and the Park District

Enterprise Funds

- Funds are supported by user charges and are meant to be self sustaining
- Each enterprise fund should be thought of as its own business
- Typically enterprise funds receive little to no tax dollars
- Capital components and debt that are needed to support operations of the fund are recorded in that fund, unlike governmental funds.
- Enterprise Funds of the Village: Water & Sewer, Solid Waste (Refuse), Parking, Recreation

Fiduciary Fund Financial Statements

- Fiduciary Funds - account for certain fiduciary activities; follow principles similar to a business entity – accrual basis of accounting
- Not included in government wide financial statements
  - Trust Funds – investments whose earnings add to the net assets of the fund and which can be used for a specified purpose (pension funds)
  - Trust Fund of the Village is the Police Pension Fund
  - Pension Fund is recorded on the full accrual basis for the annual audit
  - For monthly and quarterly reporting, investments are recorded at market value and all other activity is cash basis

Other Governmental Accounting Terms

- Encumbrance
  - This is a set aside pocket of amounts budgeted. For example, if $100,000 is budgeted for tree trimming and an encumbrance is created for $80,000, it sets aside $80,000 of the budget as already spoken for
  - At the Village, an encumbrance is created when the board approves a purchase $20,000. Purchase orders can be created under $20,000 for tracking purposes with the approval of the Village Manager (or departmental manager if under $5,000) if the purchase order is required by the vendor or the Village wants to track a specific purchase.
  - At the end of each fiscal year, the encumbrances are either closed and liquidated (if the project is complete) or are rolled forward into the next fiscal year. Outstanding purchase orders and encumbrances are reviewed monthly, quarterly, and annually.
  - Purchase orders also serve as an internal control over board approved projects. The finance department will not pay an invoice amount over the authorized purchase order unless appropriate approval is obtained and documented.

Other Governmental Accounting Terms

- Fund Balance – This is the equity balance for governmental funds
- Net Assets – This is the equity balance for enterprise, internal service, and fiduciary (pension) funds
- Interfund Transfer – A transfer or resources from one fund to another. An example would be the General Fund transferring money to the Insurance Fund to pay for the insurance of employees whose benefits/salaries are paid out of the General Fund

Date: January 28, 2014

To: Mark Franz, Village Manager

From: Kevin Wachtel, Finance Director

Christina Coyle, Assistant Finance Director

RE: Cash Reserve Policy

The intent of the Village's cash reserve policy is to ensure that the Village has adequate savings on hand to weather emergencies or economic declines. The cash reserves policy indicates the minimum amount that the Village would like to have in reserves.

History

Prior to 2012, the Village's cash reserve policy was to reserve 25% of the operating budget for the Village's operating funds (General Fund, Water & Sewer Fund, Parking Fund, Residential Solid Waste Fund, and Recreation Fund). An analysis of the cash reserve policy for the General Fund over the last five fiscal years is attached.

Current Policy

In 2012, the Village updated its cash reserve policy, which was tailored to each relevant fund as follows:

- General Fund: The General Fund cash reserve policy is to have at least 25% of budgeted operating expenditures in fiscal 2013 and will increase by 1% each year until it reaches at minimum 35% of budgeted operating expenditures.
- Water & Sewer Fund: The Village will maintain at least $2,000,000 in cash reserves beginning in fiscal 2012. This amount will be increased annually by the 12 month change in CPI-U or 3%, whichever is less.
- Parking Fund and Recreation Fund: The Village will maintain cash reserves in each of these funds equal to or greater than 25% of the current year operating expense budget beginning in fiscal 2013. In following years, the target amount of cash reserves will increase by 1%, growing to 35% of current year operating expense budget.
- Residential Solid Waste Fund: The policy for the Solid Waste Fund was updated in fiscal 2013 and is set at 25% of the operating expense budget.

Cash Reserve Performance

The cash reserve schedule from the 2nd quarter financial report is attached. At the end of the 2nd quarter of fiscal 2014, all funds were meeting their cash reserves policy with the exception of the Residential Solid Waste Fund. Due to severe storms in the past two years, the Residential Solid Waste Fund cash reserves have been depleted. This year, the refuse rates were adjusted so that a portion of the rate will be saved to replenish the reserves in this fund.

Other Issues

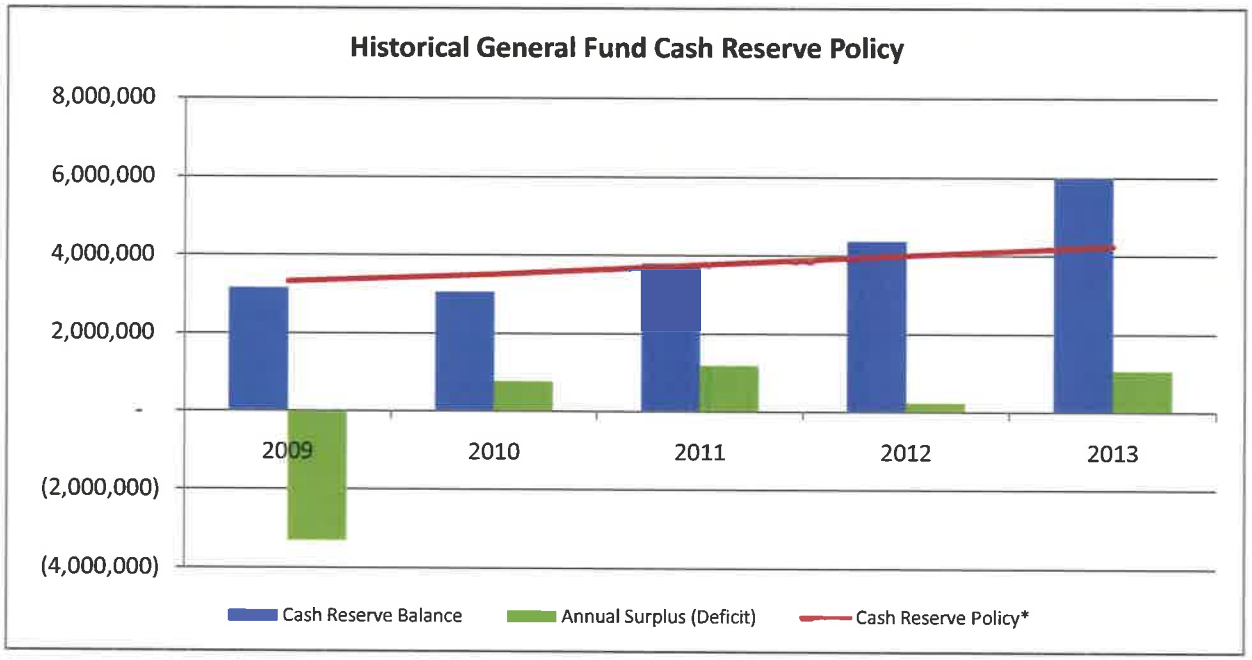
When the Village's bond rating is evaluated, the rating agencies consider the Village's cash reserve balances in determining the rating. In order for the Village to work towards the AAA bond rating, the cash reserve balances need to continue to increase. In addition, the Village should continue to closely monitor the State of Illinois and its financial condition as they search for ways to balance their budget. Decreasing the municipal share of the LSDF (Local Share Distributive Fund) is certainly a possibility and could impact revenues such as income taxes and motor fuel taxes in the future.

General Fund and Cash Reserves Performance
Last 5 fiscal Years

Fiscal Year	2009	2010	2011	2012	2013
Revenue	11,353,881	13,651,465	15,483,719	16,242,388	17,077,196
Expenditures	14,658,347	12,882,588	14,298,620	16,005,457	16,011,190
Annual Surplus (Deficit)	(3,304,466)	768,877	1,185,099	236,931	1,066,006
Cumulative Surplus (Deficit)	(3,304,466)	(2,535,589)	(1,350,490)	(1,113,559)	(47,553)
Cash Reserve Policy*	3,324,000	3,512,000	3,763,000	4,008,000	4,239,000
Cash Reserve Balance	3,163,000	3,071,000	3,799,000	4,374,000	5,985,000

*The General Fund cash reserve policy was set at 25% or greater of operating expenditures until FY2013. In the following years, the target amount of cash reserves will increase by 1% each year growing to 35% of the operating expense budget

	2009	2010	2011	2012	2013
Cash Reserves as a percent of actual expenditures	22%	24%	27%	27%	37%
Policy Percentage	25%	25%	25%	25%	25%



Village of Glen Ellyn
Cash Available for General Use
As of October 31, 2013

	Fund	Last Year Cash & Investment Balances	Cash/ Checking	Illinois Funds	IMET	Investments	Current Year Cash & Investment Balances	(a) Less Encumbrances	Less Deposits/ Other	Balance	Reserve Policy	Cash Reserved or Restricted From General Use	Amount over (under) Required Cash Reserves
1	General	$ 7,717,901	$ 410,056	$ 1,134,675	$ 7,764,026	$ -	$ 9,308,757	$ (298,935)	$ (984,855)	$ 8,024,967	26%	$ (4,334,298)	$ 3,690,669
2	Corporate Reserve	938,653	115,489	45,952	918,427	-	1,079,868	-	-	1,079,868	n/a	(1,079,868)	-
3	Motor Fuel Tax	215,728	-	508,458	-	-	508,458	(168,680)	-	339,778	n/a	(339,778)	-
4	CBD TIF Fund	-	-	12,341	-	-	12,341	-	-	12,341	n/a	(12,341)	-
5	Debt Service	1,601,024	230,226	368,577	13,475	-	612,278	-	-	612,278	n/a	(612,278)	-
6	Capital Projects	2,596,232	229,402	3,088,450	2,137,836	-	5,455,688	(4,200,472)	(1,000)	1,254,216	n/a	(1,254,216)	-
7	Facilities Maint Reserve	1,007,975	16,650	111,020	853,155	-	980,825	-	-	980,825	n/a	(980,825)	-
8	Water and Sanitary Sewer Fund	5,469,441	216,877	20,621	6,728,836	-	6,966,334	(2,409,054)	(243,137)	4,314,143	$2M+	(2,095,000)	2,219,143
9	Parking	1,058,289	24,197	235,725	829,858	-	1,089,780	(772,789)	-	316,991	26%	(69,625)	247,366
10	Residential Solid Waste	248,974	28,060	10,933	127,711	-	166,704	(32,675)	-	134,029	25%	(354,525)	(220,496)
11	Recreation	8,020,696	31,021	143,450	2,281,852	-	2,456,323	(398,045)	-	2,058,278	26%	(1,068,696)	989,582
12	Insurance	1,475,159	189,181	701,926	496,101	-	1,387,208	-	-	1,387,208	n/a	(1,387,208)	-
13	Equipment Services	3,480,711	223,147	245,050	2,685,097	-	3,153,294	(261,637)	-	2,891,657	n/a	(2,891,657)	-
		$ 33,830,783	$ 1,714,306	$ 6,627,178	$ 24,836,374	$ -	$ 33,177,858	$ (8,542,287)	$ (1,228,992)	$ 23,406,579		$ (16,480,315)	$ 6,926,264
14	Police Pension	23,228,046	$ -	$ 470,262	$ -	$ 24,306,347	24,776,609	-	-	24,776,609	n/a	(24,776,609)	-
	Average Yields FY2013/14 YTD		0.00%	0.02%	0.34%								
	Average Yields FY2012/13 YTD		0.00%	0.03%	0.31%								

(a) Encumbrances represent the unexpended portion of approved contracts for goods and services as of the end of the quarter. While encumbrances are not expenditures, they do represent a reduction in the level of available spendable cash at the close of the quarter.

See footnotes on the following page.

Attachment: Attachment 3 Memo Re Cash Reserve Policy (1068 : SY14 Budget Process)

The following footnotes correspond to the numbers on the left of the schedule on the previous page.

1. **General Fund** - Amount subject to reserve is 26% of budget minus capital expenditures.

2. **Corporate Reserve Fund** - All Corporate Reserve Fund cash is reserved for emergency needs or for assisting other Village funds via loans.

3. **Motor Fuel Fund** - All Motor Fuel Tax revenue from the State is reserved by law for street maintenance.

4. **Central Business District (CBD) TIF Fund -** This fund was created in FY 11/12 to begin accounting for start up costs of the TIF. Tax Increment Revenues to be received in the future will be restricted by law to be used within

5. **Debt Service Fund** - The cash in the Debt Service Fund represents funds accumulated from various sources to pay for principal and interest costs on the Village's outstanding debt obligations. These dollars are not available

6. **Capital Projects Fund** - Essentially all of the Capital Projects Fund cash is reserved. Real estate transfer taxes and utility tax revenues are reserved for street and storm sewer capital projects as part of our 20-year street and storm sewer improvement plan.

7. **Facilities Maintenance Reserve Fund** - This reserve is established for future replacement of major Village building components in the Civic Center, Reno Public Works Building, Fire Stations 1 and 2, Stacy Tavern Museum and the History Center.

8. **Water and Sanitary Sewer Fund** - Amount subject to reserve is $2,095,000, which will be adjusted annually by CPI-U or 3%, whichever is less. The cash reserve policy had previously been calculated as a percent of operating

9. **Parking Fund** - Amount subject to reserve is 26% of budget minus capital expenditures.

10. **Residential Solid Waste Fund** - Amount subject to reserve is 25% of budget minus capital expenditures.

11. **Recreation Fund** - Amount subject to reserve is 26% of budget minus capital expenditures.

12. **Insurance Fund** - All funds transferred to the Insurance Fund are budgeted to pay premiums and associated costs and are not available for reallocation.

13. **Equipment Services Fund** - This reserve is established for the scheduled replacement of Village vehicles and is not available for reallocation.

14. **Police Pension Fund** - All Police Pension funds are reserved for paying pensions of retired police officers.

ADMINISTRATIVE ORDER NO. 3

SUBJECT: Village Purchasing Policies and Procedures

Applicability
This policy shall apply to the procurement or purchase of goods, supplies, equipment, and services by the Village.

Purpose
The purpose of this policy is to assist in obtaining supplies, equipment and services as economically and efficiently as possible. It is intended to:

1. Simplify and clarify existing purchasing practices and policies;
2. Provide guidance for compliance with applicable purchasing rules;
3. Ensure the fair and equitable treatment of all persons who deal with purchasing activities;
4. Promote increased economy in purchasing activities;
5. Foster broad-based competition within the free enterprise system; and
6. Provide safeguards for the maintenance of a procurement system of quality and integrity.

Policy
A. ETHICAL CONDUCT

1. Elected officials and employees shall adhere to the Village's Ethics Policy when making all purchasing decisions.
2. Elected officials and employees may not participate directly or indirectly in a purchase when the elected official or employee or any member of his immediate family will benefit. Any attempt by an employee to realize personal gain through public employment by conduct inconsistent with these polices is subject to discipline and/or dismissal.
3. No elected official or employee, either on that person's behalf or on behalf of any other person, shall have any financial or personal interest in any business or transaction with any Board, Commission, Committee or other public body of the Village unless that official or employee makes full public disclosure of the nature and full extent of such interest and disqualifies him or herself from participating in and acting upon the resolution of the business or transaction.

Attachment: Attachment 4 Administrative Order No 3 Re Purchasing Policies and Procedures (1068 : SY14 Budget Process)

4. Employees shall adhere to this policy consistent with the philosophy above to ensure cost savings and efficiency. When competitive bidding, employees shall attempt to solicit as many bids as reasonably possible. Employees shall not subdivide any contract or purchase with the intent to circumvent the bidding requirements or approval limits established within this policy.

5. If any portion of this policy is found to be in conflict with any federal, state or local law, the federal, state or local law shall apply. However, if this policy is more restrictive than the federal, state or local law, the policy shall apply.

B. AUTHORITY TO PURCHASE

1. **Up to $5,000:** Department Directors may approve purchases up to $5,000. It is the Department Director's responsibility to ensure budgeted funds are available and competitive pricing is obtained prior to purchase. A Department Director may delegate any level of purchasing authority under $5,000 to other department employees with approval by the Village Manager and Finance Director.

2. **Up to $20,000:** The Village Manager may approve purchases up to $20,000. It is the Village Manager's responsibility to ensure budgeted funds are available and competitive pricing is obtained prior to purchase.

    a. The Village Manager is authorized to approve any change order to a Village contract which is less than $20,000.

    b. The Village Manager may authorize disposal of any Village property valued up to $20,000 in a manner deemed most beneficial to the Village. All items above $20,000 must be authorized for disposal by the Village Board.

3. **Greater than $20,000:** Purchases over $20,000 in the aggregate (annually) require Village Board approval. Glen Ellyn Village Code (1-10-1) requires that all contracts for labor, services or work, or for the purchase of personal property, materials, equipment or supplies involving amounts estimated to be in excess of $20,000 shall be let only by competitive bidding after advertisement for bids to the lowest responsible bidder submitting a bid in conformance with the advertisement. Once total spending with a particular vendor approaches $20,000 in a year, the Village Manager will review the scope of products and/or services provided by said vendor to determine if the aggregate purchases should be considered for approval by the Village Board. The Village Manager will base his decisions on this administrative order.

4. **Payments greater than $20,000 not requiring current purchase order or explicit Village Board approval:** Required or routine payments will be made through the normal check issuance procedures, without the need for prior purchase order or explicit Village Board authorization, under the following circumstances:

a. *Government payments.* The Village is required to make payments to regulatory agencies or other governments with authority over the Village or Village activity. Examples include, but are not limited to: the State of Illinois, Federal Government, County of DuPage, each in their official or oversight capacity, the Illinois Department of Employment Security (unemployment insurance), and the Illinois Department of Revenue (sales tax remittances). These payments are not limited to the amount budgeted, but amounts spent over the budget amount will be reported to the Village Board in a timely manner as appropriate.

b. *Village Contracts.* The Village Board periodically approves contracts or service agreements that span multiple years, which later require periodic and ongoing payments that exceed $20,000 individually or in aggregate. Examples include, but are not limited to, DuComm, DuPage Water Commission, Glenbard Wastewater Authority, legal services, insurance providers, debt service principal and interest, and waste haulers. Payments for these Village Contracts are not limited to the amount budgeted, but amounts spent over the budget amount will be reported to the Village Board in a timely manner as appropriate.

c. *Village support of other organizations.* Payments are made to various service providers, such as the Glen Ellyn Volunteer Fire Company, and the Downtown Alliance of Glen Ellyn. For such arrangements, payments for service shall be limited to the original Village Board approval and/or the Village budget for such services.

5. **Rule of Three:** In order to ensure competitive pricing, at least three quotes shall be obtained prior to a purchase over $1,000 whenever practical to do so. If a purchase of goods or services is recurring and/or ongoing, a quote may be obtained once every three years, so long as the cost remains competitive and there is no significant (i.e. 10%) change to the scope of goods/services. Documentation of quotes should be retained by the purchasing department for three years subsequent to the date of purchase.

6. **Transportation and Delivery Charges:** The Department Director shall make every effort to determine any transportation or delivery charges prior to proceeding with a purchase. Transportation charges must be included when determining cost of a purchase.

7. **Exceptions to Competitive Bidding:** A purchase or contract over $20,000 that is by its nature not adapted to award by competitive bidding may be approved by a 2/3rd vote of the Village Board.

Examples of exceptions to competitive bidding are listed below.

a. *Professional services* requiring individual skill or expertise shall be excluded from the requirements of competitive bidding. Such services include, but are not limited to, engineers, financial advisors, search firms, accountants, architects, inspectors, attorneys, and professional consultants. Whenever possible, professional services firms will be selected through an RFQ process, pursuant to state law. Firms may be prequalified through a selection process. Whenever possible, the Village will secure proposals from multiple prequalified firms to secure the services that are in the best interest of the Village.

b. *Emergency purchases*, shall be authorized if timing is critical. The Village Manager shall report to the Village Board regarding emergency purchases as soon as practicable.

c. *State or federal contracts* are exempted from the competitive bidding process. The Village may take advantage of the favorable prices obtained under a State contract whenever practical to do so.

d. *Cooperative purchases*, defined as more than one unit of government purchasing goods and services together, is strongly encouraged and may be exempted from the bidding process.

e. *Single Source purchases*, defined as material or services that are available from only one vendor but are deemed necessary to Village operations may be exempted from bidding requirements.

f. *Standardization purchases*, defined as technical nature of certain items or services may result in the standardization of a particular supplier's specifications being necessary or desirable to Village operations. Competitive bidding may be waived if the Village requires compatibility with existing software, machinery or other existing equipment.

g. *Certain items are purchased by the Village Links for resale.* These items are generally offered for resale in the Pro Shop or food/hospitality products. Merchandise items are chosen for their marketability and public demand and cannot be purchased through the formal bidding process. Food and hospitality items may be purchased based on immediate need or demand, product quality, availability schedule, or other factors deemed necessary to properly run the food and hospitality functions of the Department. The management of the Village Links will make every effort to obtain these items at the best possible prices.

C. COMPETITIVE SEALED BIDDING

1. **Invitations for Bids**: An Invitation for Bids shall be issued and shall include a purchase description, and all contractual terms and conditions applicable to the purchase.

2. **Public Notice:** Adequate public notice of the Invitation for Bids shall be given at a reasonable time prior to the date set for the opening of bids. It is the policy of the Village to seek as broad an advertisement for bids as is practical under the circumstances. As a minimum, advertisement for bids shall be as follows:

   a. Notice inviting bids shall be published once in at least one newspaper of general circulation in the village and at least ten (10) days prior to the last day set for the receipt of bid proposals.

   b. The newspaper notice required herein shall include at least a general description of the work to be performed or the articles to be purchased, shall state where bid proposals forms and detailed specifications may be secured, and shall state the time and place for opening bids.

   c. Bids and proposals shall be solicited from all responsible prospective suppliers who have requested to be notified of purchases of the type being proposed or who are known to the village to do work or provide supplies of the type being sought, by sending those responsible prospective suppliers a copy of the notice to acquaint them with the proposed purchase or sale.

   d. Bid announcements shall be advertised on the Village website.

3. Requirement for Bid Security: Bid Security will be required for all competitive sealed bidding for construction contracts. Bid security shall be a bond provided by a surety company authorized to do business in the State of Illinois, or a certified check, bank draft, or cashier check, or other form satisfactory to the Village.

4. Amount of Bid Security: Bid security amount is to be determined by the requisitioning department and shall be in an amount no less than 5% of the bid and no more than 10% of the bid.

5. **Bid Opening:** Bids shall be opened publicly by the Village Clerk and in the presence of one or more witnesses at the time and place designated in the Invitation for Bids. The amount of each bid, together with the name of each bidder, shall be recorded, and the record of each bid shall be open to public inspection.

6. **Bid Evaluation and Acceptance:** Bids shall be unconditionally accepted without alteration or correction, except as addressed in this policy statement. Bids shall be evaluated based on the requirements described in the Invitation for Bids, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery and suitability for a particular purpose. The Invitation for Bids shall set forth the evaluation criteria to be used. No criteria may be used in bid

evaluation that is not set out in the Invitation for Bids. At no time should any information be made available to any prospective bidder which is not available to all prospective bidders.

7. **Correction or Withdrawal of Bids:** After a bid opening, no changes in bid prices or other provisions of bids prejudicial to the interest of the Village or fair competition shall be permitted. Decisions to permit correction or withdrawal of bids, or to cancel awards or contracts based on bid mistakes prior to approval by the Village Board should be based upon the following criteria:

   a. A bidder should not be permitted to correct a bid mistake after bid opening that would cause the bidder to have the low bid, unless the mistake is clearly evident from examining the bid document, and is supported by proof that has evidentiary value--for example, extension of unit prices or errors in addition.

   b. A low bidder should not be permitted to correct a bid for errors in judgment.

   c. In lieu of bid correction, the Village should permit a low bidder alleging a material mistake of fact to withdraw its bid when there is reasonable proof that a mistake was made and the intended bid cannot be ascertained with reasonable certainty.

   d. After bid opening, an otherwise low bidder should not be permitted to delete exceptions to the bid conditions which affect price of substantive obligations.

   e. A suspected mistake by a bidder requires that the Village request confirmation of a bid. In such an instance, the bidder may correct the bid or withdraw it after acknowledgement that a mistake was made.

8. **Award:** Contracts shall be awarded to the lowest responsible bidder. In determining "lowest responsible bidder", in addition to the price, the village may consider the following factors:

   a. The ability, capacity and skill of the bidder to perform the contract or provide the service required;

   b. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference;

   c. The character, integrity, reputation, judgment, experience and efficiency of the bidder;

   d. The quality of performance of previous contracts or services;

   e. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service;

Attachment: Attachment 4 Administrative Order No 3 Re Purchasing Policies and Procedures (1068 : SY14 Budget Process)

f. The sufficiency of the financial resources and the ability of the bidder to perform the contract or provide the service;

g. The quality, availability and adaptability of the supplies or contractual services to the particular use required by the village;

h. The ability of the bidder to provide future maintenance and service for the use of the contract; and

i. The number and scope of conditions attached to the bid, if any.

9. After approval by the Village Board, the award shall be processed with reasonable promptness by written notice to the successful bidder.

10. **Non-monetary Change Orders:** The Village Manager may execute change orders to extend the length of a construction contract by up to 30 days or other terms and conditions of a contract deemed necessary or in the best interest of the Village.

D. RECEIPT

The person signing and approving the invoice for payment must determine that goods or services have been received in good order. By approving the invoice for payment with their signature, the individual is verifying proper receipt of goods or services has occurred.

E. SALES TAX EXEMPTION

The Village is a sales tax exempt organization in the State of Illinois. When making purchases for the Village, all reasonable attempts should be made to make purchases exempt from sales tax, which may require presenting the Village's sales tax exempt certificate and completing forms or other documentation. Village policy is that we do not pay sales tax or reimburse employees for sales tax paid out of pocket. In those unusual situations when sales tax payments are reasonably unavoidable, Department Managers can authorize payment or reimbursement of a nominal amount sales tax.

F. PAYMENT

1. **Checks:** Invoices for payment by check shall be submitted to the Finance Department. Invoices must be coded with the appropriate budget account and signed by the Department Director or valid designee. If purchase exceeds $5,000, the Village Manager must also sign the invoice, except utilities, postage, impact fees, DCE, SSA revenue and routine refunds. All invoices must describe the Village business purpose for which the goods or services were purchased.

   All invoices will be reviewed by the AP Fiscal Clerk for proper approval and coding and entered into the accounting system. The Assistant Finance Director will review and approve the invoices and reports for proper approvals and accuracy prior to printing checks.

Checks will be printed every Friday. All invoices to be included in a Friday check run must be submitted to the Finance Department by 5PM the Wednesday before the check run. If the schedule is adjusted, Finance will alert departments as early as practical. Checks will not be sent out until all required signatures and documentation are received by the Finance Department. The Finance Department will distribute checks via U.S. mail. If a vendor wishes to pick up a check, the individual will need to provide identification sufficient to show their affiliation with the vendor, and will be required to sign a log provided by the Finance Department.

2. **Purchasing Cards:** Purchasing cards are issued to improve efficiency and make additional vendors available to provide goods for the Village through internet sales. Employees may be issued a purchasing card upon request by the Department Director and approval by Finance Director and the Village Manager. Each card has a monthly purchase limit based upon the purchasing requirements of the employee. Employees must sign an agreement that they will use the card only for Village related purchases. Use of a purchasing card does not change the approval structure established in Section C of this policy.

Each employee provided a Purchasing Card is responsible for the security of the card and should not permit its use for means other than those permitted by this policy. If an employee's card is used for egregious or repeated unauthorized purposes or uses, monthly reporting is not made in a timely manner, or it is used outside of the permissions of this policy, the employee's purchasing card may be immediately suspended or revoked, temporarily or permanently. If such action is taken, the employee's supervisor will be advised of the action and reasons for such action.

As with all purchases made on the Village's behalf, goods purchased with a purchasing card are exempt from sales tax. This is indicated on the front of all cards and should be pointed out to the vendor to prevent sales tax from being charged on any purchases made with the card. Depending on the vendor, card holders may still need to present the tax exempt letter or complete other documentation in order to receive the exemption.

The Village's purchasing card shall be used for Village purchases only. Absent approval from the Village Manager or Finance Director, the purchasing cards shall not be used for purchases for other people or organizations, even if the Village is reimbursed for the purchase.

Each month, the AP Fiscal Clerk will receive a summary of all employee charges. Individual statements will be sent to each card holder for coding and sign off. Card holders must review their monthly statement and return it to the Finance Department with their signature and an itemized invoice or receipt for each purchase. Such information shall be submitted to the Finance Department no later than three (3) business days prior to the due date on the statement, unless other arrangements are agreed upon, in advance, with the Finance Department. Each month, the Finance Department will advise card holders of the due date via email, providing at least one week notice. All receipts or invoices must describe the Village business purpose for which the goods or services were purchased.

The AP Fiscal Clerk will review all card purchases for proper approval, coding and documentation and enter the charges into the accounting system. The Assistant Finance Director will review the invoices and accounting system reports for proper approvals and accuracy. All monthly purchasing card statements will be reviewed and signed off by the Department Director, Finance Director and the Village Manager.

3. **Open Accounts:** To allow for the efficient procurement of routine supplies, the Village has established a limited number of open accounts at local vendors. Only employees authorized by their Department Director may utilize an open account. When available, purchasing cards should be utilized rather than charging an item to an open account. The Department Director is responsible for ensuring all purchases made on an open account are utilized only for Village business purposes.

   Use of an open account does not exempt an employee from obtaining quotes for items over $1,000. If an item is over $1,000, quotes must still be obtained as required in Section B (4).

   Employees must submit receipts for all purchases made on an open account to the Finance Department. Receipts must describe the Village business purpose for which the items were purchased and include the signature of the employee approving the purchase.

4. **Petty Cash:** Petty cash has been established to expedite miscellaneous purchases and paying of small bills which need not be handled through check payment. These funds are to be used by all departments for facilitating purchases and are not to be used for the purpose of circumventing normal purchasing procedures.

   Petty cash requests shall be limited to $50, unless approved by the Finance Director. Any amount above $50 must be reimbursed via a check request submitted to the Finance Department.

   Each petty cash location shall have a designated custodian who is responsible for disbursing and maintaining the petty cash funds.

   The petty cash custodian shall ensure that all petty cash disbursements are properly approved and that a record of each disbursement includes the following information:

   a. Description of purchase.

   b. Budget account.

   c. Signature of employee approving disbursement.

Attachment: Attachment 4 Administrative Order No 3 Re Purchasing Policies and Procedures (1068 : SY14 Budget Process)

d. Signature of petty cash custodian.

e. Signature of petty cash recipient.

f. Original itemized receipt.

As petty cash is depleted, the custodian shall submit a request to replenish petty cash to the Finance Department. The request shall include all the required documentation for disbursements made since the previous request. The AP Fiscal Clerk will review all purchases for proper approval, coding and documentation and enter the charges into the accounting system. The Assistant Finance Director will review the invoices and accounting system reports for proper approvals and accuracy and a check will then be issued to the petty cash custodian. The Finance Department may conduct periodic cash counts and/or audits of petty cash.

5. **Village Board Approval of Vouchers:** All payments will be approved by the Village Board. The AP Fiscal Clerk will provide the Village Manager's office with a listing of paid invoices for inclusion on a Village Board meeting agenda. The invoice list will also be provided to all Trustees and a Trustee will be designated to review the invoices prior to Village Board payment approval. To ensure prompt payment, checks will be released prior to the Village Board meeting if the purchase has been properly approved and all required signatures and documentation have been received by the Finance Department.

G. MANAGEMENT CONTROLS

1. **Purchase Orders:** Purchase orders will be created for amounts greater than $20,000, which require board approval prior to purchasing. Purchase orders may be issued for lower dollar amounts if requested by a department. The AP Fiscal Clerk will create the purchase orders in the accounting system following board approval of a purchase. The purchase order is then sent to the Assistant Finance Director for review. A copy of the original purchase order is forwarded to the department making the purchase. The purchase order number must be included on all payment requests.

2. **Inspection and Testing:** The inspection and testing of delivered materials or equipment should occur at the time of delivery. Department Directors are responsible for ensuring that the quantity and quality of the delivered goods are as ordered and that all purchases made within their department are received and utilized solely for Village business. In the case of items for inventory or resale, Department Directors are responsible for maintaining an ongoing inventory record of such items. The Finance Department may review inventory records on a periodic basis and as part of the annual audit process.

Attachment: Attachment 4 Administrative Order No 3 Re Purchasing Policies and Procedures (1068 : SY14 Budget Process)

3. **Internal Audits:** The Finance Department will conduct periodic audits of purchases. It shall be the responsibility of each Department Director to provide the Finance Department with the necessary information to verify any purchases chosen for an audit.

4. **External Audits:** The Village will engage an external public accounting firm to perform an annual audit of the financial statements. Such an audit will include an assessment of internal controls related to purchasing.

5. **Treasurer's Report:** The Village will produce an annual Treasurer's Report in accordance with State statutes, which includes all payments to vendors for the past year. The report will be reviewed to assess potential areas to increase purchasing efficiencies.

6. **Public Disclosures:** The Village will produce and publish other reports and disclosures related to payments and disbursements, which may be published on the Village website, hard copy available for public inspection or in another manner as required or allowed by law.

7. **Additional Policies:** Village Management will periodically review and revise additional policies related to purchasing including, but not limited to, uniforms, travel, and cell phones. Such policies may be implemented as administrative orders.

Mark Franz, Village Manager

9/16/13
Date

Original order approved December 7, 2011