

**VILLAGE OF HUNTLEY
VILLAGE BOARD
FY20 Budget Workshop
October 10, 2019
MEETING MINUTES**

CALL TO ORDER:

A meeting of the Village Board of the Village of Huntley was called to order on Thursday, October 10, 2019 at 7:27 p.m. in the Municipal Complex, Village Board Room, 10987 Main St., Huntley, Illinois 60142.

ATTENDANCE:

PRESENT: Mayor Charles Sass; Trustees: Ronda Goldman, Tim Hoeft, Niko Kanakaris, Harry Leopold, John Piwko, and JR Westberg.

ABSENT: None

IN ATTENDANCE: Village Manager David Johnson, Assistant Village Manager Lisa Armour, Management Assistant Barbara Read, Director of Development Services Charles Nordman, Chief Robert Porter, Director of Finance Cathy Haley, Human Resources Manager Chrissy Hoover, and Village Attorney John Cowlin.

PLEDGE OF ALLEGIANCE: Mayor Sass waived saying the Pledge of Allegiance as it was said at the Village Board meeting.

PUBLIC COMMENTS: None

ITEMS FOR DISCUSSION AND CONSIDERATION:

- a) Budget Workshop: Review of Personnel Staffing, Pension and Insurance Summary, and Review of Financial Management and Debt Management Policies

Village Manager Johnson reviewed a Power Point presentation outlining the Personnel Staffing, Pension and Insurance Summary and Financial Management and Debt Management Policies, as follows:

Personnel / Staffing Summary

The Village is a service organization and approximately three-quarters of the operating budget expenditures are personnel related. To keep personnel costs in check, the Village's philosophy for providing services to residents is to combine the use of full-time employees with regular part-time and seasonal employees, contractual services, and intergovernmental partnerships. This philosophy allows the Village to provide the highest levels of service to Village residents in the most cost-efficient manner possible.

Final Staffing Analysis – 2019

The Village will end FY19 with the equivalent of 97 full-time positions actually filled; 1.5 full-time equivalent positions less than the 98.5 positions authorized in the FY19 budget. Current open positions include a part-time Community Service Officer (CSO), part-time Accountant, and part-time Office Assistant. The Village closely monitors its operational approach, continually searching for innovative

and cost effective ways to enhance service levels. Examples of this in FY19 include restructuring the Economic Development Manager and Planner positions into a newly titled Development Manager role; creation of a Marketing & Recruitment Specialist position to lead the Village's branding and business attraction efforts; expanding Fleet Services to include a Crew Leader position; creation of an Operations Supervisor position to take on responsibilities of the vacant Fleet Services Superintendent, and assist in the operations of the Streets and Underground Utilities division of Public Works; and hiring a Building Official to handle previously contracted building official and plan review services in an effort to improve customer service.

Preliminary Staffing Analysis – 2020

The number of proposed authorized/budgeted positions for FY20 is 99 subject to adequate funding being available. This is an increase of 0.5 full-time equivalent positions above FY19. The 0.5 full-time equivalent increase in positions is due to the proposed addition of a Maintenance Worker in the Public Works Streets and Underground Utilities Division necessitated by the transfer of a General Utility Worker in that division to a position in the Utilities Division, and the proposed elimination of a vacant part-time Office Assistant position in the Finance Department. A part-time Records Clerk position is proposed in the Police Department, in place of the vacant part-time CSO position. In Development Services, it is proposed that the GIS Technician position be transferred to Public Works and Engineering as part of the Administration and Engineering Division. The remaining vacant part-time Accountant position in the Finance Department is proposed to be filled in FY20. It is proposed that the Fleet Superintendent position be reclassified as authorized and unbudgeted. A Chief Water Operator in the Public Works and Engineering Department remains as authorized and unbudgeted.

Staffing Breakdown by Department:

- Police Department - 42%
- Public Works & Engineering - 35%
- Development Services - 9%
- Finance Department - 7%
- Village Manager's Office - 7%

The proposed 99 full-time equivalent positions equate to 3.7 employees per 1,000 population. Historically, the Village's ratio of employees per 1,000 population has been below comparable communities in the region.

Collective Bargaining Groups

The Village has two unionized employee groups. One group includes the Streets, Underground Utilities and Fleet Services Division employees in the Public Works and Engineering Department who are represented by the International Union of Operating Engineers (IUOE), Local 150.

The Police Department Patrol Officers, Detectives, Community Response Team (CRT) and School Resource Officer (SRO) are represented by the Metropolitan Alliance of Police (MAP) Chapter #207. The total number of employees in these two groups is 41 representing approximately 42% of the Village's total workforce.

Collective bargaining agreements are in place for both groups. The number of employees in each group for FY20 and the expiration date of the applicable contracts are as follows:

- IUOE Local 150 14 December 31, 2021
- MAP Chapter #207 27 December 31, 2020

Wages

Non-union employee wages are adjusted annually as a part of the Village's merit pay plan and are adopted as part of the overall budget. Each existing union group has an established wage and step schedule. A step schedule is a mechanism by which employees' annual wages are developed. It establishes an introductory wage for a position, and then over a period of years moves employees through a series of wage increases, or steps, as their experience and abilities develop. Eventually, the employee hits the top of the wage scale and no longer receives an annual step increase. Employees in a collective bargaining unit will receive raises in accordance with the binding contract. Non-union employees are scheduled to receive a salary increase on January 1, 2020. The proposed FY20 pay plan is included in the budget.

Pension

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; and the Police Pension Plan (Plan) which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for both plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Illinois Municipal Retirement Fund (IMRF)

All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard of 1,000 hours must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees that first participated in IMRF prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.67% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees that first participate in IMRF on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.67% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute.

Police Pension Plan

Police sworn personnel are covered by the plan, which was established May 10, 2001. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature.

The Village accounts for the plan as a pension trust fund. The plan is governed by a five-member Board of Trustees. Two members of the Board are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active police employees.

The Village's FY19 Pension obligations totaled \$ 1,324,261.

Health & Dental Insurance

10.10.19 FY20 Budget Workshop

One of the Village's long-standing objectives is to provide quality, affordable health insurance coverage to full-time employees in order to attract and retain quality staff. Health insurance remains the second largest employee expense after wages. In 2016 the Village joined a health insurance pool to stabilize costs of providing health insurance.

The Intergovernmental Personnel Benefit Cooperative (IPBC) was created under Illinois State law allowing government entities to band together for the purposes of offering members insurance in a financially stable and fully transparent environment. Members retain the right within the IPBC to create and change the plan design, which provides full flexibility for members. Comprised of over 130 government members, the IPBC offers group purchasing power that the Village would not have on its own as a small employer. The IPBC is a self-insured insurance pool where each member pays a monthly payment determined at the beginning of the plan year, and share the claims experience together. While each member pays a level monthly payment, member liability is determined by a combination of the member's actual claim experience for all claimants, and the IPBC average experience. At the end of each plan year, an audit is performed and the funding paid in is compared to the actual costs for each member. This approach establishes the opportunity for the disbursement of "dividends", or reserve funds to members when claims and experience are less than the funds paid in by the members.

As part of a self-insured pool, the Village is able to save profit margin that insurance companies add to premiums, allowing for a more transparent correlation between premium costs and claims paid. Additionally, the IPBC provides stability, predictability, and spreading of risk that is not available through fully insured plans. Since joining the IPBC, the Village has experienced historically low premium increases. In the first year, the decision to join the IPBC met the Village's strategic goal of minimizing and stabilizing health insurance costs. For the 2019 benefit year, the Village saw rate increases of 0.90% for the PPO, 3.4% for the HMO and a 6.4% increase for dental.

The Village offers three medical insurance plans to employees: United Health Care Base Plan PPO, United Health Care Premium Plan PPO, and a Blue Cross Blue Shield HMO. The health insurance plans include medical and prescription drug card benefits. The Prescription Drug Card co-pays are tier based dependent upon medication. Currently, dental insurance premiums are 100% paid by the Village for employees and dependents, with the exception of Local 150 members hired after January 1, 2018 and MAP union members who are responsible for 25% of the dental premium. Local 150 members hired before January 1, 2018 are responsible for 20% of the dental premium. The Flexible Spending and 125 Plan Dependent Care program is completely funded by voluntary tax-deferred contributions and reimburses employees for expenses incurred for qualified benefits. The United Health Care Base Plan PPO premiums for single employees are 100% paid by the Village, with the exception of Local 150 employees hired after January 1, 2018 and MAP union members hired after January 1, 2017 who are responsible for 25% of both individual and dependent coverage. Employees contribute a set percentage of the difference in premium costs between individual and dependent coverage. Non-union employees contribute 18%, Local 150 union members (hired prior to January 1, 2018) contribute 20%, and MAP union members (hired prior to January 1, 2017) and Local 150 union members (hired after January 1, 2018) contribute 25%. In an ongoing effort to save costs, the FY20 budget includes a policy modification that non-union employees hired after January 1, 2020 contribute 20% of both individual and dependent coverage.

The Village also offers supplementary benefit products: AFLAC, enhanced vision plan, additional life insurance, and two 457 tax-deferred plans. These voluntary programs premiums are 100% paid for by

employees.

Wellness Program

In a continual effort to improve the health and well-being of employees, the Village provides opportunities throughout the year for employees to participate in a variety of wellness events that foster sustained employee engagement and positive lifestyle changes. Examples of past wellness events include lunch and learn seminars, retirement and financial planning sessions, health fairs, on-site physicals, fitness classes and an employee garden. In addition to having a direct correlation in the reduction of overall healthcare costs, a comprehensive wellness program offers benefits such as reduced absenteeism, and increased employee morale and productivity.

The IPBC offers a wellness program allowing the Village the opportunity to earn a rebate of up to \$400 per covered employee annually. Rebate dollars earned are used to expand Village wellness programs. In a separate program aimed at rewarding employees for leading a healthy life style, all employees have the ability to earn an additional \$400 for participating in and passing a fitness test modeled after the law enforcement POWER test.

Training Program

It is the Village's philosophy that a well trained workforce is critical to support the Village's Mission Statement to achieve excellence in the management and delivery of municipal services in a reliable, efficient, and socially responsible manner. In support of this philosophy, the Village creates an annual training and development program that goes beyond minimum statutory requirements, investing in employee development opportunities that are tailored to individual growth and organizational needs in an effort to create a continuous learning environment. This leads to improved employee performance and creates a culture of knowledge while providing enhanced operational efficiency, allowing the Village to provide the highest level of service to its residents.

Retirement and Attrition

There are a number of employees that are either eligible or nearly eligible to retire. It is possible that upon retirement, some of these positions may not be filled; services provided by the retiree will be contracted out, or a lower cost employee will be hired to replace the retiring employee in order to save money. Management is constantly monitoring this situation.

Conclusion

The Village's employees are its most valued asset. None of the high level of services that Huntley residents experience would be possible without the Village's highly trained and dedicated workforce. Huntley enjoys an organizational culture that continuously searches for cost-efficient service and program delivery options. The Village's Management Team is committed to monitoring service levels and ultimately through the budget process, making annual recommendations to the Village Board for personnel and staffing levels that are directly linked to service level improvements.

Classification and Pay Plan

Introduction

The Village of Huntley annually adopts a classification and pay plan to provide a logical, objective, and uniform process for making job classification and salary decisions. The goal of the Village is to:

1. Administer individual salaries within a classification range/pay band based upon experience, qualifications, and performance.

2. Recognize individual job responsibilities, performance, and contributions to Village objectives.
3. Provide competitive compensation, which considers the value of all pay and benefits.
4. Reward exceptional performance in a meaningful and ongoing way.

Compensation for employees covered by a collective bargaining agreement or employment agreement will be determined by the terms of the applicable agreements.

Classification and Pay Plan

The Village's Classification and Pay Plan is adopted annually by the Village Board as part of the annual budget process. Adjustments are recommended by the Human Resources Manager and the Village Manager based on changes in the external wage market, consumer price index, and changes to individual positions. Any changes to the pay plan will be made in the context of the Village's overall financial condition.

- a. Annual Range Adjustments: Pay grade ranges are reviewed each year with overall adjustments recommended based on changes in the consumer price index and overall wage market, and updated to recognize changes in specific positions or new positions within the Village.
- b. Benchmarking: Approximately every two years, a full compensation analysis will be conducted to survey the Village's comparable community set and public sector data in order to maintain alignment with the overall wage market. Adjustments to ranges do not relate to individual employee wage adjustments except where an employee would otherwise fall below the range.

The proposed FY20 non-union full-time pay ranges are included in the budget. An increase of 2% was used to increase the minimum and maximum amounts of each pay grade.

Water/Wastewater Certification Plan

In recognition of employees that enhance their professional growth and their value to the Village by achieving certifications through the State of Illinois Environmental Protection Agency Certification Program for Water and Wastewater Treatment Operators, the Village has created a progression plan for employees within the Water and Wastewater Divisions of the Public Works and Engineering Department. A copy of the progression plan is included with the FY20 budget.

Water Operator Certification

Certification and applicable years of service at each level must be obtained in order to progress to the next step. Employees are encouraged to attempt each certification as soon as eligible. Eligible employees who achieve a Class B Water Operator Certification and 6 consecutive years of service and maintain CEU's will receive a one-time bonus of one-thousand dollars (\$1,000).

Water Operator Certification must be renewed through the State of Illinois Environmental Protection Agency every three years. Employees are required to complete and document the required hours of training within the 3-year certificate period before the certificate expiration date.

Wastewater Operator Certification

A Certificate of Technical Competency and applicable years of service at each level must be obtained in order to progress to the next step. Employees are encouraged to attempt each certification as soon as eligible. Eligible employees that achieve a Class 1 Wastewater Certification and have met the required years of service will receive a one-time bonus of one-thousand dollars (\$1,000).

Wastewater Treatment Certificates must be renewed through the State of Illinois Environmental Protection Agency every three years. Employees are required to complete and document the required hours of training within the 3-year certificate period before the certificate expiration date.

Financial and Debt Management Policies

The Village's financial policies and goals, set forth the basic framework for the overall fiscal management of the Village including the adoption of a balanced budget in the General Fund. A balanced budget provides for revenues and expenditures budgeted equally. Any surplus of actual revenues over expenditures that are above the 25% reserve level will be budgeted the following year as a one-time revenue transfer to capital funds or projects as designated by the Village Board.

The following budget policies serve to assist with the decision-making process and provide guidelines for evaluating both current services and future programs. These policies are meant to assist the Village Board and Village management staff in making budgetary decisions based on sound financial principles. These policies are not intended to be comprehensive or exhaustive but are meant to establish a solid foundation for the financial management of the Village and provide continuity for staff. Staff will work within the context of these policies while continuing to explore lawful, creative and insightful financial recommendations to present to the Village Board for their consideration and possible implementation.

Budget Policies

Purpose: The Village Manager shall submit an annual budget to the Village Board, which is within the Village's ability to pay. The annual budget should provide for the following:

1. The Government Finance Officers Association (GFOA) recommends, at a minimum, to maintain an unrestricted budgetary fund balance in the General Fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The reserve shall be the minimum cash and cash equivalent unencumbered monies kept available to the Village at all times and shall be reflected in the "Equities" portion of the balance sheet in the Village's financial reports. Reserves have also been established for the Water and Wastewater Operating Funds.
2. The Village shall prepare capital improvement plans and review staffing plans in order to maintain the Village's capital equipment and infrastructure, and maintain or enhance the current levels of service. The update to the Village's Five-Year Capital Improvement Plan (CIP) is included in the budget document. The Staffing Plan is also included with the budget document.
3. The Village will attempt to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source. The Village will review all fees and charges on an annual basis through the budget process.
4. The Village has adopted sections 5/8-2-9.1 through and including 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes providing for an annual municipal budget. The Village maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board of Trustees. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The Village Board must approve any revisions to the budget that increase total expenditures of any fund.

5. The annual budget may contain money set aside for contingency purposes not to exceed 10% of the total budget, which monies may be expended for contingencies upon a majority vote of the corporate authorities then holding office.
6. Budgets are prepared on the cash basis of accounting, under which transactions are recognized when cash is received or disbursed. Budgets are adopted and integrated into the accounting system as a control device during the year for the General, Special Revenue, Debt Service and Capital Project Funds. All budgets lapse at the end of the fiscal year for which the budget is adopted.
7. The Village has adopted a one-time revenue policy. This policy prohibits the use of one-time General Fund revenues to fund operations. Sound financial management dictates the need for adequate fund balances to enable the Village to respond to adverse circumstances without jeopardizing essential Village services. One-time revenues in excess of budgeted revenues will be transferred for the use of one-time expenditures. These transfers can be used to fund a capital project, equipment purchases, or any other non-operational purpose. Surplus revenue above the Village's 25% fund balance policy in the General Fund will be used to purchase items in the Village's Equipment Replacement Fund as well as Capital Projects that otherwise have no funding source. Balances will be updated upon the completion of the annual audit at which time a budget amendment may be prepared for the current year and/or additional transfers may be budgeted in the following budget cycle process.

Fund Balance Policies

Purpose: Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance reserve policies are established to avoid cash flow interruptions, generate investment income, and reduce the need for borrowing. The fund balance reserves identified within this policy are the minimum balances necessary to accomplish these objectives.

Part I – Governmental Funds

This section only applies to fund balances reported in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The Village's flow assumptions are stated in the budget document to allow for implementation of Governmental Accounting Standard Board Statement 54 (GASB 54). GASB 54 establishes fund balance classifications that comprise a hierarchy based on constraints imposed upon the use of the resources reported in governmental funds. The governmental fund balance categorizations are as follows:

- Nonspendable Fund Balance - Represents fund balances that are not in spendable form or are required to be maintained intact.
- Restricted Fund Balance - Represents fund balances that are subject to external limitations or enabling legislation.
- Committed Fund Balance - Represents fund balances used for specific purposes determined by a formal action of the Village Board.
- Assigned Fund Balance - Represents fund balances that are intended to be used for specific purposes.
- Unassigned Fund Balance - Represents fund balance available for any purpose; reported only in the General Fund.

The flow assumptions are based upon the definitions stated above. The Village will spend the most restricted fund balances first, in the following order:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

The Village Board's determination of authority to assign fund balances is stated in the budget document to allow for implementation of GASB 54. Authority to determine assigned fund balances is conveyed to both the Village Manager and the Director of Finance/Village Treasurer.

Reserves:

General Fund: Unassigned fund balance will be maintained at a minimum level equal to 25% of annual expenditures. The Village's unassigned General Fund balance will be maintained to provide the municipality with sufficient working capital and a margin of safety to address emergencies without borrowing.

Downtown TIF Fund: This Fund should eventually be self-supporting and should maintain a fund balance equivalent to meet the planned improvements identified in a multi-year capital schedule(s).

Capital Projects and Improvements Fund, Streets Improvements and Roads and Bridges Fund, and Facilities and Grounds Maintenance Fund: These funds are used for resources accumulated and used in right of way improvements such as street repair, street reconstruction, curb and gutter replacement, and facility improvements. To ensure that the Village's infrastructure is adequately maintained the Village should work toward establishing a fund balance for all three of these funds at a minimum dollar amount to meet the planned improvements identified in a multi-year capital replacement schedule(s).

Part II – Enterprise and Internal Service Funds

This section applies to funds outside the scope of GASB 54 and are identified in the Village's budget as the Water and Wastewater Funds and Benefits Fund.

Restricted Net Assets: The component of net assets restricted by external parties, constitutional restrictions, and enabling legislation.

Net Assets Invested in Capital Assets, Net of Related Debt: A component of net assets calculated by reducing capital assets by accumulated depreciation and the principal portion of related debt.

Unrestricted Net Assets: The portion of net assets that is neither restricted nor invested in capital assets net of related debt.

Reserves:

Water Operating Fund: The unrestricted net assets of the Water Operating Fund will be maintained at a minimum level equal to 25% of the annual budgeted operational expenses. Net position above 25% will be transferred annually to the Water Capital Improvement and Equipment Fund for use in funding the Water Capital plan.

Water Capital Improvement and Equipment Fund: This fund will be used to account for all Water Capital revenues and expenditures as approved by the Village Board in the annual budget. Capital projects include existing water infrastructure for water mains, wells, treatment plants, pumping systems and water towers. The Water Capital Improvement and Equipment Fund should work toward

establishing a fund balance at a minimum dollar amount to meet the planned improvements identified in a multi-year capital replacement schedule(s).

Wastewater Operating Fund: The unrestricted net assets of the Wastewater Operating Fund will be maintained at a minimum level equal to 25% of the annual budgeted operational expenses. Net position above 25% will be transferred annually to the Wastewater Capital Improvement and Equipment Fund for use in funding the Wastewater Capital plan.

Wastewater Capital Improvement and Equipment Fund: This fund will be used to account for all Wastewater Capital revenues and expenditures as approved by the Village Board in the annual budget. Capital projects include existing sewer infrastructure for sewer mains, treatment facilities and lift stations. The Wastewater Capital Improvement and Equipment Fund should work toward establishing a fund balance at a minimum dollar amount to meet the planned improvements identified in a multi-year capital replacement schedule(s).

Benefits Fund: This fund should maintain unrestricted net assets of three months of Intergovernmental Personnel Benefit Cooperative (IPBC) premium and additional reserves equal to 25% of General Fund expenditures. Any additional reserve dollars may be used as transfers for one-time capital projects, fleet, equipment or facilities, or for emergent operational needs as determined by staff and with Village Board approval.

Equipment Replacement Fund Policies

Purpose: The Village has established the Equipment Replacement Fund (ERF) to set aside funds each year for the eventual replacement of existing equipment. In order to build and maintain sufficient funds on hand to replace items at the end of their useful life, transfers by each department from the General Fund are determined annually through the budget process. The remainder of this policy is intended to provide guidance as to how the ERF will operate.

The Equipment Replacement Fund shall be used to replace existing equipment owned by the Village. Requests for new equipment shall be made as part of the annual budget process and must be approved by the Village Manager and the Village Board before acquisition.

Only those items, which individually have a replacement cost of more than \$10,000 or groups of similar equipment (e.g. personal computers, bullet proof vests, etc.) which, in the aggregate, exceed \$10,000 with a useful life of more than one year shall be included in the ERF. Departments shall include individual items or groups of items with a value of less than \$10,000 in their annual operating budget, unless approved as a capital purchase during the annual budget process.

The cost of items associated with new vehicles such as vehicle markings, light bars, radios and similar equipment shall be included in the replacement cost of the vehicle.

The replacement cost and useful life for vehicles and technology related equipment will be reevaluated on an annual basis. This re-evaluation may change the annual amounts set aside for the replacement of each item. Final capital asset replacement decisions using ERF monies will be discussed and approved by the Village Board as part of the annual budget process.

When ERF equipment is sold, the proceeds of the sale shall be credited to the ERF Fund.

From time to time, departments may be assigned previously used technology related equipment from within their department or another department in the Village. The Assistant Village Manager, in consultation with the IT Manager and Department Head, shall recommend that such equipment be assigned to a department when it meets the department's needs and when doing so will help avoid the expense of purchasing new equipment. Consideration shall be given to the annual operating cost of maintaining the used equipment when deciding whether to continue using it. The Village Manager shall have the final say in determining whether or not previously used technology is assigned to a department.

Revenue and Expenditure Policies

Purpose: Revenues

The Village desires to maintain a diversified and stable revenue base to reduce the impacts of fluctuations in any one revenue source. The revenue mix combines elastic and inelastic revenue sources to minimize the effects of an economic downturn. The Village also incorporates the following principles related to revenues as it furthers its financial planning and fulfills its fiscal responsibilities:

1. The Village policy is to keep its property tax rate as low as possible. The following components shall be followed in priority order each year when establishing the property tax levy:
 - a. Levy for Police and IMRF pensions per actuary calculations. If the actuarial reports indicates a higher employer contribution is needed, said increase will need to be added to the Village's overall previous year levy request to avoid underfunding.
 - b. Levy taxes to cover the employer payroll portion of Social Security and Medicare (FICA) taxes imposed by the federal government.
 - c. Levy for general obligation (GO) bond principal and interest less abatements. Currently the Village has no GO debt.
 - d. Levy to support General Fund operations including Police, Public Works & Engineering, Streets, Fleet & Underground Utilities, Building & Grounds, Development Services, Finance, Human Resources, Information Technology and Village Manager's Office. The annual increase for this component tie to additional dollars available for new growth.
 - e. Levy to fund additional personnel as determined by the Village Board.
2. All user charges and charges for service will be sufficient to finance all operating and debt service costs for the Water and Wastewater Funds.
3. The Village Manager should impose spending limits if, in his/her judgment, revenues will be below original estimates. Staff should review and monitor on a monthly basis expenditures to assure control of spending within available revenues.
4. Ongoing transfers will be made from the General Fund to the Equipment Replacement Fund on an annual basis to help plan for the purchase of large capital equipment needs.

The Village will strive to adhere to the following policies:

1. The Village will consistently budget the minimum level of expenditures, which will provide for the public well-being and safety of the residents and businesses of the community.
2. Expenditures will be within the confines of generated revenue. Fund balances will not be used to pay for operating expenditures except in the case of emergencies and after careful consideration.

Cash Management/Investment Policies

Purpose: It is the policy of the Village to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds. This policy shall allow and conform to the Public Funds Investment Act 30 ILCS 235.

The primary objective, in order of priority is:

- *Legality* - The administration of this investment policy and the investment transactions authorized herein shall conform with the State of Illinois Public Funds Investment Act 30 ILCS 235 and with Federal and local law as well as internal policies and procedures.
 - *Safety of Principal* - Each investment transaction shall seek to ensure preservation of capital and protection of investment principal
 - *Liquidity* - Sufficient liquidity shall be maintained to enable the Village to meet all cash flows resulting from operations and which may be reasonably anticipated.
 - *Rate of Return* - The overall investment portfolio shall be designed to attain competitive market rate of return commensurate with the Village's investment risk restraints, cash flow characteristics and prudent investment principles.
1. The Village will avoid any transaction that might impair public confidence. Investments shall be made with judgment and care, under current circumstances, which persons of prudence, discretion and intelligence exercise in the management of their own affairs.
 2. The Village's Police Pension Fund Board has adopted a separate investment policy, which also conforms to Illinois Pension Code and is managed by a professional investment management firm.
 3. All monies due the Village shall be collected as promptly as possible. Monies that are received shall be deposited in an approved financial institution no later than the next business day after receipt by the Village.

Collateralization: Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of Federal Deposit Insurance Corporation (FDIC) limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent third party institution in the name of the Village. To secure the safekeeping of the deposits, the depository shall pledge certain securities, in an amount equal to 110% of the market value of deposits in excess of the amount, if any, insured by the FDIC, to the customer as provided herein. All securities so pledged (the "securities") shall be of the United States government or its agencies or instrumentalities or interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The pledged securities shall be transferred to the disinterested banking institution or safe depository or the trust department of the pledging bank (the "custodian") mutually agreed upon by the customer and the depository. Single institution collateral pools or other forms of collateralization shall be permitted as allowed by Federal, State or local law.

4. **Maximum Maturities:** To the extent practicable, the Village shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than 3-years from the date of purchase.

Reserve funds may be invested in securities exceeding 3-years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Accounting, Auditing and Financial Reporting Policies

The accounting policies of the Village are in accordance with generally accepted accounting principles in conformance with Generally Accepted Accounting Principles (GAAP) for governmental entities as

established by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies of the Village.

1. The Village is a municipal corporation established under Illinois Compiled Statutes governed by an elected Board of Trustees and Village President. The Village has determined that the Police Pension Fund, Special Service Areas, and Tax Increment Financing District, should be incorporated into the Village's reporting entity.
2. The accounts of the Village are organized on the basis of funds and accounts groups, each of which is considered a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.
3. The Village shall have an annual audit conducted on its financial records by a qualified, independent public accounting firm. The audit shall be conducted on an annual basis to be completed and filed within six months after the end of each fiscal year. The Village should submit its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. A Popular Annual Financial Report (PAFR) will also be prepared and submitted to the GFOA PAFR Awards Program within six months after the end of each fiscal year.

Capital Asset Policies

Purpose: Capital assets purchased or acquired with an original cost of \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets, are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

- Buildings 40 years
- Machinery and Equipment 10-40 years
- Extensions and Transmission Lines 40 years
- Infrastructure 30 years
- Vehicles 3-20 years

Debt Management Policy

As a home rule municipality, the Village is not subject to a debt limit. However, the Village employs the following objectives in managing its debt:

1. Long-term debt will be issued to fund capital improvements that cannot be financed utilizing current revenues.
2. Debt financing will not exceed the useful life of the project.
3. The Village will utilize current revenue sources prior to the issuance of general obligation bonds.
4. Long-term debt will not be used to fund operations.
5. The Village will maintain communications with bond rating agencies regarding financial condition and follow full disclosure policies.

Village Manager Johnson reported that the Village has an AA+ rating.

Debt Per Capita

Debt per capita is based on a 2019 assessed valuation of \$903,893,405 (Downtown TIF valuation not included) and the 2016 special census certified population of 26,632 residents. As of January 1, 2020, the Village's net outstanding debt is \$5,518,600 of which, \$2,878,941 is from the Downtown TIF Debt Certificate, and \$2,639,659 is from the Wastewater Treatment Facilities Upgrade Debt Certificates. This \$5,518,600 consists of principal only. Interest amounts are not included in calculating outstanding debt.

Outstanding Debt

Outstanding Debt is budgeted in the Downtown Tax Increment Financing District (TIF#2) Fund and the Wastewater Operating Fund, and is comprised of the following:

A. Tax Increment Financing District No. 2 (Downtown TIF)

In late 2010, the Village Board adopted the Downtown Revitalization Plan to guide efforts to redevelop the core downtown area and adjacent areas along Illinois Route 47. On January 10, 2013, the Village Board approved the creation of the Downtown Tax Increment Financing District to facilitate the redevelopment of these areas. The TIF is set to expire in January 2036.

In anticipation of creating the TIF District, the Village Board adopted a resolution that allowed the Village to reimburse itself or others for eligible redevelopment project costs incurred prior to the establishment of the proposed Downtown TIF district from either TIF funds or debt issuance.

In April 2014, the Village Board approved a Downtown Streetscape Plan that identified various improvements to be completed within the TIF, including streetscaping and infrastructure improvements such as landscaping, benches, planters, lighting, underground utility relocations, dry utility relocations, water and sewer improvements, sidewalks, streets, parking improvements, and other improvements to Village owned property and building structures.

In February 2015, the Village authorized construction of the Downtown Streetscape Plan improvements by issuing a \$4,000,000 Debt Certificate at an interest rate of 2.64%. Construction was completed in 2015. TIF funds, as they are generated by new development within the TIF, will be used to reimburse these costs and to pay debt service. Currently the Downtown TIF fund is being supplemented with revenue from Telecommunications Tax and Video Gaming receipts and transfers from the Water and Wastewater Funds. Estimated Incremental Property Tax revenue projections for FY19 will cover 42% of this total debt service payment and transfers from Water and Wastewater operating funds will cover 19.54% of this total debt service.

B. Upgrades to the East and West Wastewater Treatment Facilities

In August 2017, the Village issued \$3,000,000 in Debt Certificates at an interest rate of 3.31% to fund upgrades to the Village's current Wastewater Treatment Facilities (WWTF). Directives from the Illinois Environmental Protection Agency (EPA) mandated the need for these upgrades. The Illinois Environmental Protection Agency (IEPA) reissued the National Pollutant Discharge Elimination System (NPDES) Permit No. IL0029238 for the East WWTF. The reissued permit required the Village to prepare three planning documents and submit them by November 30, 2016 and also required Village compliance with a Phosphorus effluent discharge limit of 1.0 mg/l by November 30, 2018. All improvements to the treatment facilities and IEPA requirements have been met and completed.

Mayor Sass asked if the Village Board had any comments or questions.

Trustee Westberg asked about the status of a water tower near Route 47 and I-90; Village Manager Johnson reported that would be part of the Water Capital Fund and stated that there is no need to move forward with that project at this time. Village Manager Johnson stated that a Water Modeling project will be included in the FY20 budget for consideration.

There were no other comments or questions.

VILLAGE PRESIDENT'S REPORT: None

UNFINISHED BUSINESS: None

NEW BUSINESS: None

EXECUTIVE SESSION: None

POSSIBLE ACTION ON ANY CLOSED SESSION ITEM: None

ADJOURNMENT:

There being no further items to discuss, a MOTION was made to adjourn the meeting at 7:47 p.m.

MOTION: Trustee Piwko

SECOND: Trustee Westberg

The Voice Vote noted all ayes and the motion carried.

Respectfully submitted,

Barbara Read
Recording Secretary