Approved 12-3-2016

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE
MINUTES OF MEETING – **September 26, 2016**

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Monday, September 26, 2016 at 6:00 PM in the Village Hall Board Room, 40 E. Center Ave., Lake Bluff, Illinois.

Members Present: Trustee Steve Christensen, Chairman
Trustee Mark Dewart, Member
Trustee Barbara Ankenman, Member

Others Present: Kathleen O'Hara, Village Board President
Eric Grenier, Village Board Trustee
John Josephitis, Village Board Trustee (arrived 6:45 PM)
William Meyer, Village Board Trustee
R. Drew Irvin, Village Administrator
Susan Griffin, Finance Director
Marlene Scheibl, Assistant Finance Director
Dan Berg, Partner, Sikich LLP

II. Approval of Minutes

Member Dewart made a motion to approve the minutes of the September 19, 2016 meeting as presented; seconded by Member Ankenman and approved unanimously on a voice vote.

III. Business Items

1. Review FY2016 Draft Comprehensive Annual Financial Report ("CAFR")
Mr. Berg referred to the Independent Auditors Report in the CAFR stating that the Village received an unmodified opinion, the most favorable opinion which can be issued. He said the audit went smoothly, was completed on time, and communication with the staff was good. Mr. Berg directed members to the Management Discussion and Analysis as it provides a great deal of information and analysis on current and prior year results. The Statement of Net Position shows the net position arranged in order of most restrictive to least restrictive funds. Restricted funds can only be spent on a specific purpose. The Governmental Unrestricted Net Position, in the Statement of Net Position, is negative for FY2016 due to the inclusion of the net pension liability for Police and IMRF. Footnote 13, shows the components for the change in accounting principle for GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The deferred outflows for pension items is attributed to the actuarial change due to investments recorded at market value instead of five year smoothing. Though this is required for financial reporting, the actuary may continue to use five year smoothing. Director Griffin added the actuary prepared two reports for Police Pension plan valuation. One set is for reporting in compliance with GASB 68 and the other set is for the plan funding. The funding decisions can be independent of the financial reporting requirements. The Police Pension Fund is funded at 51.9%. Discussion ensued regarding a difference of opinion between the audit firm and the actuary regarding the GASB 68 requirement. The actuary prepared a second report in compliance with the auditors' interpretation of GASB. Director Griffin noted GASB sets financial reporting requirements for all 50 states but the requirement to be 90% funded by 2040 is an Illinois requirement. The new actuary used new assumptions and new rules and the numbers were based on a closed group. As newer employees are included in the calculations, the liability would be less for the IMRF Tier 2 employees. Director Griffin asked how the Village's pension funding compared to other communities. Mr. Berg

responded all AAA rated communities are over 50% funded. Member Ankenman asked what caused the investment portfolio loss. Mr. Berg stated this occurs when the investments are reported at the market value at fiscal year end causing the unrealized gains and losses to be recorded annually. A loss may occur when an investment is sold at less than the book value recorded at the end of the prior year.

Mr. Berg noted, in addition to the significant reporting changes for pensions, that the General Fund has an assigned fund balance of $300,000 and unassigned fund balance of $6.4M. The net change in fund balance of the General Fund is an increase of $607,411. President O'Hara asked since the FY16 General Fund balance represents 79% of the operating expenses, how low could the general fund balance be without being problematic. Mr. Berg said one thing to consider in determining the appropriate fund balance is that the Village's debt levels are very low.

2. Discussion Regarding 2016 Property Tax Levy

   Director Griffin reviewed the 2016 property tax levy. The CPI factor is 0.7% down from 0.8% last year, the EAV for 2016 is projected at 106% of the 2015 amount and new construction is estimated at $3 million based on preliminary data from the Lake County Assessor. The new construction represents a portion of the Target development partly because the businesses opened in late July 2015. The estimated maximum amount under the Property Tax Limitation Act- "PTELL" that could be levied is $4,130,447 (includes the Library portion) which is a 1.25% increase. The Village is not legally limited by the tax caps since becoming home rule, the Village Board passed a resolution pledging to not increase the aggregate levy in excess of the amount that is allowed under the PTELL. Under the estimated levy the Village would realize $39,890 and the Library $11,068 for a total of $50,958 new dollars while the blended tax rate would decrease $.782 to $.747 per $100 of EAV.

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IV. Next Meeting

The next meeting will be determined.

V. Adjournment

Member Dewart made a motion to adjourn the meeting at 6:55 PM; seconded by Member Ankenman and all members voted aye.

Respectfully submitted,

Marlene Scheibl
Assistant Director of Finance