

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE
MINUTES OF MEETING – **March 14, 2016**

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Monday, March 14, 2016 at 6:00 PM in the Village Hall Conference 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
William Meyer, Village Board Trustee
Aaron Towle, Village Clerk
R. Drew Irvin, Village Administrator
Susan Griffin, Finance Director
Marlene Scheibl, Assistant Finance Director

II. Approval of Minutes

Member Dewart made a motion to approve the minutes of the February 12, 2016 meeting as presented; seconded by Member Ankenman and approved unanimously on a voice vote.

III. Business Items

1. FY2017-FY2018 Tentative Biennial Budget Discussion

Director Griffin presented the multi-year General Fund Balance Projection worksheets with projections through April 30, 2026. Last year this report was updated to show an assignment of fund balance beginning at \$250k in FY2019 for potential loss of revenue from the state LGDF and/or from a gap in sales tax projections. This was left in the projections. The FY17-FY18 numbers are based on the tentative budget. Director Griffin said the revenue projections for FY19-26 are projected conservatively at a 2% annual increase in revenues. Personnel costs, which include both salaries and insurance costs, were based on a 4% annual increase. Commodities and supplies costs include a 1.5% annual increase. Contractual costs include an annual increase of 2%. Capital costs are based on more typical annual expenditures. Grant opportunities have diminished the past year and none have been projected in the near future unless attributed to grants already awarded. Chairman Christensen opined that the assignment of fund balance should remain in the multi-year projections to cover a potential loss of revenue from the state. He also noted that even with conservative revenue forecasts and the assignment of fund balance, it is estimated to be 63% of operating expenditures at the end of 2026 exceeding the 50% unreserved fund balance policy. Also, the final debt payment of approximately \$250k will be paid in FY2021. VA Irvin added the Village has discussed rolling the debt payment on the assumption that new bonds might be issued to finance capital projects. Member Ankenman asked when the Village uses excess fund balance reserves for capital projects. VA Irvin replied that the best time to do that is when it would be beneficial to bundle projects together. President O'Hara added the excess fund balance is required to cover the state revenue uncertainty. When the uncertainty is alleviated and the excess fund balance is drawn down it should always be spent on capital expenses and not on operating expenses.

Director Griffin presented the Water Fund Revenues & Expense Projections. She noted the format is consistent with the fund balance. The FY20/21 projections show a drop in JAWA rates to \$1.73 pursuant to JAWA's projections from the FY2015 CAFR. Depreciation expense is a non-cash operating expense. Total estimated Operating Expenses, which includes the water purchases, in FY15/16 are \$1.3M and are projected to stay in that range until the drop in JAWA rates. The projected Ending Unrestricted Net Assets for FY15/16 of \$1,363,163 drops to \$620,849 in FY16/17. This is due to FY16-17 capital expenditures of \$400,000 for the water main and \$375,000 for the automated meter reading system. The unrestricted net assets begins to rise to the required target in FY2020 with the reduction in capital expenses and the wholesale water rates. Member Dewart noted if JAWA is reducing their water rate in FY20/21 it is probably due to a reduction in debt payments.

Director Griffin gave an update on the cause of the water loss gap. She said that no discrepancies were uncovered in her analysis of water billings for 2013-2015. Village Engineer Jeff Hansen is currently obtaining information from an engineering firm to monitor the water system to determine if and where there may be leaks. The study is estimated to cost approximately \$30,000-\$40,000.

Recently, Moody's Investor Service issued an annual comment affirming the Village's Aaa bond rating. Moody's report is provided so the secondary bond market is assured that the Village's finances and governance still merit this rating.

2. Official Pay Plan

The Village of Lake Bluff Official Pay Plan for FY17 was presented including the Proposed Salary Ranges and the Village's Compensation Plan. The Official Pay Plan, which is updated annually, establishes the authority and official guidelines by which the Village Administrator may appoint, promote, evaluate and compensate all Village employees except those employees subject to one of the three collective bargaining agreements. Member Dewart asked why the Official Pay Plan Policy Guidelines point #1 on page 3 states "The starting salary shall be 75% to 80% of the maximum salary, unless otherwise approved by the Department Head and the Village Administrator." The 75%-80% seems a little high and Member Dewart recommends removing that guideline. Director Griffin said that policy was intended for new employees to be hired at a salary level equal to the mid-point of their position. VA Irvin said the Village has been successful in hiring talented people. Chairman Christensen added the Village must be competitive in hiring.

The consensus of the committee was to remove the policy guideline point #1 stating "The starting salary shall be 75%-80% of the maximum salary, unless otherwise approved by the Department Head and the Village Administrator."

The committee recommends the Village Board accepts the Official Pay Plan for May 1, 2016 with the above revision.

IV. Next Meeting

The next meeting is to be determined.

V. Adjournment

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

Respectfully submitted,

Marlene Scheibl
Assistant Director of Finance