VILLAGE OF MCFARLAND

FINANCE COMMITTEE

APRIL 27, 2016

1. **Call to Order.**
   Chairperson Mary Pat Lytle called the April 27, 2016 meeting of the Finance Committee to order at 6:30 p.m. in Conference Room A of the McFarland Municipal Center.

   Members present: Trustees Mary Pat Lytle and Thomas Mooney; citizen members Rod Clark, Cliff Strelow, Bob Severance and Trish Howen.

   Members absent: John Daugherty and Derik Bingner.

   Staff present: Kelsy Boyd, Finance Director.

2. **Presentation of 2015 municipal financial statements and audit results (Baker Tilly Virchow Krause)**
   Jenni Steiner of Baker Tilly presented the draft financial statements. The Village received a clean or unmodified opinion on the financial statement. This is the highest level given.

   The General Fund Balances are divided into five (5) separate categories:
   Nonspendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact. They are not readily available and are set aside for specifies uses.
   Restricted – includes fund balance amounts that can be spent only for the specific purposes stipulated by an external source.
   Committed – includes fund balance amounts constrained for specific purposes. This is new in 2015 and consists of funds set aside for retiree sick leave payouts as well as tree replacements for those taken down due to Emerald Ash Borer.
   Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. These are designated by the Village Board or the Finance Committee.
   Unassigned – includes residual positive fund balance within the general fund which has not been classified with the other above mentioned categories. The Village Board has full control of spending these available funds within the bounds of their fiscal policy.

   Total Unrestricted Fund Balance, which consists of Committed, Assigned, and Unassigned Fund Balances, has grown to 42.24%, which is a benchmark as to the overall health of the Village. The GFOA recommends around 16-17%, however the Village's fiscal policy is to maintain an Unassigned Fund Balance equal to 20-25% of the next year's budget. As of 12/31/15 the Village's Unassigned Fund Balance was around 30%.

   The Village's debt capacity is at 30%. According to Baker Tilly, anything under 50% is considered to be positive. Of the existing debt, approximately $2M relates to the TIF. Excluding that debt brings the Village's debt capacity to around 24%.

Overall, expenses increased slightly by .3%, with increases in Public Safety being offset by decreases in Public Works and Debt Service.

The Parks Fund Balance increased significantly from 2014 to 2015. This relates to Park Impact fees collected for new development projects occurring in the Village. The Debt Service Fund has an available fund balance that could be used to pay down existing debt or finance a capital project. TIF #3 has a very healthy fund balance while TIF #4 has not generated any increment to date. During 2015 a project plan was approved to allow TIF #3 to loan funds to TIF #4, essentially creating a donor-donee district. Capital Projects also has a large fund balance, which is related to debt proceeds borrowed in 2015, but not spent by year-end.

Overall, the Village is very healthy. The excess fund balance was discussed, and it was agreed that it would be reviewed again during the 2017 budget process.

3. **Review and possible action of draft minutes from January 27, 2016 meeting.**
   Motion by Strelow and second by Howen to approve the draft minutes. Approved 6-0.

4. **Review of Labor Allocations.**
   The allocation of labor costs among the Village Departments was discussed. It has been felt that labor, especially administrative labor, is allocated too heavily to both the utilities and the TIFs. The Committee recognized the difficulty in allocating salaries for certain positions such as the Administrator and Finance Director given the nature of their jobs. The Committee determined the need for more information regarding these allocations, i.e., perhaps the drivers of the costs, more detailed discussions with department heads, as well as comparatives from other municipalities before they could address this issue. Lytle also inquired as to why there was no allocation to the Library. Other suggestions were to think in terms of a five year period, not just recent trends, as well as not sharing the current set percentages with department heads prior to asking their opinions on how their time is spent.

5. **Utilization of debt proceeds and/or park impact fees to fund the construction of the Lewis Park Shelter.**
   Boyd provided a forecast of the Park Fund balance as well as the policy on expenditures relating to Park Fund revenues. Boyd raised the question whether or not the Lewis Park Shelter would qualify under the current policy. Being the policy was created by the Parks & Rec Committee, it was advised that this question first be raised to that committee prior to bringing it to the Finance Committee.

Adjournment.
Motion by Strelow second by Mooney, and carried 6-0 to adjourn the meeting at 7:33 p.m.

Respectfully submitted,
Kelsy L Boyd
Finance Director