

Present: Chairperson Koontz; Vice-Chairperson MacDonald; Members: Hitz and Gracely

Absent: None

Also Present: Village Manager, Hanlin
Finance Director, Wiszowaty
Council Liaison, Buterbaugh

Chairperson Koontz presided and called the meeting to order at 7:00 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road.

APPROVE MINUTES

MOTION by Hitz, supported by MacDonald, that the minutes of a regular Finance Committee meeting held on Tuesday, December 15, 1998 be approved as submitted.

Motion passes unanimously.

REVIEW REQUEST FOR PROPOSAL SPECIFICATIONS FOR AUDITING SERVICES

At its last meeting, the Village Council authorized administration to prepare a Request for Proposal (RFP) and solicit bids for the Village's auditing service for the next three years to include the current fiscal year.

The Finance Committee has received a draft copy of a request for audit proposals and a time table prepared by Wiszowaty. Members reviewed the document and made recommendations which will be incorporated into a revised RFP. Suggestions were made with regard to firms to be sent a RFP.

The RFP states, "Any other services that could assist the community in financial planning and fees associated with these other services may be included as an addendum to the audit proposal."

Gracely remarked that additional services would be paid for separately. He maintains that it is likely that the Village would not use its auditing firm for those consulting services even if they are available.

The Committee suggested asking firms to indicate their hourly charge for additional work based on the level of staff (partner, supervisor, trainee). Hanlin remarked that she would like to know how firms charge for services and if there is an added administrative fee.

It was recognized that auditing firms are including a review of a municipality's data processing operation on an annual basis now that finance departments are becoming more technology oriented. Whether a firm conducts a review of data processing operations should be included in the RFP.

Auditors will certify that Y2K problems have been addressed but will not certify that all Y2K problems have been solved. The auditors may want to spell out the financial indications and any down time if a system does not run due to Y2K problems.

It was suggested that Wiszowaty prepare a document to attach to the RFP indicating the software the Village is using, the hardware platform, the size of its organization, and the segregation of duties between the treasurer and the clerks.

The Committee recommended that the firms submitting quotes be advised of the format for the proposals. It is helpful for comparison purposes if the proposals are laid out in the same manner.

The RFP should indicate the scope and cost of the general audit barring no significant difficulties. It was mentioned that the Village should expect a certain amount of partner or manager's time. The RFP should ask what level personnel will be involved from their firm.

The Finance Committee reviewed the Request for Proposal and recommended its approval with certain changes recommended to the Finance Director.

REVIEW AND DISCUSSION OF FIRST DRAFT OF FIVE YEAR FORECAST

A first draft of a five year financial plan for the Village has been prepared by Wiszowaty and distributed to the Finance Committee for review. Wiszowaty stated that he has expanded the five year plan for the General Fund to include projected revenues and expenditures for the Major and Local Road Funds and the Water and Sewer Operating Fund.

The first pages outline the purpose of the financial plan and the assumptions used to project estimated revenues and expenditures for the next five years. This is followed by an explanation of operating and special revenue funds. A section summarizing the operation of each fund will provide a better understanding of the financial plan. Questions by the Committee members on this section were addressed by Wiszowaty.

The financial plan includes a six month revenue and expense report from July 1, 1998 to December 31, 1998. The report sets forth assumptions and projected revenue and expenditures for the General Fund, Major Road Fund, Local Road Fund, Water & Sewer Operating Fund, and Park Improvements.

There was discussion on the assumptions for the General Fund revenues and expenditures. The assumption that health insurance for active employees will increase by 15% based on current estimates was questioned by Committee members. There was concern that this increase would become acceptable if it is built into the plan. Members questioned whether the Village is going to be able to maintain that level of benefits. It was suggested that the financial plan include an appropriate increase and state that any further increase would need to be worked into the Village's labor contracts and be absorbed by the employees.

The Committee recommended that Wiszowaty contact the insurance carrier and request an estimate of the Village's costs for the next three years. A determination will have to be made as to whether the Village can afford it. The information should be conveyed to the person responsible for that part of the employee contract.

The comment was made that there is no task built into the draft financial plan. It includes straight line assumptions when the expenses over the next five years will not be straight line. It was thought that this is a good format to start with but should be revised to include tasks and realistic projections.

There was discussion on the Public Safety Retirement Plan. The Committee requested a forecast and projection as to how far out the Village will have to fund the Retirement System. It was indicated that the reserve for retirees is at \$5 million; the fund balance is at \$14 million which leaves \$9 million over funded at this point. Finance Committee members questioned whether the Village has the ability to transfer the excess of an over funded retirement plan and use the excess for other purposes.

Wisowaty reviewed the five year millage projection in the financial plan based on the assumptions used in the document. He commented that the purpose of the first draft is to obtain input from the Finance Committee. The reported will be refined based on that input and more up-to-date information that will be available in the following weeks.

Hitz outlined two ways to develop a financial plan. The controller can make assumptions for the next five years building in tasks and forecasting. The controller presents the document to the chief operating officer. The other way is for the chief operating officer to go to each department head and direct them to supply certain information for the next five years.

It was the sense of the Finance Committee that Village administration should proceed with a five year financial plan to help forecast future cash needs by requesting the various department heads to provide specific direction and estimates on capital expenditures for the next five years. It is the view of the Committee that the department managers should stand behind the forecast for their department. Administration should contact outside organizations for projections in the benefits area. It is recommended that the financial plan be updated on an annual basis.

MOTION by Hitz, supported by MacDonald, that the Village continue to prepare a five year financial plan that is reviewed and updated annually. In order to prepare a meaningful plan, the Finance Committee suggests that each department be responsible for preparing a five year list of controllable expenses and capital expenditures. The Village Manager could be asked to obtain forecasts on contractually obligated expenses. The Finance Director could forecast realistic revenues based on the best information available at the time. The Committee recommends that this information be gathered in the next 60 days and that a draft financial plan be prepared for review by Village administration.

Motion passes unanimously.

BOARD MEMBERS COMMENTS

MacDonald asked to be sent the dates of the meetings for the remainder of the year.

Gracely commented that he is sorry to see Pat Beach leave the Finance Committee. He commented on Council's approval of expenses that occurs at each Council meeting. He had questions about the

Village's disbursement approval process. Gracely was not in agreement with the process whereby Council reviews and approves individual expenses considering that the Village budget is a \$5.2 million operation. He thinks Council should be looking at year-to-date expenses against the budget. He suggests that the Finance Committee review this process and make a recommendation.

Hitz questioned whether Finance Committee members need to receive copies of the Village Municipal Code. It is available for review at the Village Office.

The Committee reviewed the status of the open items listed on the last page of the December 15, 1998 Finance Committee meeting minutes. It was noted that there has been no Council discussion of these items nor direction received from Council on any of the issues.

MOTION by Koontz, supported by Hitz, that the Finance Committee recognizes Patricia Beach and thanks her for her hard work on this body over the years. She has the Committee's great appreciation, and her expertise will be missed.

Motion passes unanimously.

MOTION by MacDonald, supported by Gracely, that the meeting be adjourned at 8:45 p.m.

Motion passes unanimously.

Open items:

- 1 - Finance Committee request for a clear conduit of assignments be established from Council with priorities. (10-13-98)
- 2 - Submit a list of annual approvals to Village Manager (investment policy, loan policy, all contractual agreements whether expiring or not) - Gracely (12-15-98)
- 3 - Finance Committee discussion and recommendation on the Village's investment posture regarding short and long term investment options. (12-15-98)
- 4 - Review Cafeteria Plan when available. (12-15-98)

Thomas Koontz, Chairperson
Finance Committee

Ellen E. Marshall
Village Clerk