

**AGENDA**  
**SPECIAL FINANCE COMMITTEE**  
**VILLAGE OF HOFFMAN ESTATES**  
**July 1, 2013**

**7:00 p.m.**

**Members:** Gary Pilafas, Chairperson  
Anna Newell, Vice Chairperson  
Michael Gaeta, Trustee  
Karen Mills, Trustee  
Gary Stanton, Trustee  
Gayle Vandenberg, Trustee  
William McLeod, Mayor

**I. Roll Call**

**NEW BUSINESS**

1. Request acceptance of the 2012 Comprehensive Annual Financial Report
2. Request acceptance of the 2012 Economic Development Area (EDA) Special Tax Allocation Fund Annual Financial Report.
3. Request approval of a 2013 budget adjustment ordinance to transfer fiscal year 2012 General Fund surplus in the amount of \$1,804,127 to fiscal year 2013.

**II. Adjournment**

**COMMITTEE AGENDA ITEM  
VILLAGE OF HOFFMAN ESTATES**

**SUBJECT:** 2012 Comprehensive Annual Financial Report  
**MEETING DATE:** July 1, 2013  
**COMMITTEE:** Finance  
**FROM:** Rachel Musiala, Director of Finance

**PURPOSE:** To present the Comprehensive Annual Financial Report for the fiscal year ended December 31, 2012. The report is included herewith.

**BACKGROUND:** Each year the Village retains a CPA firm to perform an audit of the Village's annual financial statements. This year, the firm of Crowe Horwath LLP performed the audit. The 2012 audit was the fourth year of a five year contract with Crowe Horwath.

**DISCUSSION:** Crowe Horwath has given the 2012 Comprehensive Annual Financial Report (CAFR) their "unqualified opinion." This means that the financial statements are fairly presented and are prepared in accordance with generally accepted accounting principles.

A detailed summary of the Village's financial condition can be found in the Management's Discussion and Analysis (MD&A), which can be found within the attached CAFR, right after the General Purpose External Financial Statements tab.

In the case of the Village of Hoffman Estates (excluding EDA activity), assets exceeded liabilities by \$177,586,435 as of December 31, 2012 compared to \$177,808,156 as of December 31, 2011. The Village's combined net position decreased by \$221,788 primarily due to the spending of bond proceeds for capital projects.

The *statement of net position* (page 3 of the CAFR), which includes all EDA activity) presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

Related specifically to the General Fund, which includes the Municipal Waste System Fund in the CAFR, the fund balance increased by \$1,748,420 during the current fiscal year, which was a positive result when compared to the planned drawdown of \$710,350. At the end of 2012, unassigned fund balance of the General Fund was \$13,144,269, while total fund balance equaled \$14,691,107. The Village's current fund balance policy states that the Village will strive to maintain an unallocated/unassigned fund balance within the General Fund equal to 18 percent of the preceding year's annual

operating budget. Unassigned fund balance as of December 31, 2012 represents 29.2 percent of the total budgeted General Fund expenditures.

**RECOMMENDATION:** Request acceptance of the Comprehensive Annual Financial Report for the year ended December 31, 2012.

ATTACHMENT (2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT)

**COMMITTEE AGENDA ITEM  
VILLAGE OF HOFFMAN ESTATES**

**SUBJECT:** 2012 Economic Development Area Annual Financial Report  
**MEETING DATE:** July 1, 2013  
**COMMITTEE:** Finance  
**FROM:** Rachel Musiala, Director of Finance

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**PURPOSE:** To present the Annual Financial Report for the Economic Development Area (EDA) Special Tax Allocation Fund for the fiscal year ended December 31, 2012 as required by Public Act 097-0636. The report is included herewith.

**BACKGROUND:** Effective June 1, 2012 the state enacted legislation to extend the EDA for an additional 15 years. As part of that new legislation, a financial audit specifically of the EDA Special Tax Allocation Fund is required. The Village retained Sikich LLP to conduct this special audit for fiscal year 2012.

**DISCUSSION:** Sikich LLP has given the 2012 Annual Financial Report for the EDA Special Tax Allocation Fund their "unqualified opinion." This means that the financial statements are fairly presented and are prepared in accordance with generally accepted accounting principles.

As of December 31, 2012, the EDA Special Tax Allocation Fund had total assets of \$14,809,626. This amount represents incremental property taxes that have been received and will go through the EDA flow of funds: Governmental Share Distribution, Program Expenses, and EDA Note Payments.

This audit, along with a compliance report prepared by Village staff, will be sent to all overlapping taxing districts as required by state legislation.

**RECOMMENDATION:** Request acceptance of the Economic Development Area Special Tax Allocation Fund Annual Financial Report for the year ended December 31, 2012.

ATTACHMENT (2012 ANNUAL FINANCIAL REPORT FOR THE EDA)

**COMMITTEE AGENDA ITEM  
VILLAGE OF HOFFMAN ESTATES**

**SUBJECT:** 2013 Mid-Year Financial Review  
**MEETING DATE:** July 1, 2013  
**COMMITTEE:** Finance Committee  
**FROM:** James Norris, Village Manager  
 Rachel Musiala, Director of Finance

**PURPOSE:** To approve the utilization of \$1,804,127 of General Fund reserves from fiscal year 2012 for future debt service abatement and enterprise operations in fiscal year 2013 and beyond.

**BACKGROUND** In the 2012 budget, the Village Board approved the planned utilization of \$418,000 of General Fund reserves for fire protective clothing, apparatus refurbishments, and Emerald Ash Borer response. As part of the 2013 budget process, the financial status of the 2012 fiscal year is reviewed, and at that time, staff was predicting a more positive outcome to the year. It was then being projected that the Village would end the year with \$884,950 of revenues over expenditures in the General Fund.

Upon completion of the Village's 2012 financial audit, the final year-end numbers have resulted in an even more positive picture. The Village's General Fund has ended the year with \$1,804,127 of revenues over expenditures. The primary reasons for this include General Fund revenues exceeding budget in several areas including building permits, sales taxes, and income tax, as well as several departments ending the year under budget in terms of expenses.

In addition, the financial status of fiscal year 2013 is also on target to be better than budgeted. The Village Board planned to utilize \$204,950 of General Fund reserves during 2013 to fund Emerald Ash Borer response, additional tree trimming, and the replacement of the fan supply unit at the Village Hall. As part of this mid-year financial review, in addition to seeing how the Village's revenues were doing, we asked the departments to report on any major expenses that would be going over or under budget during the year. After assembling this information, we are projecting to be able to add approximately \$540,000 to fund balance instead of taking away the originally projected \$204,950 shortfall.

Currently, the Village has a Fund Balance Policy that requires an 18% fund balance level. The positive outcome from fiscal year 2012 has resulted in a 29% fund balance level, which potentially could allow the Village to utilize some of this fund balance and still remain above the fund balance requirement.

**DISCUSSION** The Village has made the decision to annually abate a large portion of the property tax levy related to debt service by utilizing other revenues. Over

the last four to five years, some of those revenue sources have not kept pace with projections. Because these revenues were dedicated to debt service, the decline has to be made up. The positive financial outcome of 2012 allows the Village some flexibility in terms of funding debt service and enterprise operations without hurting the General Fund. It will give us the ability to continue to abate property taxes and keep the levy as low as possible. The Village will be able to make up for individual revenue line item shortfalls without impacting our fund balance policy levels.

After transferring the \$1.8 million and after adding in the projected positive outcome for 2013, the General Fund fund balance level will be at 25.3%, still above the required level of 18%. It is highly probable that some of the difference between the 18% required level and the 25.3% projected will be used for Emerald Ash Borer, but that will be evaluated later in the fiscal year and as part of the 2014 Budget process.

**RECOMMENDATION:** Request approval of a 2013 budget adjustment ordinance to transfer fiscal year 2012 General Fund surplus in the amount of \$1,804,127 to fiscal year 2013.

ATTACHMENT

## 2013 Mid-Year Financial Review and Update

Updated: 6/27/2013 10:50

### GENERAL FUND

#### 2012 Year-End Results

Budgeted Revenues	44,345,880
Budgeted Expenses	(44,763,880)
Budgeted Shortfall	(418,000)
Estimated Revenues - Preliminary	45,080,620
Estimated Expenses - Preliminary	(44,195,670)
Estimated Surplus - Preliminary	884,950
Actual Revenues	45,710,469
Actual Expenses	(43,906,342)
Actual Surplus	1,804,127
% of Unreserved Fund Balance	
Unreserved Fund Balance	13,057,063
Budgeted Expenses	45,059,780
Fund Balance %	29.0%

#### Recommendation for FY2013

Utilize \$1,804,127 of 2012 Fund Balance through an operating transfer to debt service and the enterprise funds to allow continued abatements of property tax levy.

#### Projected Impact the General Fund:

2013 Budgeted Revenues	46,325,600
2013 Budgeted Expenses	(46,530,550)
Budgeted Shortfall	(204,950)
2013 Estimated Revenues - Preliminary	46,685,600
2013 Estimated Expenses - Preliminary	(46,144,784)
Estimated Surplus - Preliminary	540,816
Less Transfer for Debt & Enterprise	(1,804,127)
	(1,263,311)
% of Unreserved Fund Balance	
Projected Unreserved Fund Balance	11,793,752
Budgeted Expenses	46,530,550
Projected Fund Balance %	25.3%

**2013 Projected Revenue Surplus/(Deficit)**

Building Permits	100,000
Hotel Tax	109,630
Real Estate Transfers	281,100
Sales Tax	(372,800)
Income Tax	100,920
STP Revenue	84,900
CN Mitigation Administration	56,250
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	360,000

**2013 Projected Expense Savings/(Shortfall)****Police Department**

Personnel	
Entry Level Hire Back Process	16,000
Records Vacancies	20,000
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TOTAL BUDGET SAVINGS - Police	36,000

**Fire Department**

Personnel	
Salary Savings	82,777
Capital	
Station Alerting System	(31,000)
Station 22 Improvements	(10,000)
12-Lead Transmission Capabilities	12,000
Keltron Radios	13,000
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TOTAL BUDGET SAVINGS - Fire	66,777

**Public Works Department**

Capital	
New Village Hall Fan Units	159,000
Other	
Snow & Ice	
Chemicals	(13,430)
Fleet Services	
Maintenance of Police & Fire Vehicles	10,000
Fuel Savings	20,000
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TOTAL BUDGET SAVINGS - Public Works	175,570



<i>2013 Projected Expense Savings/(Shortfall)</i>	
<b>Development Services Department</b>	
Personnel	
Salary Savings	100,419
TOTAL BUDGET SAVINGS - Dev. Svcs	<u>100,419</u>
<b>Health &amp; Human Services Department</b>	
Other	
Medical Supplies	5,000
Youth Services	2,000
TOTAL BUDGET SAVINGS - HHS	<u>7,000</u>
<i>Total Projected Expense Surplus/(Deficit)</i>	<b>385,766</b>

<b>Total Projected Overage/(Shortfall)</b>	<b>745,766</b>
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ORDINANCE NO. \_\_\_\_\_ - 2013

VILLAGE OF HOFFMAN ESTATES

AN ORDINANCE AUTHORIZING  
AMENDMENTS TO THE 2013 BUDGET ORDINANCE

NOW, THEREFORE, BE IT ORDAINED by the President and Board of Trustees of the Village of Hoffman Estates, Cook and Kane Counties, Illinois, as follows:

Section 1: That pursuant to authority granted by the statutes of the State of Illinois, there is hereby an amendment to the budget ordinance in an amount not in excess of the aggregate of additional revenues or fund reserves available to the Village. The sums of money hereinafter itemized for each of the respective corporate objects specified hereby increase or decrease the amounts included in the original budget ordinance, Ordinance No. 4347 dated December 17, 2012. The appropriate sums shall be received from sources other than the tax levy. The respective sums of money, together with the resulting adjustments and changes in the budget are set out in Section 2 of this Ordinance.

Section 2:

		Current Budget	Change	Revised Budget
01616427-4841	Operating Transfer Out	0	1,804,127	1,804,127
41000018-3901	Operating Transfer In	0	1,804,127	1,804,127

Section 3: That the Village Clerk is hereby authorized to publish this ordinance in pamphlet form.

Section 4: That this ordinance shall be in full force and effect immediately from and after its passage and approval.

PASSED THIS \_\_\_\_\_ day of \_\_\_\_\_, 2013

VOTE	AYE	NAY	ABSENT	ABSTAIN
Trustee Karen V. Mills	_____	_____	_____	_____
Trustee Anna Newell	_____	_____	_____	_____
Trustee Gary J. Pilafas	_____	_____	_____	_____
Trustee Gary G. Stanton	_____	_____	_____	_____
Trustee Michael Gaeta	_____	_____	_____	_____
Trustee Gayle Vandenberg	_____	_____	_____	_____
Mayor William D. McLeod	_____	_____	_____	_____

APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2013

\_\_\_\_\_  
Village President

ATTEST:

\_\_\_\_\_  
Village Clerk  
Published in pamphlet form this \_\_\_\_\_ day of \_\_\_\_\_, 2013.