

MINUTES OF THE REGULAR MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE OF THE VILLAGE OF WILLOWBROOK HELD ON MONDAY, MARCH 13, 2017 AT 5:30 P.M. AT THE VILLAGE HALL, 835 MIDWAY DRIVE, WILLOWBROOK, ILLINOIS.

**1. CALL TO ORDER**

The meeting was called to order by Trustee Neal at 5:32 p.m.

**2. ROLL CALL**

Those present at roll call were Trustee Gayle Neal and Director of Finance Carrie Dittman. Chairman Umberto Davi arrived at 5:37 p.m.

**3. APPROVAL OF MINUTES**

Minutes of the Regular Finance/Administration Committee held on Monday, February 13, 2017 were reviewed.

Motion to approve made by Chairman Davi, seconded by Trustee Neal. Motion carried.

**4. REPORT – GFOA Certificate of Achievement Award Recipient**

Director Dittman noted that the Village had submitted its FY 2015/16 audited financial statements to the Government Finance Officers Association (GFOA) in October 2016 for consideration for the Certificate of Achievement for Excellence in Financial Reporting (CAFR) Award. Reports submitted to the CAFR program are reviewed by selected members of the GFOA professional staff and the GFOA Special Review Committee (SRC), which comprises individuals with expertise in public sector financial reporting and includes financial statement preparers, independent auditors, academics, and other finance professionals.

Staff was notified in February 2017 that the Village received the award, which reflects the commitment of the Village and staff to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. The award was the 28<sup>th</sup> consecutive CAFR award the Village of Willowbrook has received.

Upon conclusion of the audit of the FY 2016/17, which will occur in early fall, the Village will submit those audited financial statements to GFOA for consideration of the award program as well.

The Committee accepted the report.

**5. APPROVAL - Supplemental Appropriation**

Director Dittman noted that the Village follows the Illinois Appropriation Act and each year is required to adopt an appropriation ordinance within the first quarter of the fiscal year. The ordinance does not replace the previously adopted Administrative Budget that serves as the management tool to monitor expenditures/expenses against approved budgeted line items. The ordinance provides expenditure/expense amounts by fund that the Village cannot exceed in the fiscal year 2016-17. Generally, administrative budget amounts are doubled to form the appropriation amounts.

The original appropriation for FY 2016-17 was approved on June 13, 2016, however, at that time the Village had not yet established the Rt. 83/Plainfield Road Business District. Upon establishment of the Business District, which occurred on July 11, 2016, the Village created the Rt. 83/Plainfield Road Business District Tax Fund, which will account for sales taxes generated by the business district and expenditures incurred related

to the creation and administration of the business district. As of January 31, 2017, approximately \$55,000 of expenditures had already been incurred, with more expected through the end of the fiscal year, thus it is necessary to adopt a supplemental appropriation to legally expend these funds. The Village estimates that \$75,000 of expenditures will be incurred through April 30, 2017, and in accordance with practice to double the budget to form the appropriation, \$150,000 is included in the supplemental appropriation. \$150,000 of estimated revenues (business district sales tax) has been added to the amended CFO's Certificate of Estimated Revenues. This item will be presented to the Village Board at this evening's meeting.

Motion to approve made by Chairman Davi, seconded by Trustee Neal. Motion carried.

## **6. APPROVAL – FY 2016/17 Audit Engagement Letter**

Director Dittman relayed that in FY 2010, the Village approved a three-year contract with the accounting firm of Wolf & Company to provide audit services for the Village. The change in auditors was needed as the prior audit firm of Sikich LLP could not provide both Interim Village Administrator services and audit services in the same audit period. After FY 2012, Wolf (which was merged into another firm called BKD in 2015) continued to conduct the Village's annual audit on a year-to-year basis.

The audit partner and manager from Wolf assigned to the Village's audit stayed with BKD and have continued to serve on the Village's audit team. BKD has submitted a one year engagement letter to perform the Village audit for the year ended April 30, 2017 at a fee of \$30,500. This includes the base audit fee and ongoing work related to GASB Statement No. 68 of \$29,750, plus additional fees of \$750 to implement GASB Statement No. 72, a new accounting pronouncement. This represents an overall increase of \$1,600 or 5.5% over last year's total fee. If the Village needed a separate single audit of its federal funds received (i.e., from the IEPA loan), the auditors would charge an additional \$3,000.

The Village is not bound to remain with BKD and could change auditors at any time. However, the RFP process to select a new auditor can be time consuming and as there have been no issues, staff would recommend at the present time that we accept a one-year audit extension with BKD. The committee concurred with the recommendation. This will be brought forth to the Village Board at a subsequent meeting.

Motion to approve a one year extension to the audit contract for FY 2016/17 made by Chairman Davi, seconded by Trustee Neal. Motion carried.

## **7. DISCUSSION – Termination of Utility Tax Audit Contract**

Director Dittman explained that in October 2005, the Administrator at the time brought forth a proposal from a company called AZAVAR to perform a utility tax and cable franchise fee audit, whereby AZAVAR would determine if there were past, present and future utility taxes that were not properly being paid to the Village because of improperly coded customer addresses. Any address discrepancies discovered during AZAVAR's audit would be corrected, and if to the benefit to the Village, then AZAVAR would collect 50% of the new utility tax revenue for a period of 60 months going forward.

At that time, the Village Board did not approve the agreement with AZAVAR. However, in September 2006, the Administrator at the time again proposed the service to the Village board, and a professional services agreement (included in packet) was passed via resolution on September 25, 2006. At that time, staff had believed and indicated to the Village board that the services would last for a period of 60 months, which was the revenue sharing period with AZAVAR as indicated in their contract.

However, upon conclusion of the initial audits of telecommunication and cable franchise providers and the related revenue sharing period, in 2013 AZAVAR began new audits of ComEd and Nicor. AZAVAR calculated a

Notice of Tax Liability to be sent to Nicor indicating underpayments, interest and penalties due to the Village of \$113,840.40. Nicor disputed this amount and after numerous meetings, conference calls, etc., Nicor settled with the Village for \$11.00 and the Village was invoiced 50% of it (\$5.50) by Azavar.

Also in 2013, AZAVAR calculated a Notice of Tax Liability to send to ComEd of \$134,440.68. To date, ComEd has contested the audit findings and continues to refuse to respond to AZAVAR and/or to pay anything. Additionally, of the new revenue that AZAVAR claims it has discovered for the Village, there is no way to verify what that revenue is and thus to determine if the sharing amount is correct. AZAVAR also has informed the Village recently that they believe the service contract runs in perpetuity, which is in contradiction to Illinois Law that mandates that any contracts must expire upon the end of the then current Mayor's term.

Current staff does not believe the AZAVAR contract should continue for the following reasons:

- In accordance with Illinois law, the term of the agreement cannot exceed the term of the Mayor at execution, and the contract was executed approximately 11 years (3 Mayoral terms) ago;
- The results of the services performed to date by AZAVAR have not been what was originally expected and what the Village was led to believe.

The Committee discussed the contract and agreed that the termination of the contract was appropriate and that it should be brought forth to the Village Board.

#### **8. REPORT – Monthly Disbursement Reports – February 2017**

The Committee reviewed and accepted the disbursement reports for the month of February and key items are highlighted below:

- Total cash outlay for all Village funds – \$1,180,244. Fiscal Year to Date is \$13,483,829.
- Payroll for active employees including all funds - \$274,528 (2 payrolls). The average payroll for the year was \$149,261, which is a 13.59% decrease from the prior fiscal year.
- Average daily outlay of cash for all Village funds – \$42,152. Fiscal year to date daily average is \$44,390.
- Average daily expenditures for the General Fund only - \$19,649. Fiscal year to date average is \$24,679.

**9. REPORT – Sales Tax, Income Tax, Utility Tax, Places of Eating Tax, Fines, Red Light Fines, Building Permits, Water Revenues, Hotel/Motel Tax and Motor Fuel Tax**

All revenues are fiscal year to date collections through February 28, 2017 (unaudited):

- Sales tax receipts - \$3,131,265 up 0.10% from the prior year. Trending 5.3% over budget.
- Income Tax receipts - \$677,062 down 12.53% compared to the prior year, 7.5% over budget. IDOR has communicated to DMMC that this is due to “an accounting change” and it affects all municipalities, but IDOR has not given further details about the accounting change or if it will be ongoing.
- Utility tax receipts - \$804,323 down 0.74% from the prior year, 2.1% under budget, consisting of:
  - Telecomm tax - \$330,304, down 6.04%.
  - Northern IL gas - \$100,832, up 17.36%
  - ComEd - \$376,571, up 3.63%
- Places of Eating Tax receipts - \$416,171 down 4.72% compared to the prior year, trending 4.0% over budget.
- Fines - \$134,303 up 21.68% compared with the prior year, 24.48% over budget. Fines come from County distributions and also local fine tickets written by Village police officers.
- Red Light Fines – \$640,094 up 134.43% from the prior year receipts (in the prior year the cameras were down due to road construction and camera maintenance), trending 71.1% above budget. The budget for the first 4 months of FY 2016/17 was reduced due to the Rt. 83/63<sup>rd</sup> St. intersection cameras being out of service due to the road construction project. Those cameras are still down with no anticipated “go live” date yet given by ATS or IDOT.
- Building Permit receipts - \$456,112 up 46.26% from the prior year, 139.61% above budget.
- Water sales receipts - \$3,032,303 up 8.95% from the prior year, 1.40% above budget.
- Hotel/Motel Tax receipts - \$209,786 up 14.76% compared with the prior year. May & June 2015 collections (from April & May 2015 tax receipts) were still taxed at 1%. The hotel/motel tax rate increased to 5% effective June 1, 2015. Three of the four hotels are open and active. The revenue is trending at 0.3% higher than budget.
- Motor Fuel Tax receipts - \$183,178 down 0.43% compared with the prior year, 1.5% below budget.

The reports above were approved by Chairman Davi and Trustee Neal.

**10. VISITOR’S BUSINESS**

There were no visitors present at the meeting.

**11. COMMUNICATIONS**

There were no communications at the meeting.

**12. ADJOURNMENT**

Motion to adjourn at 6:03 p.m. was made by Trustee Neal, seconded by Chairman Davi. Motion carried.

(Minutes transcribed by: Carrie Dittman, 3/21/2017)