



**Meeting Location**  
City of DeKalb Police Department  
Training Room, 2<sup>nd</sup> Floor  
700 West Lincoln Highway  
DeKalb, Illinois 60115

**AGENDA**  
**Finance Advisory Committee**  
**February 27, 2018**  
**5:00 p.m.**

1. Call to Order
2. Roll Call for Attendance
3. Public Participation
4. Approval of Minutes
  - a. Minutes of the Finance Advisory Committee Meeting of January 30, 2018
5. City Council Goals
6. Five-Year Financial Plan Update
7. Financial Policies Review
8. Confirm Next Meeting Date and Time
  - a. Tuesday, March 27, 2018 at 5:00 p.m. at the Police Department Training Room, 2<sup>nd</sup> Floor
9. Adjournment

**This meeting will be video recorded**

The Finance Advisory Committee's role (as listed in Chapter 54-11) is to provide well-reasoned, financially sound recommendations to the Council. Meetings and reporting shall be on a project-by-project basis or as otherwise assigned by the City Council. The Finance Advisory Committee shall work in cooperation with the City Council and the City Manager to analyze the City's financial policies, long term financial stability, options for greater efficiencies and possible revenue and expenditure modifications.

**MINUTES  
CITY OF DEKALB  
FINANCE ADVISORY COMMITTEE MEETING  
JANUARY 30, 2018**

**1. CALL TO ORDER**

The Finance Advisory Committee held a meeting on January 30, 2018, in the Police Training Room, at the DeKalb Police Department, 700 W. Lincoln Highway, DeKalb, Illinois.

The meeting was called to order at 5:06 p.m. by Chair Peddle.

**2. ROLL CALL**

Account Technician III Carri Parker called roll, and the following members of the Finance Advisory Committee were present: Tom Teresinski, Lynn Neeley, Steve Parker, Ron Partch and Chair Mike Peddle.

Also present were: Finance Director Molly Talkington, Public Works Director Tim Holdeman, Assistant Finance Director Robert Miller, and Account Technician III Carri Parker.

**3. PUBLIC PARTICIPATION**

Bessie Chronopoulos asked if there would be public comment after the Committee discusses the topics on the agenda. She added that she was glad that the Committee is meeting. She expressed that many individuals are not pleased with having the meeting at the Police Department. She expressed that the public is unhappy at the location of the meetings, and that the meetings are not videotaped or live on the local television channel.

Chair Peddle explained that the previous meeting was cancelled as all Open Meetings Act regulations were not met. He further added that the Committee would not have had a quorum due to the number of illnesses as well.

Committee Member Neeley read an email from Marc Charvat (Appendix A).

**4. APPROVAL OF MINUTES**

- a. Minutes of the Finance Advisory Committee of November 2, 2017.

**MOTION**

Committee Member Partch motioned to approve the minutes of November 2, 2017; seconded by Committee Member Teresinski.

## VOTE

Motion carried on a 5-0-1 voice vote. Aye: Teresinski, Neeley, Parker, Partch and Peddle. Not Present: Conlin.

- b. Minutes of the Joint City Council and Finance Advisory Committee Meeting of November 16, 2017.

## MOTION

Committee Member Neeley motioned to approve the minutes of November 16, 2017; seconded by Committee Member Teresinski.

## VOTE

Motion carried on a 5-0-1 voice vote. Aye: Teresinski, Neeley, Parker, Partch and Peddle. Not Present: Conlin.

## 5. FY2019 BUDGET SCHEDULE

Chair Peddle explained the focus of the meeting.

Finance Director Talkington explained the plan that Council is currently working on. She added what the FY2019 budget schedule will entail and when the meetings will be held. She explained that what is decided by the Committee will be updated into the budget document and brought back to the Committee for review.

Chair Peddle asked about the goal setting meetings and confirmed that they will be held after the Five-Year Plan has been approved. Finance Director Talkington explained that Council has met once and only on the “big picture” items. Chair Peddle stated it is concerning that Council has met and that he would like to make sure that the Committee’s recommendations are respected.

Committee Member Teresinski asked about the meeting on June 26, 2018. He was interested in knowing if the quarterly financial report will be available. He added that within the policy the Committee is supposed to have a quarterly report and he added that he has not seen one in a long period of time. Finance Director Talkington confirmed that the quarterly forecast will be added to the Committee meetings. Chair Peddle stated that a meeting may need to be added in July to share the quarterly report.

Chair Peddle asked for an inquiry from the Illinois Municipal League (IML) on the way Sales Taxes as distributed from internet sales. He questioned where the 1.75% is going and would like to know where it is going.

A discussion ensued with the Committee and Finance Director Talkington regarding sales tax charges.

Committee Member Parker asked how soon Committee members could see monthly reports. Finance Director Talkington stated that the software is very old and it takes some time to develop the reports. She said with the new software, which is at the end of negotiations, will help significantly.

Committee Member Parker asked about the audit process and communication to the Committee. Chair Peddle stated it will not be completed until July/August.

## **6. FIVE-YEAR FINANCIAL PLAN**

Chair Peddle explained that he and Finance Director Talkington are going to go through the minutes from previous meetings to gather recommendations for the Five-Year Financial Plan.

Finance Director Talkington stated that the figures will be updated based on what was passed with the FY2018 budget.

Committee Member Teresinski asked when the budget document will be available. Finance Director Talkington responded that the document will be available 90 days after approval.

Committee Member Teresinski stated he would like to see the Five-Year Financial Plan on the agenda every meeting for discussion and updates.

The Committee discussed all of the different types of items that will need to be discussed, such as staffing, funding pensions, infrastructure and sustainability.

Finance Director Talkington mentioned that working on the Financial Polices will affect the level of service that will directly affect the staffing.

Chair Peddle stated that the level of services could have a direct result in a benefit for a homeowner (i.e. ISO rating). He added that the Committee should be meeting first and recommending to the Council and have open communication.

Alderman Mike Verbic was recognized as the City Council liaison for the Finance Advisory Committee.

Committee Member Parker asked about the Economic Development Committee and what their recommendations are for growing the community.

Chair Peddle stated that the City's former mayor, John Rey, used to have a meeting with all of the Committee Chairs and would discuss current updates.

Chair Peddle expressed that the first order of business will need to be how to fund the pension liability.

Chair Peddle stated that he was disappointed that none of the revenue recommendations were not included in the FY2018 budget.

Committee Member Teresinski asked about the median income.

The Committee discussed the median income, revenue and comparable communities.

## **7. COMMITTEE OPERATIONS POLICY**

Committee Member Neeley questioned the timeframe of the additional information deadlines.

Chair Peddle explained the recommended deadlines and the agenda process.

The Committee discussed the types of handouts, previous meeting's events and information sharing deadlines.

Chair Peddle read through the policy and provided detailed information for each item.

### **MOTION**

Committee Member Partch motioned to approve the Committee Operations Policy; seconded by Committee Member Parker.

### **VOTE**

Motion carried on a 5-0-1 voice vote. Aye: Teresinski, Neeley, Parker, Partch and Peddle. Not Present: Conlin.

## **8. LOCATION OF MEETINGS**

Chair Peddle stated that the Finance Advisory Committee is different from others with regard to televised meetings. Only ones that are televised are required by state law. He explained why the meetings cannot be held at City Hall.

Committee Member Neeley expressed her concern with how the meetings ended up at the Police Department. She likes the configuration of the room currently. She states that the Committee needs to meet more often and be able to talk with one another.

Chair Peddle stated there was a conflict of meeting location on October 5, 2017, and after that meeting, the Committee was asked if they would like the meeting to be held at the Police Department. At that time, it was unanimous that the meetings would be held at the Police Department.

A discussion ensued between the Committee on the location of the meetings and the recordings of the meetings.

Chair Peddle requested options to be explored to have video recordings available for the public if the meeting were to continue to be held at the Police Department. He stated that the short term goal could be having the meeting at City Hall, but in the long term to find ways to video record the meetings at the Police Department.

Bessie Chronopoulos stated that the City Hall is the people's place as that is where people gather to share information. She agrees that the current configuration is much better, but can be done at City Hall. She added that sharing information and transparency is very important.

Chair Peddle and Bessie Chronopoulos discussed the transparency of information.

Mayor Jerry Smith stated that the City Council has received the same information from the public regarding the meetings. He added that within the next few weeks, Council would develop a meeting logistics policy to guide the committees.

A discussion ensued between the Committee regarding pro and cons of the meeting location and setup.

## **9. CONFIRM NEXT MEETING DATE AND TIME**

- a. Tuesday, February 27, 2018, 5:00 p.m., at City Hall

Alderman Verbic added that he was appreciative of the Committee's commitment and stated that he is hopeful for long-term infrastructure planning. He questioned the amount that is needed to "catch-up" on the pension liability and how to do it. Committee Member Neeley stated that she will share some information received from the Staff Unions and Associations (SUA).

## **10. ADJOURNMENT**

Chair Peddle asked for a motion to adjourn. Committee Member Parker motioned to adjourn the meeting; seconded by Committee Member Neeley. The motion passed by a 5-0-1 voice vote. Aye: Teresinski, Neeley, Parker, Partch and Peddle. Not Present: Conlin.

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**CARRI PARKER**, Account Technician III

**DATE:** February 23, 2018

**TO:** Mike Peddle, Chair  
Finance Advisory Committee

**FROM:** Anne Marie Gaura, City Manager  
Molly Talkington, Finance Director

**SUBJECT:** 2018 City Council Goals.

### **I. Summary:**

On Wednesday, January 24, 2018, the Mayor and the City Council held its Goal Setting Session at the DeKalb Public Library in the Bilder Family Meeting Room. The session was facilitated by Carol Zar, retired Executive Director of the Illinois City/County Management Association. The Council's discussion focused on short-term and long-term priorities and the ideas were prioritized into categories. On Tuesday, February 20, 2018, the Mayor and City Council met as a follow-up to that session to determine its 2018 short and long term goals. The outcome from that meeting is discussed in this report for the Finance Advisory Committee as part of the Fiscal Year (FY) 2019 budget process. The goals that Council has established provide the foundation to guide the City's financial future.

### **II. Background:**

In advance of the January 24, 2018, Goal Setting Session, the City Council was asked to consider the following: What main goals or projects would you like to see addressed within the next one to two years? In other words, what specific subject areas do you want staff to focus their efforts on?

In preparation for the meeting, the DeKalb 2025 Strategic Plan was suggested to be reviewed to identify potential priorities to focus on. At least one priority from each of the five visions of Sense of Place, Community Vitality and a Vibrant Downtown, Inclusiveness, Accessibility and Efficient, Quality, and Responsive Services was asked to be identified. Priorities not included in the Plan were also asked to be identified.

For longer terms outcomes, the Council was asked to identify the following: What would you like the City to look like when you have completed your service with the City? In other words, what broad outcomes would make you feel like your time with the City was a success? Aside from the issues identified by the DeKalb 2025 Strategic Plan, what other

trends, themes and challenges do you believe will impact the City in the near future?  
A total of 10 main categories were identified and are as follows:

- Economic/Business Development
- Residential Growth
- Transportation
- Airport
- Government Operations
- Budget/Finance/Fiscal Planning
- Capital Planning
- Public Safety
- Community Special Events and Attractions
- Northern Illinois University

Based upon the sheer number of ideas generated at the January 24, 2018 meeting, it is evident that the Council's top priorities were Economic/Business Development, Budget/Finance/Fiscal Planning and Public Safety.

Upon review of all the items, it became clear that the line between short and long-term goals is, at best, ambiguous. Short-term was designated as within 12-18 months and long-term as those items that would extend beyond that time. Upon review, it seems reasonable to move items from the short-term designation to the long-term one.

The term simple is used to indicate that the goal can be reached using City resources only, while the term complex is used for goals that require interaction with others, e.g. other units of government, the private sector, social service agencies or consultants.

In preparation for the February 20, 2018 Special Committee of the Whole Meeting, the Mayor identified both the top vote getting Council goals and other important goals. At the Special Committee of the Whole meeting, the Council reviewed and prioritized 39 goals. The Council identified a total of 10 goals, five short-term and five long-term. The short-term goals are as follows, with the category listed first, the goal second and the complexity in parentheses:

- Economic/Business Development: Create business friendly municipal code and Unified Development Ordinance (complex)
- Airport: Airport strategy meeting (simple)
- Budget/Finance/Fiscal Planning: Reduce operating costs to those within our means (simple)
- Community Special Events and Attractions: Review city regulations and adapt to encourage more special events/festivals (simple)
- Northern Illinois University: Work with NIU to resolve AGN and Greek Row issues (complex)

The first item to create a business friendly municipal code and UDO was listed as simple during the Council's Goal Setting Session. It is listed herein as complex, as outside assistance may be required on the Unified Development Ordinance based upon the depth of the revisions and policy direction of the Council.



The long-term goals are as follows, with the category listed first, the goal second and the complexity in parentheses:

- Residential Growth: Think outside the box in terms of growth and rooftops (complex)
- Government Operations: Evaluate City structure/organization (simple)
- Budget/Finance/Fiscal Planning: Address pension obligations (simple)
- Capital Planning: Address and implement long-term street funding (simple)
- Public Safety: Reduce crime/be viewed as safe (complex)

As the next step, the City Manager will work with the Executive Team to take these goals and identify proposed strategies and actions for consideration by the Council. As an example, if there is clearly a desire to have an increased emphasis on economic/ business development in areas other than the downtown. The following questions would need to be answered: What policies need to be developed to facilitate that? Are there obstacles in those areas that change in planning, zoning or building codes that are needed in order to facilitate that? Any issues, concerns or follow-up questions would also be identified.

Staff would work to identify these issues to present findings and recommendations to the City Council. These discussions would continue with the City Council at one or more of the next budget workshops. In the interim, staff will either immediately start working or continue working on both the short-term and long-term goals that are already in progress.



**DATE:** February 23, 2018

**TO:** Mike Peddle, Chair  
Finance Advisory Committee

**FROM:** Anne Marie Gaura, City Manager  
Molly Talkington, Finance Director

**SUBJECT:** Five-Year Financial Plan Update

### **I. Summary:**

The inaugural Five-Year Financial Plan (the Plan) was presented to the Financial Advisory Committee (FAC) at the September 21, 2017, meeting with further reviews during October and November 2017. In addition, the Fiscal Year (FY) 2018 Proposed Annual Budget was made available to the public via the City's website and submitted to the FAC on October 25, 2017, for review. The FAC held multiple meetings to review and discuss the many facets of the City's finances that affect the proposed budget. The FAC provided recommendations for the City Council to consider during their annual budget review. City Council held multiple meetings to review the proposed budget with final adoption on December 11, 2017. Additionally, on January 8, 2018, City Council approved a \$0.02 per gallon Local Motor Fuel Tax increase dedicated to street improvements. Currently, the FAC has been tasked with recommending revisions to the Plan for this year's Plan update.

### **II. Background:**

FAC met on January 30, 2018 for a review on the existing Plan. The Plan will be updated to reflect the current FY 2018 Adopted Budget and subsequent changes by the City Council for review in June by the FAC. Additionally, FAC will recommend other revisions to the Plan. After the January 30, 2018 meeting, Chair Peddle and Director Talkington met to review prior FAC minutes, starting from May 2, 2017 through the January 30, 2018 meeting, to call out a list of potential revisions to the Plan. These items as listed below would either emphasize a point more within the Plan or seek additional data to include to the Plan.

Since this Plan is to provide a path to effective financial management, the additional data and increased emphasis on specific points must have a nexus to the City's long-term strategic financial planning. Below is the list of the potential revisions to the Plan based for FAC to discuss and determine if each item will be included in FAC's recommendation for inclusion in the Plan going forward.

## Emphasis Items:

- 1) Focus on the Capital Improvement Plan aligning with the Strategic Plan
- 2) When funding options are included, discuss the sustainability of those options for the long term health of the City

## Data Items:

- 1) Add two comparable governments
  - a. Town of Normal, IL (home rule) to the University cities comparisons
  - b. City of Rochelle, IL (non-home rule) to the standard comparisons
- 2) Incorporate the statistical information from the Comprehensive Annual Financial Report (CAFR) into the Plan
  - a. Top Ten Employers, Taxable Sales by Category, & Direct and Overlapping Sales Tax Rates (Attachment A)
- 3) Expand the school data
  - a. Add enrollment breakdown and school lunch stats (Possible sources – Illinois Interactive Report Card and the Schools themselves)
  - b. Add St. Mary's school
  - c. Compare the school data trends with population trends
- 4) Include crime statistics and show impact on economic factors such as housing
  - a. Possible sources – Annual Police Department Report and Recent Studies
- 5) Track the current home value over time (Possible source – Real Estate websites (ex. Zillow))
- 6) Add the Pension Funding Analysis data that shows what the remaining obligation is if Police and Fire Departments were eliminated as of January 1, 2018
- 7) Add staffing history for the City

Once FAC has reviewed, discussed, and recommended items from the above list to be included in the Plan, staff will include those items in the update Plan for the June 26, 2018 FAC meeting. If staff is unable to obtain the additional data in full or only partially, an explanation of the efforts taken and why the data ultimately will not be included in the Plan update in full or only partially will be provided to FAC.

### **III. Recommendation:**

Staff is recommending the FAC discuss and recommend the potential revisions the Committee would like to see revised in the Five-Year Financial Plan update for June.



**CITY OF DEKALB, ILLINOIS**

**TAXABLE SALES BY CATEGORY**

Last Ten Calendar Years

<b>Calendar Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Merchandise	\$ 171,985,064	\$ 164,736,328	\$ 154,138,547	\$ 161,257,806	\$ 129,818,177	\$ 149,564,784	\$ 145,091,378	\$ 145,331,012	\$ 142,983,051	\$ 137,420,731
Food	53,207,066	60,740,900	55,760,959	56,012,687	67,456,918	65,852,747	65,400,022	65,602,683	62,574,399	60,061,923
Drinking and Eating Places	65,260,253	67,402,498	64,478,308	66,461,264	66,649,641	68,587,766	67,411,032	72,375,099	73,690,804	75,136,564
Apparel	9,626,133	7,332,715	6,235,098	5,912,150	30,582,619	7,128,112	8,019,269	9,156,209	9,682,582	9,307,673
Furniture, H.H., and Radio	33,834,022	28,883,333	24,677,414	25,081,450	22,181,422	20,684,998	20,194,461	20,299,326	22,219,433	21,361,547
Lumber, Building Hardware	26,936,010	24,505,165	22,566,265	21,682,737	21,563,108	22,120,923	23,492,009	26,215,248	26,667,559	28,115,438
Automobile and Filling Stations	93,408,943	94,746,090	76,117,806	81,678,462	84,369,200	90,624,448	81,838,781	83,933,383	81,644,714	75,090,664
Drugs and Miscellaneous Retail	83,283,571	84,314,769	81,599,087	79,606,161	76,036,417	74,197,724	78,920,501	81,900,819	86,883,148	89,850,869
Agriculture and All Others	41,446,148	39,136,195	28,154,513	28,623,247	29,011,979	29,448,085	30,174,323	30,610,577	26,789,604	26,717,140
Manufacturers	15,254,811	18,224,889	13,889,966	15,507,914	7,289,300	1,546,592	3,116,244	3,392,915	1,455,793	3,703,355
<b>TOTAL</b>	<b>\$ 594,242,021</b>	<b>\$ 590,022,882</b>	<b>\$ 527,617,963</b>	<b>\$ 541,823,878</b>	<b>\$ 534,958,781</b>	<b>\$ 529,756,179</b>	<b>\$ 523,658,020</b>	<b>\$ 538,817,271</b>	<b>\$ 534,591,087</b>	<b>\$ 526,765,904</b>

**CITY DIRECT SALES**

<b>TAX RATE</b>	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
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Note: The data presents taxable sales subject to the Municipal Retailer's Occupation Tax.

Data Source

Illinois Department of Revenue

**CITY OF DEKALB, ILLINOIS**

**TAXABLE SALES BY CATEGORY - HOME RULE**

Last Ten Calendar Years

<b>Calendar Year</b>	<b>2007</b>	<b>2008*</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Merchandise	\$ 110,641,629	\$ 105,718,900	\$ 99,635,725	\$ 106,361,293	\$ 87,558,389	\$ 99,024,929	\$ 96,069,313	\$ 95,614,092	\$ 94,092,573	\$ 93,307,247
Food	16,220,246	17,771,292	16,039,202	18,341,512	30,104,054	29,741,123	28,856,277	28,086,495	24,719,290	23,139,941
Drinking and Eating Places	63,696,181	65,892,248	63,016,745	64,921,928	65,295,493	67,176,678	66,489,229	70,711,436	71,004,958	74,617,226
Apparel	9,619,122	7,316,764	6,230,748	5,911,746	19,317,301	7,046,287	7,946,743	9,091,595	9,583,535	9,213,771
Furniture, H.H. and Radio	33,782,135	28,777,827	24,555,874	24,340,125	21,984,344	20,503,154	20,039,027	20,419,645	22,061,903	21,256,310
Lumber, Building Hardware	26,884,766	24,259,864	22,394,973	21,589,323	21,526,692	22,070,597	23,431,577	26,161,570	26,623,933	28,061,982
Automobile and Filling Stations	43,057,278	44,642,599	36,573,132	42,992,984	46,695,364	47,519,288	48,575,366	46,268,699	38,844,447	33,810,004
Drugs and Miscellaneous Retail	58,432,889	59,739,818	58,394,357	57,668,525	56,027,770	56,447,398	58,367,979	59,423,173	59,678,688	59,042,749
Agriculture and All Others	37,826,626	35,885,916	26,970,847	27,405,131	28,250,729	28,487,957	28,584,214	29,168,574	25,247,798	25,269,254
Manufacturers	14,914,125	17,841,691	13,412,811	15,166,169	6,981,465	1,250,597	2,801,034	3,018,957	1,149,345	3,446,081
<b>TOTAL</b>	<b>\$ 415,074,997</b>	<b>\$ 407,846,919</b>	<b>\$ 367,224,414</b>	<b>\$ 384,698,736</b>	<b>\$ 383,741,601</b>	<b>\$ 379,268,008</b>	<b>\$ 381,160,759</b>	<b>\$ 387,964,236</b>	<b>\$ 373,006,470</b>	<b>\$ 371,164,565</b>

**CITY DIRECT SALES**

<b>TAX RATE</b>	1.25%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
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\*The City raised its Home Rule Sales tax to 1.75% on July 1, 2008.

Note: The data presents taxable sales subject to the City's Home Rule Sales Tax.

Data Source

Illinois Department of Revenue

**CITY OF DEKALB, ILLINOIS****DIRECT AND OVERLAPPING SALES TAX RATES**

Last Ten Calendar Years

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<b>Calendar Year</b>	<b>City Home Rule Rate</b>	<b>Municipal Retailers Occupation Tax</b>	<b>County Rate</b>	<b>State Rate</b>	<b>Total</b>
2007	1.25%	1.00%	0.25%	5.00%	7.50%
2008	1.75%	1.00%	0.25%	5.00%	8.00%
2009	1.75%	1.00%	0.25%	5.00%	8.00%
2010	1.75%	1.00%	0.25%	5.00%	8.00%
2011	1.75%	1.00%	0.25%	5.00%	8.00%
2012	1.75%	1.00%	0.25%	5.00%	8.00%
2013	1.75%	1.00%	0.25%	5.00%	8.00%
2014	1.75%	1.00%	0.25%	5.00%	8.00%
2015	1.75%	1.00%	0.25%	5.00%	8.00%
2016	1.75%	1.00%	0.25%	5.00%	8.00%

The City raised its Home Rule Sales tax to 1.75% on July 1, 2008.

\*The City changed its fiscal year end from June 30 to December 31 effective December 31, 2016.

Data Source

City, County, and State Records

**CITY OF DEKALB, ILLINOIS**

**PRINCIPAL TAXPAYERS**

December 31, 2016

Taxpayers	Type of Business	2016			2007		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2000 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
3M	Warehouse/Distributor	\$ 16,129,836	1	3.32%	\$ 5,412,680	6	1.19%
Target	Warehouse/Distributor	9,860,583	2	2.03%	14,351,446	1	3.14%
University Village I & II	Apartments	6,825,515	3	1.40%	4,913,082	7	1.08%
Panduit	Manufacturing	6,522,488	4	1.34%	6,172,503	5	1.35%
ARC - Goodyear	Warehouse/Distributor	6,028,754	5	1.24%	8,611,728	2	1.89%
Nestle	Warehouse/Distributor	5,722,229	6	1.18%			
Mason Properties	Apartments	5,691,533	7	1.17%	7,917,129	3	1.73%
Northland Plaza	Retail	5,364,985	8	1.10%	6,345,371	4	1.39%
DeKalb Area Retirement Center	Retirement Center	4,946,894	9	1.02%	3,686,624	10	0.81%
JLAR	Apartments/Retail	3,555,646	10	0.73%	4,028,159	9	0.88%
Dream Fund LLC	Apartments				4,648,471	8	1.02%
<b>TOTAL</b>		<b>\$ 70,648,463</b>		<b>14.53%</b>	<b>\$ 66,087,193</b>		<b>14.48%</b>

Data Sources

County Assessors Office (not adjusted for unreported title transfers)  
 City of DeKalb

**DATE:** February 23, 2018

**TO:** Mike Peddle, Chair  
Finance Advisory Committee

**FROM:** Anne Marie Gaura, City Manager  
Molly Talkington, Finance Director

**SUBJECT:** Financial Policies Review – Capital Equipment Replacement Fund (01-03), Accounting, Auditing and Financial Reporting Policy (01-05), and Capital Asset Policy (01-06)

### **I. Summary:**

The City Council adopts financial policies that establish the framework for the services provided by the City of DeKalb. Currently, there are a total of eight adopted policies. Annually, the policies are reviewed and adopted as part of the budget. As part of the Fiscal Year (FY) 2019 budget process, the Finance Advisory Committee (FAC) has been tasked to conduct a review of all the policies and, if needed, recommend revisions to them for City Council consideration. The FY 2019 schedule has outlined four meetings for review of the policies starting with this February meeting. The policies for review at this meeting are the Capital Equipment Replacement Fund (01-03), Accounting, Auditing, and Financial Reporting Policy (01-05), and the Capital Asset Policy (01-06).

### **II. Background:**

The FY 2018 budget was the most recent year of the annual review and adoption of the Capital Equipment Replacement Fund (01-03), Accounting, Auditing, and Financial Reporting Policy (01-05), and the Capital Asset Policy (01-06) policies as part of the annual budget adoption. The FAC meetings to review and, if needed, recommended revisions will be considered by City Council as part of the FY 2019 budget process. The following is a review of each policy and recommended revisions by the Finance Director.

- 1) The Capital Equipment Replacement Fund (01-03)** established the Capital Equipment Replacement Fund (CERF) to encourage departments to set aside funds each year for the eventual replacement of existing equipment and to avoid significant fluctuations in the operating budget from one year to the next. In order to build and maintain sufficient funds on hand to replace items at the end of their useful life, water tower rental income, revenue received from the E911 Board will be dedicated annually as well as transfers by each department from the General

Fund determined annually through the budget process. The remainder of this policy is intended to provide guidance as to how the CERF will operate.

As shown in Attachment A (tracked changes), the revisions to this policy are 1) add Policy to the title of the policy, 2) specifically noting that vehicles are considered capital equipment, and 3) removal of a proprietary software reference.

- 2) Accounting, Auditing, and Financial Reporting Policy (01-05)** confirms the need for an annual audit and a Comprehensive Annual Financial Report, procurement of auditors, and outlines the financial reporting requirements for the City. As shown in Attachment B (tracked changes), the revisions to this policy are mainly to remove the procedural steps that are reflective of the current, heavily manual nature of the accounting, auditing, and financial reporting tasks of the City. The revisions reflect the upcoming shift to an enterprise resource planning software for finance and allow the current procedures to be done electronically. One additional revision at the end of the policy allows for an extension to complete the Comprehensive Annual Financial Report and Management Letter due to unforeseen circumstances.
- 3) Capital Asset Policy (01-06)** defines what is considered a capital asset, funding for assets, and financial requirements for recording and reporting capital assets. The revisions to this policy are similar to the revisions in the Accounting, Auditing, and Financial Reporting Policy. The changes are removing the current procedure language and is replacing it with language that reflects the implementation of a new financial software. All of the federally funded asset fields identified in the current policy are all fields in the new financial software. This software will provide staff more efficient reporting and tracking for all assets, as well as, the ability to segregate the federally funded assets. Attachment C shows the revisions in track changes.

The Finance Director's revisions do not materially change the intent of the three policies. The revisions provide clarification and recognition of procedural changes that should result with the implementation of an enterprise resource planning financial software system.

### **III. Recommendation:**

Staff is recommending the FAC review the existing policies, review the Finance Director's revisions, and discuss and recommend any other revisions the Committee would like to see to these three policies.

#### **Attachments:**

- A) Capital Equipment Replacement Fund (01-03) Track Changes
- B) Accounting, Auditing, and Financial Reporting Policy (01-05) Track Changes
- C) Capital Asset Policy (01-06) Track Changes



# Capital Equipment Replacement Fund Policy

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**Policy Number:** 01-03

**Date:** December 11, 2017

**Purpose:** The City of DeKalb has established the Capital Equipment Replacement Fund (CERF) to encourage departments to set aside funds each year for the eventual replacement of existing equipment, including vehicles, and to avoid significant fluctuations in the operating budget from one year to the next. In order to build and maintain sufficient funds on hand to replace items at the end of their useful life, water tower rental income, revenue received from the E911 Board ~~for OSSI payments~~ will be dedicated annually as well as, transfers by each department from the General Fund determined annually through the budget process. The remainder of this policy is intended to provide guidance as to how the CERF will operate.

The Capital Equipment Replacement Fund shall be used only to replace existing equipment owned by the City which includes the vehicles in the City's fleet. The fund shall not be used to purchase equipment not currently owned by the City or as a means to circumvent the process for having new equipment approved by the City Council. Requests for new equipment shall be made as part of the annual operating budget and must be approved by the City Council before acquisition;

Only those items which individually have a replacement cost of more than \$10,000 or groups of similar equipment (e.g. personal computers, bullet proof vests, etc.) which, in the aggregate, exceed \$10,000 with a useful life of more than one year shall be included in the CERF. Departments shall include individual items or groups of items with a value of less than \$10,000 in their annual operating budget.

The cost of items associated with new vehicles such as vehicle markings, light bars, radios and similar equipment shall be included in the replacement cost of the vehicle. The replacement cost and useful life for each vehicle or technology related equipment will be reevaluated by the individual departments on an annual basis. This re-evaluation may change the annual amounts that programs contribute for the replacement of each item. The Department Head, in consultation with the City Manager and the Finance Director shall determine when a vehicle or equipment is due for replacement. Final capital asset replacement decisions using CERF monies will be discussed and approved by the City Council as part of the annual budget process. When CERF equipment is sold, the proceeds of the sale shall be credited to the CERF Fund.

From time to time, departments may be assigned previously used technology related equipment from within their department or another department in the City. The Director of Information Technology, in consultation with the Department Head, shall recommend

that such equipment be assigned to a department when it meets the department's needs and when doing so will help avoid the expense of purchasing new equipment. Consideration shall be given to the annual operating cost of maintaining the used equipment when deciding whether or not to continue using it. The City Manager shall have the final say in determining whether or not previously used technology is assigned to a department.

# Accounting, Auditing and Financial Reporting Policy

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**Policy Number:** 01-05

**Date:** December 11, 2017

**Purpose:** The City shall have an annual audit conducted on its financial records by a qualified, independent public accounting firm. The City should request proposals from qualified independent accounting firms to conduct an annual audit of its financial statements every five to six years by the use of a request for proposal (RFP) process. In accordance with Government Finance Officers Association's (GFOA's) Best Practice Guidelines, the current auditors can be included in the RFP process, however, it is recommended changing the audit team if the same firm came in with the best proposal.

The audit shall be conducted on an annual basis to be completed and filed within six months after the end of each fiscal year.

The City should submit its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program.

The City's financial statements shall be prepared according to generally-accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Council (GASB).

The City should contract with an independent actuary to determine the City's annual contribution to the Police and Fire Pension Funds.

When the City prepares monthly significant account reconciliations, prepares the year-end adjustments, and prepares the year-end financial statements, the following procedures will be followed. Administration of these procedures will be the responsibility of the City's Finance Director and the Finance Director will sign off that these procedures have been adhered to on a monthly and year-end basis. Those procedures are as follows:

The Finance Department, under approval of the Finance Director, will ~~prepare a listing of all significant accounts of the City that are to be reconciled on a monthly basis~~ conduct a month-end close within the City's financial software. ~~These accounts are to include at a minimum all balance sheet accounts at month-end, all grant related revenue and expense accounts, all restricted use revenue accounts and all other accounts deemed necessary by the Finance Department to be reviewed on a monthly basis. A monthly checklist of these accounts will be prepared and signed off by the Finance Director.~~

~~Within 90 days after the close of the fiscal year the Finance Department will be required to submit to the Finance Director all required~~ Also, all year-end close adjustments. ~~These adjustments~~ are to be approved and reviewed by the Finance Director and posted to the general ledger as part of the annual audit procedures prior to the auditors beginning audit fieldwork.

The City's auditors assist in the preparation of the City's financial statements, including the footnote disclosures, in accordance with generally accepted accounting principles. Further, the ~~Finance Department~~City will review a complete initial draft and final draft of the financial statements as prepared by the auditors. The City Finance Director will be responsible for a final complete review of the financial statements, including the footnotes disclosures, to ensure that the financial statements are prepared in accordance with generally accepted accounting principles. Any questions or concerns related to the financial statements will be discussed with the City's auditors.

The City's Comprehensive Annual Financial Report and Management Letter will be approved by the City Council and available for distribution no later than six months after the close of the City's fiscal year-end unless an extension is approved by GFOA due to unforeseen circumstances.

# Capital Asset Policy

**Policy Number:** 01-06

**Date:** December 11, 2017

**Purpose:** Capital assets purchased or acquired with an original cost of \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Building Improvements	40 to 50 Years
Equipment	10 to 20 Years
Vehicles	3 to 20 Years
Infrastructure	25 to 50 Years
Water Distribution System	40 to 65 Years

When capital assets are purchased with the use of federal funds, this will be noted within the City's financial software on the asset record which includes data such as asset funding, acquisition and disposition date, and sale price. ~~the following procedures will be completed by the City. Administration of these procedures will be the responsibility of the City's Finance Director and the Finance Director will sign off that these procedures have been adhered to for the purchase of every federal funded capital asset. These procedures are as follows:~~

~~Capital assets purchased with federal funds will be tagged with a special notation of "F" in addition to the regular identification number system used by the City.~~

~~The description of the capital asset in the City's capital asset records will also include the words "federally funded" before the description of the specific asset acquired.~~

~~The source of federal funds must be noted and include a description of who holds title to the assets, along with the asset acquisition date, the asset cost, location of the asset, condition and use/purpose of the asset.~~

~~The portion of the asset that is federally funded must also be noted in the City's capital asset records. Upon disposition of any federally acquired assets, the City must note in the capital asset records the disposition date and sale price.~~

A physical inventory of all assets acquired with federal funds will be performed on a biennial basis. The results of the City's inventory of federally funded capital assets will be reconciled to the City's capital asset records to ensure accuracy. This inventory will be overseen and approved by the City's Finance Director.