

Village of Riverwoods  
Finance Presentation  
October 5, 2021  
**APPROVED**

Present:

Michael Clayton  
Liliya Dikin  
Andrew Eastmond  
Michael Haber  
Henry Hollander  
Kris Ford, Mayor

Absent:

Rick Jamerson

Also Present:

Bruce Dayno, Police Chief  
Patrick Glenn, Village Engineer  
Russ Kraly, Director of Community Services  
Bruce Huvad, Village Attorney  
Daphne Paras, Village Clerk

Call to Order: 5:30 pm

1. Finance Workshop  
A. Audit Presentation

Betsy Allen from Miller Cooper discussed the financial statements, controlled efficiency letter and required communication to the Board letter. This year, the Village changed their method of accounting from a modified cash basis to the modified full accrual basis which caused the fund balance and net position to be restated. Ms. Allen reported two material weaknesses including a bank reconciliation variance at year end and segregation of duty issues. She noted another deficiency was itemized reporting for employee reimbursement. A controlled deficiency was reported in regards to an employee vehicle allowance, which should have been shown on the W-2. Ms. Allen also noted there was some uncollateralized funds. She added a comment in the letter about changing technology and data security. The required communication to the Board letter stated the report was done in accordance with general accounting practices. Trustee Clayton noted the Village is required to respond to the deficiencies. A lot of the deficiencies were addressed by the hiring of Lauterbach and Auer.

B. Review of Financial Information

Trustee Clayton discussed the underlying foundation points that guided the Finance Committee's efforts when putting together the projections. Wes Levy with Lauterbach and Amen indicated these include Fund Management, General Fund Operating Income/Deficit and the Police Tax.

The fund management cash targets include maintaining a 12-to-18-month operating costs in the general fund, 5 years of non-discretionary investment and maintenance expense in the capital fund, \$1 million in the sewer fund, \$2 million in the water fund and to accumulate a balance for the Saunders Road project in the MFT fund. Mr. Huvad explained the Village has always had a large general fund, as it is used to backstop any shortages in the Village. The Finance Committee recommended moving a large portion of that balance into the capital fund. Trustee Clayton noted the large general fund balance masks the Village's ability to invest in the future because it is not clear what portion has been dedicated to operating costs and how much money is available for investment.

Trustee Clayton discussed the general fund projections, which are dependent on Thornton's coming into the Village. He discussed the general fund cash balance projections, assuming a transfer of \$1 million to the capital fund this year and \$3 million in 2022. Trustee Clayton noted the Village is in a good financial position currently and will be throughout the projection period. He discussed the water and funds, and noted the Village would stay at the \$2 million and \$1 million targets respectively. The capital fund projections were designed to take all potential projects into consideration to ensure the capital fund remained in good financial shape. Trustee Clayton discussed the various capital projects for infrastructure, property and equipment.

Trustee Clayton discussed opportunities for cost reduction. Approximately 50 percent of general fund expenses come from personnel costs. A reduction in personnel means reduced service and, in some cases, an inability to operate adequately. The Police Department represents about 55 percent of general fund expenses. Of the remaining portion of expenses, the discretionary cost reduction opportunities include the Woodland programs, Village Voice, Village parties, donation expense and changing public to private streets. The donation expense is not material and making the public streets private was rejected by the previous Board. The Finance committee believes most of these reductions would change the quality of life and safety within the Village, so they are not recommending these reductions.

Trustee Clayton discussed possible additional revenue generation sources including higher police property tax increases, fee increases, real estate transfer tax and new sales tax. The Trustees discussed the possibility of a real estate transfer tax and believe the Finance Committee should research whether nearby municipalities have this tax. The Trustees expressed concern because this would have to be passed by a referendum.

Trustee Clayton summarized the Finance Committee's recommendation which includes adopting the new fund management policies for the general and capital funds, implementing a tax levy scenario, implementing a real estate tax *if* Thornton's does not happen, moving forward aggressively with development opportunities and adding Village staff functionality with tight cost controls.

### C. Policy Discussion

The Trustees discussed the possibility of exploring the idea of taking excess revenue to improve the Village. Mr. Levy explained they cannot predict what the future will bring. The goal would be to not increase General Fund balances and determine a plan to cover the expense of long-term capital needs.

At 6:40 pm, Trustee Haber moved to recess the workshop portion of the meeting until 7:30 pm. Trustee Hollander seconded the motion. The motion passed by the following vote:

AYES: Clayton, Dikin, Eastmond, Haber, Hollander (5)  
NAYS: None (0)

Respectfully submitted,

Daphne Paras  
Village Clerk

Jeri Cotton  
Note Taker