



Agenda Item Summary

File #: ID 21-277, **Version:** 1

Submitted By

Steve Drazner, CFO

Agenda Item Title

Finance Committee Review of the Draft Recommended FY22 Budget

Overview

The FY22 Village Manager's Recommended Budget is being presented for review and discussion by the Finance Committee of the Village Board. The October 11, 2021 meeting will primarily focus on a general overview of the budget as well as Enterprise, Internal Service Funds and Special Revenue Funds. See the schedule below contained in this agenda item for all the meetings scheduled related to the FY22 budget.

Anticipated Future Actions/Commitments

The Finance Committee is scheduled to review the recommended FY22 Budget as follows:

Monday, October 11, 2021, Finance Committee at 6:30 p.m. Overview, Enterprise Funds, Internal Service Funds, Special Revenue Funds

Monday October 18, 2021, Regular Meeting at 7:00 pm. Adoption of FY 22 Capital Budget

Thursday October 21, 2021, Finance Committee at 6:30 pm General Funds Part 1

Monday October 25, 2021, Finance Committee at 6:30 pm General Funds Part 2 & Wrap-Up

Monday November 1, 2021 Regular Meeting at 7:00 pm Truth in Taxation Hearing

Monday November 8, 2021 Special Meeting at 7:00 pm - FY 22 Recommendation Overview

Thursday November 11, 2021 Special Meeting at 7:00 pm - FY 22 Recommendation Overview

Monday November 15, 2021 Regular Meeting at 7:00 pm - Public Hearing on the FY 22 Budget and Fee Change Ordinances

Monday December 6, 2021 Regular Meeting at 7:00 pm - Budget Adoption

Prior to these meetings the Village Board also held the following meetings:

Monday July 26, 2021 - Special Meeting -FY 22 Budget Direction

Monday September 13, 2021 - Finance Committee Review of FY 22-26 Capital Budget

Monday September 27, 2021 - Finance Committee Review of FY 22-26 Capital Budget

Thursday September 30, 2021 - Special Meeting of the Village Board - Review of FY 22-26 Capital Budget

Report

Chapter 2 of the Municipal Code establishes the foundation for the Municipal Budget and provides:

- The Village fiscal year is January 1 - December 31 annually.
- The Board of Trustees must adopt the annual budget prior to the start of the Fiscal Year and passage of the annual budget shall be in lieu of passage of the appropriation ordinance.
- On or before the Village Board of Trustees' first regular meeting in November of each year, the Village Manager shall submit to the Board of Trustees an annual Municipal budget which contains estimates of revenues together with recommended expenditures in conformity with good fiscal management practice.

The use of Fund Accounting for the Village's revenues and expenditures is required as the Village of Oak Park is established under State Law as a municipal corporation and the Financial Accounting Foundation (FAF) requires the use of Generally Accepted Account Principles (GAAP) established by the Government Accounting Standards Board (GASB). Among the basic principles of governmental GAAP is fund accounting. Because of the diverse nature of governmental operations and the numerous legal and fiscal constraints under which those operations must be conducted, it is impossible to record all governmental financial transactions and balances in a single accounting entity. Therefore, unlike a small private business which is accounted for as a single entity, a governmental unit is accounted for through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts. When compared to the private sector, fund accounting would most closely resemble a large publicly traded company that consists of a parent corporation and its subsidiaries, where each subsidiary maintains a separate set of accounting records and reports its numbers to the parent which then consolidates all the information for investor reporting.

General Fund accounts for all the operating departments and general operating revenues which are not classified elsewhere. Most day-to-day operating costs are paid out of this Fund, including public safety, public works, and a large portion of administrative.

In addition, this discussion will also include the Sustainability and Affordable Housing Funds. Technically, the Sustainability Fund is considered a General Fund sub-fund per audit reporting while the Affordable Housing Fund was newly created in order to bifurcate affordable housing reserves from the General Fund reserves.

Special Revenue Funds are isolated from the general operations of the Village. These funds are for the financial management of Village services funded by revenues that have been earmarked for specific purposes.

While the use of such revenues is sometimes guided by state and federal requirements, they can also be guided by policy directives from the Village Board of Trustees. Examples of Special Revenue Funds include the Motor Fuel Tax Fund, Special Service Areas, RICO (Fed and State), and various grants, including CDBG.

Enterprise Funds (Environmental Services, Parking and Water/Sewer) are distinguished from other Village Funds in that they are often run similar to a business as they are strictly funded by user fees rather than property taxes. For these types of Funds, the Village may still issue bonds to help pay for capital improvements or expenditures but the payment on the debt service for this bonds is usually abated(removed) from the tax levy and paid by user fee revenue within the Fund.

Internal Service Funds (Debt Service, Health Insurance Fund, Self-Insured Retention Fund) are used to track revenues and expenses that do not require legal separation from the General Fund but are budgeted and tracked independently for internal control, transparency, and accounting purposes. These include Debt Service Fund, Health Insurance Fund and the Self-Insured Retention Fund (SIRF).