

**MINUTES  
CITY OF ST. CHARLES, IL  
GOVERNMENT OPERATIONS COMMITTEE  
MONDAY, NOVEMBER 19, 2012**

**1. Opening of Meeting**

The meeting was convened by Chair. Martin at 8:10 p.m.

**2. Roll Call**

**Members Present:** Chair. Martin, Ald. Stellato, Monken, Payleitner, Turner, Rogina, Krieger, Bessner, and Lewis

**Members Absent:** Carrignan

**Others Present:** Brian Townsend, Chris Aiston, Chris Minick, Asst Fire Chief Schelstreet, Chief Mullen, and Deputy Police Chief Kintz

**3. Omnibus Vote**

None.

**4. Finance Department**

- a. Recommendation to accept the Comprehensive Annual Financial Report, Auditor's Communication to the Mayor and City Council, and Single Audit Report.**

**Chris Minick:** Every year the City is required to have an audit of its financial statements done by an independent auditing licensed CPA firm. The City engaged Sikich LLP out of Naperville to perform this service. The results of the fiscal year ended April 30, 2012. The Comprehensive Annual Financial Report (CAFR) and related documents have been distributed and Mr. Fred Lance, partner of Sikich and who handles the City's audit, has come in to briefly explain those documents and to discuss the results of the fiscal year 2011/12.

**Fred Lance:** I will discuss the process of the Comprehensive Audit Financial Report and Single Audit Report. Sikich has issued a clean, qualified opinion on the City's internal controls. We are pleased to report that we did not identify any deficiencies or mature weaknesses in the City's overall control environment. There were only two minor comments identified for the City to work on and that has already been addressed and implemented. The City is doing an outstanding job from a control standpoint.

The City last year expended about \$2.1M in federal expenditures and the majority of these expenditures were driven by the Illinois Environment Protection Agency low-interest loan program for water improvements that you are undertaking. We did test that entirely as a major program and are pleased to report that we issued a clean and qualified opinion on

compliance with the spending requirements of the federal guidelines as well. From a report card standpoint on the single audit of federal expenditures the City receives an “A” on their report card and that has been sent back to the federal government.

Regarding Comprehensive Annual Financial Report (CAFR), we commend the City for preparing and publishing a full CAFR. This is a voluntary presentation that the City has chosen in spirit of accountability and full transparency to present a full accounting of the City’s transactions, results of the transactions, and financial position as of April 30, 2012. This goes way above and beyond of the acceptance for general accounting principles.

From a housekeeping standpoint, we completed our audit on time as was communicated to the GOC back in spring of this year. The audit process was very smooth and found management to be very forthcoming with all the documents we requested. We all requested more documents than usually because of your new ERP system and that went over very well and has improved the overall control environment in the City now with additional electronic controls in place too. There is a much better trail in the system of documentation approval processes and most importantly you have provided staff with a good tool to improve their overall efficiency and effectiveness.

Additional Comments:

- Good discussion on Management Discussion Analysis document.
- City reported positive unrestricted net assets for both government activities and business activities and are maintaining them.
- Total cost structure is down from where it was last year and over a long term perspective have operated the City on a break-even standpoint.
- General Fund on a short-term basis increased by \$100K and on the size of budget the City has that is pretty much a break-even standpoint.
- On a long-term perspective with over \$250M in total assets, you had a \$1M positive change in your unrestricted assets – again a break-even standpoint.
- The only funds that reported a deficit at the end of the year were three TIF funds (2, 3, and 4) due to some decline in the EAV that we are seeing in those districts.
- We do have a good investment policy that requires collateral being pledged at 105% to the uninsured balance of any deposits and are in full compliance.
- Have a good custodial function in place for investments and are in full compliance.
- Police and Fire Pension funds have some issues to address.
- IMRF ended up 68.3% funded. The benchmark for communities your size in Illinois is 70%; so you are right at the benchmark for a funded status.

In concluding the City has done a very good job over this last year, dealing with the scarce resources you have, you’ve received a clean and qualified opinion on your financial statement, on your internal controls, control environment and compliance with Lawson regulations, and grants related to your federal programs. You ended the year on a break-event standpoint and did not draw down on fund balances but then again did not add much

to fund balances. You also have a very sound system of internal controls in place that was enhanced this last year with the implementation of the ERP system.

**Ald. Rogina:** This is credit to Chris Minick and the direction of Brian Townsend. It is a glowing report and as a member of this Council feel very good about it.

**Brian:** Fred outlined some of the deficiencies with the investment policies for the pension funds. Who is responsible for establishing those policies and responsible for their administration and enforcement?

**Chris:** The Pension Board as a whole is responsible for the administration and implementation of those policies. The Pension Board is set by statute and there are five members on each of the boards. Two of those appointees are mayoral appointees, one is a current retiree, and two are active members of the individual funds that they belong to (two active firefighters and two active police officers). They have the responsibility and oversight of all those monies that come in. We talked earlier about the pension tax levies, the \$1.325M for police and \$1.4M for fire. They are responsible for the administration of those funds. The investment and expenditure of those funds are state statute. They have the responsibility to administer those investment policies and practices that are put in place.

**Brian:** So it's fair to say that while the City has influence of who are appointed representatives; we do not have the authority to change those policies.

**Chris:** Correct, there are two city votes on those panels.

Motion by Stellato, second by Monken to recommend to accept the Comprehensive Annual Financial Report, Auditor's Communication to the Mayor and City Council, and Single Audit Report.

**Roll Call:** Ayes: Stellato, Monken, Payleitner, Turner, Rogina, Krieger, Bessner, Turner; Nays: None; Absent: Carrignan. Chrmn. Martin did not vote as Chair. **Motion carried.**

**b. Recommendation to authorize the Finance Director to execute the Risk Insurance Program Renewal for the year beginning December 1, 2012.**

**Chris Minick:** We are seeking recommendation to authorize the Finance Director to execute the Risk Insurance Program Renewal for the year beginning December 1, 2012 in the amount of \$654,811.00. We've worked with our consultant Wine Sergi to go out and obtain the quotes for the renewal year that begins December 1, 2012. We did have a glitch in obtaining quotes from two of the carriers. The property carrier was late in getting back to us and we did also solicit and continued to try and negotiate with our worker's comp company, Safety National, to get the best premium we could there as well. So we do have the extensions for these particular insurance programs and policies through December 5, 2012 which allows us to go to committee tonight, obtain approval, and submit to City Council for final approval on December 3, 2012. The premium level of \$654,811.00 is an

increase of 5% mainly due for a couple of reasons: increase in excess workers' compensation insurance. Due to the experience that Safety National has had in Illinois, generally, not ours, they did increase their rates for that line of coverage. Additionally they had made the business decision within their company that they are no longer going to write policies that have a self-insured retention, another way to say deductible, of lower than \$500K. For 2011 year our self-insured retention was \$400K. In the event of significant WC claims, the City would have an additional \$50K deductible until we would start getting reimbursed from that excess policy WC compensation. Our broker Wine Sergi did go out and solicit quotes and put together three individual packages. The package before you is the least costly of the three.

Motion by Monken, second by Stellato to recommend authorizing the Finance Director to execute the Risk Insurance Program Renewal for the year beginning December 1, 2012.

**Voice vote:** unanimous; Nays: None; Absent: Carrignan. Chair. Martin did not vote as Chair. **Motion carried.**

- c. **Recommendation to approve an Ordinance Authorizing the Sale of Items of Personal Property Owned by the City of St. Charles (transformers and switch gear).**

**Chris Minick:** This is a resolution to sell off various transformers and switch gear. They are surplus and are no longer needed by the Electric utility. A list of items are included in your packet. We will put them out to bid on the public service website which is our practice and sell them to the higher bidder.

Motion by Stellato, second by Monken to recommend approval an Ordinance Authorizing the Sale of Items of Personal Property Owned by the City of St. Charles (transformers and switch gear).

**Voice vote:** unanimous; Nays: None; Absent: Carrignan. Chair. Martin did not vote as Chair. **Motion carried.**

- d. **Recommendation to approve an Ordinance Authorizing the Sale of Items of Personal Property Owned by the City of St. Charles (scrap poles).**

**Chris Minick:** This is similar to the previous ordinance recommendation except the items are different. These are being declared surplus and will be put on the public service website and sold to the highest bidder.

Motion by Stellato, second by Turner to recommend approval an Ordinance Authorizing the Sale of Items of Personal Property Owned by the City of St. Charles (scrap poles).

**Voice vote:** unanimous; Nays: None; Absent: Carrignan. Chair. Martin did not vote as Chair. **Motion carried.**

**5. City Administrator Office**

- a. Recommendation to approve a Resolution Approving a 1-Year Renewal Period (January 1 – December 31, 2013) of a License Agreement By and Between the City of St. Charles and St. Charles Arts Council.**

**Brian Townsend:** Back in 2011 the City entered into a license agreement with the St. Charles Arts Council to allow that organization to occupy a small office space that was not being utilized here in the City Hall building. They used that office for 2011 and last year City Council authorized a renewal of that license for a 1-year period and that period expires at the end of this calendar year and the Arts Council has requested that the second optional renewal that is in the license renewal agreement be exercised so they can remain in that office space until 2013 calendar year. That would be the end of that license period and at that point the City would have to enter into a new agreement to allow them to stay beyond December 31, 2013. For this year we are recommending that the renewal period be extended and they be allowed to stay in that space from January 1, 2013 – December 31, 2013.

Motion by Monken, second by Stellato to recommend approval of a Resolution Approving a 1-Year Renewal Period (January 1 – December 31, 2013) of a License Agreement By and Between the City of St. Charles and St. Charles Arts Council.

**Voice vote:** unanimous; Nays: None; Absent: Carrignan. Chair. Martin did not vote as Chair. **Motion carried.**

**6. Additional Items**

None.

**7. Adjournment**

Motion by Stellato second by Turner to adjourn meeting at 7:57 p.m.

**Voice vote:** unanimous; Nays: None; Absent: Carrignan. Chair. Martin did not vote as Chair. **Motion carried.**

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