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Finance Task Force
July 12, 2021, 9:30 a.m.
Park Central
3000 West Central Road,
Rolling Meadows, IL

Agenda

- I. Finance Task Force Update
- II. Capital Plan
- III. Fund Balance Policy Revision
 - a. Current Fund Balance Policy
 - b. Recommended NWSRA Fund Balance Policy - Exhibit A
 - c. NWSRA Fund Balance Policy - Exhibit B

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Financial Task Force Update

Cash Flow

Recommendation that staff continue to show the quarterly budget work sheet, which reflects current financial status, based on the budget for the said quarter.

Funds vs Accounts

Recommendation that the Board approves an additional Fund for capital. NWSRA would then have two Funds with three accounts. The funds will reflect an Operating Fund (Village Bank and Trust) with a checking and a Money Market Account and a Capital Fund held at Village Bank and Trust in a Max Safe Account.

The **Operating Fund** will consist of a checking and a money market account. The business checking account will allow day-to-day business to occur with unlimited check writing ability. However, it is not a high interest yielding account. Therefore, the necessary funds are transferred from the Money Marketing account when money is required. The Money Market account will hold the agencies operating fund until needed. This account yields a much higher interest rate.

The **Capital Fund** will be evaluated annually to determine whether the Max Safe Account, held at Village Bank and Trust or the PFM/IPDLAF account yields a higher interest rate for Capital Funds needed for the Fiscal Year. This account will be funded by budgeted capital expenditures approved by the board from the five year plan. The remaining balance will be invested with PFM. Staff will work with PFM annually, to determine the funds needed for the Capital expenditures each fiscal year.

Recommendation that NWSRA close one of the two Max Safe accounts. The dollars needed to fund the capital projects, budgeted in FY 2021, will be kept in the remaining Max Safe account. Currently, Michelle Bins with PFM recommends keeping the funds with Max Safe at Village Bank and Trust, due to the higher interest rate.

Recommendation that NWSRA close the IPDLAF account, which was formally used to pay for the P-Card expenditures. P-Card expenditures will now be paid from our operating checking account at Village Bank and Trust with all other expenditures.

Capital Plan

The current Capital Plan is a three-year rolling plan. The recommendation of the Task Force is to approve a five-year Capital Plan. This plan will reflect a new Capital Fund Budget that will show the FY capital budgeted expenditures. The expenses will be paid by the Capital Fund account. Annually, the NWSRA will work with PFM Investments to fund the FY Capital Budget from the Capital Plan.

Fund Balance Policy

Recommendation to negate the old policy and create a new policy that focuses on the two Funds mentioned above. (Operating and Capital Funds)

- The Operating Fund will house the approved fiscal year budget with no more than 25% of the budgeted expenditures, in additional funds, to cover budgeted expenses in the event of any revenue delays or shortfalls in the first quarter of the fiscal year.

- The Capital Fund will include the Board approved five-year Capital Plan. Dollars in excess of the current year capital expenditures will be invested with PFM.

Recommended next steps:

Funds

1. Board approves the two Funds for NWSRA; Governmental Fund (Operating) and a Capital Fund
2. Board approves the 5 Year Capital Plan
3. Recommendation for Staff would close the Max Safe 2 account at Village Bank and Trust
4. The FY 2021 budgeted Capital Expenditures total \$759,750 will remain liquid in the established Capital Fund and held at Village Bank and Trust, with the remaining dollars invested with PFM Investments to fund the remaining:

Balance Forward	\$1,214,250
Estimated Audited Year End Net 2020	\$ <u>+500,000</u>
	\$1,714,250
Capital Expenditures FY 2022	\$ <u>-373,411</u>
Sub Total	\$1,340,839
Capital Expenditures FY 2023	\$ <u>-454,524</u>
Sub Total	\$ 886,315
Capital Expenditures FY 2024	\$ <u>-554,505</u>
Sub Total	\$ 331,810
Capital Expenditures FY 2025	\$ <u>-391,013</u>
Total	\$ - 59,203

Fund Balance Policy

5. The Fund Balance Policy will be rewritten to reflect the Fund Balance Policy information above and approved by the Board of Directors.

MDAA

6. To assist Member Districts through the COVID-19 pandemic, the MDAA was approved at a 0% increase for FY2021.
7. As we all navigate through the COVID-19 recovery process, NWSRA recognizes the fiscal strains for all of its Member Districts and recommends a continued freeze at a 0% increase with the frozen gross population and EAV numbers released by the Cook County Assessor’s Office in June of 2019 to be used for FY2022. This freeze reflects each member district paying the exact MDAA payment amount paid to NWSRA in 2021 for FY2022.
8. When NWSRA is preparing the MDAA for FY2023 the following will be considered:
 - a. If there is continued financial strain on the economy for member districts then NWSRA will evaluate the extension of a freeze.
 1. Upon completion of the FY2022 freeze, normal calculations will resume upon release of the Cook County Assessor’s office of EAV and Gross Population numbers in June of 2022 for FY2023.

Capital Areas	Capital Type	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total 5 year Capital Expenditure
Vehicles/Maintenance													
Fleet Name	Bus Type - Year												
501	26 passenger-accessible 2007					\$100,000.00							
502	20 passenger-accessible 2006		\$95,000.00										
503	20 passenger-accessible 2018												
506	14 passenger-non-accessible 2006			\$80,000.00									
507	26 passenger-accessible 2016										\$110,000.00		
508	14 passenger-accessible, IDOT 2010							\$80,000.00					
509	14 passenger-accessible 2011								\$80,000.00				
510	14 passenger-accessible, IDOT 2016										\$80,000.00		
511	14 passenger-accessible, IDOT 2017											\$80,000.00	
512	14 passenger-accessible 2018												
513	Minivan (6 passengers) 2008			\$50,000.00									
514	14 passenger-accessible 2010							\$80,000.00					
515	14 passenger-accessible, IDOT 2012									\$80,000.00			
516	14 passenger-accessible 2012									\$80,000.00			
518	14 passenger-accessible, IDOT 2008					\$80,000.00							
519	14 passenger-accessible 2006				\$80,000.00								
520	14 passenger-accessible 2008						\$80,000.00						
521	14 passenger-accessible 2009						\$80,000.00						
522	14 passenger-accessible 2011								\$80,000.00				
523	14 passenger-accessible 2018												
524	14 passenger-accessible 2017											\$80,000.00	
525	14 passenger-accessible 2016												\$80,000.00
526	14 passenger-accessible, IDOT 2017												\$80,000.00
	14 passenger-accessible, IDOT NEW	6,000.00											
	20 passenger-accessible NEW				\$90,000.00								
	26 passenger-accessible NEW	95,000.00											
	14 passenger-accessible NEW		70,000.00										
	14 passenger-accessible NEW				80,000.00								
	Transit - Accessible NEW	40,000.00											
	Maintenance Contingency	75,000.00	75,000.00	75,000.00	75,000.00	75,000.00							
Vehicles/Maintenance Total		216,000.00	240,000.00	205,000.00	325,000.00	255,000.00	160,000.00	160,000.00	160,000.00	160,000.00	270,000.00	240,000.00	1,241,000.00
Technology/Hardware													
	Computer lease (\$1,120/mo x 12 mo)- 48 mo. Lease	11,038.32	11,038.32	11,038.32	14,000.00	14,000.00	14,000.00						
	Server	0.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00						
	iPads	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00						
	Printer Lease	15,164.64	15,164.64	15,164.64	15,164.64	15,164.64	15,164.64						
	Printer replacements	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00						
	Hardware replacements (laptop, switch, monitors)	5,500.00	7,900.00	7,900.00	7,900.00	7,900.00	7,900.00						
	PowerDMS	8,481.54	8,735.98	8,998.06	9,268.00	9,546.04							
	BambooHR	9,461.49	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00						
	Perform Yard New - Performance Management System	0.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00						
Technology/Hardware Total		54,345.99	73,038.94	73,301.02	76,532.64	76,810.68	59,364.64	0.00	0.00	0.00	0.00	0.00	354,029.27
Building/Maintenance													
	RMCC - Storage & Office Space	0.00	0.00	51,000.00	0.00	0.00	51,000.00						
	Hanover Park Maintenance (Paid every 3 years)	9,936.00	3,850.00	0.00	14,436.00	2,800.00		13,400.00					
	HP Sensory Room Maintenance			2,000.00		1,500.00					15,000.00		
	HP Sensory Garden Maintenance							400.00				2,500.00	
	Rolling Meadows Maintenance (Paid every 3 years)	5,161.00	17,379.00	0.00	0.00	17,379.00							
	RM Sensory Room			1,500.00					17,000.00				
	RM Dream Lab			8,276.00	16,939.00		300.00				38,295.94		
	Mount Prospect Maintenance (Paid every 3 years)	0.00	5,500.00	11,749.00	0.00	6,580.00			4,700.00			5,700.00	
	MP Sensory Room							8,500.00					
	Wheeling Maintenance (Paid every 3 years)	8,098.20	6,000.00	0.00	8,098.20	2,250.00		6,380.00			21,680.00		
	WH Sensory Room						23,000.00		4,500.00				4,000.00
	Buffalo Grove Maintenance (Paid every 3 years)	0.00	11,643.72	3,000.00	0.00	15,193.73		6,180.00					
	Hoffman Estates Maintenance (Paid every 3 years)	0.00	0.00	12,698.60	0.00	0.00							
	Fire Box (Being evaluated for replacement)	0.00	10,000.00	0.00	0.00	0.00							
	HVAC (6 RTU being evaluated for replacement)	9,000.00	5,000.00	5,000.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00		
	Other infrastructure	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00						
	Office Update*	39,000.00			0.00	0.00							
Building/Maintenance Total		72,195.20	60,372.72	96,223.60	52,973.20	59,202.73	108,800.00	47,360.00	38,700.00	50,795.94	44,880.00	4,000.00	340,967.45
Projects													
	Hoffman Estates Construction Costs	250,000.00											
	Hoffman Estates Contingency Costs	40,000.00											
	Buffalo Grove Sensory Room			80,000.00									
	Wheeling Sensory Room	70,000.00											
	Hoffman Estates Sensory Room				90,000.00								
	Security Camera Project	14,441.50											
	ADA Transition Plan	42,768.00											
Projects Total		417,209.50	0.00	80,000.00	90,000.00	0.00	0.00						587,209.50
Annual Totals		759,750.69	373,411.66	454,524.62	544,505.84	391,013.41	328,164.64	207,360.00	198,700.00	210,795.94	314,880.00	244,000.00	2,523,206.22

5 yr Grand Total **2,523,206.22**

*Working with Contractor and Space Organizer for walls and reconfiguring of open work spaces in Administrative offices.

Fund Balance Policy - Current

Fund Balance Philosophy

NWSRA believes that strong financial management principles require sufficient funds be retained to provide a stable financial base at all times. To retain a stable financial base, NWSRA needs to maintain a fund balance policy sufficient to fund all cash flows for its daily operations and capital needs. NWSRA must provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. The purpose of this policy is to specify the size and composition of NWSRA's current accounts and set a balance recommendation for both operating and reserve funds. No change or removal of the fund balance may occur without approval by resolution of the Board of Trustees. The fund balance may be used for a specific purpose authorized by the Executive Director.

Minimum Unrestricted Fund Balance Levels

This policy applies to NWSRA's funds as follows:

- A. Operating Funds – The Operating Funds are the major funds including the general fund of NWSRA. They are used to account for administrative, maintenance and all financial resources except those that are accounted for in another fund. The Operating Funds are assigned to obtain fiscal sustainability. This assigned fund balance will be maintained at a minimum level of 25% of annual budgeted expenditures. This will be adjusted annually with the adoption of the annual budget and is calculated at a minimum of three months (25%) of expenditures not including capital and transfers.
- B. General Reserve Fund- This assigned fund balance should maintain a balance equal to or greater than 25% of annual expenses.
- C. Capital Reserve Fund- This committed fund balance shall be used for capital purchases and should maintain a balance in an amount equal to a 3 year rolling average of the total budgeted capital expenditures.

Authority

- A. Committed Fund Balance- An agency-imposed constraint on spending the fund balance must be approved by resolution of the Board of Trustees. Any modifications or removal of the agency-imposed constraint must use the same action used to commit the fund balance.

Formal action to commit fund balance must occur before the end of the fiscal year. The dollar amount of the commitment can be determined after year end.

- B. Assigned Fund Balance- An agency-imposed constraint on spending the fund balance based on NWSRA's intent to use fund balance for a specific purpose. The authority may be delegated to the Executive Director.

Ceiling Statement

The Operating Funds will have a minimum level of 25% of annual budgeted expenditures. If the Operating Funds exceed 50% of annual budgeted expenditures, the Finance Committee will review the funds and propose a recommendation to the Board of Trustees.

Recommended NWSRA Fund Balance Policy – Exhibit A

NWSRA shall have two operating Funds, the Governmental Fund and the Capital Fund. Funding for both of these comes from the Member District Annual Assessments (MDAA) and budgeted operations.

The Governmental Fund is used to account for the transactions of the Association, which are reported in a single governmental fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The Governmental fund will report all activities of the Association except for those capital asset expenditures which shall be reported in the Capital Fund (below).

When available, the Governmental Fund shall maintain a minimum assigned fund balance for cash reserves and unforeseen expenditures at the start of each year equal to 25% of that year's budgeted Governmental Fund's annual expenditures.

Any excess funds to the aforementioned reserves of 25%, shall be reallocated to the Capital fund.

The Capital Fund of the Association provides for all annual capital expenditures for depreciable capital assets that in the aggregate are over \$10,000. Purchases of Buildings, building improvements, Parking Lot, Furniture and Equipment and Vehicles and Inclusion Projects at member locations shall be provided for on an annual basis in the Capital Fund.

The Capital Fund shall be funded through the annual budget and provided for from reallocations from the Governmental fund, the MDAA, and any associated grants. The capital fund shall maintain an assigned fund balance at the start of each year at least equal to the rolling Board approved 5-year Capital Plan. Any excess funds following the presentation and acceptance of the annual audit may reduce the second installment MDAA payment for each Member District if approved by a super majority (75%) of the Board of Directors.

NWSRA Fund Balance Policy – Exhibit B

NWSRA shall have two operating Funds, the Governmental Fund and the Capital Fund. Funding for both of these comes from the Member District Annual Assessments (MDAA) and budgeted operations.

The Governmental Fund is used to account for the transactions of the Association which are reported in a single governmental fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The Governmental fund will report all activities of the Association except for those capital asset expenditures which shall be reported in the Capital Fund (below).

When available, the Governmental Fund shall maintain an assigned fund balance for cash reserves and unforeseen expenditures at the start of each year equal to 40% of that year's budgeted Governmental Fund's annual expenditures.

Any excess funds to the aforementioned reserves of 40% shall reduce the next MDAA.

The Capital Fund of the Association provides for all annual capital expenditures for depreciable capital assets that in the aggregate are over \$10,000. Purchases of Buildings, building improvements, Parking Lot, Furniture and Equipment and Vehicles and Inclusion Projects at member locations shall be provided for on an annual basis in the Capital Fund.

The Capital Fund shall be funded through the annual budget and provided for from the MDAA and any associated grants. The capital fund shall maintain an assigned fund balance at the start of each year of \$250,000. Any excess funds shall reduce the next MDAA.