



LAKE COUNTY FOREST PRESERVES
www.LCFPD.org

Preservation, Restoration, Education and Recreation

DATE: November 9, 2017

MEMO TO: S. Michael Rummel, Chair
Finance Committee

FROM: Steve Neaman
Director of Finance

REQUEST: Provide policy direction regarding changing the current fiscal year from July 1 through June 30 to January 1 through December 31.

STRATEGIC DIRECTION SUPPORTED: Organizational Sustainability

FINANCIAL DATA: The financial impact will depend on the transition process selected by the District. If the District stays with its current fiscal year, there will be no impact. If the District changes its fiscal year, and transitions with a 6-month budget, it would likely be required to pay for an extra audit at a cost that would range between \$50,000 and \$70,000. If the District changes its fiscal year, and transition with an 18- month budget, the District would not need the additional audit. There may be nominal software costs.

BACKGROUND: Currently, the District's fiscal year starts on July 1 and ends on June 30. The fiscal year-end causes some complications as it falls in the middle of most of our seasonal programs and activities, between the due dates for property tax payments levied for the prior calendar year, and in the middle of the construction season. These complications could be avoided by changing to a standard calendar fiscal year. The Downstate Forest Preserve District Act gives the Board of Commissioners the power to establish a fiscal year and a transition period of its choosing.

For several years, the Board President and Commissioners have had conversations with staff about the possibility of changing the fiscal year to coincide with the calendar year. Some initial research was done on the topic a few years ago and discussions were concluded then, with the understanding that there were other larger issues to tackle, such as developing our strategic plan and focusing on new goals for the organization. Now that those tasks have been accomplished, the staff consensus is that now is the time to move forward with a more serious look at this change.

Staff has recently discussed this potential change with the District's corporate counsel, bond counsel, accounting software company, auditors, and with the Will County Forest Preserve District, which made this change about 10 years ago and is very happy with its decision. To date, nothing has been discovered that would impede the District from moving forward. Notifications to the State and to the Securities and Exchange Commission would need to be made for bond reporting requirements. The District's accounting software can be manipulated to handle a transitional period through date ranges. More detailed discussions with the District's auditors will have to take place, including the impact on our current contract with them, but they have not indicated any problems with the change or transition. In addition, a review of the District's personnel policies must be completed to assess their alignment with a calendar year.

Benefits of having a calendar fiscal year include better reporting on golf activities. Currently, our fiscal year-end is in the middle of the golf season. The financial reporting from the accounting system looks at fiscal years which takes a single golf season and splits it in two. This is also the case with our operations at Fox River Marina and at Independence Grove. Education programs also run through the summer months and are impacted from a planning perspective with a fiscal year-end that falls in the middle of summer. Another benefit to a calendar fiscal year is that much of the construction\restoration season takes place spring through fall. Currently, this leads to many projects being started in one fiscal year and carried over into the next, which can lead to budgeting confusion and extra work by the Finance Department.

Budgeting for tax levy revenue currently requires that we forecast out two tax levy cycles. With the payment of tax coupons due in June and then again in September, a single tax billing collection process falls into two fiscal years. This requires that we estimate two tax levies rather than just one. This leads to a higher likelihood that we may have to make a mid-year adjustment if there is an unanticipated economic turn.

If the committee gives staff the direction to move forward, we would need to develop a transitional budget period, or periods, to align us with a calendar year. Staff recommends that we do this by establishing an 18-month budget starting with the upcoming budget cycle for the fiscal year starting July 1, 2018. An 18-month budget would take us from July 1, 2018 to December 31, 2019. The benefits of this would include not having to complete two audits which cost about \$50,000 to \$70,000 each. It would also avoid staff from having to work through an audit while preparing a budget simultaneously. The time necessary to complete both simultaneously would be overwhelming to the Finance Department.

We recommend that the District change its fiscal year to a calendar year and, instead of adopting a 12-month budget this coming May, the District adopt an 18-month transitional budget. While this will create some challenges of its own, staff feels it would be more beneficial than doing a six-month transitional budget and then a twelve-month budget. We would need to start the planning process now, so that we can meet the deadlines for the upcoming budget process.

If the committee directs us to move forward with this policy direction, we would draft a resolution to formally (i) approve a change of the fiscal year to a calendar year, starting on January 1, 2020 and (ii) authorize staff to prepare an 18-month budget from July 1, 2018 to December 31, 2019, and bring the resolution back to the committee and Board of Commissioners for their consideration in December.

REVIEW BY OTHERS: Executive Director, Chief Operations Officer, Corporate Counsel.