



the dispatch

members' update from the Illinois Government Finance Officers Association



Learning Connecting Progressing

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Legislative update: Governor signs Budget Compromise Bill

LGDF revenue remains intact for FY 2015

In this issue:

We summarize the Budget Compromise Bill signed by the Governor, meet the GASB's newest member, take a look at the Knowledge Exchange, explore Municipal Advisor Rules and provide information on the two-day Illinois Government Finance Professionals' Academy May 20 and 21 (register by May 13 for lowest rates).

SAVE THE DATE!



The compromise plan to address the State's \$1.6 billion budget shortfall came in the form of two bills: House Bill 317 and House Bill 318.

HB 317 was the appropriations (spending) bill while HB 318 was the implementation (funding) bill. Although nearly 100 special funds are affected by HB 318, revenue from the Local Government Distributive Fund (LGDF) is safe for fiscal year 2015.

HB 317 reduced appropriations by 2.25 percent across state agencies. However, it also included a supplemental appropriation of \$644 million for specific programs where funding is running out, such as child care, court reporters, and prison guards.

HB 318 defined how the remaining \$1.366 billion shortfall would be funded. It relies on a concept referred to as "sweeps." Essentially, a sweep will transfer "excess" cash out of specific special funds and into the General Fund. Excess cash is loosely defined as cash not needed to pay current bills. However, there is a provision to return money to any fund with insufficient cash to support required expenditures. Accordingly, the sweeps concept ensures bills are paid but takes any excess cash up to the amount specified in the bill.

The cash is transferred from the specific funds to pay General Fund expenditures. It is unclear whether the swept funds will be repaid at some point in the future. If the monies are not repaid, the result is that the special funds will lose the swept funds.

Although the compromise plan leaves the LGDF intact, there are several special funds subject to the fund sweeps that may be of concern to local governments. Those funds are summarized below. For the full list of special fund sweeps, see HB 318.

Local Government Tax Fund: The compromise plan includes a \$200 million sweep from the Local Government Tax Fund (LGTF). State-collected local sales tax revenue is deposited into the LGTF. It appears the money will be taken from the "float" or cash deposited into the fund before disbursements are due. It is believed that enough cash will always be available in the fund to cover distributions. The result of the float is that monies supposedly earmarked for future distributions are instead being used to meet current disbursement obligations.

Road Fund: The plan includes a \$250 million sweep of the Road Fund. It is anticipated that the Illinois Department of Transportation (IDOT) will still be able to match expected federal funds. Also, it is believed that the Road Fund sweeps will not affect projects funded through the following federal programs: Surface Transportation Program, Congestion Mitigation and Air Quality, Illinois Transportation Enhancement Program, and any other federally funded transportation programs.

Motor Fuel Tax Fund: The plan includes a \$50 million sweep from the Motor Fuel Tax Fund (MFT.) Since municipalities receive a percentage of MFT revenue through monthly disbursements based on

continued next page

Committee Corner

Legislative Committee:

IGFOA Legislative Committee Liaison Brian Caputo has been working with the committee to better understand the rapid decline in telecommunication tax revenues.

Possible remedies, if any, are being considered to identify if these declines are correct or the system of collecting and distributing the taxes needs to be improved.

While nothing specific is yet available, this is a work-in-progress and the committee will keep IGFOA membership updated on the status of this project. *Read about Brian's appointment to the GASB on page 4.*

Did you forget your igfoa.org password?

As a member, you have access to areas of the website that aren't available to non-members, such as the full membership directory, the Knowledge Exchange and Legislative Briefs.

Have you forgotten your password? It's easy to reset – just click "Forgot your password?" and a new reset link will be sent to you. If you don't see it, please check your spam.

Legislative update

continued from front

a per capita basis, there will be a reduction of approximately \$13 million. According to the IDOT, the MFT transfer will result in a substantial reduction in the March MFT distribution to municipalities. After this March reduction, the monthly MFT distribution will return to normal levels.

State and Local Sales Tax Reform Fund: The plan includes a \$40 million sweep from the State and Local Sales Tax Reform Fund. Municipalities receive a monthly disbursement from this fund on a per capita basis.

Personal Property Tax Replacement Fund: The plan includes a \$14 million sweep from the Personal Property Tax Replacement Fund.

Now that the fiscal year 2015 budget is final, attention will turn to the fiscal year 2016 budget, which faces an approximately \$6.5 billion deficit. Accordingly, it is imperative to closely monitor the actions of the General Assembly until its legislative session is scheduled to adjourn at the end of May. The LGDF and other local revenues must be protected so that governments can continue to provide essential services for residents.

Sources: March 27, 2015 Northwest Municipal Conference *Legislative Update* and March 26, 2015 Illinois Municipal League *Legislative Update*.

It's not your old Knowledge Exchange!

Visit the **NEW IGFOA online Knowledge Exchange for the latest** on: Examples of purchasing policies, considerations for renting a parking lot, a sample RFP for financial advisor services... *and so much more!*

Meet IGFOA's new Executive Director

Diane Gillian Lantz, IGFOA's new Executive Director, has a unique combination of experiences that make her able to understand the challenges faced by government finance officers as they strive to maintain high levels of service while managing increasingly complex government finances with limited resources.

Diane served as Assistant Director of Technical Services at GFOA, where she focused on accounting, auditing and financial accounting for the national association. She also worked as Assistant Finance Director at the Village of Elk Grove, and as Financial Reporting Manager for the State of Ohio Office of Budget and Management. Diane is a registered CPA in Illinois and Ohio, and has had experience in public accounting as well. She is a graduate of Miami University.

And now Diane Gillian Lantz wants to meet YOU

In fact, don't be surprised if Diane comes knocking on your door to hear your ideas, comments and suggestions.

And if you'd like to get involved, Diane will help you find a way that works for you. You don't have to run a committee – maybe you'd like to help out for an hour at the conference. If you want to lend a hand for a single day or a full year, you can be involved at any level, depending on your time and resources – and never more than is good for you.

Please contact Diane at execdir@igfoa.org or Ruth at rlimpers@igfoa.org with your ideas and comments. Or if you want to be involved, they can help you find your niche.

Here's where you can submit a question

To ask a question, click on "Ask for Advice" on the Knowledge Exchange, then use this form

You can search by subject to get a list of related posts

This shows the list under the tag "Purchasing"

You can arrange to receive notice of posts on subjects

To get a notice when any post is made for a certain tag, click on the Question/Answer/or Document and then Click on "Subscribe"

First Thursday Hot Topics

On April 2, 2015, the Professional Education Committee held its April **First Thursday Webinar on Hot Topics in Debt Management**.

Attendees learned about emerging issues in municipal debt.

Thank you to the presenters for sharing their knowledge and experience:

- Kent Floros, Chapman and Cutler LLP
- Tom Gavin, Robert W. Baird & Co., Inc.
- Todd Krzyskowski, Mesirow Financial
- Raphaliata McKenzie, Speer Financial, Inc.
- Stephan Roberts, Robert W. Baird & Co., Inc.
- Lynda Given, Chapman and Cutler LLP

One topic of particular interest was the **Municipal Advisor Rule**. The article at right is courtesy of David F. Phillips, Senior Vice President, Speer Financial, Inc.

Municipal Advisor Rule Compliance

By David F. Phillips, Senior Vice President, and Anthony Miceli, Vice President, Speer Financial, Inc.,

The Municipal Advisor (MA) Rules became effective on July 1, 2014. The MA Rules define who is an MA and when an MA is engaging in activities which give rise to a fiduciary duty between the MA and a municipal entity. The MA Rules also charged the Municipal Securities Rulemaking Board (MSRB) with disseminating rules regarding the activities of MAs and setting professional standards and proficiency tests for MAs. The major effects of these rules have been to regulate MAs, which were previously unregulated, impose a fiduciary duty on MAs as it relates to their municipal clients, and clearly delineate between the roles of MA and underwriter on municipal securities transactions.

It seems the effect of the rule that can be felt most by municipal entities is the establishment of the MA definition itself and the need for municipal securities dealers/underwriters to exempt themselves from the definition when conducting business with a municipal entity. Any person that solicits and/or provides advice to, or on behalf of, a municipal entity regarding a municipal financial product or securities issuance is considered to be an MA and has a fiduciary duty to that municipal issuer. Firms wishing to serve as municipal securities dealer/underwriter cannot have a fiduciary duty to a municipal entity and thus must operate within certain defined MA exemptions. Generally, underwriters are restricted to providing only general information unless:

1. They are specifically engaged on a transaction as a securities dealer/underwriter, or
2. They are asked for information in a qualified request for proposal (RFP), or
3. The municipal entity has represented in writing that it will rely on the opinion of an Independent Registered Municipal Advisor (IRMA).

Municipal entities may have noticed that the type and frequency of information received from underwriters has changed since July 1, 2014 as these exceptions are the only exceptions applicable. Underwriters have new constraints with the new regulations and are also adapting to what they can and cannot communicate without jeopardizing their role in a transaction.

What changes have occurred due to the new rules?

For local governments that have engaged MAs prior to the rules, little, if any, noticeable changes have occurred. Issuers will want to verify the MAs good standing with the MSRB and the SEC as fully register municipal advisors. Some local governments are also formalizing with their municipal advisor their relationship as the designated IRMA, allowing underwriters to communicate financing ideas freely under the IRMA exemption.

Local governments who have not previously engaged a MA may have noticed that the type and frequency of information presented to them by underwriter(s) has changed. The underwriter(s) must rely on the general information exemption described above for providing unsolicited information when not specifically engaged on a transaction. Therefore, the type of information presented may differ from that the local government had received prior to July 2014.

Role clarity is much better defined under the new rules. The type of advice a local government receives, and type of professional delivering such advice (underwriter/municipal advisor), has become more transparent as a result of the MA Rules.

David Phillips can be reached by email at dphillips@speerfinancial.com. Anthony Miceli can be reached by email at amiceli@speerfinancial.com.

Have a Speakers Bureau idea?

Please suggest topics and speakers for the IGFOA Speakers Bureau. The IGFOA Professional Education Committee, Chapters, Networks, Regional groups, volunteer leaders and staff all use the Bureau to identify topics and speakers of interest to IGFOA members. From time to time IGFOA provides access to its Speakers Bureau to affiliated organizations.

Find the Speakers Bureau contribution form at www.igfoa.org/about/igfoa-speakers-bureau

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Brian Caputo named to the GASB

IGFOA members can be proud that one of our own has been named to the Governmental Accounting Standards Board



Congratulations to IGFOA member Brian Caputo, Chief Financial Officer/City Treasurer for the City of Aurora, on his appointment to the Governmental Accounting Standards Board.

"In some ways, the GASB is similar to the IGFOA Technical

Brian Caputo Accounting Review Committee. It is a deliberative group that evaluates the advantages and disadvantages of proposed changes to financial reporting, and determines whether the proposed changes will improve financial reporting by state and local governments," Brian explained. Items for deliberation are suggested, researched, and presented to the GASB by the preparers and users of financial statements, oversight groups, and others.

Brian's first GASB meeting will be in July. In the meantime, he is going through materials and listening to GASB testimony, and he will attend two GASB meetings to observe.

Brian is looking forward to being involved in outreach to finance officers. "I want to help finance officers better understand stakeholder points of view so that they can appreciate the motivation for proposed changes," he said. "I am looking forward to being an ambassador for our industry, and making a larger contribution to our profession."

The GASB has a full-time chair and six part-time members who represent different sectors of government finance. Meetings are held an average of three days every six months.

Volunteer focus:

Brian Caputo on getting involved with the IGFOA

Brian Caputo says that his appointment to the GASB is an example of what happens when a government finance professional gets involved in the IGFOA: "Not that everyone wants to be on the GASB, but there are a wide range of opportunities in government finance, and IGFOA membership helps members realize their goals. The association offers many resources and contacts, and these can make a real difference to a career in government finance," he said. "There is absolutely no doubt in my mind that being involved with the IGFOA enhances a career."

Brian got his first taste of the organization when his boss began taking him to IGFOA training seminars and events in 1991. "I had been a staff auditor at Price Waterhouse, and needed to get up to speed on the specifics of government finance. The education provided by the IGFOA was invaluable, and I got so much out of meeting

other people who were working in government finance," he recalled. "I jumped in, and by the mid-1990s, I was recruited for the Technical Accounting Review Committee (TARC). I served on the TARC for several years, and took a turn as Chair before leaving that committee to serve on the IGFOA Executive Board for approximately nine years. Later, I got on the TARC again, and after that, served once more on the Board."

"Along the way, I was involved in teaching various seminars on the principles of government accounting and other subjects. In recent years, we updated curriculum, and adapted it to webinars," he continued.

"It's clear that my experiences with the IGFOA provided me with much of the background that led to my selection for the GASB," he continued. "From the standpoint of professional activities, I can truly say that it all started with the IGFOA."

Wrapup: Brian Caputo on being an IGFOA member

"Here's what I would tell someone new to the field – there is no downside to being involved with the IGFOA. Here's how to get the most from your membership:

- ▶ Take advantage of the available resources – you will find a lot of them.
- ▶ Ask for help – it is easily accessible. Your fellow professionals *want* to help you.
- ▶ Enjoy interacting with your contemporaries."

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Many thanks to the IGFOA Associate Partners for their continuing support and collaboration.

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Inside:

*Legislative update:
Budget Compromise Bill*

*IGFOA member
named to the GASB*

The Knowledge Exchange

...and more!

Illinois Government Finance Professionals' Academy I

Two days designed to provide a solid foundation of skills, knowledge, and an appreciation of the unique environment and dynamics of professional government finance practices in Illinois. Presented by the IGFOA Professional Education Committee

**Earn about
13.0 CPE credit**

Register by May 13:

IGFOA Member \$250
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Register after May 13:

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Wednesday & Thursday, May 20 & 21 • 8:15 a.m. to 4:30 p.m.
Doubletree Suites • 2111 Butterfield Road, Downers Grove, IL 60515

**Register and find more details
at www.igfoa.org
Register by May 13 for lower rate**

DAY ONE: WEDNESDAY, MAY 20

8:15 – 9:00 a.m. Registration & Continental Breakfast

9:00 – 10:15 a.m. Principles of Professional Government Finance
Speaker: Elizabeth Holleb, City of Lake Forest

10:30 a.m. – 12:30 p.m. Governmental Accounting Overview & Internal Control Principles for Local Government
Speakers: Anthony Cervini, Sikich LLP; Bill Hannah, Village of North Aurora; Brian LeFevre, Sikich LLP

12:30 – 1:30 p.m. Networking Luncheon

1:30 – 3:00 p.m. Cash and Public Funds Electronic Commerce
Speakers: Brendan Fletcher, JP Morgan Chase; Pat O'Donnell, JP Morgan Chase

3:15 – 4:30 p.m. Principles of Ethics for Government Finance
Speaker: Kim Auchstetter, Village of New Lenox

DAY TWO: THURSDAY, MAY 21

8:15 – 9:00 a.m. Continental Breakfast

9:00 – 10:40 a.m. Capital Financing & Debt Management Overview
Speakers: Erin Bartholomy, Chapman and Cutler LLP; Stephanie DiSilvestro, Chapman and Cutler LLP; Lynda Given, Chapman and Cutler LLP; Todd Krzykowski, Mesirrow Financial; Sharone Levy, Chapman and Cutler LLP; Andrew Kim, PMA Securities, Inc.; Dave Phillips, Speer Financial, Inc.; Jamie Rachlin, BMO Capital Markets GKST Inc.; Stephan Roberts, Robert W. Baird & Co. Inc.

11 a.m. – 12:30 p.m. Continued: Capital Financing & Debt Management Overview

12:30 – 1:30 p.m. Networking Luncheon

1:30 – 3:00 p.m. Illinois Government Revenue Overview
Speakers: Christopher Buckley, Baxter & Woodman, Inc.; David Gonzalez, GW & Associates, PC; Jason Perry, Azavar Audit Solutions; John Wysocki, GW & Associates, PC

3:15 – 4:15 p.m. What Makes a Good Finance Director
Speakers: Dave Richardson; Sean Stegall, City of Elgin; Heidi Voorhees, GovHR USA

4:15 – 4:30 p.m. Closing