

SPECIAL COMMITTEE OF THE WHOLE MEETING

Community Room
Wednesday, October 26, 2016
5:00 p.m.

Present:

Mayor Brandt	Trustee Hancock
Trustee Feldman	Trustee Grujanac
Trustee McDonough (arrived 5:15)	Trustee Servi
Trustee Leider	Village Clerk Mastandrea
Village Attorney Simon	Village Manager Burke
Finance Director/Treasurer Peterson	Public Works Director Woodbury
Chief of Police Leonas	Assistant Village Manager Community &
Assistant Public Works Director/ Village Engineer Dittrich	Economic Development Director Letendre

CALL TO ORDER**1.0 ROLL CALL**

Mayor Brandt called the meeting to order at 5:02 p.m., and Village Manager Burke took the roll call.

2.0 ITEMS OF GENERAL BUSINESS**2.1 Finance and Administration****2.11 Fiscal Year 2017 Budget Workshop****o General Fund - Revenues & Expenditures**

Village Manager Burke thanked the Board and staff for their attendance at the budget workshop and explained the reason for the meeting is to review the proposed 2017 Budget and provide opportunity for the Board to ask questions and discuss the fiscal plan for the coming year.

Village Manager Burke provided an overview of the assumptions and Fiscal Policies including:

- \$1.7 Million Loss in Sales Tax (1% and .5% Home Rule Sales Tax);
- Flat Revenue Projections All Other Sectors;
- Merit Based Compensation Plan – Non Police Officer Personnel;
- No Operational Changes;
- No New Personnel;
- Capital Projects as outlined in the General Capital and Water & Sewer Improvement Fund budgets

Mayor Brandt asked Village Manager Burke to explain the \$1.7 million loss. Village Manager Burke noted the loss is largely attributed to the loss of major sales tax providers. Grainger was one of the largest tax providers who staff had been working with for more than the last three years to keep in the Village. Village Manager Burke explained staff, in working with the Mayor, even went so far as to provide a tax sharing agreement to them for their consideration. Grainger's primary decision point was whether or not to stay in their leased space in Lincolnshire when their lease was coming due or move to office space they currently own outside of the Village. Village Manager Burke noted Grainger elected to move into space they own rather than continue the lease arrangement. Mayor Brandt stated in talking with a Manager at Grainger, it was stated they liked Lincolnshire and this was a corporate decision. Grainger may look at moving a separate location back into Lincolnshire in the future; staff has been having discussions with them on a proposed Lincolnshire facility. Trustee Grujanac asked if Grainger has entertained the discussions regarding a possible new facility. Village Manager Burke stated they may not acquire the facility in the current year but in an outlying year.

Village Manager Burke noted Forsythe Technologies also closed their facility. Forsythe Technologies move consolidated their sales staff into their data center facility recently built in Elk Grove Village.

Village Manager Burke continued with assumptions and stated there will be no operational changes, no new personnel changes, but some positions would remain unfilled in 2017. Village Manager Burke provided additional information related to the unfilled positions and departmental changes specifically in Public Works which will result in salary savings. Village Manager Burke explained current Operations Superintendent Scott Phippen has announced plans to retire in early December, and staff is proposing to replace this position with two foreman positions. The foreman positions would be new positions for Public Works, and the staff in these two positions would have both field supervisory and administrative responsibilities. Village Manager Burke noted the total staffing level in the Public Works Department expected to remain the same for 2017; however, the savings in terms of regular salaries is expected to be between \$30,000 and \$40,000. Village Manager Burke noted that since 2012, the FTE count has gone from 71.3 to 63 for 2017 which is an 11% reduction.

Village Manager Burke noted Capital Improvement projects in the budget relate to the presentation provided to the Board by Assistant Public Works Director/Village Engineer Dittrich at a Village Board meeting in July of this year.

Village Manager Burke provided information related to challenges and economic uncertainty the Village of Lincolnshire has this coming budget year.

Village Manager Burke noted some positives in the economic outlook include CDW possibly bringing their sales tax generating business to the Village, and CityPark's retail center new ownership which may bring the potential for growth.

Village Manager Burke summarized the following Fiscal Policies:

- General Fund Reserve Fund Balance
- Guideline - Current revenues will be sufficient to support current expenditures except where indicated that the Board has approved use of Fund Reserves and/or Loan Proceeds to cover capital program needs.
- Water & Sewer Fund Reserve - Formal Policy – Greater than or equal to 20% of annual operating budget and set fees and user charges for the Water and Sewer Fund at a level to fully support the total direct and indirect costs of operation.
- Police Pension Fund – 100% funding target based upon a “closed” 30 year period beginning on January 1, 2011 for Tax Years 2016-2025 (then 15-year rolling period)
- Retirement Fund – 100% funding target based upon a 27-year closed period until remaining period reaches 15 years (then 15-year rolling period)

Village Manager Burke stated the proposed budget reflects adhering to the Village Board's fiscal policies and anticipates total operating revenue of \$10,314,500 and total operating expenditures of \$11,491,898. Village Manager Burke noted the operating expenses include a use of \$1,177,398 in reserves for debt service and a transfer from the General Fund to fund Water & Sewer Improvements. Village Manager Burke reviewed the following highlights of the proposed 2016 budget:

- General Fund operating revenues reflect a decrease (12.1%) or \$1,425,510 compared to FY2016 Budget and 7.9% decrease compared to projected fiscal year-end represent a slight decrease over the previous year.
- General Fund Operating Expenditures (excluding debt and transfers) Reflect 2.9% (\$288,480) decrease compared to 2016 Budget
- Budget contemplates use of General Fund FY 2017 projected revenues and reserves to fund requested water & sewer improvement projects.
- 2017 Budget reflects determining unassigned reserves at start of current fiscal year to decide funding directed to General Capital Fund (Not using projected revenue to fund capital.)

Village Manager Burke noted proposed general fund highlights and presented the five-year financial forecasts.

Trustee McDonough asked why the revenue reflects a drop off significantly in 2019. Village Manager Burke stated in 2019 the Five-Year Financial Forecast reflects the Village having worked through its existing accumulated reserves. Village Manager Burke noted the chart in question reflects a significant drop in accumulated reserves and not a decline in revenue in outlying years. This would occur unless there is a change in revenue structure or significant reductions in capital expenditures. The financial projections reflect the Village using reserves year-over-year.

Mayor Brandt stated the chart presented does not include any change in regards to tax revenue if the Village raises food and hotel taxes. Mayor Brandt noted this is the worst case scenario. Trustee McDonough noted the information presented shows revenue down. Village Manager Burke noted revenue is declining in the current fiscal year and is projected to continue in 2017. A conversation about future revenues and fund balance followed. Village Manager Burke noted, based upon the financial forecast, Lincolnshire has 24 months to build a revenue plan and hopefully see changes in the local economic climate.

Trustee Leider asked how real estate transfer tax is reflected in the future years. Village Manager Burke stated real estate transfer tax is budgeted based upon average home sales year-over-year. The budgeted amount for real estate transfer taxes does not contemplate any commercial property transactions. A conversation regarding real estate transfer taxes followed. Finance Director/Treasurer Peterson stated it is important to note the Village is not running operations on the expectations of receiving unusually large real estate transfer taxes throughout the year. Real estate transfer taxes that exceed projections are viewed as one-time revenue and would contribute to the amount the Village transfers annually to the General Capital Fund to offset infrastructure and equipment expenses.

Village Manager Burke continued his budget presentation.

Trustee Feldman asked if it was a true statement that the Village is taking in less tax so the schools can take more. Village Manager Burke noted the Village has worked hard to maintain a very low tax rate so the other taxing bodies do not feel the pressure to limit potential increases if there is a need. However, there is no direct relationship between the amount levied by the Village and that of the local schools. In terms of property taxes levied, the Village and

schools are governed by themselves. Mayor Brandt stated the Village is efficient and systematic in seeking new revenue opportunities; therefore, the need to raise taxes has not been there historically. Mayor Brandt stated it would be good to put out to the public that Lincolnshire is one of the lowest as far as taxes paid to the Village.

Village Manger Burke continued his budget presentation with the General Fund revenue projections.

Village Manager Burke noted possible ways the Village can address revenue decline and provided possible revenue options for discussion. Mayor Brandt asked if Vernon Hills has tax on local motor fuel. Village Manager Burke stated he did not know but would look into this and report back to the Board.

Trustee Grujanac asked how the referendum regarding the Roads and Streets would affect the Village. Village Manager Burke stated he did not know how this would affect the Village. A conversation regarding road projects and the Constitutional referendum on the November 8, 2016 ballot followed.

Trustee Grujanac asked if Vernon Hills had the optional 1% on food and beverage tax. Village Manager Burke stated he did not believe Vernon Hills did have this tax but will confirm this.

Trustee Leider asked why increasing the home rule sales tax was not an option in the presentation. Village Manager Burke stated this is an option but did not include it in the presentation since the ½% has only been included in the past few years.

Mayor Brandt suggested looking into the hotel tax since Lincolnshire is still lower than most of the surrounding communities.

Finance Director/Treasurer Peterson provided proposed numbers if the suggested taxes were increased.

Staff indicated they will look into the suggested items, compare to the surrounding communities and report back.

Trustee Servi suggested looking at increasing the food & beverage tax since this would not affect residents as directly. A conversation regarding the possibility of food & beverage taxes followed.

Mayor Brandt suggested possibly increasing entertainment taxes.

Mayor Brandt asked how long it would take to get into the system if the Village adopted some of the proposed increases. Finance Director/Treasurer Peterson stated the time frame would be various

based on what the Village decided. Village Manager Burke stated home rule sales tax is collected by the state and submitted to the Village. He noted there are two deadlines per year for communities to implement a change in home rule sales tax. Food and beverage tax would be collected by the Village and would take staff time to prepare and implement for collection.

Staff will continue to research these items and bring back the information to the Board.

Trustee Leider asked if any communities have a tax on large property being sold, split up and charging a premium. Village Manager Burke stated he would have to look into this.

Village Manager Burke asked the Board if he would like staff to research all these options and bring them back to the Board at the same time.

Trustee McDonough stated he is not in favor of any tax increase. Trustee McDonough stated he would like to go through the budget before looking at a tax increase to see if there is money to be saved elsewhere. Trustee McDonough suggested taking out some loans and paying them off in future years, when some of the costs go down. Finance Director/Treasurer Peterson stated the option of loans was discussed. Staff will need to sit with Assistant Public Works Director/Village Engineer Dittrich to see where Lincolnshire stands with 20-year projects to determine a clear picture for financing needs. A conversation regarding possible loans followed.

It was the consensus of the Board for staff to look into projects and possible local loans.

Village Manager Burke provided proposed General Fund expenditures and information on 2017 goals by Department.

Trustee Servi asked why the budget has had a carry-over Police Officer position for the last few years. Village Manager Burke stated each year right before the budget cycle a resignation has taken place in the Police Department. Trustee Servi asked if Lincolnshire can operate down an Officer each year, then why not close the position. Village Manager Burke stated due to Chief of Police Leonas joining the Village of Lincolnshire recently, he would like to give him the opportunity to determine staffing needs before considering a possible reduction in the size of the patrol unit.

Village Manager Burke continued to provide proposed General Fund expenditures and goal information by Department and general fund expenses for 2017.

A conversation regarding the proposed elimination of Senior Citizen tax refund followed. Trustee Leider suggested staff look into this and report back to the Board.

Village Manager Burke continued the budget presentation with the proposed goal information by Department and general fund expenses for 2017.

Village Manager Burke asked for Board comments regarding working with Amdur Productions and the combined summer Arts & Eats Festival. A discussion on the community event followed. Trustee McDonough stated his opinion would be to continue to work with Amdur Production on the Arts & Eats Festival. Trustee Leider asked what the Village of Lincolnshire is getting out of the Arts & Eats Festival. Mayor Brandt noted concern regarding the expense by the Village of Lincolnshire for the event as well as demands on staff time. Trustee Leider stated it was his opinion not to continue investing with the Arts & Eats event. Trustee Grujanac agreed with Trustee Leider regarding not spending the money to continue with the event. Mayor Brandt suggested another event that would not cost money but would benefit economic development. Mayor Brandt suggested staff talk to Amdur Productions to continue to do the Art Fair.

A conversation regarding special events followed. It was noted Boo Bash generated money in 2015. Trustee Leider suggested getting sponsors for the 4th of July fireworks.

Trustee McDonough asked what the tree fund balance is. Village Manager Burke stated the tree fund balance is approximately \$230,000. Village Manager Burke noted staff is planning to present a recommendation to include a 50/50 cost share in the business park in the near future since there has been a big loss of trees in these areas.

Village Manager Burke continued the budget presentation with the proposed goal information by Department and general fund expenses for 2017.

Village Manger Burke presented information regarding proposed debt and transfer.

- **Water & Sewer Fund Revenues & Expenditures**

Village Manager Burke presented information regarding the proposed water and sanitary sewer fund.

Trustee Leider asked if there was an increase from the County for the sewer rate. Village Manager Burke noted staff has not been

notified of an increase from the county. The proposed increase in the sewer rates is to address internal increases related to operating costs and project expenses.

Village Manager Burke continued the budget presentation related to Water and Sanitary Sewer Fund proposed guidelines and revenues.

Village Manager Burke presented charts highlighting future Water and Sewer fund revenues vs expenses, transfers, and policy reserves.

Trustee McDonough asked if the 20% of policy reserves in the Water and Sewer Fund made sense. Village Manager Burke stated if there is a catastrophic failure in the system, the 20% policy reserves is needed. A conversation regarding possible failures in the system and the associated costs followed.

Village Manager Burke presented Water & Sewer administration and operations related to the proposed 2017 budget.

○ **Other Funds**

Village Manager Burke continued the budget presentation as it relates to the following funds:

- **Motor Fuel Tax**
- **Police Pension Fund**
- **Retirement Fund**
- **Fraud, Alcohol & Drug Enforcement Fund**
- **Vehicle Maintenance Fund**

Trustee Leider asked what the Village of Lincolnshire spends in gas. Finance Director/Treasurer Peterson stated it is about \$60,000.

Village Manager Burke noted Trustee Servi asked about the option of electric vehicles and this option is being looked into.

- **E-911 Fund**
- **Park Development Fund**
- **Special Service Area (SSA) Sedgebrook**
- **Special Service Area (SSA) Traffic Signal SSA**

3.0 EXECUTIVE SESSION - None

4.0 ADJOURNMENT

Trustee Grujanac moved and Trustee Servi seconded the motion to adjourn. Upon a voice vote, the motion was approved unanimously and Mayor Brandt declared the meeting adjourned at 7:02 p.m.

Respectfully submitted,

VILLAGE OF LINCOLNSHIRE

Bradly J. Burke
Deputy Village Clerk