

**MINUTES
COMMITTEE OF THE WHOLE MEETING
VILLAGE OF VERNON HILLS
MARCH 6, 2018**

President Pro Tem Koch called the meeting to order at 7:35p.m.

IN ATTENDANCE: Trustees Koch, Hebda, Marquardt, Oppenheim, Schultz, and Takaoka. President Byrne was absent. A quorum was established.

Also present were: Village Manager Kalmar, Assistant Village Manager Carey, Chief Kreis, Deputy Chief Zimmerman, Public Works Director Brown, Finance Director Larson, Assistant to the Finance Director Bourdeau, Attorney Brankin, and Recording Secretary Fischbach.

1. APPROVAL OF COMMITTEE OF THE WHOLE MEETING MINUTES OF FEBRUARY 6, 2018

Motion by Trustee Marquardt, second by Trustee Hebda, to approve Committee of the Whole Minutes for the February 6, 2018 meeting.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

2. PRESENTATION OF THE FY 2018-19 PROPOSED BUDGET (FD LARSON)

Village Manager Kalmar introduced the 2018/2019 budget. He provided an overview of the future objectives and current budget issues addressed by the Village throughout the year. He introduced Finance Director Larson and she provided the following overview. Department Heads presented their own budget overviews.

A. Budget Overview (Introductory Section P. 19-26) - **The overall FY 2018-19 proposed expenditure budget is \$31,365,970.** This represents a 4.6% increase from the FY 2017-18 proposed budget (excluding last year's \$1M payment to the Mellody Farm TIF).

• **Total Budget – All Funds**

- Of the expenditures, \$21,567,044 is for operations, representing a 1.5% decrease from the current year proposed budget. \$3,110,789 is for debt in all funds, representing a 25.1% increase over the current year proposed budget. Debt has increased significantly due to the higher debt payments coming due on the Village's 2005 GO Bonds. These bonds will be paid off in FY2021. \$1,401,000 is for the Capital Subfund expenditures, representing a 17.5% increase from the current budget.
- Projected resources (revenue) total \$31,485,049, which represents a 37.8% decrease from the prior year. The prior year included estimated bond proceeds of \$21,000,000 for the Mellody Farm TIF District. Excluding the bond proceeds, resources are projected to increase by 6.4% over the current budget.

• **General Fund**

- Anticipated General Fund revenues are \$22,857,219; a decrease of \$99,131, or 0.4%, from the current budgeted level. This calculation takes into account a use of reserves of approximately \$371,554. Without this use of reserves, revenues are projected to decrease by 2.0% from the prior year budget.

- Budgeted General Fund expenditures are \$22,857,219, a decrease of \$42,601 or 1.4% from the prior budget.
- The General Fund budget has a \$371,554 deficit before subtracting the Capital, Summer Celebration, Metra Station and DUI subfunds. It is proposed that a one-time use of reserves be utilized to cover this shortage, as the majority of this amount is attributable to the placeholder (see below) for a potential capital contribution for the School District 73 Kindergarten expansion. Also included is \$350,000 that has been budgeted into reserves to offset unanticipated expenditures and potential salary and range adjustments for non-union employees. Please note that the budget only includes salary increases that have been contractually agreed upon in the Collective Bargaining Agreements with Police Officers, Sergeants and Telecommunicators. There are no increases included for the remainder of the employees. Further discussions on salary & range adjustments for all employees will occur in the near future.
- The largest increase in the General Fund is a placeholder for a one-time, \$500,000 contribution to School District 73. Staff is seeking policy direction from the Village Board, on what, if any amount, would like to be contributed to this project as a donation, and whether or not a portion or all of the contribution would function as a short term loan. Additional discussions will take place regarding this item during the President and Village Board budget discussion.
- The budgeted amount for the legally required contribution to the Vernon Hills Town Center (VHTC) TIF District is budgeted at \$130,000, which is an increase of 0.8% from the FY 2017-18 budget.
- The estimated amount for the legally required contribution for the Melody Farm TIF is \$5,000, which is set aside to account for the Village's match for any increment that may be generated in the coming fiscal year. This contribution amount would be legally required by the State of Illinois because the Village does not levy a property tax.
- General Fund debt service is \$1,151,560, a 40.9% increase from this year, as a result of the final years of scheduled debt payments coming due for bonds issued in FY 2005. This debt service amount does not include any debt from the TIF Districts.
- **All Other Funds**
 - The total Capital Sub-fund budget is \$1,401,000, which represents a 17.5% decrease from the FY 2017-18 budget. Of this amount, permanent improvements are \$1,359,000, which is a 17.0% decrease from this year's level. Equipment is budgeted at \$42,000, which is a 30.2% decrease from last year.
 - In the VHTC Tax Increment Fund, the overall budget has a projected surplus of \$118,079. The TIF surplus is needed to repay its loan to the Replacement Fund and to cover future principal payments on TIF debt.
 - The Motor Fuel Tax Fund is projected to receive \$676,660 in revenue, \$379,200 in grant revenue and \$1,494,000 in expenditures, resulting in a \$428,140 deficit. It is proposed that MFT reserves be utilized to cover this deficit. Included in expenditures is \$500,000 for the FY 2019-20 Road Program. The large increase in expenditures in this fund is largely due to the commencement of the Lakeview/Fairway project. Please note that although IDOT requires that \$993,000 be budgeted for this project, after grant reimbursements listed above, the net cost to the Village for this phase of the project will be \$613,800.

- The Dispatch Center Fund is expected to see a slight increase in revenues from anticipated increases fees shared by the State of Illinois, which resulted from recent legislation changes. Scheduled increases in the Village's intergovernmental contracts to provide dispatch services are projected to increase approximately 12.8% over the prior year. Staff will be negotiating with the Village of Lincolnshire to renew their service contract, which expires later this year. Of the \$2,990,937 Dispatch revenue budget, \$1,141,158 is funded by a General Fund transfer, and \$220,000 is a scheduled drawdown of fund reserves for a one-time capital expense.
- The Replacement Fund is projected to utilize \$315,400 in fund reserves to accommodate \$315,400 in expenditures for equipment replacement. This fund has accumulated approximately \$2.9 million in equipment reserves, and the proposed budget has eliminated General Fund contributions for a one-year period to begin to drawdown these reserves. Expenditures for Police Cars have also been moved to the Replacement Fund, which will also contribute to a long term increase in expenditures in this fund. Budgeted expenditures represent a 38.6% increase from the prior year proposed budget. Purchases in this fund vary from year to year based on replacement schedules and wear and tear on municipal vehicles.

B. General Fund Revenues (P. 35-46) - **The General Fund accounts for the vast majority of the Village services (Police, Public Works Community Development, Administration), and revenue is projected to be a total of \$22,857,219.** This includes a use of reserves in the amount of \$371,554, and represents a decrease of 0.43% less the FY 2017-18 budgeted levels. General Revenue Fund components include:

- As a result of current downward trends in revenue, the proposed budget process included an analysis of current revenue sources and the identification of new revenue sources. As a result, included in the budget is a proposal to implement a Home Rule Food and Beverage Tax (F&B) and Packaged Liquor Tax. These taxes would apply to restaurants, grocery and convenience stores, entertainment uses such as theaters, golf courses and bowling alley where food is prepared for on-premise consumption or packaged liquor is sold. **It is estimated that the tax would apply to 150 businesses within the Village and would generate approximately \$1 million annually for F&B tax, and \$200,000 for Packaged Liquor Tax once fully implemented.** Based on the amount of time to communicate this change to business owners, it is anticipated that this tax will take effect on September 1, 2018. The partial year projection for both of these revenues is approximately \$667,000. A portion of this revenue would be used to offset the cost of hiring an accountant within the Finance Department, which is reflected in the Administration Budget.

For comparison purposes, staff surveyed the surrounding municipalities to determine which ones had implemented this tax. A sample of these results is included below:

<u>Community</u>	<u>Tax Rate</u>
Bannockburn	1%
Buffalo Grove**	1%
Deerfield	1%
Highland Park**	1%
Lake Bluff	1%
Libertyville	1%
Lincolnshire	1%
Mount Prospect	1%
Palatine**	1%
Rolling Meadows	2%
Schaumburg**	2%
Wheeling	1%

- The Village's Home Rule Sales Tax (HRST) is projected to decrease by 10.7% in the proposed budget. The HRST was approved to offset the terms of the Westfield/Hawthorn Mall economic incentive agreement, and revenue projections are shown net of rebate. This tax is currently running below projections for FY 17/18.
- The AMC Theater in Hawthorn Mall and AMC Showplace 8 have seen a decline in amusement tax revenues. Amusement Tax revenues for FY 17/18 are running 18.0% below projections. For FY 18/19, we are projecting \$215,000 in amusement tax revenues.
- The local share of State Income Tax (LGDF) is expected to decrease by approximately 11.4% from the current year's budget. As the Board may recall, the State of Illinois' FY 18 Budget cut approximately \$569,332 from the Village's revenues by reducing its local share of income taxes (LGDF) and imposing administrative collection fees on Home Rule Sales Taxes and Telecommunications Taxes. LGDF was cut by 10%, and it is anticipated that this level will become the new norm. There have been several bills presented by the Illinois State Legislature to continue reduce or eliminate the local share of this revenue. We will continue to monitor this revenue closely.
- License and Permit fees are projected to decrease by approximately 55.6% from the prior year. The proposed budget number, \$641,100, is based on projected permit fees that will be generated this year from construction and remodeling. The majority of this decrease is attributable to the resetting this revenue back to normal trends after seeing a large spike in revenue from the Melody Farm and Pulte developments.

C. Police Budget (P. 47-76) - **The Police budget is \$10,869,710 which is a 2.3% decrease from this year's budget.** Salaries and benefits are \$9,146,765 which is a decrease of \$101,008 or 1.1% from the current budget. The budget does not include an estimate for cost of living increases to salaries for non-union employees, but does include increases for Sergeants, Officers and planned step increases that were previously approved as part of the prior year's budget. Additionally, the Deputy Chief of Support Services position has been removed from the budget with the recent retirement and will not be replaced by a sworn officer. The annual savings realized by not replacing the position is nearly \$220,000. The potential realignment of those responsibilities associated with the position is currently under review by the Chief of Police and Village Manager.

Contractual Services at \$398,140 are down 3.7%, while commodities at \$171,560 are down 1.5%. Equipment is budgeted at \$253,100 is down 62.1% or \$157,210. This decrease reflects the transfer of police vehicle purchases out of the Police budget and into the Replacement Fund. The Transfer to the Dispatch Center Fund is \$1,154,465, a decrease of 1.2% or \$13,307 from the current budget. This transfer is required to cover the difference between revenues and expenditures in the Dispatch Center Fund.

Motion by Trustee Schultz, second by Trustee Marquardt, approving the Police Budget in the amount of **\$10,869,710** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

- D. Dispatch Center Fund Budget (P. 77-88) - **The Dispatch Center Budget is \$2,990,937 or a 12.6% increase from the current budget.** The Dispatch Center Fund revenues consist of land and wireless 911 revenues, intergovernmental customer dues and Village contributions. Land and wireless 911 revenues are budgeted at \$404,600. This is an increase of \$101,600 from last year's projection. Dispatch service fees are \$1,222,679; an increase of \$138,222 from the current projection. This increase is due to anticipated increases in the Village's intergovernmental contracts. Salaries are \$1,477,023, an increase of 2.1% or \$30,473 over the current budget. This primary reason for this increase over the original budget is due to pay increases in accordance with the Collective Bargaining Agreement and step increases that were previously approved. Fringes are \$537,600, an increase of 3.6% over the current budget. Contractual Services are \$825,489, an increase of 52.7% over the current budget. This increase is related to the proposed replacement of the 911 Emergency Phone System. The budget proposes that \$220,000 of Dispatch Fund reserves be utilized to pay for the new phone system. Commodities are \$8,050, which is consistent with the prior year budget. Equipment is \$3,600, which is also consistent with the current budget. The General Fund contribution to this Fund decreased by \$13,307 from the current budget to \$1,141,158.

Motion by Trustee Hebda, second by Trustee Schultz, approving the Dispatch Center Fund Budget in the amount of **\$2,990,937** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

- E. DUI and Drug Forfeiture Budgets (P. 89-96) - **The budget for the DUI funds is \$42,000.** This budget is restricted to items associated with DUI enforcement. The sole expenditure proposed for this fund is a transfer out to the Capital Fund to purchase in-car cameras for the Police squad cars. This amount would fund cameras for nine vehicles and include a cloud-based software to store video footage. This item will be funded by DUI fines and fund reserves. **The Drug forfeiture budget is \$46,000.** This expenditure and offsetting use of fund reserves may be used for the purchase of mobile printers to participate in Lake County's e-citation program. Additionally, a

license plate recognition tool is proposed to assist in enforcement activities. This fund is generated from revenues received for drug seizures and it can only be used for drug enforcement items.

Motion by Trustee Hebda, second by Trustee Schultz, approving the DUI Fund Budget in the amount of **\$42,000** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

Motion by Trustee Schultz, second by Trustee Marquardt, approving the Drug Forfeiture Budget in the amount of **\$46,000** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

- F. Fire and Police Commission Budget (P 97-100) -**This budget is \$15,639, which an increase of \$4,500 over the current FY 2017-18 budget.** The budget has been increased slightly to reflect an increase in anticipated contractual services costs.

Motion by Trustee Schultz, second by Trustee Marquardt, approving the Fire and Police Commission Budget in the amount of **\$15,639** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

- G. Community Development Budget (P. 101-116) - **This budget is \$1,126,961, which is an increase of \$22,229 or 2.0% over the current budget.** Salaries are \$720,378, a decrease of \$16,279 or 2.2% from the current budget. The main reason for this decrease is the removal of a placeholder for a part-time position that has been absorbed into contractual services. Fringes are \$238,744, a decrease of \$27,311 or 10.3%. Contractual Services are \$140,689, an increase of \$71,000, or 101.88%. The main reason for this increase is an addition of \$50,000 to hire a consultant to update the Village's land use plan. Commodities are \$16,650, a decrease of \$200 from the current year, and Equipment is \$10,500, a decrease of 32.2% from the current year.

Motion by Trustee Schultz, second by Trustee Marquardt, approving the Community Development Budget in the amount of **\$1,126,961** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

H. Capital Sub-fund Budget (P. 117-128) - **This \$1,401,000 capital budget is a decrease of 17.5% from the current budget.** The major expenditures proposed include:

Police Vehicle In-Car Camera System	\$ 42,000
Section 1 Roof Replacement at Public Works Facility	\$ 190,000
Laschen Center Demolition	\$ 300,000
Pathway Enhancements at the Vernon Hills Athletic Complex	\$ 70,000
Aspen Drive and Route 60 Engineering	\$ 130,000
Lakeview / Fairway / Hawthorn Intersection Improvements	\$ 993,000
Road Rehabilitation Program*	\$ 500,000

**The FY 18/19 MFT Program includes concrete streets of Midway and Lindon Lanes.*

Motion by Trustee Schultz, second by Trustee Marquardt, approving the Capital Sub-fund Budget in the amount of **\$1,401,000** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

I. Motor Fuel Tax Budget (P. 129-138) - **This budget is \$1,494,000 which is a decrease of \$339,500 or 18.5% from the current budget.** This budget requires the use of \$428,140 in Motor Fuel Tax Fund reserves. The budget funds the second phase of the Lakeview-Fairway intersection improvements, the corresponding land acquisition for that project and the FY 2019-20 road program for Midway and Lindon Lanes. As noted earlier, although IDOT requires that \$993,000 be budgeted for this project, after grant reimbursements, the net cost to the Village for this phase of the project will be \$613,800.

Motion by Trustee Schultz, second by Trustee Marquardt, approving Motor Fuel Tax Budget in the amount of **\$1,494,000** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

J. Metra Station Sub-fund Budget (P. 139-146) - The Metra Station Sub Fund collects revenues from Metra Station Parking, which are used to cover expenses of the station. **The Metra Station Sub Fund budget is \$72,000, an increase of \$9,543 or 15.3% from the current budget.** The Metra Sub Fund budget is projected to generate a \$26,000 surplus.

Motion by Trustee Schultz, second by Trustee Hebda, approving Metra Station Sub Fund in the amount of **\$72,000** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion Carried

- K. Public Works Budget (P.147-184) - **The Public Works budget is \$5,188,829, a decrease of \$86,967 or 1.7% from the current budget.** Public Works Salaries are \$2,130,082 which is a decrease of \$32,881 or 1.5% from the current budget. The main reason for this decrease is due to the elimination of a part time position. Fringes are \$733,208, which is a decrease of 2.9% from the current budget. Contractual services are \$1,357,584 which is an increase of \$106,052 or 8.5% more than the current budget. The main reason for the increase in the budget is an increase in the budget for contractual snowplowing and an accounting change in how expenditures for fuel are reported. Commodities are \$952,805 which is an increase of \$120,935 or 14.5% increase from the current budget. Equipment is \$15,150 which is a \$259,536 or 94.5% decrease from the current budget. The main contributing factor to this decrease is the **one year freeze** on contributions to the Replacement Fund.

Motion by Trustee Schultz, second by Trustee Marquardt, approving Public Works Budget in the amount of **\$5,188,829** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

- L. Replacement Fund Budget (P. 185-194) - **The Replacement Fund budget is \$315,400, an increase of 38.6% from the FY 2017-18 budget.** As previously stated, the proposed Replacement Fund budget does not include contributions from the General Fund. Major expenditures for Capital Equipment include replacement of the following items:

Four (4) marked Police patrol vehicles	\$ 148,000
Public Works Mid-Size Dump Truck	\$ 130,000

Motion by Trustee Schultz, second by Trustee Hebda, approving Replacement Fund Budget in the amount of **\$315,400** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Marquardt, Schultz, Hebda, Takaoka

NAYS: 0 - None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

- M. Community Events Budget (P. 195-202) - **The Events Fund is \$106,540, which is a 6.3% increase from the current budget.** This budget includes:

- \$8,900 for Arboretheater Events,
- \$4,500 for the Fishing Derby,

- \$47,200 for the Fourth of July, which is a 8.0% decrease,
- \$5,940 for the Pageant,
- \$15,000 for Summer Celebration Fireworks, and
- \$25,000 for Oktoberfest.

Motion by Trustee Hebda, second by Trustee Marquardt, approving Community Events Budget in the amount of **\$106,540** as presented.

Roll call vote:

AYES: 6 – Oppenheim, Koch, Hebda, Marquardt, Schultz, Takaoka

NAYS: 0 – None

ABSENT AND NOT VOTING: 0 - None

Motion carried

- N. Summer Celebration Budget (P. 203-212) - **The Summer Celebration budget is \$186,535, which represents an increase of \$850 or 0.46% from the current budget.** Revenue estimates are expected to remain stable. This budget requires the use of \$31,835 in fund reserves. The increase in expenditures includes increases to car show supplies, trailer rentals, and cleaning expenses. Also included are expenses related to a new 5K that is proposed for the coming year.

Motion by Trustee Schultz, second by Trustee Oppenheim, approving Summer Celebration Budget in the amount of **\$186,535** as presented.

Roll call vote:

AYES: 6- Koch, Hebda, Marquardt, Oppenheim, Schultz, Takaoka

NAYS: 0 - None

ABSENT AND NOT VOTING: 0 - None

Motion carried

3. ADJOURNMENT

Motion by Trustee Schultz, second by Trustee Oppenheim, to adjourn the Committee of the Whole.

Roll call vote:

AYES: 6 – Koch, Hebda, Marquardt, Oppenheim, Schultz, Takaoka

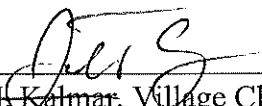
NAYS: 0 - None

ABSENT AND NOT VOTING: 0 - None

Motion carried.

Meeting adjourned 9:30 p.m.

Approved this 21st day of March 2018



 John M. Kalmar, Village Clerk
 Joe Carey Deputy



 Thom Koch, President Pro Tem