

Village of Lincolnwood Finance Committee

Meeting

Monday, November 15, 2021

6:00 PM

in the

Village Board Council Chambers

Lincolnwood Village Hall

6900 Lincoln Avenue

Meeting Agenda

- 1. Call to Order/Quorum Declaration**
- 2. Minutes Approval**
 - a. Draft Minutes of March 23, 2021 meeting*
- 3. Review and Discussion of Financial Policies**
 - a. Property Tax Levy and 2021 Draft Levy Estimates*
 - b. Building Permit Revenue*
 - c. Village Legal Appropriations and Budget Amendments*
 - d. Fixed Asset Capitalization Policy*
- 4. Continued Discussion on New Revenue**
 - a. Amusement Tax*
 - b. Self-Storage Facility Tax*
- 5. Discussion on Possible Change of Fiscal Year**
- 6. Review of Lincolnwood Fest**
- 7. Public Forum**
- 8. Other Business**
- 9. Adjournment**



Finance Committee Meeting Minutes

March 23, 2021

Village Hall Board Conference Room

6900 North Lincoln Avenue

Lincolnwood, Illinois 60712

Committee Members Present

Jesal Patel, Chair

Craig Klatzco

Committee Members Absent

Ronald Cope

Others Present

Atour Sargon, Village Trustee

Anna Gaura, Village Manager

Charles Meyer, Assistant Village Manager

Robert Merkel

Nadim Badran, Public Works Director

Melissa Rimdzius, Parks and Recreation Director

Jake Litz, Management Analyst

Brendon Mendoza, Assistant to the Public Works Director

Jay Parrott, Police Chief

Scott Mangum, Community Development Director

Doug Hammel, Development Manager

I. Call to Order/Quorum Declaration

- a. Trustee Patel called the Finance Committee to order at 8:35 A.M., Tuesday March 23, 2021, in the Board Conference Room via video meeting of the Municipal Complex, 6900 North Lincoln Avenue, Village of Lincolnwood, County of Cook and the State of Illinois. A quorum was present.

II. Minutes Approval

- a. The Minutes of the December 17, 2020 Finance Committee were reviewed. Trustee Klatzco moved to approve the minutes. Trustee Patel seconded the motion. The motion passed with a roll call.

Ayes: Trustees Patel and Klatzco

Nays: None

III. Review of Budget

Trustee Patel shared his intent to have the Finance Committee discuss questions that they have on the line items of the Budget.

Village Board and President's Budget

Trustee Patel asked if staff were being fed with the line item for dinners at Village Board Meeting and wanted to remove the item as a measure to reduce costs.

Ms. Gaura stated that the Village has not been holding dinners in the absence of in person meetings.

Trustee Patel asked to put the dinners on hold for now.

Trustee Sargon said that she appreciated the experience of commiserating with staff.

Trustee Patel said that his goal would be to reduce the budget by \$100,000 and said that maybe the Board wanted to donate dinner. Trustee Patel asked to reduce the budget by \$4,500 while remote meetings are in place and see if local businesses or the public can donate dinner.

Trustee Klatzco voiced support for changing the budget for dinners to save expenses.

Trustee Klatzco asked about the variance for consulting expenses in this budget and how it varies from year to year and how it will be utilized in the upcoming Fiscal Year.

Mr. Merkel stated that this is a placeholder as things do come up unexpectedly during the year and that this money is utilized to address concerns raised by the Mayor and Village Board during the Fiscal Year that may have not been planned for at the time of the Budget's development.

Mr. Merkel asked for the Budget worksheets to be shared in the GoToMeeting platform to ensure that everyone is on the same page as the discussion continues.

Trustee Patel added that the goal was not to go line by line in the Budget but just to discuss any questions that Trustees may have regarding items presented in the Budget.

Trustee Klatzco stated that the uses for consultants appeared to be correct but voiced concern about the perception that there were so many line items related to consultants and outside professional services that it may look as if the Village is spending a significant amount of resources relying on outside vendors for services.

Village Manager Budget

Trustee Patel asked about the tolls and mileage for the Village Manager, Assistant Village Manager, and Public Works Director. Mayor Patel asked if the amount listed for the Village Manager was part of the contract and likewise for the other two positions?

Trustee Patel asked Mr. Merkel if there were other employee benefits that were put in the budget elsewhere?

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Mr. Merkel stated that the vehicle stipends are budgeted out of this fund, but other benefits for employees are usually contained within their own Departmental Budget.

Ms. Gaura stated that the vehicle allowance is part of her contract and that the vehicle allowance for the other two employees was part of their positions.

Legal Budget

Trustee Patel asked if the \$100,000, if a portion is reimbursable or how the Village calculates that amount.

Mr. Merkel stated that it was reimbursed in a different part of the budget as a revenue account.

Community Development Budget

Trustee Patel asked how the Village arrived at the budget numbers for the sales tax sharing.

Mr. Merkel said that it was based on information that we have received from car dealerships and information from the new Cadillac dealership the Village has updated estimates for revenue. Mr. Merkel added that the Cadillac dealership is new so revenues in the budget are estimates.

Trustee Patel asked what the maximums were the contract between Ziegler and the Village for revenue sharing?

Mr. Merkel stated that there is no an annual maximum but rather a lifetime maximum for the agreement with Ziegler.

Information Technology Budget

Trustee Patel asked about the IT Budget and Accela and if the amount could be reduced for this contractual amount.

Mr. Meyer confirmed a reduction of \$10,000 for the contractual amount for Accela out of the IT Budget could be achieved due to recent quotes that were received and feedback from vendors.

Trustee Patel asked what the biggest cost for putting the vehicle stickers together was, and what is the rough estimate for how much that costs to do the vehicle stickers?

Mr. Merkel said that it takes a lot of staff time to pull the vehicle stickers together.

Trustee Patel asked about trying to get the vehicle stickers to be registered through the State.

Trustee Klatzco asked if the Village was net positive on vehicle stickers.

Mr. Merkel stated that the Village made a profit for the vehicle stickers.

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Police Department Budget

Trustee Patel asked with the overtime cost swinging by \$100,000 and wanted to see if the cost of overtime can be more consistent.

Mr. Merkel stated that the overtime number was affected by COVID-19 but Chief Parrott and his staff do a very good job in watching overtime and as things return to normal it may be more overtime in the future but we will continue to monitor and hopefully it consistently stays lower.

Trustee Klatzco asked if the Chief had any luck in finding body cameras.

Chief Parrott stated that there is more money coming for the equipment itself through the Training Board but costs related to the backend of the system are not financed. Chief Parrott stated that money was not being issued to communities with red light cameras but it is anticipated that this rule will change in the future.

Trustee Klatzco asked if the funding available through the Training Board exceeds red light camera revenue and has there been a discussion about forgoing red light cameras to get the money through the Training Board.

Chief Parrott stated that this is not something that has been reviewed yet.

Trustee Patel asked how the red light tickets are reviewed.

Chief Parrott said that the red light camera is reviewed initially by the red light camera company and then staff reviews it to affirm a ticket.

Trustee Patel asked if there was a line item in the budget for the red line cameras?

Chief Parrott said that there is not a line item related to this item.

Trustee Patel asked to explain the connection between the Training Board and the red light cameras.

Chief Parrott stated there is a provision in the Training Board that prohibits the ability to give communities with red light cameras to receive grants.

Trustee Patel asked if the equipment funding from the State would be greater than the money received from red light cameras.

Chief Parrott stated that the State's funding is only for equipment and wouldn't cover the backend costs for running the cameras and equipment.

General Discussion

Trustee Klatzco said that everyone knows what is going on with Washington Prime filing for bankruptcy and he wants Department Directors to be mindful of potential cuts that would be needed.

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Trustee Patel asked if there were any sales tax agreements with the mall or entities therein?

Mr. Merkel stated that there was not any sales tax agreement.

Trustee Patel said that the Village needs to wait and see on how the situation with Washington Prime's bankruptcy evolves and how it may impact the Lincolnwood Town Center.

Trustee Klatzco asked what the difference is between this upcoming budget and the previous year's budget?

Mr. Merkel stated that the expenses have gone up significantly because of Parks opening back up.

Ms. Gaura concluded that the Budget has been reduced by approximately \$14,500 during the Finance Committee. Ms. Gaura highlighted the Budget for next year and the desire to make improvements to the Budget to enhance customer service.

Trustee Patel asked about the revenue enhancements with the only non-unanimous recommendation was Stormwater Stage II. Trustee Patel asked if there were any costs related to the revenue enhancements that the Village will be likely to put forward and wanted to ensure that any new revenues that are being presented include any potential costs.

Mr. Merkel stated that for new taxes such as the Packaged Liquor Tax and increase of the Food and Beverage Tax is rather simple and would not be expensive to implement.

Trustee Patel asked how often the Packaged Liquor Tax would be filed.

Mr. Merkel stated that the Packaged Liquor Tax will be done on a monthly basis and the Village will be communicating that this tax will be put in place shortly.

Trustee Patel stated that in the past there have been discussions in the past on amusement taxes / entertainment taxes and would ask that topic be presented in the future.

IV. Other Business

None

V. Public Forum

None

VI. Adjournment

- a. At 9:32 A.M. Trustee Klatzco moved to adjourn the Finance Committee, seconded by Trustee Patel. The motion passed with a roll call.

Ayes: Trustees Klatzco and Patel

Nays: None

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Minutes Recorded by:

Charles Meyer
Deputy Village Clerk



MEMORANDUM

TO: Finance Committee
Anne Marie Gaura, Village Manager

FROM: Denise Joseph, Finance Director

DATE: November 9, 2021

SUBJECT: Finance Committee Meeting

Discussion

As part of the annual budget development process, staff seeks guidance from the Finance Committee on the update and review of the Village's financial policies and any items that may have a significant impact on the Village's budget.

Staff has compiled discussion points for the November 15, 2021 Finance Committee meeting and they are listed in the order that they appear on the agenda.

Financial Policy Update

Annually, the Financial Policies are reviewed and updated by the Village Board and aid as structured guidelines for the management of the Village's finances. They serve as the foundation on which the budget development process is built.

During a preliminary review of these policies at the staff level, several suggestions have been identified for the Committee's review and consideration. A full copy of the policies and suggested changes (with redline) has been included in the packet for the committee's consideration.

1) Property Tax Levy

Property Taxes are received in two installments. The first installment is received in March and the second installment in August. Each year, staff prepares an estimate of the proposed annual property tax levy for the Village Board's consideration and approval. A public hearing will be held for the 2021 tax levy at the December 7, 2021 Village Board meeting.

In accordance with the Village's financial policies, annual change in the United States Consumer Price Index (CPI-U) is used to project the annual allowable increase for the levy. The draft levy estimate has been prepared using a CPI of 1.4%, which amounts to a total levy of \$6,027,083 (for collection in Calendar Year 2022), an increase of \$83,215 from 2020. This includes \$2,566,215 for the payment of the required annual contribution as determined by the Police

Pension Fund's actuary and \$1,000,000 for the operation of the Parks and Recreation Department. The County will add a loss and collection percentage to this levy amount to ensure that the amount required by the Village is received.

Staff is recommending that the Finance Committee review the attached property tax levy estimate for Tax Year 2021 and provide direction to staff if the tax levy should continue to be calculated based on the CPI or if an alternative method ought to be used for the calculation.

- 2) **Building Permit Revenue** – Staff recommends that any anticipated surplus generated from one-time building permit revenue be designated in a restricted account. These funds will only be used to cover costs associated with future larger scale private projects that may span multiple fiscal years. For example, construction on the 1860 Development will commence in Fiscal Year 2022, however, the Village will continue to incur costs through Fiscal Year 2023 and in some cases may span beyond Fiscal Year 2023. The costs incurred in future fiscal years will be paid through the use of one-time building permit revenue.

Staff is recommending that the policy on one-time increases in building permit revenue be included in the Financial Policies to earmark these specific funds to pay for costs incurred from larger scale private projects.

- 3) **Village Legal Appropriations and Budget Amendments** – The Village obtains its legal authority of expenditures through the adoption of the annual appropriation ordinance. Historically, the appropriation authority requested represents the budgeted amount plus 15%, which accounts for possible changes to planned expenditures that may take place during the course of the fiscal year. Staff is recommending that language related to the Village's Legal Appropriations and Budget Amendments be included in the Financial Policies to formalize the process.
- 4) **Fixed Asset Capitalization Policy** – Staff is recommending the addition of a Fixed Asset Capitalization Policy. Although capitalization is utilized in the Village's current operations, staff is recommending a formal policy to clarify asset categories, useful lives and thresholds that are to be used in this process. In addition, authorization of a formal asset capitalization policy by an organization's governing body is also considered a best practice by the Government Finance Officers Association.

Continued Discussion on New Revenue

During the development of the Fiscal year 2022 Budget, the Finance Committee reviewed and discussed possible new revenues as a strategy to diversify the Village's revenue sources. Following that presentation, the Committee asked staff to prepare additional information regarding Amusement Tax.

- 1) **Amusement Tax** - Staff has gathered additional information on Amusement Tax and would like to gain feedback from the Finance Committee prior to developing a comprehensive review of the tax and presenting those findings at a Committee of the Whole meeting

State law provides home-rule communities the ability to enact and locally administer an Amusement Tax on entertainment uses at a rate anywhere from 0-10%. This tax would be established by local ordinance.

There are a variety of uses that can be taxed and home-rule communities have the ability to decide which categories they wish to tax or exempt from taxation. The following are basic categories that are taxable:

- Live performances (movies, theater, concerts)
- Craft shows and festivals (carnivals, art shows, amusement parks)
- Spectator sporting events (football games, horse racing, boxing matches)
- First person participation activities (health clubs, bowling alleys, billiards, golf)
- Video streaming, audio streaming and online games (*as people move away from cable television, streaming is becoming more prominent. Staff is researching how this would be implemented and administered*)

Communities with an Amusement Tax include (*this list is not inclusive of all communities in IL*):

Community	Tax Rate
City of Evanston	5%
Village of Lincolnshire	4% movie theatre; 1.5% live theatre
Village of Morton Grove	5%
Village of Niles	3%
Village of Northbrook	\$0.25 per ticket admission
Village of Schaumburg	5%
Village of Skokie	2%
Village of Wheeling	4%

As staff begins discussion on the redevelopment of the Lincolnwood Town Center mall, staff is recommending that the Finance Committee consider imposing an Amusement Tax as a means of diversifying our revenue and offset costs, such as, Public Safety services associated with these type of uses through the Village.

- 2) **Self-Storage Facility Tax (Storage Tax)** – A Storage Tax is a fee assessed on the lease or rental of self-storage units within the Village. The storage units within the Village are primarily located in commercial areas along the major through-fares of Lincoln, Touhy, and Devon Avenues. The facilities pay property taxes but do not generate sales tax revenue.

The Storage Tax can be structured three different ways:

- a) A percentage of sales, such as 1%-5%;
- b) A flat tax based on the number of storage units; or
- c) A progressive tax based on a square foot basis

The Village previously discussed the creation of a Storage Tax in 2016. The most recent conversation took place at April 5, 2016, Committee of the Whole Meeting in which the Village Board declined to move forward with the tax at that time. Background information on this discussion and more detailed information on the structure of the Storage Tax can be found in the attached memo drafted by Assistant Village Manager Meyer.

Staff recommends discussion regarding Amusement Tax and Self-Storage Tax as a means to reduce the Village’s reliance on property tax and diversify the revenue base. Should the Finance Committee choose

to pursue these revenue options, staff would recommend presenting it as part of the Fiscal Year 2022-2023 Budget

Change of Fiscal Year

Historically, most municipalities in Illinois operated on a May 1 to April 30 fiscal year; however, in recent years, an increasing number of communities have made the switch to a calendar year. Transitioning to a fiscal year that corresponds with the calendar year would more clearly communicate the Village’s finances to both the Village Board and the community.

The movement to this new fiscal year cycle will allow for the Board in future budget cycles to consider the property tax levy concurrent with the annual budget discussion. By having a combined consideration of both at the same time, officials and citizens can more accurately discuss and decide the amount of tax levy they wish to allocate to that upcoming budget. In addition, the revenues from the levy become the funding source to that one budget cycle whereas before, the revenues derived from one levy were allocated to two different budget cycles due to the May 1 fiscal year. The move to a calendar year cycle will also line up with many of our expenditures, and ease some of our financial planning as it relates to capital projects.

To make this transition possible, the Village will need to prepare an abbreviated budget for a shortened 2023 fiscal year (8 months in duration), designated “Stub Year 2023”, which will commence March 1, 2023 and end December 31, 2023. Following the Stub Year, the Village will operate and prepare financial reports on a 12-month calendar year that will begin January 1, 2024 and end on December 31, 2024.

Below is a table that illustrates some of our neighboring communities and their fiscal year:

Community	Fiscal Year
City of Des Plaines	January 1 – December 31
City of Evanston	January 1 – December 31
Village of Glenview	January 1 – December 31
Village of Morton Grove	January 1 – December 31
Village of Niles	May 1 – April 30
Village of Skokie	May 1 – April 30
Village of Wilmette	January 1 – December 31
Village of Winnetka	January 1 – December 31

Staff is recommending transitioning to a fiscal year that corresponds with the calendar year.

Lincolnwood Fest

For the past five years, the Friends of Lincolnwood, 2015, Inc. (Friends of Lincolnwood), has managed and operated Lincolnwood Fest. Lincolnwood Fest is a four-day festival that takes place in late-July each year and includes entertainment, carnival rides, games, children’s activities, food vendors, a beer garden, a car show and more. The Friends of Lincolnwood approached the Village in 2020 to inform them that calendar year 2021 would be the last year that they would be coordinating Lincolnwood Fest. Throughout the five years that Friends of Lincolnwood operated the festival, they made donations between \$20,000 and \$30,000 each year for Parks and Recreation projects within the Village. Friends of Lincolnwood closed their books out following the 2021 festival season and made a final donation of \$150,187 to the Village. It is staff’s recommendation to utilize this money as a funding source to continue the festival in 2022 and beyond.

Village staff are currently researching event management companies to operate and manage the festival in 2022. Due to staffing transitions in the Park and Recreation Department and time constraints currently in place to plan for Lincolnwood Fest 2022, staff reached out to Special Events Management (SEM) Chicago, Illinois to discuss the possibility of SEM operating the event for 2022. The current staffing levels in Parks and Recreation do not allow for the Department to plan and implement an event of this size and complexity. Staff reached out to SEM as the Village has a previous relationship with them as this company operated the Turkey Trot years ago. Additionally, due to the timeline necessary to coordinate an event of this size and complexity, it is critical that the Village secures an event management company as soon as possible. Working with an event management company such as SEM provides a significant number of resources that the Village can take advantage of. SEM has five full time sales staff that will pitch our event to potential regional and nationwide sponsors. Additionally, they have relationships with and access to many more vendors, carnival operators, event workers, equipment and potential entertainers and media sponsors.

SEM submitted a proposal to encompass all aspects of the festival including: sponsorship, vendor selection, entertainment, marketing/promotion, permits and insurance applications, event management and coordination, carnival, site plans, etc.

SEM’s proposal includes the following fees:

- \$20,000 management fee plus
- 18% for any cash sponsor signed directly by SEM
- 10% commission for each participating vendor and expenses mutually agreed upon
- 10% bonus for all income raised over expenses

At the December 2, 2021 Village Board meeting, staff will request that the Village Board consider waiving the Competitive Bidding Process and awarding a contract to SEM for the management of Lincolnwood Fest.

In 2021, Lincolnwood Fest saw a total income of \$130,542 with expenses totaling \$57,074 with a net profit of \$73,448. A breakdown of 2021 revenues and expenses can be found in the tables below:

Revenue

Sponsorships	\$15,000
Food Vendors	\$4,650
Carnival*	\$87,498
Beer Tent	\$14,284
Credit Cards	\$9,110
Total	\$130,542

*It was not a typical year for the carnival. This portion of the festival typically brings in \$45,000 - \$63,000

Expenses

Rentals	\$21,978
Administrative Costs	\$11,381
Marketing	\$5,298
Entertainment	\$5,350
Miscellaneous Fees	\$5,722
Beer Tent	\$7,345
Total	\$57,074

It is anticipated that Lincolnwood Fest will operate as it has in past years for the 2022 event. The Parks and Recreation Board held a discussion at their November 11, 2020 board meeting regarding the structure and features of the festival in future years. However, due to the time constraints and staffing transitions, it will not be possible to make significant changes or get valuable community input in time for the 2022 festival. While not possible for 2022, the structure of the event will be reviewed for future years.

Direction Requested

Staff will present these items and solicit Committee’s feedback on November 15. Upon completion of the Committee’s review, staff will incorporate any policy changes into the draft budget that is scheduled to be presented at the February Budget Workshop.

Attachments:

1. Draft Updates to Financial Policies – Redline
2. Draft 2021 Property Tax Levy Estimate
3. Self-Storage Facility Tax Memo

FINANCIAL POLICIES



Introduction

These Financial Policies set forth the framework for financial planning and decision-making to preserve, promote and enhance the fiscal stability in the Village of Lincolnwood. The policies represent a foundation to address changing circumstances and conditions, and assist in the decision-making process while maintaining the Villages solid financial condition. These policies have been formally adopted by the Village Board and cover three (3) specific categories:

- Revenues
- Expenditures
- Financial Planning

The policies were developed in accordance with the Government Finance Officers Association's (GFOA) Recommended Practices for Budgeting and Fiscal Policy.

Revenues

Maintain a Diversified Revenue Structure

The Village shall attempt to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in a single revenue source. The Village shall diversify its revenue base in order to reduce its dependence upon Real Estate Property Taxes.

The Village shall follow an aggressive policy of collecting revenues and seeking public and private grants and other outside sources of revenue to fund projects.

Setting of Fees and User Charges

The Village shall establish Fees and User Charges at a level related to the total cost (i.e., operating, direct, indirect and capital expenditures and debt service) of providing that service. The Village shall review all fees and charges annually in order to keep pace with the cost of providing the service. The Village and Parks & Recreation Department shall strive to maintain the real estate tax levy subsidy at \$1,000,000 to the Parks & Recreation Department. The balance of the Parks & Recreation department's operating costs shall be offset by user fees charged for services rendered. Fees shall not be set at a level that results in revenue that is used to subsidize other non-parks & recreation services.

The revenue system of the Village shall strive to maintain equality in its structure. The Village shall minimize or eliminate all forms of subsidization between funds, services, utilities and customers. However, it is recognized that Public Policy decisions may lead to subsidies in certain circumstances, e.g., Senior Citizen welfare.

Property Taxes - *Limit total annual property tax levy increases to the Cook County Consumer Price Index (CPI)*

Although the Village is not restricted in its annual levy of taxes, the Village Board has a self-imposed cap on the annual increase in the property tax levy. The Village may not increase the annual property tax levy in excess of the Cook County CPI increase applicable as of the prior December, except as the Board determines to be necessary in order to satisfy the Village's pension payment obligations. This will limit the Village's dependence on a single source of revenue and prevent property owners from being overburdened by spikes in the tax rate.

Use of One-Time Revenues

The Village will not allocate one-time revenues towards the funding of continuing operating expenses. Any one-time revenue (i.e. sale of Village property) will be used to fund a one-time capital expenditure. The Village shall avoid using temporary revenues to fund routine operating expenses.

Policy Consideration:

- The Village Board may consider whether one-time increases in building permit revenues will be or should be designated to fund costs incurred with future larger scale private projects that may span over multiple fiscal years.

Expenditures

Maintain Adequate Public Safety Programs

The expenditure policy of the Village provides for the level of expenditures sufficient to ensure the ongoing health, safety and welfare of the citizens and the review of services to monitor if they are being provided effectively and efficiently as possible. The Village shall fully fund its Pension Plans consistent with the actuarial valuation requirements as presented by the Illinois Department of Insurance.

Procurement System Policies

The Village Manager shall be responsible for the purchase and contract of goods and services on behalf of the Village and shall develop and implement administrative procedures in conformity with ordinances and state statutes to perform this function.

The Village shall maintain purchasing rules and regulations for internal use and shall distribute said rules to all eligible vendors at the appropriate time. The operation of the Village's purchasing system shall encourage full and open competition on all purchases and sales subject to the competitive bidding regulations, approval of the Village Board and formal quotations as written in the Municipal Code.

The Department Directors are authorized to use State contracts in lieu of issuing bids when it is to the economic advantage of the Village.

The Village shall purchase recycled or otherwise environmentally friendly products whenever possible.

Financial Planning

Annual Budget

The budget process provides the primary mechanism by which key decisions will be made regarding the levels and types of services to be provided within the estimated available resources.

The annual budget shall be developed in accordance with the financial policies and priorities as set forth by the Village Board.

Balanced Budget Policy

A balanced budget shall be adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) as promulgated by GASB. Revenues shall be recognized when measurable and available. Expenditures shall be charged against the budget when measurable, a liability has been incurred and due and payable. All budgetary policies shall conform to state regulations and GAAP.

~~The budget shall be adopted at the legal level of control of a Department within the Fund (i.e., the expenditures shall not exceed the total for any department within a fund without the Village Board approval). The Director of Finance shall have the authority to transfer within a department within the same fund from one line item to other line items. Current costs shall be financed with current revenues, including the use of authorized fund balance. The Village shall not balance current expenditures through the obligation of future year's resources.~~

Commented [J1]: Recommend moving this language under **Maintaining Legal Appropriations and Budget Amendments.**

The Finance Department shall maintain a budgetary control system to ensure adherence to the Budget and shall prepare monthly financial reports comparing actual revenues and expenditures with budgeted amounts.

The Enterprise (Water and Sewer Fund) operation of the Village is to be self-supporting, i.e., current (charge for service) revenues shall cover current operating expenses, including Debt Service and Capital Expenditures and Improvements.

The Department Director shall integrate operating efficiency, operating effectiveness, customer satisfaction and human resource efficiency measurements into their department's budget. Department directors shall be required to link service levels to funding levels.

The Village shall strive to avoid short-term borrowings to meet current cash flow requirements. However, the Village may enter into short-term borrowing should a critical emergency need arise.

The Village shall estimate its budgeted revenues conservatively, using an objective and analytical approach.

Maintain Legal Appropriations and Budget Amendments

Expenditures for the Village are established by the Appropriation Ordinance approved by the Village Board on an annual basis. The annual Appropriation Ordinance is required by the Illinois Compiled Statutes and sets forth the legal maximum spending limits for the Village of Lincolnwood. Historically, the appropriation authority requested represents the budgeted

amount plus 15%, which accounts for possible changes to planned expenditures that may take place during the course of the fiscal year.

The budget shall be adopted at the legal level of control of a Department within the Fund (i.e., the expenditures shall not exceed the total for any department within a fund without the Village Board approval). The Director of Finance shall have the authority to transfer within a department within the same fund from one line item to other line items. Current costs shall be financed with current revenues, including the use of authorized fund balance. The Village shall not balance current expenditures through the obligation of future year's resources. When necessary, staff will prepare budget amendments as needed for the Village Board's approval to more accurately reflect the actual expenditures of the Village.

Police Consideration:

- Staff is recommending that the language above be included in the Financial Policies to formalize the process.

Fund Balance Reserve Policy

The purpose of this policy is to establish guidelines in providing for an unrestricted reserve balance in the Village's General Fund as well as other operating and capital funds.

Adequate fund balance is necessary to provide for operational stability and to provide for needs caused by unforeseen events. Additional benefits of maintaining a strong fund balance include higher interest earnings to support the annual budget and the maintenance of the Village's bond rating. This policy provides for a minimum amount of unreserved fund balance in the General Fund and other funds should maintain. All fund balances will be reviewed annually during the budget process.

- **General Fund:** Fund balance shall be maintained at a level equal to 25-35% of the current fiscal year's revenues. Should fund balance drop below the 25% level, notification will be given to the Village Board and a plan developed to return the balance to the minimum level within a reasonable time.

Planned drawdown of fund balance below the 25% level will be permitted for operational purposes to cover extraordinary expenditures or bridge a revenue shortfall. Reductions in fund balance are meant to be short term only and must be resolved through the implementation of a new permanent revenue source or reduction in expenditure levels.

Surplus funds above the 35% level will be designated for the purchase of new or replacement capital equipment and capital expenditures.

- **Debt Service Fund:** At the end of each fiscal year, there shall be a minimal fund balance in the Debt Service Fund. The annual revenues comprised of state and home rule sale taxes should equal the annual expected bond principal and interest payments.
- **Water and Sewer Fund:** Fund balance shall be maintained at a level equal to 30% of the current fiscal year's expenditures.

Should fund balance drop below the 30% level, notification will be given to the Village Board and a plan developed to return the balance to the minimum level within a reasonable time.

Planned drawdown of fund balance below the 30% level will be permitted for operational purposes to cover extraordinary expenditures or bridge a revenue shortfall. Reductions in fund balance are meant to be short term only and must be resolved through the implementation of a new permanent revenue source or reduction in expenditure levels.

Surplus funds above the 30% level can be used to support ongoing water and sewer capital projects or to defer or decrease future rate increases.

- **Police Pension Fund:** The fund balance shall be adequate to fully fund the Police Pension Fund by the date required. An annual actuarial study will be performed to determine the appropriate level of funding and will be paid by the Village and the Police Pension Fund on rotating years.
- **All other Funds:** All other funds are used primarily for capital improvements or special revenue purposes. These balances will be reviewed annually to determine their adequacy for the expenditures scheduled.

Update the Five-Year Operating Forecast on an Annual Basis

The Village shall prepare a five year revenue projection with an annual update. This projection shall be used for the preparation of the operating budget.

A revenue handbook shall be prepared and maintained annually. This handbook shall be utilized to adjust fees and user charges. The revenue handbook shall include at least the following information: the revenue source; legal authorization; method of collection; department responsible for collection; and rate or charge history

Financial Reporting

The Village's accounting and financial reporting systems shall be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers' Association (GFOA).

An annual audit shall be performed by an independent certified public accounting firm. The financial system shall include internal controls to monitor revenues, expenditures and program performances on an ongoing basis.

Debt Service Administration. The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, evaluation of and reporting on all debt obligations issued by the Village.

The issuance of long-term debt shall be limited to capital projects, improvements or replacement equipment that cannot be financed from current resources.

When the Village utilizes long-term debt financing it shall ensure that the debt is financed soundly by: conservatively projecting the revenue sources that shall be utilized to repay the

debt; every effort shall be made to limit the payback period of the debt to 80 percent of the useful life of the capital expenditure; determine that the cost benefit of the capital expenditure including interest cost shall benefit future citizens; and the amount of long-term debt financing for capital expenditures shall not exceed 90 percent of the fair market value of the cost.

The Village's annual general fund principal and interest debt service cost shall not exceed 15 percent of the amount of general fund revenue.

The Director of Finance is responsible for maintaining relationships with the rating agencies that assign ratings to the Village's various debt obligations. This effort includes providing periodic updates on the Village's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issue.

The Village shall try to keep the average maturity of general obligation bonds at or below ten years.

The Village shall conduct financings on a competitive bid basis. However, negotiated financings may be used to market volatility or the use of an unusual or complex financing or security structure.

Fixed Asset Capitalization Policy and ~~Update the Five-Year Capital Improvement Program~~

~~For the Capital Improvement Program (CIP) all land and land improvements and building projects costing \$50,000 or more shall be classified as capital assets. Equipment costing \$10,000 or more with an estimated useful life of two or more years shall be considered capital assets.~~

In order to properly record the purchase of assets in accordance with Generally Accepted Accounting Principles (GAAP) and requirements from the Governmental Accounting Standards Board (GASB), the Village must capitalize certain expenditures each year. The purpose of this policy is to provide control and accountability over capital assets, and to gather and maintain information that complies with financial reporting requirements. Assets are capitalized at the time of acquisition. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
<u>Parks and Improvements</u>	<u>10-25 Years</u>
<u>Buildings and Structures</u>	<u>35 Years</u>
<u>Equipment and Furniture</u>	<u>5-30 Years</u>
<u>Vehicles and Heavy Equipment</u>	<u>5-30 Years</u>
<u>Streets, Sidewalks and Alleys</u>	<u>30 Years</u>
<u>Waterworks System</u>	<u>30 Years</u>

Policy Consideration:

- Staff recommends consideration of the language above to be included in the Financial Policies to clearly define capitalization of assets; and

- Staff recommends consideration of the following capitalization categories and thresholds for future use to reduce the administrative burden associated with small dollar transactions. Historically, capital assets purchased or acquired with an original cost of \$10,000 or more are capitalized.

<u>Asset Class</u>	<u>Capitalization Threshold</u>
<u>Parks and Improvements</u>	<u>\$20,000</u>
<u>Buildings and Structures</u>	<u>\$100,000</u>
<u>Equipment and Furniture</u>	<u>\$20,000</u>
<u>Vehicles and Heavy Equipment</u>	<u>\$20,000</u>
<u>Streets, Sidewalks and Alleys</u>	<u>\$100,000</u>
<u>Waterworks System</u>	<u>\$100,000</u>

A CIP shall be developed for a period of five years. As resources are available the most current year of the CIP shall be incorporated into the current year operating budget. The CIP shall be reviewed and updated annually.

The Village's municipal gasoline tax shall be deposited into the Transportation Improvement Fund to provide for the necessary repair and replacement of streets and other transportation related improvements.

Ethic Policies

Public service is a public trust. Each Village employee has a responsibility to the citizens of the Village of Lincolnwood for honesty, loyalty and the performance of their duties under the highest ethical principles.

All employees shall strive to avoid the appearance of wrongdoing by treating all contractors and vendors impartially, by not accepting gratuities, safeguarding proprietary information and avoiding conflicts of interest.

Any employee shall be prosecuted to the extent of the law in any instance where the employee is proven to have committed an illegal act, such as theft.

*Adopted January, 2006
Updated March, 2013
Draft November, 2021*

VILLAGE OF LINCOLNWOOD
2021 DRAFT TAX LEVY
For Collection in Calendar Year 2022

	CPI Tax Cap 2.30%		CPI Tax Cap 1.40%			
	Actual Tax Year 2019 Tax Levy	Computed Tax Year 2020 Tax Levy	Draft Tax Year 2021 Tax Levy	\$ Change in Levy	% Change in Levy	
<u>EAV</u>	690,538,519	738,244,087	738,244,087			
<u>Tax Levy</u>						
Corporate	2,628,925	2,442,484	2,460,868	18,384	0.75%	
Police Pension	2,181,308	2,501,384	2,566,215	64,831	2.59%	
Special Recreation	110,000	110,000	110,000	-	0.00%	
Play Grounds & Rec	890,000	890,000	890,000	-	0.00%	
Total Levy	5,810,233	5,943,868	6,027,083	83,215		
<i>Loss Amount Added by County</i>	<i>174,307</i>	<i>178,316</i>	<i>180,812</i>	<i>2,496</i>		
Total Tax Extension	5,984,540	6,122,184	6,207,895	85,711	1.40%	



MEMORANDUM

TO: Denise Joseph, Finance Director

FROM: Charles Meyer, Assistant Village Manager

DATE: November 15, 2021

SUBJECT: Self-Storage Facility Tax (Storage Tax)

Background

The Village Board has directed staff to evaluate potential revenue options for consideration as part of the Fiscal Year 2023 Budget. In researching actions of neighboring communities and previous discussions by the Village, staff feels that it is important to present the possibility of the Village Board considering a Self-Storage Facility Tax (Storage Tax) for implementation. The Storage Tax was previously discussed, but not implemented, in 2016 but since that time has been developed in neighboring communities and has the potential to raise revenues by \$150,000. The purpose of this memorandum is to present this topic with a recommendation for the Finance Committee to consider the creation of a Storage Tax.

Discussion

A Storage Tax is a fee assessed on the lease or rental of self-storage units within the Village. Self-storage facilities contain separately divided rooms that are available for customers to rent or lease for the keeping of personal items. The rooms available range in size from the size of a closet to large enough for a vehicle. The storage units within the Village are primarily located in commercial areas along the major through-fares of Lincoln, Touhy, and Devon Avenues. The facilities pay property taxes but do not generate sales tax revenue, which is a goal of the Village to generate further sales tax and lessen the reliance on property taxes.

The Village previously discussed the creation of a Storage Tax in 2016. The most recent conversation took place at April 5, 2016, Committee of the Whole Meeting in which the Village Board declined to move forward with the tax at that time.

Possible Taxing Structure

At the April 5, 2016, meeting of the Committee of the Whole, various Storage Tax funding structures were presented for consideration. Based on previous research completed by the Village Attorney in 2016, there was not the ability to directly tax sales. However and since that time the communities of Willowbrook and Skokie have instituted a Storage Tax based on 5% of sales. The Village Attorney is

researching current options for the collection of the Storage Tax, but in 2016 the following options were presented for the Village Board's consideration:

1. A flat tax based on the number storage units
 - a. For example, each renter/lessee of a storage unit would be charged a tax of \$5.00 per month.
 - b. Staff estimates there are 2,000 storage units of varying sizes within three self-storage facilities
 - c. If a \$5.00 monthly tax was imposed, the Village could expect to receive \$120,000 annually (assumes 100% occupancy)
2. A progressive tax based on a square foot basis
 - a. For example, if the Village were to impose a tax per square foot at the rate of \$1.00 per year (\$0.83/month) a renter/lessee of a 10x10 unit (100 square feet) would pay an additional \$1 per year.
 - b. Total revenue received is difficult to estimate as staff is uncertain as to the size of each storage unit; some facilities have many small units and many facilities have many large units.
 - c. Total building footprint of all storage facilities (with two floors each) is 235,147 square feet, which amount to no more than \$235,147 annually. This estimate includes walkways, offices, and bathrooms that would not be used for storage.

If the Finance Committee desires to further investigate the potential of such a Storage Tax then staff will continue to work with the Village Attorney to develop options for structuring a tax and present those findings to a future Finance Committee meeting.

Financial Impact

The Village Attorney is currently researching possible structure for creating this Storage Tax. Using the budgeted revenue for Skokie and Morton Grove, it is estimated that the Village of Lincolnwood could collect approximately \$150,000 depending on the structure utilized.

Recommendation

It is recommended that the Village Finance Committee discuss this potential revenue source on November 15, 2021.

Documents Attached

None