

**VILLAGE OF LINCOLNWOOD
PRESIDENT AND BOARD OF TRUSTEES
COMMITTEE OF THE WHOLE WORKSHOP
VILLAGE HALL COUNCIL CHAMBERS
MEETING HELD VIA GOTO MEETING AND
AVAILABLE LIVE AT WWW.LINCOLNWOODIL.ORG/LIVE-CABLE-CHANNEL/
MARCH 18, 2021**

Call to Order

Village President Bass called the Budget Workshop of the Committee of the Whole of the Lincolnwood Board of Trustees via GoToMeeting to order at 8:32 A.M. Thursday, March 18, 2021, meeting held via GoToMeeting and available live at WWW.LINCOLNWOODIL.ORG/LIVE-CABLE-CHANNEL/, County of Cook, and State of Illinois.

Before calling the roll the Village President read into the record the requirements for public comments for later in the meeting.

Upon roll call by Deputy Village Clerk Charles Meyer the following were:

Present: The following trustees were present via GoToMeeting, President Bass, Trustees Patel, Halevi, Nickell, Sargon, Klatzco, and Cope

Absent: None

A quorum was present.

Also present: Village Manager Anne Marie Gaura and Jon Bogue, Management Analyst. The following were present via Go-To-Meeting Chuck Meyer, Assistant Village Manager; Nadim Badran, Public Works Director; Scott Mangum, Community Development Director; Jay Parrott, Police Chief; Melissa Rimdzius, Director of Parks and Recreation; Doug Hammel, Development Manager; Anna Koperski-Walsh, Superintendent for Parks and Recreation.

1. Discussion Concerning the Village's 2021 Fiscal Performance, Anticipated 2022 Fiscal Performance and Discussion of Other Key and Financial Issues Concerning Fiscal Year 2022

Ms. Gaura provided an overview of the Budget process and staff members involved and timeline followed to get to this point in the Budget process.

Mr. Merkel presented using PowerPoint.

Mr. Merkel presented the agenda for the meeting and topics that would be discussed regarding the Budget.

Mr. Merkel said that the Village's overall fund is \$70.8 Million this year and traditionally the Village's General Fund is the largest fund in the Village.

- General Fund - \$24.1 mil
 - Funds general operations
- Water & Sewer Fund - \$6.8 mil
 - Potable water delivery and sewer maintenance
- Three TIF Districts - \$29.1 mil
 - Improvements within the respective TIF district (North Lincoln TIF \$27.1)
- Motor Fuel Tax - \$3.4 mil
 - Transportation improvements
- Transp. Imp. Fund - \$551k
 - Transportation improvements
- Water Management Infrastructure Fund -\$3mil
 - Storm water management
- Debt Service - \$404k
 - Interest free fire truck loan
 - GO Bond debt service
- Property Enhancement Program - \$0
 - Business façade grants
- Private sewer fund - \$25k
 - Grant for resident replacement
- Police Pension - \$3.4mil
 - Pension payments and related expenses for pensioners

Mr. Merkel showed a graphic and described the portion of the Village's share of the typical taxpayer's bill and said that for the last 15 years the Village has been below 10% of the taxpayer's bill.

Mr. Merkel continued by providing a comparison of the Niles Township communities and showed that Lincolnwood has the lowest tax rate for comparable communities in Niles Township when including the municipal and Parks District (where applicable) tax levies.

Mr. Merkel provided a chart that showed the tax levies for the last 10 years and shows that Lincolnwood has been stable for the last several years.

Mr. Merkel provided a summary and timeline for the Budget Preparation process and showed that the process started in October, included a review of goals, a review of the CIP and workshop to cover the CIP, and the next steps where there will be review at the Committee of the Whole and then a final hearing and approval at the last meeting in April.

Mr. Merkel provided a summary of the projections for the April 30, 2021 Budget. Mr. Merkel stated that the sales tax, permit fees, and food and beverage tax for the year were down significantly. Mr. Merkel added that Parks and Recreation was down significantly as many of the programs could not be open this year. Mr. Merkel stated that there was a large payout from IRMA which was a positive for the Village and was a big help this year.

Mr. Merkel continued with a presentation on the change in the projected expenditures and stated there were significant decreases in expenditures related to Department costs with significant reductions in the Parks and Recreation Department due to the reduction in programming, Community Development, and overall savings in salaries and benefits. Mr. Merkel added that the overtime expenses were reduced by \$100,000 this year.

Trustee Nickell asked if the Actuary for Police Pensions will be reducing the life expectancy down and if that would impact the costs for the Police Pension Fund.

Mr. Merkel said that it could and that the Village's Police Pension Fund adjusted the tables but it would be very hard to say if it could change but the best thing to say is that we will learn from what the Actuary wants us to do in this situation.

Mayor Bass said that it has been three years since \$75,000 was promised to the Village and wanted to check on that from our Representative.

Ms. Gaura stated that the Village has not yet received a response on that but would be following up to address this question.

Mr. Merkel summarized the General Fund Projections based on the changes from this year and noted that \$900,000 was budgeted for a deficit but that even without District 1860's additional revenue but even with COVID-19 we were able to keep the projected deficit in the realm of what our projections included. Mr. Merkel stated that next year would be a challenge but would help with the Village addressing these costs.

Mr. Merkel then paused in presenting the FY 21 Budget and asked if there were any questions.

Trustee Klatzco said that the Village is doing better than a lot of other Villages and hoped that the Village continues to do a good job controlling expenses.

Trustee Sargon thanked staff for tightening where they could and keeping expenses low.

Trustee Nickell stated that she wanted to thank everyone for their efforts and wanted to ask what will be going on with the vacancies.

Ms. Gaura stated that some of the vacancies were tied to the closing of programming but with the Village reopening the programming there is a need for personnel and in order to achieve the programming needed.

Trustee Nickell asked for a schedule of the positions that are being posted right now.

Ms. Gaura stated that she would provide that and circulate it to the Board.

Trustee Patel stated that he had no questions at this time.

Trustee Cope asked what the expenses were for the TIF.

Mr. Merkel stated that the major expenses related to the TIF is for the issuance and debt service for the TIF Notes.

Trustee Halevi stated that because of Bob Merkel and those working in the past to keep expenditures low in the first place is why we are in the position that we are today.

Mr. Merkel provided a summary of the anticipated FY 22 General Fund Budget. Mr. Merkel summarized that use of General Fund balances in excess of the Village's policy to fund capital projects. Mr. Merkel stated that there were important capital expenses that would be addressed during the upcoming Fiscal Year but it would still have a fund balance in compliance with the Village's fund balance policy.

Mr. Merkel presented on key revenue issues for the FY 22 Budget. Mr. Merkel stated that there would be an increase in property taxes as a result of a surplus being declared for the NEID TIF and that the sales tax revenue should be up \$500,000 and an increase of \$960,000 in the permit revenue. Mr. Merkel added that there will be an increase based on the Food and Beverage tax increase and a new packaged liquor tax.

Mr. Merkel provided a summary of the expenses for the upcoming Budget Year and said that Personnel makes up 54% of the Budget with the second largest portion of the General Fund being the contractual costs which are 29%. Mr. Merkel summarized major increases including personnel which is \$986,600 of which \$328,000 is for Pool and Camps reopening and the balance is for normal staffing costs. Mr. Merkel stated that there would be increases in commodity costs for programming and increases in contractual costs. Mr. Merkel stated that there would be an increase in equipment and capital costs for \$1.2 million.

Mr. Merkel provided a summary of the Police Pension history and stated that the cost for the Police Pension is approximately 10% of the total General Fund Expenditures and has increased to a total cost of \$2.5 million.

Mr. Merkel summarized the transfer activity for the upcoming Year.

Mayor Bass asked about the potential impact of appeals related to tax assessments?

Mr. Merkel stated that 3% of the tax levy is used as a reserve for this exact situation to try to address possible tax appeals.

Trustee Klatzco said that there are expenses for the TIF Bond but asked if the revenues and expenses for that get offset if the project gets pushed back?

Mr. Merkel said there would be a net to the budget would be another decrease of about \$800,000.

Trustee Klatzco asked if the project gets pushed back will the Village still be alright?

Mr. Merkel stated that there would be a reduction of \$800,000 and you would need to look at expenditures if there is a reduction in this revenue source.

Ms. Gaura added that the funding that is being received by the Federal Government which is going to be split over two fiscal years is about the same amount as the differential mentioned by Mr. Merkel.

Trustee Sargon said that she had the same question as Trustee Klatzco and did not have any further questions.

Trustee Nickell said that she had the same question as Trustee Klatzco but asked to stay closer to the 35% for the Fund Reserve. Trustee Nickell asked what the budgeted has accounted for related to the Mall?

Mr. Merkel stated that malls are impacted throughout the area and Ms. Gaura stated that the two anchor tenants at the Mall are still doing quite well and based on the feedback that we have received it is the smaller businesses within the mall that are more impacted.

Trustee Nickell asked if the Mall was current with its property taxes.

Mr. Meyer stated that according to the Cook County website the Mall appears to be current for 2020 Taxes.

Trustee Klatzco stated that he believes the whole Board is in support of being conservative and maintaining that 35% fund balance.

Trustee Patel stated that he did not have anything further at this time.

Trustee Cope stated that he did not have any questions at this time.

Trustee Halevi thanked Trustee Klatzco for his question and added that she had no more questions at this time.

Mr. Merkel provided a summary of the significant capital expenditures for the General Fund draft FY 22 Budget. Mr. Merkel highlighted the new roof for the Police and Fire Building, Police Shooting Range, and replacement of vehicles along with smaller items.

Mr. Merkel presented the slides for previously presented capital improvements for the Village. Mr. Merkel added that the replacement of the Proesel Park Sign and Aerial Bucket Truck were removed from the Budget.

Mr. Merkel asked if there were any questions for the Capital Budget.

Trustees noted that there were no further questions regarding the Capital Budget.

Mr. Merkel presented on special funds.

Mr. Merkel stated that as of the beginning of this year there is no more revenue being added to the NEID TIF and said that the anticipated surplus will be \$1.5 million which will be paid out to Cook County and then it will be dispersed out to the tax districts.

Mr. Merkel presented on the Devon Lincoln TIF.

Trustee Nickell asked what the status is of the repayment of Engineering Costs from the City of Chicago for the Devon Avenue Enhancement Project.

Mr. Badran stated that the Village is working on an IGA with Chicago that would work out the Village's remaining balance for the project to be lowered to be commiserate with the expenses already incurred by the Village.

Mr. Merkel presented on the North Lincoln TIF and stated that there will be costs related to professional fees / note issuance and note interest costs that are placeholders for now and would be paid out by revenue from the TIF and is contingent on the project moving forward.

Mr. Merkel provided a summary on the Transportation Improvement Fund and said that the biggest project will be the Village Hall parking lot resurfacing project and that the Touhy Cicero project will incur expenses that will be reimbursed by the County.

Mr. Merkel discussed the Motor Fuel Tax Fund and said that the program will be used to fund the road resurfacing program.

Mr. Merkel discussed the Debt Service Fund and includes costs related to the Fire Truck loan payment, bond issuance costs, and Debt Service GO bonds for stormwater management.

Mr. Merkel provided a summary on the Storm Water Management Infrastructure Fund which will include a GO Bond and grant revenue that will be covered by a .25% increase in home rule sales tax.

Mr. Merkel stated that there will be no funding for the PEP program this year.

Mr. Merkel presented the Enterprise Fund that is funded through billings from the water fund and said that it is funded from the services and through the water billing. Mr. Merkel summarized the major expenses for the Water and Sewer Fund with the largest expenditure being the replacement of Water Mains and the purchase of water from Evanston. Mr. Merkel said that the savings from the water costs with Evanston helped to fund projects related to the Water and Sewer Fund.

Trustee Klatzco stated that he did not have any questions and said that he thought that Lincolnwood does a good job of running the TIFs and that when the Village closes out the NEID TIF it will provide a windfall of \$500,000 for the local School Districts.

Trustee Sargon stated that she did not have any questions.

Trustee Nickell asked for Mr. Merkel to confirm the importance of using the savings for the water rate to stay in the fund.

Mr. Merkel stated that it is important to keep the savings in the Water Fund to ensure that debt is properly serviced and kept within the Fund.

Trustee Patel thanked Mr. Merkel for clarifying the importance of keeping the revenues in the appropriate funds.

Trustee Cope thanked Mr. Merkel and highlighted that the Village took a big step in changing the water supplier and as many residents noted the cost of water under a previous City of Chicago administration and the Village realized that a change was needed and entered into an agreement with Evanston at a substantially reduced cost differential with that differential being the funds that pay for the bonds that allow us to connect to the Evanston service.

Trustee Halevi thanked Mr. Merkel for the job that he has done and everything that was done and the work that was done to write everything in the packet.

Mayor Bass wanted to thank Department Heads and staff and for Police for chopping off \$100,000 from their budget, Finance working strategically, Public Works putting this together, and all of the work done and compared to other Villages have made strides to get us to where we are today.

Mr. Merkel said that there have been several revenue enhancements recommended by the Finance Committee to assist with expenses. Mr. Merkel highlighted the Packaged Liquor Tax which will be on purchases of unopened alcoholic beverages for a 2% rate for the Village, which would be the same as Skokie. Mr. Merkel stated that it is estimated that this will raise \$250,000 and would require further Board action.

Mr. Merkel stated that the Village is looking at increasing the Food and Beverage Tax by 1% to enhance revenues and it has been put in the Budget and would require further action by the Village Board to change this amount. Mr. Merkel presented the comparable communities in regards to how they charge for these types of services.

Trustee Klatzco asked if Internet sales would be captured by this liquor tax?

Mr. Merkel stated that the Village Attorney is looking at this item.

Trustee Sargon stated that she was in support of the taxes.

Trustee Nickell stated that she was concerned about increasing the food and beverage sales tax and Lincolnwood's competitive edge with other communities and asked if the information could be shared on who the largest contributors are for that tax in an effort to determine if a change in this tax would entice someone to leave the community?

Mr. Merkel stated that he could not share that information publicly.

Mayor Bass stated that there was concerns about this negatively impacting the community.

Trustee Nickell stated she was in support of the Packaged Liquor Tax but had concerns about the Food and Beverage Tax and asked if there was another way to recapture that amount of revenue?

Mr. Merkel said that there may be other options for this that can be discussed.

Ms. Gaura added that she regularly meets with communities in the area and it is not just Lincolnwood that is looking at these types of revenue enhancements.

Trustee Nickell asked if other communities are looking at increases in Food and Beverage Taxes?

Ms. Gaura stated that she would have to look at the notes from those meetings but there were enhancements across the board.

Trustee Klatzco stated that the Food and Beverage Tax is on mostly on those visiting Lincolnwood and not directly on our own residents.

Trustee Nickell stated that she was looking at making sure that the businesses are able to stay competitive.

Trustee Patel said that if the Village does not raise sales taxes then it can increase the cost for businesses in other ways by increasing the property taxes to make up the difference. Trustee Patel added that information shared publicly by Food for Thought is that they pay sales tax and with impacts to that industry the Village needs to keep pace with decreases in this sales tax.

Trustee Nickell said that the pass through cost for sales tax is paid by the consumer but has to be collected by the business then they have an incentive to move to somewhere like Morton Grove where the cost of doing business is lower if the sales tax is lower at 1% but if other communities are raising that tax then it gives me comfort.

Trustee Cope said he liked the euphemism of "revenue enhancement" and that government has an incredible way of increasing revenues because of the increase in expenses. Trustee Cope said that in the Village they have tried to maintain lower expenses and is not in favor of just saying lets increase taxes and would want to look carefully. Trustee Cope said that he would seek to not raise rates but try to help businesses to succeed.

Trustee Patel said that a large expense that goes up in excess of the CPI every year and personnel is the largest expense and asked that if Trustee Cope has a recommendation to adjust these expenses then please present it at the Finance Committee.

Trustee Halevi said that she was in support of the recommendation of staff for the Food and Beverage Tax and the Packaged Liquor Tax and noted that if other communities are also looking at these revenue increases then it would be offset.

Trustee Nickell said that at a recent meeting she brought up a concern in line with Trustee Cope's point in that she raised concerns about a contractual employee that cost \$64,000 for six months and then we reduced it to three months, which was still high, and that it is positive to look at all expenses and that we all are looking to reduce expenses and ask that we dial back the rhetoric.

Trustee Sargon said that she appreciated everyone's perspective and asked if there were specific areas where we can save money in different areas.

Trustee Nickell said that it is important to scrutinize expenditures and capture savings in that way.

Ms. Gaura summarized the discussion and said that these two revenue enhancements that would require formal action will be at the April 20 Village Board Meeting for formal consideration and approval.

Mr. Merkel presented the Finance Committee recommendation regarding the previous additional contribution to applying \$.02 of the additional gas tax to the Police Pension Fund and would recommend forgoing that contribution for the FY 22 Budget.

Mr. Merkel asked for the Village Board to look at reviewing the policy followed by the Village to increase the property tax in excess of the PTELL in order to accommodate the increased costs related to the Police Pension Fund which has been taking up the possible increase to the property tax within the PTELL.

Trustee Klatzco said that there is a requirement to make this payment and would want to get feedback from the other Trustees regarding this possible tax increase as a member of the Finance Committee. Trustee Klatzco said that he was in support of other revenue enhancements instead of allowing for an increase in the property tax.

Trustees Sargon and Nickell stated that they could not hear the conversation and said that they were catching up to the audio.

Trustee Cope said that this is one of those issues where the Village is not making the choice but the State of Illinois who has managed the Pension issues which has made the problem worse and worse and is not something that cannot be blamed on the Village of Lincolnwood. Trustee Cope said that there will need to be direction on how these programs will be funded and said that he said that their hands were tied and he was in support of the proposal.

Trustee Halevi said that to the benefit of Trustees Sargon and Nickell who were not able to hear the conversation she asked for Bob Merkel to briefly summarize the conversation again so that everyone can be on the same playing field for what is being discussed.

Mr. Merkel summarized his presentation on this topic.

Trustee Halevi said that she was in support of staff's recommendation as it is just allowing for discretion.

Trustee Sargon said that a pension is a promise and obligation so she is in support of this policy change.

Trustee Nickell said that discretion is necessary and it is an obligation that the Village cannot skirt and a change in the policy to allow for discretion is needed.

Trustee Patel said that relative to the Levy Policy it is just that in a policy and every year couldn't the Village Levy above the policy?

Mr. Merkel said that it was a Village Financial Policy to allow for this change.

Trustee Patel said that he would say to keep the policy the same and would like the Village to look at alternative sources and would rather to avoid relying on property taxes more.

Trustee Nickell asked Mr. Merkel if the policy change was being recommended in lieu of other options being explored to fund the Pension or other obligations?

Mr. Merkel said it was just for a discretion and that the Village would always look at other options and methods to increase revenues.

Trustee Patel said that it is just a policy and having a policy like this drives the Village to look at other options for revenue options.

Trustee Patel said that the Village has been looking at other revenue options that the Village previously said "No" to including Video Gaming and the Sale of Cannabis that could offset the need for increasing property taxes.

Mayor Bass stated that there were four people in favor of the alternative policies and there was a consensus to move forward with the policy change.

Mr. Merkel presented the potential for an increase in the Local Gas Tax and presented a table of the Local Gas Tax as compared to neighboring communities. Mr. Merkel confirmed that there is no increase in the Budget but presented the data in case action was requested by the Village Board.

Trustee Sargon stated that she would be interested in hearing what other communities are doing.

Trustee Cope said that the Village should maintain its competitive edge over Chicago and would recommend not increasing the tax.

Trustee Klatzco stated that if you look at those communities touching Chicago they are all at 5% in comparison to Chicago and they don't want to lose that edge.

Trustee Nickell agreed to not increase the gas tax to be above Skokie or Evanston.

Trustee Patel stated that he did not want to go above the gas tax for the Village of Skokie. Trustee Patel asked what 1% would do for the gas tax?

Mr. Merkel stated that it would be \$170,000 in revenue.

Trustee Patel asked if the Village could do a half a percent tax?

Mr. Merkel said that he would have to look at it and see.

Trustee Nickell added that Costco in Niles will have long lines for gas and to be careful on this.

Trustee Halevi stated that she was in support of Trustee Klatzco's perspective on this and asked to be conservative and maybe revisit this if communities make change.

Mayor Bass said that the consensus is to make no changes unless other communities are making similar increases.

Mr. Merkel presented the three further items presented by the Finance Committee for Video Gaming and Sale of Cannabis to be allowed in certain areas and to be considered at a joint Plan Commission and Village Board Meeting.

Ms. Gaura stated that no further direction is needed at this time and it will be part of a joint workshop but is being provided for informational purposes.

Trustee Halevi asked if the cannabis item would include both retail and / or the manufacturing area.

Trustee Nickell asked to clarify Trustee Halevi's question in regards to separating out the manufacturing or retail for the different sectors of cannabis retail.

Ms. Gaura stated that this would be part of the joint conversation to determine how and where this type of use could be put into the community and would be a high level conversation and if so what areas you could put this into place.

Mr. Merkel presented the potential Grant Revenue from the United States Government and said that the Village will receive assistance over two fiscal years and it appears that the Village may receive \$1.5 million over the next two fiscal years.

Ms. Gaura stated that the grant could be used to replace revenues lost due to COVID and this money would be able to cover the Village's lost revenues and per the Village Board's guidance this would allow the Village to move up the work on the Shooting Range.

Mr. Merkel stated that there will need to be a change to the Budget to accommodate that expense related to the shooting range.

Trustee Klatzco asked if the grant revenue was included in the Budget?

Ms. Gaura stated that the revenue is already included in the Budget but the shooting range expense will be in there.

The consensus was to proceed with the shooting range as presented by staff.

Mr. Merkel provided a summary of the next steps.

Mr. Meyer presented the COLA recommendation and showed external and internal comparables along with the staff recommendation for a COLA of 2% as of May 1, 2021.

Trustee Klatzco said he was OK with the recommendation from staff.

Trustee Sargon said she was OK with the recommendation from staff.

Trustee Nickell said she was OK with the recommendation from staff.

Trustee Patel said he was OK with the recommendation from staff.

Trustee Cope said he was OK with the recommendation from staff.

Trustee Halevi said she was OK with the recommendation from staff.

The consensus of the Village Board was to include the 2% COLA for non-union staff as of May 1, 2021.

Public Forum

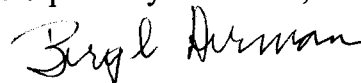
None

Adjournment

At 11:24 A.M. Trustee Cope moved to adjourn Committee of the Whole to Close seconded by Trustee Nickell.

The motion passed by Voice Vote.

Respectfully Submitted,



Beryl Herman
Village Clerk