



BUDGET MEETING MINUTES

February 4, 2019

Mayor Johnson called the meeting to order at 6:16 p.m.

Present were Trustees Joe Seipts, Jake Schmidt, James Kidd, Aaron Wilson, Terri Bailey, Erick Beck, Mayor Steve Johnson, Clerk Lori Mitchell, Treasurer Bradley Robison and Attorney Tom Green

Also, in attendance were: Village Administrator Tim Savage, Finance and Human Resources Manager Michelle Johannsen, Community Development Director James Richter II, Engineer Chris Dopkins.

Mayor Johnson asked Village Administrator Tim Savage and Finance and Human Resources Manager Michelle Johannsen to go through the agenda items.

Introduction: Village Administrator Tim Savage explained the purpose for this kick-off session is to provide initial revenue projections and hear the desires of the Board for broad themes and any new initiatives to be considered as the budget is being prepared. The staff will then compile the information and present a budget for Board consideration.

Tim Savage and Michelle Johannsen reviewed the following items:

General Fund Revenues

Michelle referred to a chart that identified the breakdown of revenues within the General Fund. She explained that sales tax remains the highest percentage of total revenues sustaining the operations of the Village at 45%. Secondarily is state income tax making up 29% of revenues. So, out of the \$7.5M budget, sales tax and income tax account for \$5.6M or 74% of the Village budget.

Tim explained and summarized a graph that showed actual sales tax revenues received over the past 8 years. He explained the Village has seen a consistent increase year after year. There was a slightly larger increase in FY2016 which was due to construction wrapping up on 173 and the opening of Meijer.

Tim reviewed a chart of the last seven years of sales tax received by month and overall we have been trending higher than the prior year.

Overall year to date, sales tax is 4% higher than the prior year which equates to \$100k. However, we still have five more months to collect so we'll have to wait and see how the remainder of the year goes.

Michelle explained the current year projection compared to the current year budget in the general fund is anticipated to be \$963k higher than budgeted due to some revenue items that have performed much better than expected. We do have some added expenditures that weren't budgeted for and some of the additional revenues

Budget Meeting Minutes

February 4, 2019

Page Two

we received will go to offset some of those added expenditures, which the Board will be seeing those changes next month when we bring forward the budget amendment.

- Over half of the \$963k increase is due to these three items: income tax, sales tax, and local use tax.
- Income tax – we had kept our estimates low in the current year budget due to the continued uncertainty of the state and whether the 10% reduction would continue. However, we have seen the revenue received range from a 9% reduction from the prior year to as much as a 44% increase compared to the previous year, but overall it's averaged a 10% increase.
- Sales tax we are estimating a 3% increase for the year; which is approximately \$193k higher than budget and is typically where we like to come in compared to budget due to the uncertainty of the revenue stream.
- Local use tax has increased by far more than anticipated due to the Wayfair Case which requires out of state sellers to collect IL use tax; which became effective in October. There is still a lot of uncertainty as to how these payments will come in, but the IL Department of Revenue is suggesting a ten cent per capita increase per month which for the Village would equate to an extra \$28k annually. With online sales increasing and based on IML estimate of the remainder of the year, we anticipate an additional \$113k.

So, when we compare the current year projection to the prior year actual revenues received, the current year projection is \$448k higher.

Michelle and Tim reviewed the proposed General Fund revenue budget amounts for next year, fiscal year 2019-2020. We are proposing a 5.7% increase from the current budgeted amount, which equates to a \$410k increase and is consistent with the prior year increase we just went over, however, we feel we still have remained conservative. We are budgeting \$7,557,900 for revenues; the \$410k increase is made up of the following large increases:

- \$195k increase in state income tax...we started with the Illinois Municipal League's (IML) estimate but then reduced it by \$185k as we are still uncertain as to when/how the trend will settle in; the amounts we are receiving month to month are still all over the board. Also, the current year had a one-time increase in revenue due to federal tax law changes which will not recur in the upcoming year.
- \$13k increase in video gaming...we reviewed the history of the past several years and we have consistently been receiving over \$200k in gaming revenue, so even though it is based on consumer demand which can fluctuate, we felt our estimates have been too conservative. The current year we have averaged \$18k per month and we had been budgeting at \$13k per month, so we increased the budget to \$15k per month, which equates to \$180k annually.

Budget Meeting Minutes

February 4, 2019

Page Three

- Sales tax we looked at the prior year trends and in the current year we are estimating to collect over \$4M, which is a first in Village history. We then reduced off estimated amounts for sales tax rebates and made adjustments for the change in the Meijer rebate share each year, the opening of Hobby Lobby, and possible store closings (none known at this time), which brought us to \$3.4M; an increase of \$63k from the prior year.
- Local Use Tax – we again started with IML’s estimate based on the anticipated online sales increase and Wayfair increase and then reduced it by \$100k to remain conservative as we are unsure how exactly the new funds will roll in and in case there is a decline in the market or consumer shopping.
- \$50k increase which is made up of a \$20k increase for Circuit Court fines to bring the budget closer to actuals received and \$30k increase for utility reimbursements from new tenants at the JCP Building, which offsets some of the utility expenses shown in the public works department.

So, overall next year’s budget of \$7.5M is \$553k lower than the current year projected revenue. Michelle asked if there were questions regarding the General Fund revenues. There were none.

Utility Tax

The Village has consistently received just over \$1.1M annually; however, when the tax was implemented, there was a sunset clause included and so the Utility Tax is set to expire December 31, 2019, which is only a portion of the upcoming budget year. Because of this, we estimate only receiving \$700k of revenue, unless the tax is extended. Tim explained we’d like to know if the Board would like to renew the Utility Tax before the Budget is adopted and so further discussion would be forthcoming.

Tim advised that at the current expiration of the tax, the funds estimated to total \$7.9M will have been spent as follows:

ESTIMATED PROJECTION

- 63.57% Existing Roads (\$5,028,855)
- 9.76% New Roads (\$772,358)
- 7.68% Paths (\$607,375)
- 18.83% Public Safety (\$1,489,561)
- 0.16% Rebates to low income residents (\$12,188)

Michelle commented that there was a requirement in the Ordinance that 55% of the proceeds from the utility tax would be used for existing roads and infrastructure and as you can see here, we will have far surpassed that by spending 64%. And actually the majority of funds received went towards roads; 81% of the funds were spent on roads and paths.

Expenditures

Michelle explained there are a couple expenditure items to review at this time; cost of living adjustment, anticipated major expenditures from the departments, and the donations/special events list.

Cost of Living Adjustment (COLA)

Michelle explained that for the last several years, we have been using the Consumer Price Index (CPI) from the Midwest Region to calculate and apply a COLA to all positions and then separately establishing a merit Budget pool of \$20K. She explained that based on the CPI table, last year's COLA was 1.7% and this year's COLA would be 1.3%. There was discussion from the Board regarding bonuses vs merit increases. Tim reviewed the current wage and salary Schedule and advised that once the COLA and merit have been finalized, the schedule will be updated and again included as an exhibit with the budget document for approval in April. Tim also reviewed the comparable communities' increases for the past three years and he explained the average increase is utilized to adjust the pay ranges that were established for each position as part of the compensation study in 2016 to keep up with the market. However, he advised that the study should be updated in the next couple years to stay current to ensure we are consistent with market changes. The Board consensus is to provide the 1.3% COLA and a \$500 holiday bonus to each of the employee from the merit pool and the Administrator would allocate the remaining merit pool based on performance.

Department Projects/Expenditures

Michelle explained there are some larger expenses/projects that are new this year in various departments that we'll be looking to include as the budget allows:

Community Development:

- \$15,000 for building permit & code enforcement software, which would be an annual cost.
- \$30,000 for legal and consultant costs to establish a Business District at Harlem & N. 2nd Street to improve the "downtown" of Machesney Park

Public Works:

- \$10,000 to replace the zero turn mower that is five years old and in need of repairs
- \$44,000 various Village Hall updates (floors, doors and paint)
- \$16,000 to start assessing sidewalks and makerepairs or replacements as necessary

Police:

- Two Squads to be replaced due to high mileage

Mayor:

- Beautify welcome signs (sleeve poles & redo Ventura sign)
- Statement piece in downtown district (clock, etc.)
- 251 median lights extend north (part of Business District initiative)
- Beautify Village/improve image
- Minns Park-picnic tables and shade (trees or shelter) (\$5,000 donation from Realtors)
- Touch-a-truck/Fall Fest event-next slide
- Six movie nights (last year had three)
- Mayor annual savings (items not taking) -- \$600 no cell phone reimbursement - \$17,600 no health or dental insurance -- \$2-5,000 no mileage

Donations/Special Events

VA Savage reviewed the anticipated donations for community projects:

- HCC Summer Parks Program - \$5,000
- Carlson Boys & Girls After-School Program - \$2,000
- Helping Hands Food Pantry - \$1,500 (after discussion)
- Special Events – Fall Fest and Movie Nights - \$9,000
- Total \$17,500

Tr. Beck stated he would like to see the Food Pantry donations increased. Consensus to increase Helping Hands Food Pantry donation to \$1,500 (noted above).

Tim advised that the Village has been directing residents in need of assistance to an organization called One Body and so consideration might be made if they need assistance since the Village is heavily utilizing them as a resource for the community.

Flood Buyout Program Funding

Michelle explained there was a map in the packet; the properties in green are everything the Village currently owns, well over 100 properties and so the Village has made a lot of progress; the ones in pink we currently have a Notice of Voluntary Interest (NOVI) on file; and any that have just the address # written in would be additional ones we would contact to see if they are interested. So within the dark blue area, which identifies the floodplain area and is a requirement for the majority of the grants, there are 67 properties.

She estimated the cost to acquire and demolish all 67 properties would be around \$8M. FEMA has two grants we believe we could make an application for later this fall; one has a requirement that the home must be insured through the National Flood Insurance Program (NFIP) and the other grant is competitive and not one we typically apply for, but it does allow for acquisition and buyout and so we would consider making the application.

She further explained that not all of the properties can or will take the offer; so if we assume that half of them were to take the offer and be bought out, we would utilize around \$4M of the grant. However, both of the FEMA grants require a 25% match, which equates to \$1M.

We have not been made aware of any available grant funding for the match at this time. There is a reimbursement grant available through IDNR, but is subject to funding by the State and any reallocations of Budget appropriations, so not necessarily a for sure thing that the Village would be reimbursed for costs expended, but it is anticipated they will be taking applications this spring.

The FEMA grants will allow for a 36-month completion period and IDNR allows about two years, so its anticipated the \$1M would be needed over the next one to three years.

She noted that the administration wanted to get everyone's thoughts on whether there is interest in committing any of the Village's CIP fund towards the matching funds? The Village could apply to IDNR in hopes of being reimbursed, but knowing that if something falls through then the Village is on the hook. This is unprecedented as the Village has not typically used its own funding for the buyout program.

The reason we are asking now is so 1) we can start budgeting and saving for it if needed and 2) so we can do prep work over the next couple months to get all of the required information in order to make a sound application in the spring/fall.

Trustee Wilson advised he would like some time to consider this item.

Trustee Kidd asked about the status of the overflow parking. Tim advised that FEMA had denied the request of the Village to install additional parking. The boat launch and parking lot itself had gone through and been approved without issue, but this request was denied. Trustee Kidd inquired if we could allow parking on the grass. Tim advised it could be looked into as well as they were looking into possibilities of adding parking along the side of the road.

Mayor Johnson asked if the Winnebago County Health Department would be doing their abandoned property program again. Michelle advised she would check into it.

2019 Goals and Objectives

A draft list was distributed. Consensus to continue Business Attraction and other items designated on the 2019 List of Goals and Objectives. Tim advised he would go to work on quantifying the items and finalize the list.

Discussions:

- Tr. Kidd would like to utilize the Menards Building for Village Hall and Town Center applications.
- Tr. Beck and Tr. Schmidt inquired about upkeep/beautification throughout the Village; in front of Meijer, trees along service road by the quarry, 173 medians weeds and trees
- Discussion regarding Police Services AdHoc Committee
- Desire for Quarterly Trustee Meetings
- Tr. Kidd broached the subject of liquid salt for street department deicing applications

Meeting Minutes
February 4, 2019
Page Seven

Michelle asked if there were any additional topics to discuss. There were none.

Public comment: There were none

Trustee Beck moved to adjourn; seconded by Trustee Wilson. Motion carried by voice vote. Meeting adjourned at 7:29 p.m.

Lori J. Mitchell, MMC
Village Clerk

UNAPPROVED MINUTES