

## SUMMARY NOTES

### COMMITTEE OF THE WHOLE MEETING BUDGET WORKSHOP VILLAGE OF NORTHFIELD Tuesday, March 5, 2019 at 6:00 PM

The Committee of the Whole Budget Workshop meeting was called to order by President Joan Frazier on Tuesday, March 5, 2019 at 6:00 p.m. Roll call was as follows:

**Committee Members Present:**

President Joan Frazier  
Trustee Tom Roszak  
Trustee Allan Kaplan  
Trustee John Goodwin  
Trustee Tom Terrill  
Trustee Greg Lungmus

**Absent:**

Trustee John Gregorio

**Others Present:**

Stacy A. Sigman, Village Manager  
Steve Noble, Finance Director  
Melissa DeFeo, Assistant to the Village Manager  
Michael Nystrand, Fire-Rescue Chief and Public Works Director  
Steve Gutierrez, Community Development Building Director  
William Lustig, Chief of Police

President Frazier said that every year we go through this exercise and staff puts in months of work on the budget and so she thanked Finance Director Steve Noble, VM Stacy Sigman and the department heads. The proposed budget will be discussed tonight and if circumstances are such that we feel we need another meeting, we will meet on Thursday. At the regular Board meeting on March 19<sup>th</sup>, we will have another public hearing on the proposed budget and will vote on it then.

#### **Introduction and Overview of Village Finances**

Village Manager Sigman began by saying that tonight she will go through the current trends and summarize where we expect to end this fiscal year. Finance Director Steve Noble will be go through the proposed 2019/20 budget, the highlights of the proposed budget and some long term projections. We will try to take a little more time to give background or history on the different accounts, point out some of the aspects of governmental accounting and give the big picture overview as to how we will end this year and what we plan for next year. At the end, each department head will take a few minutes to go through the any special projects their department will be heading up next year and then we will open it up for questions. Please do not wait if you have a question; just hop in and ask them as we go.

VM Sigman said that as we look to close out the 2018/19 fiscal year, she is pleased to report a lot of positive news. First and most important, we will end this year with a balanced budget and a surplus that is ahead of what was planned. We have maintained our AAA bond rating despite the issues with the State. We have kept our municipal property tax rate low. Northfield is 5-36% less than our counterparts in the region (Glencoe, Kenilworth, Wilmette, Winnetka). We have maintained a very strong business environment. For a community of our size, this is very unique. We continue, for about the 10<sup>th</sup> year in a row, to have the lowest vacancy rate anywhere in the Chicago region in the office and retail area. This year was particularly interesting as we saw a number of entities wanting to invest or locate here in Northfield. We reviewed four major projects (two approved) Wintrust Bank and James Development (two denied) Walden Lane and Assisted Living Facility. The approved projects have already begun construction and the other two will likely continue to be explored next fiscal year. We have continued to fully fund our pension obligations and based on the additional contributions that the Board has made over the past several years, the hiring of a professional fund manager, and with strong markets we will be able to achieve the Board's goal of getting our Police Pension Fund 60% funded by 2020-2023 this current fiscal year. Most importantly, we have done all of this while remaining in compliance with the Tax Cap and have kept all our fees and fines in line with neighboring towns.

As we look forward to next year and beyond, we examine which trends will continue and unfortunately try to guess what the State will do. These predictions are then all woven into our revenue and expense projections for next year.

Overall, there appears to be a lot to be optimistic about and the economy has been fairly strong. We have started seeing slightly higher interest rate returns; we are expecting the construction market to remain solid next year, and there appears to be nice growth in our sales and home rule sales tax base. We wanted to use this opportunity to try to strengthen our financial position. Next year's budget is balanced and it includes a few new things that are designed to do just that:

- The new 2% loss and cost to ensure we collect 100% of our tax levy
- The new Fields sales tax agreement which is based on growth and will encourage them to invest and expand in Northfield
- Funding for succession planning to plan for change over in our current work force.

When we studied that last year we recognized that 60% of our current force can retire now or within the next 5 years. It is important that we plan for things like vacation time payouts, temporary employees, and recruitment costs.

- We have also included the 1<sup>st</sup> of 10 payments to IDOT for the Willow Road project. As you may recall, the Village negotiated a 0% interest 10 year loan to cover our portion of the enhancements to that project. That payment may or may not come due this year, but we wanted to be ready if it does. We are already about three years past when we anticipated starting.
- And finally, we wanted to work to strengthen and build back the reserves in the Equipment Replacement Fund. In the original draft of the budget sent out to you we were recommending a \$500k transfer from the general reserves to the Equipment Replacement Fund. Based on an unexpected change in our property tax distribution, we are now recommending that be adjusted down to \$450,000. That would keep the general fund reserve at seven months of expenditures and still make great strides on the Equipment Replacement Fund. Along with that, we have embedded an additional 10% across the board contribution to this fund within each department's budget.

VM Sigman said the financial crisis within the State remains our biggest concern moving forward. We are projecting that they will continue their practice of taking funding from local municipalities to help deal with state issues. That includes continuing to keep 5% of our LDF and 1.5% of our home rule sales tax. At this point, we do not anticipate any additional takings, but it is always a possibility and municipalities will remain vulnerable until the State truly deals with their issues. She and President Frazier work closely with the NWMC and the IML to monitor legislation in Springfield and to work regionally to oppose changes that would negatively impact our community.

On that front, the State is looking at ways to solve their issues and that likely will mean additional taxes. It is impossible at this point to know what will actually get approved but there are a few areas that we are watching are very closely. The first is a proposed change to the medical equipment tax rate from 6.5% to 1%; recreational marijuana and of course how we can begin to tax internet sales.

VM Sigman then said it is important to talk about how we project we will end this fiscal year. She said Director Noble is going to hand out a few updated summary sheets. The numbers on these remain positive, but do not match what you got in your draft budget book. Literally, the day we sent out the draft budget, we got our first property tax distribution for 2018 from the state and it contained an unpleasant surprise. The new sheets reflect the impact of that news.

VM Sigman said that as you may recall from last year, the Village and other area taxing entities have been impacted by a series of Kraft property tax appeals. Commercial property

owners, like residential ones, can appeal their tax assessments to the County Assessor and to the State Property Tax Appeals Board. Unfortunately, the appeals process often takes several years to complete and then once it is determined, the Treasurer simply holds back the appeal amount from the next year's distribution. In Kraft's case, they appealed 6 years (2010-15) and based on the appeals decision, we anticipated and budgeted for a \$50,000 reduction every year for 6 years (with this year being year 2). On the Friday the budget went out, we got our tax distribution and saw that an additional \$180,000 had been withheld for the Kraft tax appeal. Coupled with what came out in July that totaled \$226,401 this fiscal year. Director Noble reached out to the schools as they were the entities that formally fought the Kraft tax appeal and learned that, unbeknownst to us, they reached an agreement with the County and Kraft to simply pay the remaining rebate amounts off all in this year. On a positive note, the total \$276,821 rebate hit will now be over with and moving forward we will cover these sort of appeals with the 2% loss and cost we recently implemented. We will still end up this year with a surplus. In total, we will end up about \$95,000 better than the budgeted amount. Every department did a great job of holding down expenses and we expect to end the year about \$137,000 below budget in the expense column. We will end the year with a General Fund reserve of about \$6.8 million which is the equivalent of just under 8 months of operating expenses.

#### Discussion of Proposed FY2019/2020 Operating Budget

Director Noble began by saying that the Village budget is organized by funds. We currently have 13 active funds. These are broken into categories based on revenue sources and spending restrictions. In recent years, we have created new funds to track the infrastructure work done with the 2016 and 2017 bond issues and the Rolling Ridge SSA bond issue. Legally, we need to keep all bond proceeds and their associated debt service separated as this is a standard covenant in all bond ordinances.

We will spend the most time this evening on the operating funds as it is where we budget for all of the day-to-day services the Village provides. When we refer to the "Operating Funds", we are referring to the General Fund and our Water/Sewer Fund. The "General Fund" is where we account for all of the day-to-day activities of Administration and Finance, Community Development, Police, Fire-Rescue and Public Works.

The Water/Sewer Fund is set up differently than the General Fund and is operated as what we refer to as an "enterprise fund". Generally Accepted Account Principles requires us to have enterprise funds to account for "business-type activities". Those are activities similar to

those found in the private sector which services are primarily funded through user charges. In our case, water and sewer fees.

#### General Fund

Revenues in the General Fund are projected to be up 4.4% next year. Total property taxes are anticipated to increase 5.1%. Village property taxes will remain in compliance with the Tax Cap and the amount reflected consists of a 2.1% increase based on the CPI and 1.2% for new growth (new homes, additions, and annexations which are exempt from the tax cap calculations). It also now projects we will collect 100% of that levy due to the 2% loss and cost factor we now apply. Our home rule and municipal sales tax revenues are also expected to be up about 5% with Medline, Fields and Mariano's being our largest sales tax producers.

Director Noble said that on the expense side, operating expenses are up 3.7%. Most of that, however, is attributable to some of the changes VM Sigman referred to; i.e. those geared to help strengthen and rebuild our financial position. To make it easier to follow, we place most of these changes within the Finance and Administration budget and are now including funding for succession planning (covers things like vacation time payouts, temporary employees and recruitment costs); 1<sup>st</sup> of 10 payments on the Willow Road loan and a 10% across the board increase to the Equipment Replacement Fund. In addition, we are proposing a one-time transfer of \$450,000 from General Fund reserves to the Equipment Replacement Fund reserve to help strengthen its financial position.

Salary costs in the General Fund are up 2%. That number includes a 2.5% cost of living adjustment in conformance with our adopted pay and benefits plan. Benefit Costs are up 1% and covers IMRF, police pension and health care costs. Contractual services are expected to increase 7.9% and that is primarily attributable to an increase in legal fees (have not had an increase in 10 years) and succession planning. The 107% increase in Capital reflects the first annual loan payment to IDOT for the Willow Road improvements. They are not sure when that will be payable, but want to be prepared when it does. Most importantly, the proposed General Fund budget maintains all existing services, continues to fully fund all pension obligations we anticipate a surplus of \$156,000.

#### Water and Sewer Fund

In the Water and Sewer Fund, overall revenues are projected to increase 1.6%. That assumes a 4% rate increase as reflected in the 5 year plan but also a 2.6% decrease in overall gallons sold, based on the past 3 year average of water consumption. If approved, our current rate of \$8.74/100 cubic feet would increase to \$9.09. On the expense side, total expenses are up 1.1%. That includes a 1.8% increase in the water rate from Winnetka.

President Frazier asked for an explanation of how we buy our water and about their increase. Director Noble said that we are involved with a 30 year contract with Winnetka for water and we are currently in the 16<sup>th</sup> year. Last year during this time, it was the end of the 15<sup>th</sup> year and we had a reopener to re-examine the rates and that's when we got hit with a substantial rate increase. This year, it's back to the regular terms of the contract. Rate increases are based on the CPI and fortunately the CPI has remained fairly low. That was part of the issue last year with the increase in rates and the fact that we had experienced 15 years of very low CPI inflation. The rates that other communities were charging for their water had increased more than the CPI.

Salaries and benefits in the Water Fund are up 2.7% and include salary adjustments, pension costs, and health care benefits. Most of the proposed \$535,000 in capital funding is a roll over from this past year to complete the Thackeray-Bosworth water main replacements. That project is out to bid and we expect it to be awarded in March, but that work will not start until next fiscal year. We have had 5 main breaks on that segment over the past several weeks so it is definitely time for that water main to be replaced. The remaining capital funding is to address MWRD issues in our sanitary system and to fund a water system and rate assessment.

To see how our water rates compare to others in the region, we conducted a brief survey of communities who also purchase water from another municipality. Northfield's rate is in line with other communities. Comparing rates however can be a bit misleading. For example, Kenilworth does not include infrastructure costs and in addition to their rate, each home is subject to an assessment of \$345 per year for the debt service on various bonds. Skokie's rate on the other hand is unusually low, as they usually pay for most of their infrastructure improvements from the large amount of sales tax they receive from Old Orchard and other shopping centers.

Many communities in the area are facing challenges similar to Northfield, even those that are water providers. For example, in 2018, the Village of Glencoe raised their water rates by 28% and added a fixed quarterly fee that increased the total water rate by 42-67%, depending on the size of the customer's water meter. The Village of Winnetka is planning to better than double its rate over the next several years with 8-8.5% annual rate increases. They too have instituted a flat fee component as part of their water rate structure. Given the substantial investment identified as needed in our water system, we want to make sure the water rates needed for these improvements are fair and accruable. Therefore, the draft budget includes \$35,000 for a water system assessment and rate study. The current system has been in place before most of the current staff began with the Village. The changes have just seen

annual increases. There are new billing methods that may prove to be more equitable for customers and we want to see how these new methods can be applied to our rate structure.

The Village has diverse sources of revenue. Property tax is the single largest source of revenue followed by water and sewer revenues and sales tax. The breakdown of a typical property tax bill shows most of the taxes people pay don't go to the Village. 89% go to other governmental entities, such as the schools, park districts, library, township, and the county. The Village receives about 11 cents out of every dollar paid. So, for a resident with a \$10,000 tax bill, \$1,100 of that would be paid to the Village. The State sales tax is another important revenue source for the Village and accounts for about 15% of our total operating revenues.

Director Noble continued that as we look at our revenues and consider future trends, we are aware of where our sales tax comes from. Northfield is fortunate to have four auto dealers and they accounted for over 50% of our total sales tax in 2017. In 2016, auto sales accounted for 62% of all sales. The drop in percentage is a reflection of Medline coming on board in January of 2017. In last year's budget presentation, he noted that this chart would look very different this year and the drop in sales tax concentration in the auto category illustrates the change. So where does the Medline sales tax show up? The State categorizes Medline in the Other category. The 2016 data showed Other as only 8.4% of the total. With a full year of Medline sales tax, the Other category is up to 24% of the total. In 2012, the Village instituted a home rule sales tax. Auto sales are taxable under the home rule sales tax. Under the state sales tax, auto related sales account for 50% of the sales tax generated. Home rule tax is distributed differently with auto related sales (mostly parts) accounting for only 13% of the total.

VM Sigman indicated that we are projecting that total sales will go up about 3.4% and "Other" sales being the larger component of that. We have some sales projections from Fields with what they hope to do with some of those dealerships, but we haven't relied on them. Unless a new dealership were to locate in town, we wouldn't see it changing substantially. Tom Whittaker from the audience asked VM Sigman if Fields having Jaguar, Range Rover now as higher end vehicles, would have a more positive impact? VM Sigman responded that we hoped so, but the problem that occurred is that Chrysler/Jeep/Dodge did volume sales. They sold more cars, but were less expensive. Initially based on the sales that Land Rover did in Winnetka, the sales were much lower than what we expected when we lost Chrysler/Jeep/Dodge. That dealership has grown very well. They have exceeded all expectations for sales for those two. Jaguar is relatively new and they are doing okay with that. Range Rover has had the largest growth. As a brand, BMW has been the most successful and

Volvo has been a little more consistent. So they go up and down depending on what new car comes out. That is hard to predict.

Next, Director Noble discussed how and where the Village spends its money. Almost 54% of the operating budget is for public safety, while another 31% is for public works, water and sewer. This is to be expected as these are the departments that operate 24/7, have the most employees, and respond to emergencies like 911 calls, snow storms and utility breaks. Pensions (IMRF and Police) have a substantial impact on local budgets (about 12% of our operating budget), so it is important to monitor them closely. It's important to point out that all pension benefits are set in Springfield, and municipalities have no legal ability to cut or change benefits. In 2011, the state created a new Tier II system and the Village is beginning to see the positive effects of that. Currently, the Village has 2 police officers and 4 full time employees who are IMRF Tier II employees (13% of full time workforce). Over the past few years, we have made some solid strides to improve the Police Pension Fund. That work has seen our percentage funded go up from 49.7% in 2009 to almost 61% at the end of FY17/18. Some of our efforts over the years to strengthen the Fund have not been reflected in the funding status. For example, twice the Village reduced the assumed rate of return from 7.25% the current 6.75% and twice we adopted more conservative actuarial tables. Both of these actions will strengthen the pension fund in the long term, but hold down the percent funded in the short term.

President Frazier asked Director Noble if he had any information about any comparison information how other communities are doing in terms of the percentage funded. Director Noble said the last he heard, Northfield is average. There are some communities that are doing better and some worse. The problem is we have a rate of return assumption of 7.5% or 8%, our percent funded all of a sudden goes from 61% to 75%. That doesn't change how much money we have or what our future benefits are going to be or how much we will have to pay. Comparing ourselves to other communities can be misleading. We have to make sure we have the same assumptions. Communities who have a high rate of return assumption will have to change because actuaries will be held accountable for those assumptions. The return assumption used to be dictated by the local community. Now, the auditors and actuaries are starting to have some responsibility in making sure those are reasonable assumptions. On a more global note, VM Sigman said our counterparts that we consider in the north and northwest suburbs are among the best funded in the state. So we compare ourselves with the surrounding town and they are all fairly healthy. When you get out of this area, the percent funded is really low. Director Noble added that the size of the pension fund matters. The state

limits the ability of the smaller funds to hire investment advisors and to invest in things like equities and corporate bonds. The small funds, primarily those outside this area, are hamstrung because it is hard for them to get caught up because they are so restricted in what they can invest in. They are stuck with fixed investments and cannot meet their rate of return assumptions or the rate of return assumption is very low which would drop their funding quite a bit.

IMRF continues to remain very healthy and is actually one of the healthiest pension funds in the nation. For 2019, our IMRF rate which is the percentage we pay based on eligible payroll is the lowest it's been since 2008. Unfortunately, we are anticipating a much higher rate in 2020 as a result of IMRF lowering its assumed rate of return from 7.5% to 7.25%. As of December 2017, the Village's account with IMRF was 93% funded. The impact on this current budget isn't as much because IMRF works on a calendar year basis so the increase is only from January through April of 2020.

#### Discussion of Proposal Capital Programs

The Village's \$3.7 million capital plan is summarized on pages 23-40. Water and sewer improvements represent the Village's ongoing commitment to maintaining our infrastructure. This year's road program includes the construction phase for Northfield Road. The Village received a grant for 70% of this cost and the \$525k budgeted is our 30% matching share of construction and construction engineering. \$306K is budgeted next year to resurface Jeffery. The other \$437 is the roadway work associated with the Bosworth/Thackeray water and storm sewer project along with some seal coating, stripping and patching of our other streets.

Next year, we included \$1.4 million for the first phase of construction of the storm water improvements in the Bosworth Area. This project involves constructing storm sewers along Jeffery Street and the Old Willow Road ROW and connecting it to the Willow Road storm sewer system. The first phase improvements will intercept water flowing towards the area from the west and should help minimize flooding during storm events. Finally, the budget includes the remaining work on the Comprehensive Plan update, a series of computer updates, and the basement repairs needed in the Police basement due to flooding.

Trustee Roszak asked for an explanation of the proposal that was approved and the work that is in play now and what the \$49,000 is for in the Comprehensive Plan. VM Sigman responded that when that project was approved, we went out for an RFP, but we knew it was an 18 month process, so it spans two fiscal years. So the beginning started in this fiscal year and will finish up in the next fiscal year. It's the same project, the same amount that has already been awarded but split into two years. The \$49,000 is the balance.

Trustee Terrill asked if the police basement repairs come under our insurance. VM Sigman indicated that it is not covered. During the 23 below temperatures and other occasions, the basement has flooded. VM Sigman said the carpeting and other flooring needs to be replaced.

President Frazier then asked VM Sigman to explain the importance of the work along Jeffery and why we're spending so much money on it this year. VM Sigman said one of the major goals of the Village has been to reduce flooding. We will never eliminate the flooding, but we are trying to mitigate it however we can. We have taken a systematic approach. A long term study was completed that talked about where the flooding was occurring and what major projects would prove to be the most beneficial. Staff looked at a series of projects that need to be done. Unfortunately, the whole total for those was around \$5.5 to \$6 million and we couldn't afford to do it all. The most meaningful impact that would fit within the budget was the Bosworth area. Right now, that neighborhood is at the bottom of a topographic bowl. There is no way to get the water out, so all the water that heads from west to east trying to get to the river, gets stuck in these low lying spots that effect the whole neighborhood. There has been first floor flooding, the streets are impassable at times. The benefit of this project along Jeffery is that the storm sewer line is going to be on the western edge of this neighborhood so it will capture the tributary water that's heading there before it can settle to the bottom of the bowl and will redirect it the Willow Road storm sewer system and into the river. We will be able to use the 100' Willow Road right of way to make that connection. Trustee Goodwin indicated Engineer Pat Glenn was talking about it at the Plan & Zoning meeting. Engineer Glenn had said there are 90 acres to the west that drain into that area. VM Sigman said they are proposing it in three phases. The second and third phase won't be done unless we can come up with grant money. The Jeffery storm sewer gives us a lot of benefit for everything except the very heaviest of events. The flooding there is becoming more pervasive and we're seeing more and more problems. The areas that we have made improvements are working really well. The Willow Road trunk main has made a huge difference in the area south of Willow Road.

#### Equipment Replacement

Director Noble continued that in recent years, we have started "leasing to own" our larger pieces of equipment. These items are on a 4 year payment schedule and the details as to which year of the lease we are in can be found on pages 23, 24, 29, and 30 of the budget book. It is important to remember that each year during the budget process, we evaluate the equipment that is scheduled for replacement, and based on its condition, determine if it should be included in the budget or used another year. When you look at the detail pages on

Equipment Replacement, pages 27 to 31, anything that is highlighted in yellow has been pushed out past its anticipated useful life. We always try to get additional years of service from equipment and only replace things when we believe it is absolutely necessary. Even once equipment is in the budget, we do one final assessment before we get bids and send it to the Board for approval.

At the end of the next fiscal year, we are projecting a very positive fund balance in compliance with the Board's six month fund balance policy for the General Fund. That balance represents seven months of operating expenses. As part of the annual budget process, we look at how these fund balances fit into our longer term needs and run five year projections. The projection for the General Fund is on Page 19 and the projection for the Water and Sewer Fund is on Page 20. Overall, the General Fund is tracking fairly strongly going forward up to five years out. We will remain just slightly ahead of our six month reserve policy. This new projection accounts for the more conservative assumptions approved by the Board, the state continuing to take 5% from the local distributive fund and 1.5% of all home rule sales tax. The Water and Sewer Fund does not look quite as favorable, particularly as we have kept the working capital for projects very low and adjusted the volume of water sales down based on recent trends. The projections here assume a 4% rate increase throughout the projection period. That approach will keep the fund healthy from an operations standpoint but does not address ongoing capital needs.

From a capital standpoint, the sanitary system is in excellent condition as we have already slip lined about 70% of our system. The water system is not in as good shape. Over the past nine years, we have focused on the largest projects which were the emergency interconnect with Glencoe; the replacement of the feeder main out of Winnetka, including going under the Skokie Lagoons and Eden's Expressway; and most recently, the new water main along Willow Road. We will now need to focus on the smaller neighborhood water mains. Many of these smaller mains are over 80 years old. We are starting to see an increase in water main breaks as a result. Moving forward, staff will continue to assess and prioritize projects based on age, break history, system impact and water quality impact.

VM Sigman thanked Director Noble and said he has put in a tremendous amount of time and energy to develop this year's budget. She also thanked all of the department heads and Melissa for all their hard work in holding down expenses and coming up with creative ways to maintain services. She then asked each department head to spend a couple of minutes highlighting their budget and any special projects they have planned next year. Note that each department's budget is detailed in the book and any line items that are up or down in any

meaningful way are highlighted and footnoted. Some of these, such as IRMF, apply equally to everyone. Finally, she reminded everyone that these numbers are just for budgeting purposes. All projects and purchases over \$25,000 are brought back to the Board for formal approval before they can move forward. She noted that a public hearing on the budget will take place at 7:00 at the start of the March 19<sup>th</sup> Board Meeting. That same evening the proposed change in water rate will also be considered. The formal adoption of the FY19/20 budget is scheduled to take place at the April 16<sup>th</sup> Board meeting. Assuming passage, it will go into effect on May 1<sup>st</sup>.

Assistant to the Village Manager Melissa DeFeo said the proposed budget for the Administration and Finance Departments includes a number of bigger system items in the Equipment Replacement Fund, including an upgrade of operating software for the Village's 15 servers. Our server software dates back to 2003 and is obviously outdated. In addition to running slow, our primary concern is information security, as 2003 software does not have the security requirements that are now considered best practices. This line also includes the purchase of a switch. Our current switches are at maximum capacity, so we are planning on supplementing the current switch with additional access points to allow necessary equipment to access the network. Lastly, this category includes the replacement of 7-year old PCs. The Village's IT team does a great job of rotating PCs from heavy-use settings to low-use locations to ensure we get the most life out of them. But after 7 years, the operating system is outdated and out of warranty. Maintenance becomes difficult because they are no longer supported by the manufacturer. The budget also includes the final of eight payments to replace the telephone equipment at the Village Hall and Fire-Rescue/Public Works facility. For operating expenses, the telephone line item includes upgrading the phone service. Our phone service and phone line contracts recently expired and staff found that the cost of renewing these contracts was excessive. We therefore looked at alternatives which included the opportunity to upgrade to the true internet face phone system for approximately the same cost as renewing our current contracts. This improvement will increase our internet speed and enhance our ability to back-up to the cloud.

As Director Noble mentioned contractual legal fees are increasing slightly by \$1,000 a month in the attorney's retainer fees. This is the first time his retainer has been increased since 2009.

VM Sigman and Director Noble also mentioned the succession planning and the Willow Road payments, both of which are included in the Administration and Finance budget.

Trustee Terrill said with our water usage going down, have we figured out why. Was it a rainy season last year? He asked if we should understand that more. VM Sigman said it is a lot

of little things. Staff has been trying to figure out exactly what is causing it. First and foremost, they are producing water saving products such as toilets, sinks and shower heads. Water conservation is becoming a part of our culture. People are becoming aware of it from an environmental standpoint but also from a cost standpoint. Water costs have gone up everywhere and people are adjusting their use patterns. People are sprinkling their yards less. From a climate standpoint, each year is different. We haven't seen a spike in usage in a long time. We've seen a more normal pattern develop and that normal pattern is slowly and systematically declining. She thinks it is cultural and technology.

Director Noble indicated that last year he spoke with the water superintendent with the City of Evanston. They sell a lot of water not only to their own customers, but they have a number of cities that they sell water to and he said they factor in .25% decline in water sales every year just as a matter of course.

President Frazier asked AVM DeFeo if she were going to discuss the holiday lights. AVM DeFeo said she has been working closely with Public Works for the past year to develop an alternative public holiday lighting plan proposal. She has developed a thorough memo to discuss at the next Committee of the Whole meeting. As part of that, there was a request this past season to introduce holiday lighting on the east side of the Village. The Village doesn't have any electrical outlets on the east side, so this year we tried using solar lights. We received feedback that they didn't work out very well. The cost that she received from Public Works to auger, get an electrician and get ComEd's connection, there are a lot of lines over the parkways so they would have to auger above and below and would be a very intensive process. The cost to get electric boxes by 12 trees would be approximately \$75,000. That is not counting the lights or the time to put lights up. It's just getting the electricity to those trees. Those trees are within our Village Center and in front of the Krasny building. Those trees are not within the Village's right of way. They are IDOT's property and the trees are not maintained by them unless there is a hazard. So as our staff was putting lights up this year, they found it was very difficult because the trees are overgrown and not maintained.

President Frazier said that since she started doing this volunteer work for the Village, she wanted to see more of a face on Northfield and increase in the charm quotient. She is happy to say that she has seen it as the last decade has progressed. She thinks the Village looks so much better than it used to. She always wanted to see an improvement in the holiday lights. She thanked PW Director Mike Nystrand for all the hard work his guys did and she received a lot of positive comments, but it was very time consuming for them. She doesn't know how sustainable that is both in terms of time, money, etc. As she drives around other Village's

like Glenview, Wilmette and Winnetka she sees beautiful lights all winter long. She would like Northfield to have that too. VM Sigman and AVM DeFeo came up with an idea of using the lights in the Village Center because they already have electricity. Putting garlands and lights on and ties them into the light poles. She said we will see how that works this winter. She also has asked the Board's support to have some sort of placeholder so that we have the funds to start doing work on the east side of the Village. One of her goals has been to bring in the east side of the Village and to treat the east side the same way we treat the rest of the Village and that includes lights. The solar lights on the east side was a yeoman effort and she salutes AVM DeFeo's ingenuity, but you couldn't really see the lights unless you were right under them. She is suggesting setting aside a certain amount of money as part of this budget and see how the new program goes but in the meantime start working on the east side of the Village where we don't have any light pole support. If the Board supports it, then we can move forward with it.

Trustee Roszak indicated that in Chicago and Evanston as part of the permitting if you do a new building, the building has to provide outlets in the planters. It is such a fractional number and maybe we should do something like that when you go in for a permit, you have to upgrade and make sure you have the proper GFI outlet at every single tree. It should be a part of the cost of doing business in the Village. VM Sigman agreed and thought it was a good idea. It wasn't done at Dunkin Donuts, but she doesn't think it would be required at Wintrust. It's an estimate at \$75,000 but we think just to do that couple block stretch on the east side. We have a similar problem on the west side of town. Even where we have electricity, they have to use extension cord after extension cord.

Trustee Terrill asked if it is too late to appeal to Wintrust to do that. VM Sigman said it is too late to mandate it as part of a condition of approval, but we may be able to ask them and maybe partner with them. VM Sigman added that the work on the right of way on the east side will require IDOT permits. But for now, we will put a placeholder in the budget.

Charles Orth, from the audience, said unfortunately when IDOT widened Willow Road is when we lost all the trees and outlets. There used to be outlets in all the areas that plugged in to the different businesses on Willow Road on the east side. The food store and salon had trees with outlets because the owners had to pay the electricity and the Village put the lights up. But when IDOT widened, we lost the trees and all the electrical connections. He said in other communities the lights are on all year round. He applauds the Board's approach on doing this.

Community Development Director Steve Gutierrez focused on the initiatives in this upcoming fiscal year. The Comprehensive Plan rewrite will be about two thirds of way through the project at the end of this fiscal year. The beginning of the project was focused on public

engagement and getting input from the Steering Committee. That will continue at their next meeting next week. Another public workshop will focus on subareas that are within the Comprehensive Plan rewrite in April. At that point Houseal Lavigne will draft a document that we would bring back in the fall for a hearing process. After May 1<sup>st</sup>, Houseal Lavigne will do further drafting. In the fall, they will present it to the Steering Committee and other public forums. They will ultimately present their document to the Village Board. That document will contain a lot of recommendations as well as plans for land use and transportation. Toward the latter part of this fiscal year, we will start implementing some of those recommendations.

Director Gutierrez said that several years ago, the Village started to participate in the community rating service which is a national flood insurance program that allows a community to take credit for some of the storm water and storm damage mitigation efforts. It allows us to gain a classification under that rating system. Based on the rating, our 100+ residents who participate in that insurance program may obtain discounts on their premiums to the. Currently, we are Class 7 which allows our residents a 15% discount on their premiums. This coming year we will strive to get to the next class and that would garner another 2% discount. We contract that service with the Village Engineer who will be retiring in May. We will be searching for a replacement for that position.

Trustee Roszak questioned if there is a strategy for the succession planning. There are some departments where it is really easy and well thought out. Police is a great example because they move up within the ranks. If the Chief were to leave, the new chief often times moves from within. You always have the ability to go outside the department. In our organization, most every position is embodied by one person. Every time we have a position open, we look at whether we want to fill it from within, or do we want to privatize it, is there a company or something we do, or do we want to partner with another municipality and share that position. We explore all of those options and we also look at the market as to what the going rate is for that position. If you look at the private sector hourly rates for engineers, you compare Gewalt-Hamilton rate and their hourly rate is about double what we are paying our in house engineer. We do better hiring an employee. Director Gutierrez indicated a lot of what our in house Village engineer does is responding to flooding complaints and issues. This position doesn't deal with the capital work. The in house engineer would be on a part time basis. We may look for retired engineers who may be willing to work at far less than what they were making as a Village engineer in another municipality. VM Sigman added that it can be difficult to bring in an inexperienced person because there is no one to train them. This position needs a seasoned engineer.

Police Chief Lustig noted that over the past 19 years, the Police Department has always come in under budget. He commented on the equipment replacement plan about the police in car video system which is a lot of money, \$60,000. We are going to replace all the video systems. The good news is that we are looking at a \$45,000 grant for this. This year we are starting to see the cost go down significantly from the dispatch to records along with the restructuring of the records division. The Deputy Chief is now supervising records instead of a separate supervisor. Between the Deputy Chief's technical skills and the technical skills of our support system from the Village, they are able to run this fluidly. We are starting to see the reduction in costs especially telephone line used in our radio system. He said Trustee Lungmus rode with him a couple of weeks ago and Chief Lustig doesn't know if Trustee Lungmus looks at the Village in the same way as when he was raised here, but he saw a different approach of the functionality of the police department. Knowing the functionality of the police department is very important. Chief Lustig said the Department had an increase in overtime costs. There was a homicide causing over \$5,000 in additional expenses as well as the car burglaries which was another \$8,000 in overtime. Because we are a member of a task force, we had 44 police officers working the homicide. There were forensic teams, investigating teams and evidence technician teams all of which we don't pay for because we are in the system. The Evanston Police Chief once calculated that he had to investigate one homicide in his town and it cost him over \$240,000 to investigate. It cost us only \$5,000 in overtime. Back in 2007 and 2008, we had a sworn officer capacity of 21 Northfield police officers. Through attrition we lost two, there is now a total of 19 officers. The police department has downsized within the past 20 years and believes they do a good job in the community.

With regard to succession planning, Chief Lustig then said our sergeant's list has expired. The costs to test for sergeant is in the budget and it is costly. Hopefully, we will be testing after the summer and once it's completed the list it will last for the next three years. You need a sergeant's test in place because you don't want to have a position opening where you now have to wait 3 or 4 months to try to test for a sergeant. Even in a small agency, supervisors are important. A supervisor needs to be there during all shifts. Chief Lustig urged the Board to come in to the police department to see what the Deputy Chief and the detectives and sergeants do during the day.

President Frazier said there is a squad that is being replaced with an SUV. She wanted everyone to know there is a schedule for replacing all of the equipment and vehicles. Before anything is replaced, they assess it and see if whether it has anymore life and if so, it gets

pushed off until the following year. She has seen these being delayed until they are in actual need for replacement. She knows that is why the squad car is being replaced.

Trustee Roszak commented that we are getting the police and car video system which is great but are there other things that the department needs to be state of the art police force like our neighboring communities. VM Sigman added that this has been a huge year with the consolidation with 911 and the biggest thing that needed to be done was to switch to the StarCom system to stay with the regional radio system which was a couple hundred thousand dollar expense. We have had to put a booster in the basement to make sure we had coverage where we needed it. In addition, the merger has gotten us some of the additional capabilities that you have seen with the new RAV system and Smart911 and we can do it on the regional basis. She also said we are getting grants from the state through RED.

Fire Chief Mike Nystrand noted a couple of things in the operating budget line items for the fire department. Schools and seminars show a 21.2% increase which equates to \$1,750. They are looking at some succession planning in the fire department. There is an anticipated loss of two to three people in the next 12 months due to attrition, age and getting hired by a full time department. Under the capital budget, fire protection gear shows a 237.5% change or increase which equates to \$9,500. Two of those items were previously in the capital budget; i.e. meters for \$2,000 and fire hose replacement for \$5,000. Those are more like an operating expense so and were taken out of the capital. The other \$2,500 of the \$9,500 total would be for the last couple of pieces of equipment needed to have our engine in Northfield become an ALS life support engine. If our ambulance is out on a call and going to the hospital and if we get another ALS call, we can begin ALS treatment of patients while we are waiting for mutual aid ambulances. It is an enhancement to service delivery.

Public Works Director, Mike Nystrand said the total line item amount is an increase of 1.6%. As for Public Works, he wanted to thank the Board for their support for them getting safety issues and maintenance issues over the past few years corrected. One of the last things that needs to be addressed is on the metal building where public works equipment and maintenance takes place. The personal doors and service doors have been pieced and welded together. It is at a point where 7 of the doors need to be replaced with new doors, new jams, and new thresholds. They now need to be replaced. That is a \$10,000 line item. There is a proposed replacement of a valve operating machine for the water department. It is eligible for a grant from IRMA and it would replace some antiquated mechanical valve operating apparatus in addition to the manual keys. They exercise those valves on an annual basis. The purpose of that is so if and when maintenance needs to be done on any of the water lines, we can shut

down the fewest number of valves to isolate the section of the main that needs to be repaired. If you try to shut down a section and the valve doesn't operate or work properly, we have to shut off more people for the repair than is necessary. Exercising them on an annual basis helps with the maintenance. The proposed valve machine will be mechanically operated. Over the years, public works employees have gotten strained backs by manually trying to turn the valve. If approved, it would lower the chance of injury. VM Sigman added that this is a safety implication as well. IRMA advocates best practices and when there is equipment or a device that they think will really improve or reduce worker compensation claims; they provide grants to help with it. AVM DeFeo has worked closely with IRMA to assess all of our facilities and equipment and to make changes where they think we can reduce injuries and accidents.

Trustee Lungmus commented that he liked how the budget was put together. He also liked the way it was presented and thought staff did a great job. He said everything he was looking for was answered and it is a clear document.

Trustee Roszak also thinks staff did a great job. He does worry though that \$14 million of expenses and revenues basically is kind of even, that we always magically get to very little surplus, \$160,000 is amazing. There are bigger fluctuations in the year which could change things quickly. He said he was talking to Trustee Kaplan about Field's and car dealerships and how much revenue we can get from sales tax and that probably will fluctuate in the future. He also commented that Mariano's is still busy, but not as busy as it used to be. A lot of people are going to Glenview and Northbrook. He thinks this Mariano's is a little rundown now and wondered if there is any way that they could do improvements to freshen it up. VM Sigman said that when Dominick's closed, they sold the store at an auction. When this was done, it did not get the full Mariano's overhaul. They did it because it was in good enough shape and did a mini overhaul. But since then, Mariano's has been sold and is owned by Kroger and their platform has changed. They don't seem to be reinvesting and don't have the same impetus to come back and change the store. Three to four years after the store opened, they talked about making it more of a boutique store. It doesn't have the square footage they need to run it like their other larger stores. She has heard rumors that they are discussing closing the store, selling it or rehabbing it. There is a lot of competition and change in the food industry. We don't know what Kroger wants to do, but Director Gutierrez is in contact with them to make sure they maintain the store and make sure they are keeping up the health standards. Director Gutierrez then said Roundy's is still operating under the Kroger umbrella. Kroger is focusing on the newer and larger stores. They are not dedicated to coming back and upgrading it. VM Sigman said that from a sales tax standpoint, Dominick's was floundering at the end, and we felt

fortunate that it wasn't one of the stores that got shuttered. The sales went up after Mariano's bought it but then they saturated this market. They built \$1 million stores in those areas and as each one has come online and there is a lot more competition. Sales have now been very flat.

President Frazier also commented that we continue to be concerned about finances. Not specifically our own revenue stream, but it is very worrisome to see the State of Illinois try to balance its budget through municipalities. If the reputation of the state continues to tank, it puts us in an even worse position. That's why we did the five year studies so we can make an educated guess about where we are and what our needs will be. We will continue to do the study and that is the reason we are putting money aside for succession planning. One of the benefits of going home rule was that in the case of an emergency, we could do certain things to raise money quickly. Hopefully, it won't come to that. We have approximately \$6.8 million in reserves for emergencies. Trustee Roszak said you have risks and you identify the risks and the auto dealerships are a risk in the future and Mariano's in its present state, is a risk. He suggested in the five year projections, you stress the possibility of sales tax losses. If 7% of our sales tax went down, that's our surplus. VM Sigman added that in one study, staff looked at every one of our revenues and expenses and coded them in red, yellow and green. Red meaning we have no control because the State controls it. Yellow are things we have some control over. She thought it was an interesting exercise because you realize that there is really very little control over expenses. Pensions and IMRF are things we don't have any control over.

A motion was made by Trustee Terrill and seconded by Trustee Roszak to adjourn the meeting. All said aye.