

**MINUTES OF THE
COMMITTEE OF THE WHOLE MEETING
VILLAGE OF NORTHFIELD
TUESDAY, AUGUST 21, 2018**

The Committee of the Whole meeting was called to order by Village President Joan Frazier on Tuesday, August 21, 2018 at 5:45 p.m. Village Clerk Stacy Sigman called the roll as follows:

Committee Members Present:

Trustee Greg Lungmus
Trustee Thomas Terrill
Trustee John Gregorio (arrived at 6:00 pm)
Trustee John Goodwin

Absent:

Trustee Tom Roszak
Trustee Allan Kaplan

President Joan Frazier

Others Present:

Village Attorney Everette M. Hill, Jr., Village Manager Stacy Sigman, Finance Director Steve Noble and Assistant to the Village Manager Melissa DeFeo

Approval of the July 17, 2018 Report of Proceedings

Trustee Goodwin made a motion, seconded by Trustee Terrill to approve the July 17, 2018 Report of Proceedings.

Discussion on fees and fines

President Frazier indicated this project was something that needed to be done and she thanked Melissa, Margie, Buzz and Stacy for their hard work.

Assistant to the Village Manager Melissa DeFeo said that over the past couple of years, we have conducted an in-depth study of Chapter D of our Village code, which pertains to Fees and Bond Amounts. A large majority of this Chapter is a remnant from our pre-Home Rule days, when our authority was limited to activities expressly sanctioned by the state. Now that we are Home Rule, we have more autonomy and can re-write this section in a way that best fits our community and our practices. If you take a quick glance at the current Chapter D, you will see that it is a 31 page complete hot mess. The order of the Chapter does not tie to the related Code sections, and it is an unorganized and difficult to understand mixture of tables and narrative.

The goal of this review was not to necessarily increase revenues but to simplify the Chapter, align it with our current practices, and ensure our rates are in line with our costs. You'll see that in addition to updating the substance of the Chapter, we have completely revised the structure into a table in the order of the applicable Ordinance sections to make it more user-friendly for any resident who needs to check what the fee is.

Melissa thanked the Department Heads, Buzz, and the Project Coordinator Margie for their many hours of hard work on this study. A list of proposed changes and rationales is attached. She indicated she would review five of the notable changes, but was happy to discuss any others that peak your interest!

The first adjustment she pointed out is an increased fee and escrow amount for a number of items, including those that require Architectural Commission or Plan and Zoning Commission reviews. These fees have not been adjusted for years, and were updated to reflect the number of hours our staff spends on a typical application, the cost of a Court Reporter, and rising escrow needs.

The second change is that the current Code defines "Restaurant" as a place where patrons are served by a waiter or waitress primarily on non-disposable dishes. This definition doesn't accommodate fast-service establishments like Taco Nano, Subway, Starbucks, and Dunkin' Donuts. Given the rising popularity of this dining style, we are proposing relaxing that definition by removing the reference to wait staff and dishes.

Thirdly, a number of fees were updated to directly reflect the time staff or consultants spend on an average application. The fee was adjusted to include the employee's total compensation per hour, including any applicable benefits.

Another item to note is that we are bringing some text into the 21st century, for example changing "money changers" to ATMs, incorporating Segway's and hover boards into the definition of "toy vehicles", and expanding the definition of tobacco to include alternative tobacco items such as vape and hookah products.

Lastly, we are proposing removing a number of business license categories. Some of them, such as bulk oil plant or coal yards, are being eliminated due to nonuse. Others, including barbers and electrical contractors, are being eliminated because they are now licensed by the State, and we cannot legally issue business licenses for those that are already State licensed.

No longer licensing these business categories will decrease license revenue by about \$2,600; however, we feel the other fee and fine adjustments will easily balance that out.

President Frazier felt she did a great job and that it looks more organized. She noted on page 2 that the fee for farmer's market was eliminated. AVM DeFeo indicated that there wasn't a fee to begin with so it was eliminated. Village Manager Stacy Sigman added that in the old days, the Village used to run the Farmer's Market and there was a fee because the Village was administering it. When it was transferred to the Chamber, we no longer charged.

President Frazier then questioned bicycle riding prohibited on arterial streets and asked why the range is \$25 to \$750. AVM DeFeo indicated that if you were riding a bicycle on a non-arterial street, it was discouraging riding on the sidewalk and a ticket could be issued. VM Sigman said the adjudicator of the court will decide what the actual fine is, within that range.

President Frazier questioned the ambulance fees and if there is a distinction between the residents and non-residents. AVM DeFeo indicated that the current code states that you can charge non-residents for ambulance service if they are injured in a motor accident which doesn't accommodate non-residents that pass out at Mariano's and doesn't accommodate Northfield residents. We currently charge residents for ambulance service. They looked at five comparable communities and Glenview's fee is three times more than the other communities. Aside from Glenview, Northfield is the highest, but text is being included to indicate that residents are being charged. There was then a discussion on ambulance dispatching.

President Frazier then asked if an Evanston ambulance responded to a Northfield resident, would the resident pay a non-resident fee to Evanston. Finance Director Noble said he didn't

know but will look into it. He recalled having questions about this several years ago with Glenview when we would overlap. He also knows that the Village hasn't gotten any complaints or phone calls. VM Sigman believes our mutual aid agreements cover this and that residents would not be charged a different rate. Trustee Terrill asked if the Village sends the bills to Medicare or the resident. Director Noble responded that there is an ambulance service that handles all the Medicare and private insurance issues which works well. Director Noble noted that the Village does not get 100% of the fee and cannot go after the balance in Medicare cases.

Trustee Gregorio joined the meeting.

Trustee Lungmus said he would like to discourage solicitors from coming to his door and asked if there is a way to impose a fee on solicitors. Attorney Hill indicated that this is the hottest constitutional issue going. The police department used to have little stickers to put on your door that says "Only Registered Solicitors Only" or "No Solicitors Permitted." That is still permissible, but the solicitors don't actually pay any attention to them. The ability to prosecute them is very limited. Trustee Lungmus said he is not trying to prohibit solicitation, just discourage it and by imposing a fee. Attorney Hill said we can't impose any fee on solicitations and in most cases, we can't make them register. The only ones that can be registered are people who take orders. We have a right to know who they are in case a resident gives them money and then the order is never filled. Director Noble indicated the Village still provides stickers.

President Frazier said other than clarity at the ambulance provisions, the fees and fines look good. VM Sigman indicated this will then be on the September agenda for adoption.

Discussion on long range financial planning initiative

President Frazier indicated that VM Sigman, Trustees Lungmus and Kaplan and her got together and took a look at a lot of information provided by Finance Director Noble. Trustee Lungmus said that this month, they are looking at the General Fund, Police Pension and financial policies. President Frazier and Trustee Lungmus said that the memo VM Sigman sent out was excellent as well as all the data Director Noble put together.

Trustee Lungmus stated in looking at the General Fund, on the revenue side, he sees three big risks. The first two are unpredictable, Springfield and the state budget. The State will continue to take revenue from municipalities and the really hard question is just how much. The Village staff is approaching that reality appropriately and are forecasting conservatively. The trend is not likely to improve. The other risk to the revenue side is any economic downturn. It is important to recognize that we are in the late stage of an economic expansion and the revenue sources most notably sales tax revenues are likely to be affected by any economic infraction. The best way the Village can insulate itself in an economic downturn is maintaining and even increasing our reserve fund. Trustee Lungmus said lastly, there is always the unpredictable event. They are almost impossible to plan for which is why we buy insurance and keep cash reserved.

On the expense side of the General Fund, 93% of our total fund expenses are salaries, benefits and contract services. Trustee Lungmus said it is informative to look at the numbers within and of that 93%, 53% are salaries, 25% are benefits, most of which are police pension, IMRF and FICA Medicare. 25% of those benefits are healthcare. He has asked that VM Sigman and Director Noble to review healthcare this year if possible. It is one of the few parts of the benefit package that we can potentially affect. They will be meeting with some consultants and will

then revisit the healthcare costs. 15% are contractual services which is about \$1.5 million. This is an area that historically has saved the Village money. Most of the savings have come since the financial crisis when staff needed to be cut and was replaced with outside service contractors. Some examples were mandated by the state, most notably from the 2018 police contract budget is \$544,000 and of that \$321,000 is our new Glenview Police Dispatch. The fire rescue contract budget is \$193,000 and \$87,500 is for the Red Center. The Community Development contract budget for administration and finance is \$399,000; \$59,000 goes to IT and \$152,000 goes to legal. The contract budget is \$244,000 of which \$93,000 is engineering and \$56,000 is technical inspections. His point is that exploring the use of outside contractors saves the Village money and we should continue to do so in the future.

Trustee Lungmus noted that VM Sigman put together a detailed staffing assessment. He felt it was interesting for him to read. The Village has an appropriate balance between full time and part time employees. Northfield's Fire-Rescue is the envy of our neighboring communities. It is entirely staffed by part time employees and shared employees with Public Works. The memo also mentions past early retirement incentives (ERI) and the possibility of an ERI sometime in the future. Offering ERI at this time would likely be very disruptive and he would favor a more gradual transition. He said they planned on discussion succession planning at a future COW meeting later in the year. He proposed to have a consultant come in and help us as to what kind of steps should we be thinking about.

VM Sigman said it is a little tough to read the tea leaves. For instance, she doesn't know if it is an easy market to find a Finance Director or really hard. She believes there is value in talking to a recruiter to get a feel on what the job market looks like and looking at outsourcing. GovTemps provides our engineer. We don't want to reduce the quality of the services. Trustee Gregorio asked if contracting out leaves out benefits. VM Sigman said yes, what you primarily save are the pension costs. VM Sigman also said that we have worked with other municipalities on sharing an employee. We did that for years for health inspections. We used to contract with Cook County, but they stopped doing it because they couldn't recruit people. We then started with Wilmette to do ours and they then took over Winnetka and Northbrook. This person went private and started her own company. We now contract with her. President Frazier agreed that it would be a good idea to bring a consultant in for healthcare. She doesn't think there is any fat in police or administration. Before having the conversation, we need to have a good idea of what's going on. VM Sigman said we should find out what the market is for our positions. 65% of our administrative staff could retire now or within the next five years. She also said she is not suggesting ERI; she just wanted to put it out for discussion. Trustee Terrill noted that the staff numbers are down 25% from 2005-2006, so we must be operating a tight ship. VM Sigman pointed out that we have also eliminated some full time positions for part time positions. When the finance clerk left about two years ago, we hired two part time positions instead. We then are not paying the health care costs or pension costs. If we have one full time firefighter, we would then have to have a downstate pension like the police. Most of our current firefighters are full time somewhere else.

Trustee Lungmus said he would be interested to know what it would cost; for instance to find a new Village Manager. VM Sigman indicated recruitment costs aren't inexpensive. We would probably only need help for higher level positions. Trustee Lungmus said he was sitting on a Board one time and asked the Manager what his retirement plans were. He let the Board know his plans which was very helpful in planning. He doesn't know if it is legal to ask the questions, but it is helpful to get employees to discuss retirement. President Frazier indicated cost is a factor because Attorney Hill indicated it would cost about \$30,000 to recruit a new Village Manager. She asked if we are appropriating for this. VM Sigman indicated it would come from

the reserves. Trustee Lungmus indicated we should plan for eventualities so it is gradual and not disruptive. VM Sigman indicated that a lot of employees have been very generous about giving lead time before their departure. When people leave, there is also be payouts for sick time and vacation time. She said we were hit really hard when the dispatchers left due to state mandates. VM Sigman said we probably wouldn't need a recruiter for most employees, just department heads and her position.

President Frazier was concerned about Mike Nystrand's two positions and one salary. If he leaves, they would have to find two people and two salaries. She said the set up over at fire-rescue is great, but what if it all went away and suddenly we have to have a fire pension fund. Trustee Lungmus indicated that police is pretty straightforward, public works is the more difficult as well as finance, administration and community development. Trustee Lungmus said two positions for one person are becoming more common. VM Sigman said the problem is that we can't hire two people because if one of them is the fire chief, then we would have to have the downstate pension. The other problem is that almost every employee in public works is a joint employee. She believes we should try to make a concerted effort if Mike were to leave, to find someone to run both departments. She talked to Heidi Vorhees about that and she thought there would be a decent chance to find one person for both positions. Heidi said a lot of firefighters work on the trades on their day off and have a background that would be more suitable for public works. She thought we would have a harder time with the Glencoe model where it is police and fire.

President Frazier said that as we look at the projections, do we seem to be on solid footing for the next couple of years. Trustee Lungmus indicated he thinks so too, but there are some big risks on the revenue side. He said VM Sigman has the expense side under control, but you can't predict if we have a big infrastructure problem which would cost us tens of thousands of dollars. That's one of the reasons we have insurance and a reserve so it would cushion us when we have these events. He said he is very worried about the state. He is also concerned about the next economic downturn. Rates are currently low from a historical perspective and that is the tool that central banks like to use to cushion downturns. Trustee Terrill pointed out that interest rates are going up and we are getting signs of inflation.

Trustee Lungmus discussed the police pension fund and felt that we are on the right track. The Board reached its self-imposed 2023 goal of 60% funded this year. VM Sigman said they are closing out the audit and actuary she thinks will be at 60%. Trustee Lungmus is very pleased with the performance of the fund manager. Trustee Terrill indicated we have to be at 43% fixed income so we are not terribly exposed to a downturn. Trustee Lungmus said that most recently, we made a \$200,000 contribution. We voluntarily adopted some more realistic and conservative rate of return assumptions.

Trustee Lungmus then discussed financial policies, some of which were codified to establish to maintain our AAA bond rating which we attained in 2012. He is not recommending any changes in debt policy. He asked Steve Noble to provide a list of all our current debt issues, maturities, remaining principles and the annual interest payments. It is in the packet and is very interesting. He doesn't have any changes to the investment policy. Trustee Terrill asked if the cash account is an interest bearing money market account. Director Noble indicated yes and it is earning close to 2%, 15 basis points over the Illinois Funds rate. It was up to 1.9 a few weeks ago. Trustee Lungmus is not recommending any changes to the reserve policy – 6 months makes sense. If the Village were to realize a budget surplus in this year or the years to come, he feels strongly that that surplus should be directed to the unreserved or unrestricted fund balance in the General Fund. Trustee Lungmus said he has some arguments for increasing the

net on the restricted fund balance would be risk of revenue loss from the state or reduce revenue sharing because of Springfield's budget problems. Secondly, we are in a long economic expansion with the likelihood of a contraction.

Trustee Lungmus felt that VM Sigman had done a good job managing expenses by reducing staff and outsourcing services, so there is little room for cutting the expense side further without cutting services. Regarding our General Fund cash reserves; if you have cash reserves it provides flexibility and investment opportunity. He doesn't think that if the Board were presented with budget surplus today, like when we had a \$200,000 surplus in 2016, that it would be wise to make an additional contribution to the Police Pension. He would like to wait and make that contribution when the equity market was lower. That is a way to boost returns. He personally likes to buy at a discount, and he doesn't think the market is at a discount now. His opinion is that the Village General Fund stated reserve policy should remain at 6 months, but would in practice like to see the reserve fund closer to nine months....although that goal may not be realistic now. The General Fund reserve balance is currently at 7 1/2 months.

Trustee Lungmus summarized that we should try and prepare for unseen events in the General Fund. On the expense side, he thinks Stacy and staff are continually looking for outside contractors and savings in the medical costs. Police pension is steady as she goes. We will look into the succession planning. There are no changes in the policies, but if the opportunity arises, it would be wise to increase our fund balance.

President Frazier thanked everyone and said that if the time comes and there is a surplus, we will revisit increase the reserved fund. She then asked Director Noble about the three policies mentioned by Trustee Lungmus. She assumed the debt policy is to help insure our AAA status. Director Noble said it was implemented right before they went out for the last rating. She then said with the investment policy, a provision was added for a periodic review of depositories. She asked what this involves. Director Noble responded that it was decided to do that once a year. The first couple of years it was done when the audit was done. It was his recommendation to not make any changes. He also indicated he doesn't have any concerns with the investment policy. He was more concerned with the old investment policy.

VM Sigman likes keeping the reserves high, but she pointed out that politically, it has been used against us by the State of Illinois. In Springfield when taking local distributive fund money, it has been referred to as slush funds. The fact that we are putting money aside to insure we can operate, is giving them a reason to grab more of our money. The state can then say that we can afford to take a larger cut. She also wanted to be clear that we can cut costs, but not without changing services. Now we provide a very, very high level of boutique government which is what the residents want. If there is a doomsday, we can ratchet back and go back to more basic services to reduce our costs. Residents have often expressed that they moved here because they want a high level of services. Trustee Terrill suggested putting all staff salaries in another fund that would be paid every month to them so it wouldn't show in our reserves for the state to see. Director Noble recalls this discussion a couple of years ago which is why it was decided to increase the Police Pension Fund.

Review of updated 2018-2019 Core Objectives

President Frazier indicated this was just cleaned up since the last discussion. No other changes were suggested.

Other Business

None.

Adjournment

There being no further discussion or issues to come before the Board, Trustee Gregorio made a motion, seconded by Trustee Goodwin to adjourn the meeting.

The meeting adjourned at 6:50 p.m.