

SUMMARY NOTES

COMMITTEE OF THE WHOLE MEETING BUDGET WORKSHOP VILLAGE OF NORTHFIELD Tuesday, March 3, 2019 at 6:00 PM

The Committee of the Whole Budget Workshop meeting was called to order by President Joan Frazier on Tuesday, March 3, 2019 at 6:00 p.m. Roll call was as follows:

Committee Members Present: Absent:
President Joan Frazier
Trustee Tom Terrill
Trustee Orth
Trustee Fowler
Trustee Goodwin
Trustee Greg Lungmus
Trustee Tom Whittaker

Others Present:
Stacy A. Sigman, Village Manager
Steve Noble, Finance Director
Melissa DeFeo, Administrative Services Director
Michael Nystrand, Fire-Rescue Chief and Public Works Director
Steve Gutierrez, Community Development Building Director
William Lustig, Chief of Police

President Frazier explained that the budget process is an annual exercise. The staff puts in months of work on the budget. She thanked Finance Director Steve Noble, VM Stacy Sigman and all the department heads for their work. The proposed budget has been whittled down with a very sharp knife. There were reductions in many, many line items. She thanked staff for keeping within the budget.

Introduction and Overview of Village Finances

VM Sigman pointed out that a few years ago, we undertook a comprehensive assessment of our financial condition looking at our revenues and expenses, which of those we control and which of them we do not. Revenues over which we have complete control are less than 2% of our total revenues. Our largest single source of revenue is property taxes which we theoretically exercise some control. However, the Village adopted an ordinance when we became home rule requiring us to stay within the state established tax cap. That means that property tax increases are capped at the CPI. Over the past 10 years the CIP has averaged 1.8%.

Our second largest source of revenue is sales tax. That is based primarily on the economy. The Village has no way to change how many cars are sold by Fields, how Medline does, or how our downtown merchants perform.

VM Sigman said we started to see a lot of negative fiscal issues and constraints in the early 2000's. Sales, income, use, and utility taxes all declined. Those were massive spikes in the pension obligations and benefits coming out of Springfield. Our fire staffing model no longer functioned well; the state began taking revenues away from municipalities to balance the state's budget; and much of our infrastructure was beyond its useful life. In 2005, in response to this, there was a referendum seeking approval to exceed the tax cap in order to fund the Fire/Rescue paid per shift program and to establish a non-home rule sales tax to fund infrastructure improvements. The referendum failed and those expenses were paid out of reserves. In 2006, the Village began to aggressively cut costs and programs in order to maintain a balanced budget. The largest cuts all focused on the elimination of staff and the garbage subsidy. Through an Early Retirement Incentive, outsourcing, privatizing, and attrition, our staffing levels were substantially reduced.

We have more control over our expenses, but about 65% of our expenses are associated with employee costs. As a service industry this is typical. We need people to patrol streets, staff ambulances, respond to fire calls, plow streets, and run the day-to-day operations of the Village. The only way to substantially cut expenses is to further reduce staff. To do that we have to reduce services. Since the 2008 market downturn, we have reduced staffing by about 25%. Through outsourcing and other creative approaches, we have been able to continue to provide all essential services, but we do so with a very lean crew and budget.

Over time, our revenues have increased by about 1.78% and some of our larger expenses that we do not control (pensions, health care, IMRF, etc.) going up more like 2.7%. That means we start in the hole each year and have to find ways to dig ourselves out to create and maintain a balanced budget. We have done that – but each year gets harder. When emergencies happen we have to respond, we have to respond quickly, and we have to respond with the right amount of equipment and the right amount of personnel. If we don't, there is both risk to the employees and community and the safety of residents and staff.

Each budget year, we start out with two primary goals: balance the budget and protect essential services. We have been able to do that this year. As we look to close out the 2019/20 fiscal year, we are pleased to have a lot of positive news to report.

- First and most importantly, we will end this year with a balanced budget and a surplus that is greater than what was planned. We anticipated a \$156,000 surplus and now

project about \$500,000. This is due primarily to a one time sales tax influx due to a state audit on one of our larger businesses and keeping our costs below budget. It is important to stress the one time sales tax is not something we will get next year.

- Staff has done a great job of keeping expenses in line.
- Continued to maintain our AAA bond rating.
- Kept our municipal Property Tax Rate low – Northfield is 9 to 39% less than our counterparts in the region (Glencoe, Kenilworth, Wilmette and Winnetka).
- Maintained a very strong business base. For a community of our size this is very unique. For about the 11th year in a row, we have the lowest vacancy rate anywhere in the Chicago region. We also had a lot of interest in growth from developers. We now have Wintrust Bank and James Development under construction, the purchase of the 1622 Willow Road project and three new homes under construction.
- We have continued to fully fund our pension obligations and been fortunate to see very strong market returns. At our last actuarial assessment, the Police Pension Fund was 61.5% funded.
- Finally, we have done all of this while remaining in compliance with the Tax Cap and keeping our fees and fines in line with neighboring towns.

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

This year, there are reasons to be optimistic. The economy has been fairly strong so far, we are expecting the construction market to remain solid next year, and there appears to be nice growth in our home rule sales tax base. Next year's budget is balanced and continues to provide for things that the Board has asked staff to assess such as:

- Succession planning – to plan for changes in our current work force. About 60% of our current force can retire now or within the next 3-4 years. It is important that we plan for things like vacation payouts, temporary employees, and recruitment costs.
- The 1st of 10 payments to IDOT for the Willow Road project. 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 4 years past when we anticipated starting. We also had this in last year's budget, but did not need to pay out so it just rolled over.
- We continue to fully fund the equipment replacement fund. Last year we transferred an additional \$450,000 and added an extra 10% to each transfer to bring this account back

up where it should be while still keeping our General Fund reserve at 7 months of operating expense. This year we are not recommending an additional transfer due to much tighter budget projections.

- In the Water and Sewer Fund, we have included the recommendations from the New Mexico study and Raftelis' work and will begin implementing those initiatives. That will start with changing to monthly billing and in conjunction with that, a rate increase to fund much needed infrastructure improvements.
- Finally, over the next 3 years, we will be transitioning to the new state wide police pension. In the long term, this should save the Village money, but in the short term it may cost us more due to the Tier II pension enhancements the state approved and because we will have to continue with our regular audit, actuary, legal, and investment expenses until such time as the new fund is fully functional.

President Frazier asked what the time frame is for paying for the Tier II enhancements. VM Sigman said we don't know that and the state will have to tell us. President Frazier then asked if it is in this budget. VM Sigman responded it is not. Anyone who is at a Tier II pension, the new enhancements go into effect for the entire term. We have to go back and readjust that in our actuary assumptions to cover that additional cost. Staff on put the numbers out to the Board when we were looking at the pending legislation. It depends how many Tier II pensions you have and how many years they have been in service. Trustee Orth asked how many Tier II employees there are now. VM Sigman indicated about 16% of the total work force; four full time in IMRF and three on the police side. President Frazier asked if we should be setting aside some funds for that. VM Sigman indicated we're not sure how they will roll this out and how they are going to be timed. They may actually phase it in. Director Noble said it will be part of our actuarial analysis this year.

As always, the financial crisis with the State remains our biggest concern. We are projecting that they will continue their past practice of taking funding from local municipalities to help deal with their issues. That includes continuing to keep 5% of our LDF and 1.5% of our home rule sales tax. At any point in time, they could also start to look at some of our additional revenues. VM Sigman and President Frazier work with the NWMC and the IML to monitor legislation in Springfield and are actively working to oppose changes that would negatively impact our community.

There is one new tax we expect to receive this year and that is based on the State's taxing of recreational cannabis. Based on the IML's projections, Northfield will receive about \$4,300 next year.

We are monitoring the coronavirus and the impact this may have on the markets, local sales for Medline, our first responder teams, and community support. We will continue to work with the Cook County and the Illinois Departments of Public Health, and the Center for Disease Control to make sure Northfield and the region is prepared.

This year, most of our revenues have done well. Thanks to the new loss and cost factor on our property taxes put in place last year, we will receive our full levy. Income tax is up slightly and we had that one time boost in sales tax, thanks to the state audit. That means we anticipate ending the year with a higher than anticipated surplus of about \$506,000. A huge part of achieving this was working hard to keep expenses in line. We will then end this year with a General Fund balance of about \$6.9 million, which is the equivalent to about 7.5 months of operating expenses which is well ahead of the Board's policy of maintaining at least 6 months of reserves.

Proposed FY2020-21 Operating Budget

Finance Director Steve Noble briefly discussed how the budget is organized. The Village budget is organized by 15 active funds. These funds are further broken into six categories based on revenue sources and spending restrictions. In recent years, we have created several new funds to track the infrastructure work done with the 2016, 2017, and 2019 bond issues and the Rolling Ridge SSA bond issue and their corresponding debt service funds. Legally, we have to keep all bond proceeds and their debt service separate as this is a required covenant in all bond ordinances.

Director Noble said the operating funds are where we budget for all of the Village's day-to-day services. When referring 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 the Administration, Finance, Community Development, Police, Fire-Rescue, and Public Works, except their water and sewer work which is handled out of the Water and Sewer Fund. The Water and Sewer Fund is set up differently than the General Fund and is operated as an Enterprise Fund. Governmental accounting principles require us to have an Enterprise Fund to account for business-type activities. Those are activities similar to the private sector where services are funded through user charges and in our case, water and sewer rates.

In the General Fund, revenues are projected to be up 2% compared to last year's budget. Total property taxes are anticipated to increase 2.6%. Village property taxes will remain in compliance with the Tax Cap and the increase consists of 1.9% increase based on the CPI, 0.4% for new growth and 2% for loss and cost. Home rule and municipal sales tax revenue are expected to be up as well with almost all of that being in the Home Rule Sales tax

at 13.1%. President Frazier asked how Director Noble got that figure. He responded that there were a couple of things that happened with the Home Rule Sales Tax. We are comparing budget to budget and he believes the 2019/20 budget was understated. It was the first full year of the increased Home Rule Sales Tax rate. We were not sure how that would play out. As a result, the large increase is the result of an understated budget last year and a more accurate budget for this year. Trustee Terrill asked Director Noble if it is unusual for licenses and permits to be down 12%. Director Noble indicated that for the last two years, licenses and building permits have been down. We have been fortunate to have several large projects including several Kraft remodeling projects over the years and Medline and Stepan have had large projects. Over the last couple of years, we probably have budgeted more than what we should. We have taken a much closer look this year at being more realistic. We are not seeing any large projects on the horizon.

Regular Sales Tax is projected to be up 0.7%. As always, most of these taxes come from Medline, Fields and Mariano's.

Director Noble went on to say that on the expense side:

- Operating expenses are up 3%. The Finance and Administration budget continues to provide funding for succession planning to cover things like vacation payouts, temporary employees, and recruitment costs.
- Salary costs are up 2.2%. That number includes a 2.5% cost of living adjustment in conformance with our adopted pay plan.
- Benefit Costs are up 5.5% and covers IMRF, police pension and health care costs.
- Contractual services are expected to increase 4.2 % in the General Fund and that is primarily attributable to the outsourcing of the Finance Director position.

The proposed General Fund budget maintains all existing services and continues to fully fund all of our pension obligations and anticipates a small surplus of a little over \$50,000.

In the Water and Sewer Fund, overall revenues are projected to increase 15%:

- That assumes a 15.5% rate increase as recommended in the Raftelis Report, but also includes a 2.6% decrease in overall gallons sold to residents which is based on a 3 year average of water consumption.
- The draft budget assumes a water and sewer rate increase effective August 1st which is when we also estimate being able to transition to monthly billing.
- If approved, our current rate of \$9.09/100 cubic feet would increase to \$10.50.

On the expense side:

- Overall, total expenses are expected to increase 21.9%.

- That includes a 13.8% increase in contractual services to account for the contracting the Finance Director position and \$75,000 to implement monthly billing.
- A 51% increase in commodities to increase our efforts in replacing aging water meters to better transition to monthly billing.
- That includes a 1.4% increase in the water rate from Winnetka as well as a 1.7% decrease in the amount of water purchased from Winnetka. Northfield has a 30 year contract to purchase water from Winnetka and we are now in the 17th year of that contract.
- Salaries and benefits are up 1.1% and include salary adjustments, pension costs and health care benefits.
- Capital is up 84.7%. Of the proposed \$988,000 in capital, \$390,000 is for replacement of a water main on West Frontage Road and \$152,900 is to design FY2021/22 water main replacement program. The remaining capital funding is to address MWRD issues in our sanitary system, water meter replacements and the Willow Road project payments.

Director Noble indicated that over the past year we have spent a great deal of time assessing our water infrastructure and our water and sewer rates and provided a chart to help illustrate how our current rate and how the proposed increase compares to our peer communities. The lowest rate, Skokie, is artificially low as they are in a court battle over rate increases with their water supplier, Evanston. All indications are that Skokie will be unsuccessful with this challenge and will see their rates will go up. Also, in the past, they have used sales tax to subsidize their water and sewer systems. However, they have recently been faced with declining revenues which will place even more pressure on their water/sewer utility. Other areas around Northfield are faced with very similar infrastructure needs and have started implementing massive water and sewer rate increases.

In 2018, Winnetka implemented a new rate that will increase their overall rate by 92-108% based on annual 8.5% increases for the next 8 to 9 years. In 2019, Glencoe implemented a large rate increase that varied from between 42.8% to 67.7%, with an average of 46% based on usage. In addition to that rate increase, a series of larger annual increases is also proposed from 2020 – 2026. Those annual increases will range from 9% to 4% and result in total rate increase by 2025 of 134% for the average customer. Glencoe, Winnetka, and Northfield are ahead of the curve and moving forward in addressing our infrastructure needs and we expect other communities to increase their rates in the future.

Director Noble then discussed the sources of the Village's revenues in the operating budget. Property tax is the single largest source of revenue followed by water and sewer

revenues, and sales tax. "Other" revenue is a combination of about 22 smaller miscellaneous revenue items including the Illinois Use Tax, our police service contract, lease revenue from the post office, library, and cell tower, ambulance service payments, cable franchise agreement fees, and Vehicle Stickers.

Director Noble presented a chart of a breakdown of a typical property tax bill. 88% of all property taxes go to other governmental entities such as the schools, park districts, library, township and the county. The Village receives about 12 cents out of every dollar paid. For a resident with a \$10,000 tax bill, \$1,200 of that would go to the Village. Trustee Orth indicated that residents who complain about how high the tax bill is don't look at the breakdown as to who gets what. Director Noble said as VM Sigman mentioned, our tax rates are 9% to 39% less than our surrounding communities.

Sales tax is another important revenue source for the Village and accounts for about 15% of our total operating revenues. Director Noble presented a slide showing 2018 sales tax data which is the last full calendar year that information is available. Since the state distributes sales tax to Villages about 3 months after the actual sale take place, we will not know the final 2019 numbers until early April. We are fortunate to have four auto dealers in the Village and they accounted for over 50% of our total sales tax in 2018. In 2016, auto sales accounted for 62% of all sales. The change in percentage reflects the addition of Medline coming on board in January 2017. The State categorizes Medline in the "Other" category. In 2016, "Other" was only 8.4% of the total and as you can see in 2018 that is now up to 24%.

President Frazier asked Director Noble if there has been a difference in auto sales after Jeep/Chrysler/Dodge moved. VM Sigman said there was a fairly substantial drop the first year, but Field's added the Range Rover dealership. That dealership did not produce the same amount of sales tax and we had expected to lose more than we actually did. They have since added Jaguar which has not gotten us back to where we were, but we have gotten a lot closer than anticipated. Overall sales from that dealership is lower than Jeep/Chrysler/Dodge. However, BMW has done very well. It depends on the market and the trend.

Director Noble continued that in 2012, the Village instituted a home rule sales tax. This tax is not applied to all goods and services and in particular motor vehicles are not included. Under the state sales tax, auto related sales accounted for about 52% of the sales tax revenue generated, but relative to the home rule sales tax, it is only about 14%. That is because only auto parts and filling stations are taxed under this. Over 56% of our home rule sales tax is in the "Other" category which is primarily Medline. Particularly with the coronavirus, this trend is hard to project, especially Medline's role in all this. On one hand, we might expect a huge jump

because there will be an increased demand for the protective medical gear Medline supplies. On the other hand, much of that material is sourced out of China and may be difficult for them to procure.

Director Noble then discussed how and where the Village spends its money. Looking at how those expenditures are broken out by services, about 52% of the operating budget is for public safety, while another 33% 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 and currently make up about 12% of our operating budget. It's important to remember that all pension benefits are set in Springfield, and municipalities have no ability to cut or change any of these.

Over the past few years, we have made strides to improve the Police Pension Fund. That work has seen our funded percentage go up from 49.7% in 2009 to almost 62% at the end of FY18/19. Keep in mind that some of our efforts over the years to strengthen the Fund did not reflect favorably on the funding status. For example, twice the Village reduced the assumed rate of return from 7.25% to the current 6.75% and twice we adopted more conservative actuarial tables. Both of these actions strengthened the Pension Fund in the long term, but held down the percent funded in the short term.

In 2011, the State created a new Tier II system and the Village was beginning to see the positive effects of that. However, the recent pension consolidation legislation provided some pension enhancements for the Tier II police officers that will certainly dilute any of the positive effects we would see as our police workforce turns over to a more Tier II oriented force. Long term, the hope is that the consolidation will save municipalities money, but during the transition period it may cost us more. Currently, the Village has 3 police officers and 4 regular IMRF employees that are Tier II. That is about 16% of our workforce. IMRF continues to remain very healthy and is actually one of the healthiest pension funds in the nation. IMRF is the pension fund for the full time, non-sworn employees. For calendar 2019, the Village's IMRF rate was the lowest since 2008. In 2020, we experienced a higher rate when IMRF lowered its assumed rate of return from 7.5% to 7.25% and it may not stop at 7.25%.

Director Noble explained that the Village's capital plan is summarized on pages 27-45 of the Budget. Director Noble provided highlights of the Village's \$2.2 million program for next year.

The proposed water and sewer improvements that represent the Village's ongoing commitment to maintaining our infrastructure. Storm sewer improvements include slip-lining

Central, Avon and Riverside, all subject to receiving a grant that State Senator Fine secured for us. If the grant money is not received this year, then those projects will be pushed out. In addition to those grants, we have also applied to MWRD for some storm water improvements and, if we are successful, we plan to use a portion of the Senator Fine grant as our local match.

Through the referendum bonds, the Village has been able to address all of our Village streets. In the upcoming fiscal year, our road work is limited to seal coating, stripping and patching of our other streets. In addition, the Village will begin to design the replacement of the Bosworth Pedestrian Bridge and the Phase II engineering work on the Skokie Valley Trail.

In addition, the roof at Public Works and Fire/Rescue will be replaced, and we will develop a plan for the material storage area behind Public Works. The Village will continue to improve the Village's appearance with several streetscape improvements including painting guardrails, replacing any dead plant material in the medians on Willow Road, replanting the Old Willow Road right of way area that was disturbed by last year's storm water project, and installing one more entry sign at Willow and Forestway. President Frazier asked if there were many plants that died. Director Nystrand responded that there were some that were originally designed to go in the medians and they did not do well at that location so they are looking at other species that will be more tolerant to the heat and lack of growing area. Trustee Whittaker asked how the cypress are doing. VM Sigman said it is either really good or really bad. Some plants didn't work. The plants that didn't work will be replaced. Trustee Whittaker thought the painting of the guardrails was a great idea. VM Sigman indicated there is not much of that left, but there will be new guardrails on Northfield Road.

Director Noble said that over the years, the Village has started to lease-to-own our larger pieces of equipment. These are not typical leases; they are more like payment plans and the Village keeps the equipment at the end of the lease term. These 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 35 and 36 of the budget. 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 pushed out another year. When you look at the detailed pages on Equipment Replacement on pages 33 to 38, anything you see highlighted in yellow has been pushed out past its anticipated useful life. We always try to get additional years of service from every piece of equipment and only replace things when absolutely necessary. Even if the equipment is in the budget, we do one final assessment before we solicit bids for that piece of equipment and send it to the Board for approval.

At the end of the next fiscal year, we are projecting very positive fund balances in compliance with the Board's 6 month fund balance policy for the General Fund. That balance at the end of next year represents over 7 months of operating expenses. As part of the annual budget process, we also like to see how these fund balances fit into our long term needs and so we perform 5 year forecast. The projection for the General Fund is on page 25 of the budget and the projection for the Water and Sewer Fund is on page 26. Overall, both are looking fairly strong going forward and 5 years out we remain ahead of our 6 month reserve policy in the General Fund. The Water and Sewer Fund projections include the assumptions from the Raftelis Report which assumes a 15.5% rate increase on August 1st of this year and then 3.75% increases starting in FY21/22 and thereafter. Raftelis has recommended a series of annual bond issues to fund the \$9.5 million infrastructure program and the 5 year forecast takes those into account.

VM Sigman thanked Steve. She commended Director Noble for doing a tremendous job in developing this year's budget. This is Steve's last budget for the Village and she knows her job next year will be much harder without him. She also thanked Mike Nystrand for taking the lead role on the development of the Capital Improvement Plan budget and to all of the department heads for holding down expenses and coming up with creative ways to maintain services. VM Sigman asked each department head to spend a couple of minutes highlighting their budget and any special projects they have planned next year. Any line items that have gone up or down in any meaningful way are highlighted and footnoted and many of these, such as IMRF, apply to all departments. All of the numbers are for budgeting purposes and all projects and purchases over \$25,000 are brought back to the Board for formal approval before they can move forward. If more time is needed to review the budget, a second budget workshop has been planned for Thursday night at 6:00. The public hearing on the budget will take place at 7:00 at the start of the March 17th Board Meeting, and then the formal adoption of the FY20/21 budget is scheduled to take place at the April 21st Board Meeting and will go into effect May 1st.

Administrative Services Director DeFeo explained the following with regard to the administration and finance budgets. The biggest change is the contracting out of the Finance Director position. There is a decrease in salaries, but there is an increase in professional services to account for the contract with Lauterbach & Amen. The Finance Director position is funded 75% in the General Fund and 25% in the Water and Sewer Fund. When the Water and Sewer Fund is discussed, you will also see a similar reduction in salary but an increase in professional services. There is an increase in the health insurance and IMRF line items that will

continue in all of the other departmental budgets. These rates are set by our insurance cooperative and IMRF and we have very little say over these adjustments.

There is an increase of about \$2,000 in personnel administration. This is for background screening and employee training programs. Both of these programs reduce our liability and ensures that our staff is safe and well trained and are in compliance with all state and federal mandates.

This is the second year we have included a line item for succession planning. There are at least two long term Village employees who will be retiring in the next fiscal year which is reflected in this line item and also the Water and Sewer Fund has a line item for succession planning. Trustee Terrill asked if that shows up in the training and liability, do our premiums reflect that also in insurance. Director DeFeo said that our IMRF premiums pay for many training programs. Public Works undergoes six trainings by IMRF every year. This personnel administration line item is for other employees like the harassment training. VM Sigman asked Trustee Terrill if he was asking about the rate for liability. That does not change. We are part of IRMA and IRMA bases our rate based on an experienced modifier so our claims within the last five years and our total revenue. It's not based on number of employees; it's based on our revenue and your past experience. If we have good training, then we are reducing claims which helps to keep our rate lower. VM Sigman indicated IRMA represents 78 municipalities now and they mandate that we do all of these trainings to reduce risks and worker's compensation claims.

ASD DeFeo said that computer maintenance is increased due to increased IT security programming. This is a focus throughout the budget this year. There has been a number of cyber-attacks on municipal entities. When it comes to IT security the costs included in this budget are minute compared to the costs of service interruptions and recovery.

The Capital Improvement budget on page 79 also includes an increase in IT security. These updates have all been identified as necessary by our IT consultant and are considered best practices. This includes money to upgrade our firewall and money to conduct a comprehensive penetration test. We hire a firm that employs real hackers and they try to hack our system. They look at the network from all different areas and try to find vulnerabilities which they report to us and then we correct them. Trustee Lungmus asked if that is \$15,000 and if this is over a year. ASD DeFeo indicated that it's a couple of months. It is a comprehensive test. The best practice is to do this every couple of years and we have never done it. Trustee Fowler asked if she thought this will be an ongoing expense. ASD DeFeo thinks it should be done every three years. The Capital Improvement Fund also includes \$17,000 for the Phase II

engineering of the Skokie Valley Trail. Staff has gone out to bid for the engineering services and plans on bringing the Board an engineering contract for approval at the April Village Board meeting. We received \$240,000 in federal funding for this project and so the engineering contract needs IDOT's approval before any work can begin. IDOT's timing to review a contract is eight months. We would not be able to begin any work until January of 2021. Until that time, we will be narrowing down where we want the path to go. North of Willow Road, the Union Pacific and the Village owned right-of-ways are off the table. A deep review of the survey area of the ComEd right-of-way and that pinch point at the Field's parking lot indicate they take up every inch of that right-of-way. Therefore, we cannot squeeze the path there as hoped. Gewalt-Hamilton is currently doing a high level engineering review of other options which includes a widened sidewalk along Frontage Road, a widened sidewalk along Happ Road or an on-road bike lane on Happ Road.

ASD DeFeo then reviewed the transition to monthly water billing as shown on page 76. At the February Committee of the Whole meeting, the Board directed to change from quarterly water billing to monthly water billing and there are two line items in the Water and Sewer Fund to fund this transition. The first is an addition of \$75,000 in professional services. Director Noble provided an overview which is the estimate of the cost of contracting with a service to encourage electronic payments. The printing and mailing would be three times the amount of bills and a lock box to mitigate the increase of payments processed at the front counter. There is \$75,000 to begin a five year program to replace and modernize our water meters. About 40% of the residents have manual read meters and the program is to transition all of those to remote read meters which will save staff time to be able to shift to monthly billing. Upgrading the meters will allow us to capture more accurate water use data. Trustee Orth asked if remote read meters would indicate a vehicle driving down the street and picking it up. Director DeFeo said yes, rather than someone going to the door.

Trustee Lungmus asked how staff came up with \$60,000 for the succession planning in the Water and Sewer Fund. VM Sigman explained that it is an estimate and Director Noble spent a long time with IMRF as to what kind of payments we would have and looked at the employees we think are likely to retire this year, what they have on the books as far as sick and vacation time for payouts and their rate. It is a placeholder. If we lose a couple of people, it's not enough and if we lose one it's probably too much. Trustee Lungmus likes the fact that it's being included now.

Community Development Director Steve Gutierrez highlighted some of the significant changes on increases and decreases in the budget on page 59. There will be a significant

increase in items related to the part time salaries. There will also be a significant decrease in our engineering services costs. The net savings between those two will be about \$20,000. Those changes are a result of the loss of our last contractual Village engineer, Greg Kramer in May of 2019. When we replaced Greg, we looked at a couple different options and decided to hire a part time employee as opposed to contracting those services out. We were able to bring somebody in on a part time basis. Russ Jensen is doing this after his own municipal retirement. We were able to eliminate the markup and pay Russ the same hourly rate that Greg was making, but not having to pay the markup for the firm Greg worked through.

Director Gutierrez indicated there was a change in our plumbing inspection services. We did away with a local plumbing firm that was doing inspectional services for us and hired somebody who is more independent and not a contractor and does not do work in town. As this transition was made, they looked at the old way where the whole basis of our billing was on a per inspectional basis versus an hourly basis. With the new plumbing inspector, we went to an hourly basis which has resulted in a significant savings of about \$8,400.00. The line item of technical inspections shows a reduction.

Professional Services is a new line item. This will include digitizing all of the files. This will be started in this fiscal year and the last portion the following fiscal year. Director Gutierrez said the Community Development Department has the largest volume of active files in the Village. A file may sit for 10 years, but they have to be here and be able to search a file for questions, a new building or an addition or something related to a variation. Questions pop up randomly for random addresses. Going back and searching for those is not as efficient as it might be. We have a document management system that we need to employ and leverage to make our jobs a lot more efficient. In order to do that, we need to go through the hard work of digitizing. This would have to be done by a firm or contractor and these costs represent that work. Trustee Lungmus asked if someone comes in and scans everything. Director Gutierrez said the files need to be organized first and boxed up and they will come and pick them up and take them offsite and scan them. Trustee Lungmus remembered floods in the past where files have been lost. Director Gutierrez indicated that they are requiring submitted plans to be digitized. There is a lot of paperwork to work on in transitioning. Trustee Orth asked if there is a spot check in process to make sure the file that they are given that everything is actually all entered. Director Gutierrez said that will be done.

Chief Bill Lustig said that each of the line items for the Police Department reflects only the cost of what's needed for that line item. This year a lot of time was spent reorganizing the line items to make sure, especially with combined dispatch, that we put them under a line item

topic that made sense. You will see a lot of fluctuation in the line items to be either very high or very low, but it all balances out because it had to be organized to a point where it made sense. The burglary task force has asked all members to invest in a license plate reader that reads hundreds of license plates in a matter of minutes. Chief Lustig put money in that and is hoping not to use it because they have applied for a grant. There is not a lot in equipment replacement this year. There is one replacement squad car, three light bars, and replacing some of the fitness equipment in the police workout room. He is happy that he and Director Noble were able to organize a lot of the line items so they make sense.

Trustee Fowler has a potential source for a Life Fitness treadmill and a recumbent bike. We could possibly have equipment that is fully functional, high quality donated to the Village of Northfield. He would like to talk to Chief Lustig to see their needs.

Chief Mike Nystrand discussed the Fire-Rescue and Public Works budgets. Training is being reduced by \$2,300. For the Public Works stipends, every time they hire a new public works employee, they are focused on public works training for the first two years and after that they are sent to get cross-trained as a firefighter/paramedic so the staffing at the station is covered in part by public works. The newest public works employee will be certified by the time this budget starts, so the money was put in there. There are two part time employees who are also cross-trained. They work for public works as well as the fire department.

Memberships and dues have an increase of \$5,500 because of a proposed software that would take care of all of the OSHA, ISO, NFPA and St. Francis CE training. There will be a reduction in the hourly training costs because employees will be able to go online and do their assigned training while on duty instead of coming in at night for a Wednesday training session. The initial cost of the Target Solution is \$5,500 and then the ongoing cost after that is \$395.00 a year based on the 55 members of the department. They researched this and this was rated well for our department. Trustee Orth said that Libertyville uses it also and it's a great program. There are also My Community Workplace trainings for supervisor and they will get their notice and do their training during the course of their normal working hours. Trustee Whittaker asked if they can merge if someone is training in another department and training here. Chief Nystrand said that Target Solutions also has a component for the public works employees for all the Right to Know training, the OSHA tag lock outs so we can keep track of that in the database, and then when they have surprise inspections from IDOL or OSHA, all that data can be pulled up and shown to them.

For computer software, Chief Nystrand is seeking an increase of \$8,370 and this is to begin using Imagetrend as the company that would do our NFIRS reporting. The big

component is that we can go to tablets in the ambulance for doing the EMS reports. Instead of sending out paper copies, we have been informed that pretty soon they will not accept paper copies at all. We will no longer function in the system without digitizing and setting this state law mandated submittal of EMS reports to IDPA. They did comparisons and this would combine NFIRS and IDPH reports (ambulance calls). We will see a reduction on how much we pay Fire House annually and then we would go to Imagetrend which has an annual expense of \$8,000 a year to be state compliant. That would be for tablets and software. Trustee Orth indicated that RED would populate the times on the tablets. Chief Nystrand said that Northfield is probably the last department that still uses paper to run reports. Trustees Orth and Whittaker said that the software has constantly been upgraded and changed so it was good to wait to get it.

Chief Nystrand noted that Red Center is up about \$6,200 based on taking a look at how many actual calls we have in the system and as we get busier, it's a percentage of the number of calls that Red Center departments dispatch for everybody. Telephone went down a little. Communications equipment is up \$4,200 and that is for maintenance for the automated dispatching system in the station which notifies us of all of our calls, a scrolling screen displays the addresses and the nature of the call, plus a component that notifies our off duty people of calls. Members can respond when they hear the nature of the call.

Vehicle maintenance has a \$5,000 increase to reflect what's happening with maintaining the fire apparatus. We have been over our budget for a couple of years. Breathing equipment is the same thing. We do a lot of testing and have partnered with Evanston and Glencoe to buy a fit testing kit so we can do that now in house instead of having someone come in. We have inspections on our breathing equipment annually. Fire protection gear is down \$2,500 and that is to more realistically reflect what is actually being spent on the fire protection gear. The entire operating budget for Fire-Rescue is up 4.7%.

President Frazier asked for an explanation of the stipend system and how is it financed and why is it used. VM Sigman responded that all of the public works employees are paid public works employees, but many of them that are also joint certified in service firefighters receive a stipend for the additional training and responsibility that they take. The Village controls their staffing so they are told when they will be working as a firefighter or in public works or they are working in both. There is a tremendous savings to use a public works employee with a stipend which is a benefit to the public works employees for taking on those additional sets of duties and responsibilities. The stipend varies by the level of position that they have within the organization. It was set when the program was initially set up and it has been adjusted periodically. Chief Nystrand added that historically the people that work in town like

Charlie, where businesses would let them leave to come to calls and public works people would come back and go to calls at night and weekends more than anybody else. When we switched to the new paid on premise program, we do not staff the whole 7–5 weekday shift week with six non-public works employees. Three of those spots are filled every day with public works employees so when they are in the station, they will be back testing water meters or other public works or water activities in the station. When the rates were established for the paid on premise program, it starts at firefighter and goes all the way through assistant chief and there is firefighter engineer, firefighter/paramedic, etc. If a public works employee is a firefighter/paramedic, then he gets a component of what the firefighter hourly rate would be when doing that. Chief Nystrand said there are 13 employees that receive the stipend. New Public Works employees usually want to start firefighter training sooner, but they have to wait two years to get them acclimated and able to operate all of the public works equipment and get CDL driver's license as well. Director Noble added that is why the increase is so substantial this year because there are two employees that have completed the fire training and we will paying the stipend for the first time.

In Public Works, Director Nystrand said they are looking at a \$400.00 increase in our purchase of water with the rate increase. Willow Road landscaping maintenance is an increase of about \$9,750 for the second year of our landscape contract and the increased cost of watering the material within the medians. The overall proposed budget would be a 4% increase.

Trustee Fowler indicated that Director Nystrand highlighted the miles of streets that get salted. Director Nystrand said when the budgets are put together, they look at the performance indicators from previous years. In 2019, they switched to pre-wetting and using a lot more brine and beet heat. It has a wide range of effectiveness. It's the best treatment he has seen for the lowest temperature and it is really just sugar material. Beet heat is molasses, sugar, and beet juice. They pre-wet with the material whenever there is snow or ice anticipated. Trustee Whittaker asked how soon before an event does it have to be applied. Director Nystrand said they can put in on during normal working hours if the event is planned for 10:00 p.m. They watch the weather more frequently so they can get out if they know, and if does not occur, it's no big deal and its being done on public works time instead of overtime.

President Frazier then asked how much the salt costs. Director Nystrand responded that it depends because salt goes up and down. In our equipment replacement plan we propose purchasing a third de-icing watering tank for \$5,000. There are two 2,500 gallon tanks, but they are proposing to buy a 5,000 gallon tank. If you get the heat or the beet juice, they

found that because they were only getting 4,000 gallons, we were paying a premium because it was not a full load for the delivery. So, if we have the other tank, we can get a reduction in cost of the material, plus it will not have to be filled as often. The tank is 400 gallons on the back of the public works truck. With the two 2,500 tanks, it goes quickly. Trustee Lungmus asked if it's a beet juice concentrate that is used. Director Nystrand said that they add some water to the beet heat and the beet juice. Trustee Whittaker asked if the Village still salts the park district. Director Nystrand said they buy salt from the Village. There has been a lot more focus over the last 5 to 10 years as to how bad the salt is and the runoff getting in storm sewers and the waterways. Trustee Orth said the beet juice is less harmful for the roads, cars and equipment. Trustee Fowler noted that the salt price went up this year and asked if Director Nystrand sees it coming down with using the larger tank. Director Nystrand said this is the third or fourth year that they have been playing with the various solutions and knowing what is working and what is not. He is happy that the DOT is now using beet heat for highways and tollways. Every year you estimate how bad the winter will be, but we now have a salt storage dome at the back of public works to store the salt. The contracts require that you will buy a certain amount of salt.

President Frazier said when talking about the budget with VM Sigman and Director Noble, she asked about purchasing electric vehicles and was told they are a few years away. Chief Lustig said his concern is will it be able to hold a charge for an 8 hour shift. As it is, if you turn the squads off and use all the equipment, it will drain the battery. VM Sigman added that the current electric vehicles for police is just starting to hit the market now. They are not tested and not truly an electric car. They are electric when you idle, but it switches to gas while driving. A number of towns are trying the cars, so we will follow them and see how they like them and try to introduce them at some point. We keep our equipment for a long time so we want to make sure we are buying tried and true products that can keep the lifespan that we want for them. Director Nystrand said that Los Angeles just ordered their first electric fire engine. It can run for 6 hours before it needs to be recharged. President Frazier agreed that we should wait. Trustee Fowler asked if we have any charging stations in town. VM Sigman responded that we don't have any Village charging stations but there are some on private property, Walgreens and Medline. Trustee Fowler said that is something to think about with redevelopment in town. Trustee Whittaker added that it has been discussed at Go Green with Friedman and he thinks it is Tesla who has an initiative for communities to install their stations.

President Frazier thanked everyone for their work on the budget and congratulated Director Noble for his last Northfield budget. The next step is to have a public hearing at the next Board meeting and then the adoption of the budget.

Motion made by Trustee Whittaker and seconded by Trustee Orth to adjourn the meeting. All said aye.