

MINUTES OF THE SPECIAL JOINT MEETING OF THE FINANCE AND ADMINISTRATION, MUNICIPAL SERVICES, AND PUBLIC SAFETY COMMITTEES OF THE VILLAGE OF WILLOWBROOK HELD ON MONDAY, FEBRUARY 25, 2019 AT 4:30 P.M. AT THE WILLOWBROOK VILLAGE HALL, 835 MIDWAY DRIVE, IN THE VILLAGE OF WILLOWBROOK, DUPAGE COUNTY, ILLINOIS.

1. CALL TO ORDER

The meeting was called to order by Trustee Berglund at 4:36 p.m.

2. ROLL CALL

Those present at roll call were Mayor Frank Trilla, Trustees Sue Berglund, Umberto Davi, Terry Kelly, Michael Mistele, Gayle Neal, Village Administrator Tim Halik, Chief of Police Robert Schaller, Director of Finance Carrie Dittman and Supt. of Public Works Joe Coons.

3. APPROVAL OF MINUTES

Minutes of the Regular Finance & Administration Committee held on Monday, January 14, 2019 were reviewed. Trustee Berglund made a motion to approve the minutes as presented, second by Trustee Mistele. Motion carried.

Minutes of the Regular Municipal Services Committee held on Monday, January 14, 2019 were reviewed. Trustee Kelly made a motion to approve the minutes as presented. Motion carried.

Minutes of the Regular Public Safety Committee held on Monday, January 14, 2019 were reviewed. Trustee Neal made a motion to approve the minutes as presented. Motion carried.

4. REVIEW – Fiscal Year 2019/20 Budget

Director Dittman began the presentation by thanking the committee members for attending. The presentation includes a review of the tentative budget thus far, and we are aware that some of the assumptions and amounts included are in draft form due to final results not yet being known. We have included revenue assumptions, anticipated departmental spending, and ending fund balances for the Village's major funds. We have not included items deemed to be discretionary; these will be presented in detail at the March budget workshop, however a sneak peek will be provided tonight. With regard to departmental spending, each and every line item of every fund was analyzed and amounts budgeted were based on maintaining the status quo with current programs; no automatic escalations were assumed for the FY 2019/20. However, 5-year forecast budgets do have assumed escalations. No salary increases for any employees are included at this point. A personnel discussion will take place at the March budget workshop. During the presentation, we welcome comments, feedback, and suggestions that can be made to the budget and brought forward to the next budget presentation.

Director Dittman went over the key dates of this year's budget schedule. The next meeting, the Board Budget Workshop, will take place on March 18, 2019.

The proposed 19/20 budget maintains all current programs and services. Fund balance at 4/30/2020 is expected to be \$4,248,080, which is 174 days of General Fund operating expense reserves. The cost to operate the Village for one day will be \$24,470. A five-year forecast for each of the Village's funds (except police pension) are presented later in the packet following the slides behind the 5-Year Forecast tab. The 5-year plan includes assumptions for future revenue (generally 1% annual increases for General but 0% increase for water) and expenditure increases (generally

3% for most expenditures, although 0% for salaries and 5-10% for future insurance and pension costs). The line item detail for all funds of the Village (except police pension) follows after the 5-year forecasts.

The FY 19/20 budget projects a drawdown of General Fund reserves of \$679,719. This will be the Village's third year in a row of drawing down fund balance. Health insurance rate increase of 4.9% is the projected increase that our insurance pool IPBC has said will be charged, however final rates will be voted on by the IPBC Board of Directors in March and the expense will be updated at that time. Police Pension contribution is an increase of 13.3% and is per the Pension Fund's formal request, which is based on the actuary's recommendation. IMRF is based on IMRF's actual required contribution rate for 2019, and the rate decreased by 2.51%.

Director Dittman continued with the reserve drawdown breakdown by department. Total General Fund revenues are expected to increase by 5.88% or \$485,719. Total General Fund expenditures are expected to increase by about \$90,000 to \$9.4 million. Administration is looking at an increase of \$250,000. Of that, \$150,000 is budgeted for ongoing crisis management of the Sterigenics issue. Additional payroll expense is expected for the payout of accumulated time for our retiring Village Administrator, and increased health insurance costs assuming new staff take family coverage (rather than single or none). The spike in the Parks Dept is due to the inclusion of \$95,000 in the ADA Park Improvements line, which was included when the Special Recreation Tax levy was adopted the end of 2018. This is for improvements at Ridgemoor Park and a contribution towards the Community Resource Center; if these projects do not occur the monies will not be spent. Finally, Public Works has a large increase this year due in part to increased salary costs of \$66,000 (1/2 of the new Supt of PW position is partially charged to PW) and increases in costs in tree, street/right of way and stormwater maintenance (\$60,000).

Major changes in the FY 19/20 revenue budget are as follows:

Sales tax – Actual collections this year are trending about 12% over what was budgeted as of January 2019. This equates to an estimated FY 18/19 collection of about \$4.0 million. For next year, we have added \$185,000 for Pete's Fresh Market, Stein Mart & Ulta based on projected data. We have NOT added anything for Marshall's/Skecher's due to the later opening and no data yet received. The budget for sales tax was increased to \$4.0 million.

Income tax – Also known as LGDF, the local government distributive fund, a State shared revenue that is based on population. Illinois Municipal League (IML) monitors state shared revenues and puts out estimates of what they believe the sharing will be. In the next year's budget, the IML estimate is \$100.75 per capita = \$860,405. The budget was increased to slightly under that amount, \$850,000. During last week's state budget address, info was released that showed Pritzker maintained the 5% reduction which was not included in these numbers; without that the budgeted amount increased \$113,681. If we factor that in, the budget would be \$815,000 rather than \$850,000. To be conservative, we may want to reduce this number given the new information we now have. Also, \$279,000 of the Series 2015 ARS bonds debt payment comes from income taxes.

Amusement tax – no change budgeted – about \$57,000 annually. Although the Willowbrook Ice Arena recently opened, we do not have good figures on which to base future amusement tax on. In the next month we may have more data on which to base an increase on.

Utility tax – consists of electric tax (Comed), gas tax (Nicor), and telecom tax (from various phone carriers collected by and remitted to us by the state) – reduction of \$52,000. Telecomm tax continues to drop each year as landlines are abandoned in favor of maintaining just a cell phone; this portion of the utility tax revenue will likely never recover to the levels we previously saw. The telecomm tax rate is already at the max of 6% as well, so there is no ability currently to increase that. Comed and Nicor tax rates are 5%. Total revenue for utility tax is budgeted next year at \$898,000.

Places of eating tax is stable and has outperformed the budget each year for the past 5 years. Based on that, but not including any additional revenues from new restaurants, we have increased the budget by \$15,000 to \$500,000.

Permits, including building, sign and other permits – increased budget by \$25,000 to \$275,000 to reflect trends of past 5 years of steady increases. Some very large projects occurred this year which raised the revenue far above that level (Power Construction, Ice Arena, WB Inn), however they are non-recurring and were not included in the increase.

Red light camera fines have been increased \$40,000. The three intersections are all up and running again, and we surpassed the budget for the entire current year back in November. The average of the last 3 normal, fully operational years is \$672,000, so we have increased next year's budget to \$600,000.

Water overhead reimbursement is up \$26,060. The water fund reimburses the General Fund for certain expenses charged directly to the General Fund that the water fund benefits from, such as a portion of salaries and benefits of employees, building costs, insurance premiums and other operating expenses. As the General Fund expenses have increased, the related reimbursement has also increased. A detail of the calculation of the OH reimbursement is included in the packet at the tab marked Water Overhead Allocation.

No grants are expected to be received in FY 19/20. We applied for a \$150,000 grant from DCEO the end of 2018 to offset the costs of the new roof and HVAC units on the CRC, however we have not been advised if we were awarded this or not. The old Knolls Lake grant that we were awarded several years ago, for which the project was determined not to be possible, is not allowed to be transferred to another project by DCEO. The grant funds that were advanced to us and not spent, about \$11,000, will need to be returned to DCEO.

Director Dittman next highlighted the pension costs of the Village. Police pension contribution for FY 19/20 is \$986,858 based on the actuary's calculation using the Entry Age Normal method with 100% funding by 2040. This is 13.3% higher than last year (\$115,774) and represents 50.57% of payroll. An alternate method using the statutory minimum Projected Unit Credit method would cost \$677,066 but does not comply with Generally Accepted Accounting Principles. The contribution does not factor in the recent disability pension granted to Sgt. Drake. Currently, the Police Pension Fund is paying out over \$1.4 M annually in benefits (15 retirees & 3 disabilities). The Police Pension Fund was about 71% funded as of 4/30/2018.

Conversely, the IMRF calendar rate of payroll for 2019 dropped to 12.23%, a 2.51% decrease or \$21,735. The total amount budgeted to be spent on the Village's IMRF contribution for FY 19/20 is \$158,597. IMRF was about 94% funded as of 12/31/2017.

Director Dittman explained that the Village's one bond issue, the Series 2015 General Obligation Alternate Revenue Source bonds, will have an FY 19/20 payment of \$326,344. The General Fund will contribute \$278,873 (from income taxes) and the Water Fund will contribute \$47,471 (from water user charges). No property taxes are collected to pay these.

The major expenses of the Water Fund are a full year's salary for the Supt. of Public Works (split with Public Works Dept); \$524,000 overhead reimbursement to General Fund; \$150,000 for water distribution system repairs; \$400,000 transfer to Water Capital Fund and \$122,000 in debt payments. Major expense of the Water Capital Fund is \$60,000 for Village-wide hydrant sandblasting/prime/paint. The Water Fund debt payments include the IEPA loan (year 3/20) for the standpipe re-coating (annual payment of \$54,448) and the Series 2015 bonds (year 5/20), used to repaint the first water tower (annual payment about \$20,000) and refund the Series 2008 bonds (annual payment about \$47,000).

Administrator Halik explained that the MFT Fund budget for FY 19/20 includes replacement of defective concrete, full depth patching, overlays of roadways and replacement of pavement markings within the Waterford Subdivision. Approximately \$302,348 will be available in the MFT Fund for this program. Prior to finalizing the contract, all roads will be visually inspected first after the winter season.

Director Dittman summarized the financial performance of the General Fund. The April 30, 2019 estimated actual deficit will be \$(120,707) vs. the budgeted deficit of \$(1,076,812). The General Fund outperformed the budget by about \$1.0 M due to outstanding revenues. The 4/30/20 ending fund balance amount yields 174 days of operating reserves, which is above the target of 120. The following revenues came in over budget which contributed to the heightened performance: sales taxes +\$436,000; income tax + \$106,000; places of eating tax + \$51,000; building permits + \$214,000; and red light camera fines + \$305,000. Utility taxes fell below the budget by - \$40,000.

While General Fund expenditures went approximately \$95,000 over budget, some savings were achieved by the following: Asst. Village Administrator salary only paying 4.5 months of \$90,000; admin intern position not filled; IRMA premium came in under budget; ADA park improvements not occurring in FY 18/19; red light camera fees \$50,000 < budget; police body cameras not implemented in FY 18/19; K-9 vehicle not purchased; and savings on police vehicle maintenance and plan review fees.

Conversely, there were several General Fund line items with unexpected overages: crisis management of Sterigenics was \$400,000 that was not budgeted (and could go higher); police overtime \$121,000 over as several officers were out on FMLA; \$73,000 over on stormwater improvements; building code plan review \$55,000 over, however this is offset by building permit revenue; \$12,500 more spent on outside IT consultant since the AVA position is vacant.

A quick summary of what transpired in the General Fund is that the planned drawdown of \$1,076,812 (151 days operating reserve) is actually only a \$120,707 drawdown (206 days) at 4/30/19, and that the 19/20 planned drawdown of \$679,719 will result in 174 days. The # days operating expense reserves is one indicator of financial condition; at 4/30/20, with a projected fund balance of \$4,248,080, the General Fund could operate for 174 days with no additional revenues. A second measure of financial condition is balancing the budget. If the recurring revenues in one year cover the expenditures, the budget is in balance (or has a surplus). If not, the budget is in a deficit position. We do not have a balanced budget as we are operating at a deficit again.

In looking at the General Fund's past four years of activity, FY 16 & FY 17 had surpluses and fund balances of about 75% of annual expenditures. FY 18 had major capital activity including the police dept. renovation and Willow Pond Park, which drew down fund balance. FY 19 had unexpected large operating expenditures such as Sterigenics crisis management, but very little capital. FY 20's budget currently includes a few vehicle replacements and some necessary IT upgrades including 2 new servers, new switches and new 1-2 computers to outfit the CRC. However, we do not yet have any capital related to the CRC interior buildout included.

Since February 2014 the Village has enjoyed a AAA bond rating. One factor rating agencies look at is budgetary flexibility, which measures the degree to which the Village can look to additional financial flexibility in times of stress. Good signs include the maintenance of an available fund balance exceeding 30% of General Fund expenditures for the most recently reported year, current year and next year. Maintaining a balance of 75% is preferable as it could prevent the bond rating from decreasing due to some other negative factor. We have dropped to 56% this year and projecting 46% next year.

Director Dittman next reviewed the days of operating expense chart for the next 5 years. We have pushed the date out where the Village will drop below the minimum target of 120 days to FY 23/24 due to our stellar revenue year. However, since each of the next 5 years predicts deficit spending, we need to continue to monitor this.

Turning to the Water & MFT Funds, whereas the General Fund is focused on fund balance as a financial performance measure, it is more appropriate to focus on the Water Fund's working capital (current assets – current liabilities), a measure of liquidity. Although the Water Fund's working capital is planned to decrease, it is mostly attributable to the \$400,000 transfer planned to the Water Capital Fund. There is no external requirement to do this, and the amount could be reduced or eliminated if necessary. It is budgeted at the same amount as the current year to build up fund balance in the Water Capital Fund for future water projects. MFT's fund balance remains healthy and the annual road program is designed to only spend what we have on hand.

Director Dittman described the larger planned expenditures from the Village Board & Clerk, Administration and Planning departments. Chief Schaller noted that the BOPC budget has \$10,000 budgeted for patrol officer written exams, but should also add another \$10,000 for sergeant testing. Director Dittman described the Parks & Recreation expenditures and that the new PT position would be filled if the CRC building is completed during the fiscal year 19/20, which would also affect the contract with Burr Ridge Park District to host our programs. The ADA park improvements as was adopted as part of the SRA tax levy is \$20,000 for Ridgemoor Park and \$75,000 towards the CRC, but these would only be spent if those projects occurred. Director Dittman also went over the Finance Department expenditures.

Chief Schaller discussed the police overtime, body cameras, radio dispatching and planned replacement of 2 squad cars. There was a brief discussion on the reason for the overtime, such as abuse of sick time, current year FMLA of three officers, and shift coverage for vacations. The Committee recommended an analysis be done of the cost of adding a new officer.

Administrator Halik discussed the expenditures in the Public Works Dept and Building/Zoning. Director Dittman reiterated the Water Fund expenses and the Hotel/Motel Fund advertising expense. This year, the \$75,000 advertising budget is planned to be split between the Village and the DuPage Convention and Visitors Bureau (DCVB) whereas in past years it was allocated solely to DCVB. Director Dittman highlighted the expenditures planned from MFT, SSA, Water Capital, Debt Service, LAFER and Business District Funds. We don't have any data from the state of IL yet for the impact on the Business District of Pete's or Marshalls/Skechers so those numbers are merely rough placeholders to be adjusted when data comes in next week.

Administrator Halik reminded the Committee that the current budget includes NO wage increases for union or non-union employees. Other discretionary items to be presented in detail at the March budget workshop include Phase II of the CRC at a cost of roughly \$767,600. Trustee Mistele asked that the cost of a canopy to match the other municipal campus buildings be added to be considered with the rest of the project cost. Other potential projects include the Garfield Ave sidewalk extension with the Village of Burr Ridge, the repair of the Village Hall pylon wall, Village park improvements that are being reviewed by the Park Commission, and the Village Hall & police dept. HVAC upgrades that are being reviewed by the Sterigenics task force. Director Dittman concluded the presentation by highlighting the projected available fund balances of the General Fund, Water Capital Fund and LAFER Fund and commenting on cash held by other entities on our behalf (IRMA & IPBC).

5. VISITOR'S BUSINESS

There were no visitors present at the meeting.

6. ADJOURNMENT

Motion to adjourn at 6:10 p.m. was made by Trustee Kelly, seconded by Trustee Mistele. Motion carried.

(Minutes transcribed by: Carrie Dittman)