



Board of Trustees

Administration & Finance Committee Village Board of Trustees Northbrook Library

1201 Cedar Lane
Northbrook, IL 60062

~ Minutes ~

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Tuesday, March 8, 2022

6:00 PM

Northbrook Library

1. ROLL CALL

Chairman Israel called the Administration & Finance Committee meeting to order at 6:02 p.m. in the Northbrook Public Library Civic Room.

Present were Trustee Ebhomielen and Trustee Pepoon. A quorum was present. Also in attendance were President Ciesla, Trustee Collison, Trustee Hebl, and Trustee Ross.

2. PUBLIC COMMENT TIME

None.

3. DISCUSSION TOPICS

A. 3rd Quarter Current Year Financial Review

Chief Financial Officer Petryszak opened by stating the recommended FY22-23 Budget would be presented for approval at the April 12, 2022 Board Meeting. Revenue estimated as of March as compared to the adopted budget is 16% higher or about \$7.2 million and includes about \$2.2 million of ARPA funds not budgeted but received this fiscal year. It also includes bond proceeds for projects for the next fiscal year. Expenses are 3% below the adopted budget. Equity transfers are higher than originally budgeted. Equity transfers include a proposed Parking Fund transfer of \$310,000. Parking usage is down. There has been a parking fund deficit for two years and there is expected to be a long term decrease in usage. Equity transfers include a proposed transfer to the Sewer Fund of \$80,000. The Sewer Fund had additional expenses for lift station equipment of about \$80,000. A scheduled sewer rate increase was planned for May 2020 but was deferred due to COVID and will be evaluated as part of the upcoming Utility Rate Study.

The estimated equity transfers also include transfers to the Pension Funds in the total amount of \$360,000. The funds came from a portion of ambulance fees consistent with prior Board policy. Budget Amendments will be presented to the Board to approve the transfers for Parking and Sewer Fund.

ARPA funds are one-time revenue and cover lost revenue per Treasury guidance. Fund balance as a percentage of revenue is 48% and fund balance above the 40% target policy of \$3.9 million.

Chairman Israel asked if any Board members present would object to moving budget amendment items to the Consent Agenda at tonight's meeting. No hearing is needed. Consensus was achieved. ARPA funds were discussed in October. The second half of ARPA funds will be received in the next fiscal year. A new Facility Capital Project Fund is proposed to be annually funded with 70% of excess general fund balance above the 40% policy determined by the annual independent financial audit. The new fund would be used towards facilities. Funds would be appropriated in the final budget if there is consensus tonight and would show the estimated transfer based on the current estimated numbers. The final numbers will be available from the October audit.

Chairman Israel asked if a motion was needed for the amount to be 70% of the excess and be reviewed at the audit. Consensus was achieved.

General Fund Revenue sources show that replacement tax is estimated to be \$360,000 higher than originally budgeted based on higher corporate profits. Sales tax based on year to date trends is estimated to be \$2.8 million higher than originally budgeted. This includes cannabis and online sales tax. Income tax is estimated to be about \$900,000 higher than originally budgeted. Permit revenue is \$400,000 below the original budget.

In summary, expenditures by department and class comparing March estimates to the Amended Budget are 3% below the Amended Budget. The main categories are personnel services and fringe benefits.

Salary savings are due to temporary vacancies and turnover. Contractual Services are 4% below the Amended Budget. There were lower than anticipated expenses for plan reviews. Some capital projects were deferred and facility capital projects came in under budget.

Sales Tax for the last 18 months show actual as compared to the budget, 17 out of 18 months were over budget. Cumulative sales tax receipts for the last 18 months are 18% over budget.

There were no questions regarding any of the reports. Trustee Pepoon asked a question regarding cannabis sales tax. CFO Petryszak answered that we need to watch for newly added distribution locations.

Director Kohlstedt offered an Economic Indicator Review. Construction value is on level with the past several years. Green Acres submitted their formal application. After staff review, Green Acres will come before the Plan Commission at a public hearing possibly in June. Building inspections are slightly

down. Permit totals were slightly up from 2020. Single family additions are increasing. New home permits are down.

Jacobs Companies Townhomes has completed 16 units. Jacobs requested in December that all their permits be ready to be picked up. M/I Homes has 40 of 84 units complete. Three buildings are left to apply for permit.

Anticipated residential projects include a townhome project with 35 units, south of J. Alexander's Restaurant that includes affordable housing. The Village is in discussions with Covenant Village for a new building. A seven lot subdivision on Landwehr is going through the public hearing process. The developer chose to pay fee-in-lieu for providing affordable housing units which is permitted under the IHO. A three lot subdivision is planned for Shermer and Techy and will file for final plat. Lexington Homes is preparing for formal submittal.

House values are trending up in Northbrook. Vacancy rates in apartment buildings are low. Retail vacancy took a slight drop along with asking rent. Northbrook Court received a six month extension until August 2022. Sanders Court has no new news. Village Square of Northbrook does not have much vacancy. Willow Festival has a few vacant spaces.

Dania is the largest retail property on the market. Office vacancies have dropped and asking rent has also dropped. The largest office vacancy is located at 400 Skokie Blvd. There is not much change in the industrial market. Rent fluctuations have remained the same for the last two years. Most industrial vacancies are in Sky Harbor.

Unemployment remains fairly low in Northbrook. Trustee Hebl asked about downtown vacancies. A property manager is working on filling vacancies. Napolita has not responded to inquiries. Director Kohlstedt will follow up.

FY 2022/23 Budget discussion was led by Manager Pavlicek. She stated that the budget development process starts with the presentation of the Independent Financial Audit in October, followed by the five-year Capital Improvement Plan (CIP) presented to the Board in November and Departments work with the Finance Department to present recommendations to the Manager. She provided recommendations for expenditures and revenues. Manager Pavlicek noted local economic conditions are moving in a positive direction. A flat property tax levy has been maintained and there are no tax increases proposed to fund operations. The budget includes real expenditures to begin implementation of the Climate Action Plan (CAP) and meet short term goals for the infrastructure. Manager Pavlicek wants to pursue setting aside money above the 40% Fund Balance Policy for the Police Station, Fire Station 11 and the Public Works Garage as described earlier with the establishment of a

Facility Capital Project Fund. A contract for an owner's representative contract for services will be coming in the near future to help with the process of architect selection.

A future COVID variant could change overtime costs, making some operations costlier.

The second payment of ARPA funding of \$2.2 million will be received in this coming year. The Village is able to claim the entire ARPA funds received as lost revenue and these funds are not included in the Fund Balance above the 40% reserve policy.

Trustee Pepoon questioned as to how long the auditor had been used by the Village. President Ciesla stated that the firm changes members on the team so it is not an issue.

Manager Pavlicek stated that it is important to invest in core services. IT has changed significantly. The Village wants to pay attention to its Village workforce. The Village is interested in connecting residents to special events in the downtown and also paying attention to the contributions made to community organizations. The Village is paying attention to retail economic development support. In April the Retail Coach is on board. She believes it will yield good results.

The FY 2022/23 Draft Budget abates over \$7 million or 63% of the tax levy for debt service. Transfers of \$212,000 will go to each of Police and Fire pensions from the ambulance fees for both fiscal years to help to pay down the unfunded pension liabilities sooner. Operating expenses are 10% higher than what is estimated for the current fiscal year. The budget for both years is almost balanced with a fund balance above the 40% reserve policy. In FY 2023/24 a surplus is estimated with a fund balance above 40% and this will allow capacity to set aside funds for the facilities needs discussed.

President Ciesla stated that historically the Board budgets the worst case scenario and is conservative on the revenue side. It is a policy decision and philosophy. The Board is comfortable adhering to it.

FY 2022/23 Revenue assumptions show the General Fund unrestricted revenues, net of bond proceeds are projected to be less than 1% higher than estimated for the current fiscal year. In the current fiscal year bond proceeds were issued for two years' worth of Capital Projects. Bond proceeds will not be budgeted for next year. Allocation of property tax planning will be budgeted to restore additional pension fund contributions. Sales tax is projected to be 1.5% higher than estimated for the current year. Permit revenues are budgeted higher in anticipation that there could be larger projects, i.e., Grainger and/or Green Acres. Ambulance fees are projected to come back to pre-COVID levels.

New Board initiatives include Climate Action Plan forestry in the amount of \$420,000 in FY 2022/23, and the same in the second year, Department Organizational Assessments \$120,000; Village

Demonstration Garden \$50,000; Branding Study \$75,000; New Zoning Code \$75,000; Additional Events/Banners \$30,000; Retail Coach (one year) \$27,500; Sustainability Intern \$8,000.

President Ciesla stated that she wanted to look at the Fire Department Organizational Assessment and evaluate whether to pursue assessments for Police and Public Works Departments.

Manager Pavlicek recommends the hiring for nine Village positions. Added positions are requested for Information Technology (IT), Fire, Police and Public Works. Trustee Israel went through the positions and departments. He is comfortable to bring on the people. Trustee Pepoon and Trustee Ebhomielen are in agreement. Trustee Collison was struggling and asked for more information. Director Hamill provided an explanation why he needs added maintenance staff. Chairman Israel reminded everyone to be mindful of the big building projects of the facilities on the horizon. Trustee Hebl was in favor as well as Trustee Ross. Trustee Hebl stated it may be difficult to find people for the new positions. The Board questioned if hiring incentives were necessary. There will be a conversation with the Ad Hoc Labor Committee. President Ciesla said that there was consensus and asked that Directors come back in twelve months to report how the added positions benefited their department. Trustee Collison asked the Department Heads report to their staff that the Village cares about personnel and offers its support. Chairman Israel asked for consensus to recommend to the full Board. Trustee Pepoon and Trustee Ebhomielen stated yes.

4. REMARKS FOR THE GOOD OF THE ORDER

Director Hamill announced that Erik Jensen is resigning from his position in Public Works in March 2022. He thanked him for his time serving the Village and wished him well on his next endeavor. The Board concurred.

5. ADJOURN

On a motion made by Trustee Pepoon and seconded by Trustee Ebhomielen, the meeting was adjourned at 7:22 p.m. The motion passed by voice vote.