

AGENDA
SPECIAL COMMITTEE OF THE WHOLE MEETING
VERNON HILLS VILLAGE BOARD
MARCH 14, 2017
7:00PM

*UNLESS DECIDED OTHERWISE BY BOARD ACTION, DISCUSSION AT
COMMITTEE OF THE WHOLE LEVEL WILL CONCLUDE AT 10:00 P.M.*

1. PRESENTATION OF THE FY 2017-18 PROPOSED BUDGET (FD LARSON)

PROPOSED BUDGET

General Revenues
Police Department
Dispatch Center Fund
DUI Sub-Fund & Drug Forfeiture Fund
Fire & Police Commission
Community Development
Capital Sub-Fund
Motor Fuel Tax Fund
Metra Parking Sub-Fund
Public Works Department
Replacement Fund
Events Fund
Summer Celebration Fund
General Purpose
Administration
Committees
Judiciary
President & Village Board
Vernon Hills Town Center Tax Increment Fund
Mellody Farm Tax Increment Fund

2. ADJOURNMENT

**A closed session to discuss land acquisition-[Sec. 2(c)(5)]; litigation-[Sec. 2(c) (11)];
personnel-[Sec. 2(c)(1)] and 2(c)(2); approval of minutes is scheduled**

The Village of Vernon Hills is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and require certain accommodations in order to allow them to observe and/or participate in this meeting, or have questions regarding the accessibility of the meeting or the facilities, should contact Assistant Village Manager Joe Carey, at (847)918-3540 promptly to allow the Village to make reasonable accommodations for those persons.

SUMMARY OF SPECIAL COMMITTEE OF THE WHOLE FOR MARCH 14, 2017

1. Budget

A. Budget Overview (Introductory Section P. 13-20) - **The overall FY 2017-18 proposed expenditure budget is \$49,709,249, of which \$18,000,000 is budgeted for Mellody Farm TIF-related Payments.** Total expenditures excluding TIF payments are \$29,981,074, which represents a 9.68% increase from the FY 2016-17 revised budget.

- **Total Budget – All Funds**

- Of the total expenditures, \$23,753,383 is for operations, representing a 2.37% increase over the current budget. \$2,486,091 is for debt in all funds, representing a 24.47% increase over the current budget and \$3,741,600 is for capital, representing a 75.5% increase from the current budget.
- Projected resources total \$50,531,334, which includes estimated bond proceeds of \$21,000,000. Excluding the bond proceeds, resources are projected to be \$29,531,334; an increase by 3.38% over the current budget.
- This is the first budget year for the Mellody Farm TIF District fund (*see section V*). Included in this budget is a developer distribution of \$18,000,000 per the redevelopment agreement, which is offset by an estimated \$21,000,000 in bond proceeds. The excess bond proceeds will fund interest payments on the bonds over the next three years, starting with an estimated debt service interest payment of \$500,000 to be made in FY 2017-18. For comparison purposes, total budget numbers used going forward will exclude the one-time Mellody Farm TIF payment and bond issue proceeds.

- **General Fund**

- Anticipated General Fund revenues are \$22,956,350; an increase of \$825,540, or 3.7%, from the current budgeted level.
- Budgeted General Fund expenditures (excluding sub fund) are \$23,245,397, an increase of \$1.59 million or 8.3% from the current budget.
- The General Fund budget has a \$289,047 deficit before subtracting the Capital, Summer Celebration, Metra Station and DUI subfunds. This budget includes a one-time \$1,000,000 transfer of excess permit revenues generated by the Mellody Farm project to partially fund payments for the construction of outlots. As you recall, the Village must set aside funds that will be paid to Regency Centers (not to exceed \$2 million) upon the construction of two of the five outlot buildings.

This payment will complete the \$20 million in TIF assistance for Mellody Farm.

The General Fund also includes \$455,000 that has been budgeted into reserves to offset unplanned expenditures. Please note that the budget only includes salary increases that have been contractually agreed upon in the Collective Bargaining Agreement with Police Officers and Sergeants.

The collective bargaining agreement for Telecommunicators is recommended for approval on the March 7 agenda, while there are no increases included for the remainder of the employees, further discussions on salary & range adjustments for all employees will occur in the near future.

- The largest increase in the General Fund is the **one-time**, \$1 million transfer to the Melody Farm TIF fund. It is estimated that an additional \$5,000 transfer will be required to the Melody Farm TIF to account for any increment that may be generated in the coming fiscal year. This amount would be legally required because the Village does not levy a property tax.
- The budgeted amount for the required contribution to the Vernon Hills Town Center (VHTC) TIF District is budgeted at \$129,000, which is an increase of 2.38% from the FY 2016-17 revised budget.
- General Fund debt service is \$817,165, a 2.17% increase from this year, as a result of the first full year of debt payments coming due for bonds issued in FY 2015-16. This amount does not include any debt payments for our TIF Districts.
- **All Other Funds**
 - The total Capital Sub-fund budget is \$1,909,100, which represents a 43.33% increase from the FY 2016-17 budget. Of this amount, permanent improvements are \$1,851,100, which is a 57.94% increase from this year's level. Equipment is budgeted at \$58,000, which is a 63.75% decrease from last year.
 - In the VHTC Tax Increment Fund, the overall budget has a projected surplus of \$249,274. The TIF surplus is needed to repay its loan to the Replacement Fund and to cover future principal payments on TIF debt.
 - The Motor Fuel Tax (MFT) Fund is projected to receive \$686,660 in revenue and \$1,833,500 in expenditures, resulting in a \$1,146,840 deficit. Included in expenditures is \$1,000,000 for the FY 2017-18 Road Program. The large increase in expenditures in this fund is largely due to the commencement of the Lakeview/Fairway project. Please note that although IDOT requires that \$775,000 be budgeted for this project, after reimbursements, the net cost to the Village for this phase of the project will be \$85,000. Due to the uncertainty regarding the timing of reimbursement from IDOT, we have not included reimbursements in the budget at this time. In the meantime, MFT reserves will be utilized to cover excess expense in this fund.
 - The Dispatch Center Fund is expected to see a slight decrease in revenues from anticipated decreases in wireless fees, which will be offset by scheduled increases in the Village's intergovernmental contracts to provide dispatch services. Of the \$2,629,057 budget, \$1,098,100 is funded by a General Fund transfer.

- The Replacement Fund is projected to receive \$278,217 in revenue and proposes \$158,000 in expenditures for equipment replacement, resulting in a \$120,217 surplus. Budgeted expenditures represent a 29.8% decrease from the prior year. Purchases in this fund vary from year to year based on replacement schedules and wear and tear on municipal vehicles.
- B. General Fund Revenues (P. 29-36) - **The General Fund accounts for the vast majority of the Village services (Police, Public Works Community Development, Administration), and revenue is projected to be a total of \$22,956,350.** This represents an increase of 3.73% above the FY 2016-17 budgeted levels. General Revenue Fund components include:
- The Sales Tax economic incentive agreement between the Village and the developer of property has been paid in full resulting in approximately \$250,000 of additional annual revenue now being reflected in the Sales Tax account.
 - The Village's Home Rule Sales Tax (HRST) is projected to decrease by 16.77% in the proposed budget. The HRST was approved to offset the terms of the Westfield/Hawthorn Mall economic incentive agreement, and revenue projections are shown net of rebate. This tax is currently running below projections for FY 16/17.
 - The AMC Theater in Hawthorn Mall and AMC Showplace 8 continue to generate strong amusement tax revenues. Amusement Tax revenues for FY 16/17 are running 7.8% above projections. For FY 17/18, we are projecting \$300,000 in amusement tax revenues.
 - The local share of State Income Tax (LGDG) is expected to decrease by approximately 0.98% from the current year's budget. There have been several bills presented by the Illinois State Legislature to reduce or eliminate the local share of this revenue. Due to lack of direction from the State, we are not projecting any reduction in this revenue source at this time.
 - License and Permit fees are projected to increase by approximately 130% from the prior year. The proposed budget number, \$1.445 million, is based on projected permit fees that will be generated this year from new construction and remodeling. The majority of this increase is attributable to the Mellody Farm and Pulte developments. Due to this sharp increase in fees, an offsetting transfer of \$1 million has been budgeted from the General Fund to the new Mellody Farm TIF fund to set aside a portion of the monies that must be paid to Regency Centers as required by the TIF Incentive Agreement, once construction of two of the developments' outlots has been completed. Pursuant to the Agreement, the total payout related to completion of the two (2) outlots is \$2 million. Please note that no permit fees have been included for the construction of the proposed Menard's retail store, as those are expected to be collected in the current year.
- C. Police Budget (P. 37-74) - **The Police budget is \$11,067,780 which is a 2.64% increase from this year's revised budget.** Salaries and benefits are \$9,141,280 which is an increase of \$340,045 or 3.9% over the current budget. The budget does not include an estimate for cost of living increases to salaries for non-union employees, but does include increases for Sergeants, Officers and planned step increases that were previously approved as part of the prior year's budget. Contractual Services at \$403,740 are up 19.0%, while commodities at \$171,560 are down 5.5%. Equipment is budgeted at

\$253,100 is up 20.8% or \$43,515. The Transfer to the Dispatch Center Fund is \$1,098,100, a decrease of 12.2% or \$153,250 from the current budget. This transfer is required to cover the difference between revenues and expenditures in the Dispatch Center Fund. Please note that the calculated transfer amount does not include any increase for bargaining unit member salaries. Once this contract is settled, this transfer will be increased to accommodate the additional funds needed.

- D. Dispatch Center Fund Budget (P. 75-88) - **The Dispatch Center Budget is \$2,623,291 or a 2.95% decrease from the current budget.** The Dispatch Center Fund revenues consist of land and wireless 911 revenues, intergovernmental customer dues and Village contributions. Land and wireless 911 revenues are budgeted at \$303,000. This is down \$39,500 from last year's projection. Dispatch service fees are \$1,084,457; up by \$120,897 from the current projection. This increase is due to anticipated increases in the Village's intergovernmental contracts. Salaries are \$1,394,594, an increase of 1.22% or \$15,588 over the current budget. This primary reason for this increase over the original budget is due to step increases that were previously approved. Fringes are \$508,966, an increase of 8.7% over the current budget. Contractual Services are \$568,906, a decrease of 12.0% that is related to the elimination of 911 phone bills that are now paid by the Illinois State Police. Commodities are \$8,050, which is consistent with the prior year budget. Equipment is \$3,600, a decrease of \$97,000 or -68.14% as a result of the removal of one time equipment replacements in last year's budget. The General Fund contribution to this Fund decreased by \$153,250 from the current budget to \$1,098,100.
- E. DUI and Drug Forfeiture Budgets (P. 89-92) - **The budget for the DUI funds is \$16,500.** This budget is restricted to items associated with DUI enforcement. **The Drug forfeiture budget is \$24,000.** This expenditure and offsetting use of fund reserves may be used for the purchase of mobile printers to participate in Lake County's e-citation program. This fund is generated from revenues received for drug seizures and it can only be used for drug enforcement items.
- F. Fire and Police Commission Budget (P 93-96) -**This budget is \$11,139, which an increase of \$289 over the current FY 2016-17 budget.** The budget has been increased slightly to reflect an increase in anticipated contractual services costs.
- G. Community Development Budget (P. 97-112) - **This budget is \$1,075,461, which is an increase of \$35,955 or 3.46% over the current budget.** Salaries are \$711,733, up \$2,281 or 0.32% over the current budget. Fringes are \$261,708, up by \$35,674 or 15.78%. Contractual Services are \$69,689, an increase of \$14,500, or 26.27%. Commodities are \$16,850, consistent with the current year, and Equipment is \$15,481, down by 51.59%. The majority of the decrease in the equipment budget is due to the removal of the purchase of field tablets for inspectors, which were rolled out this year as part of the implementation of the Munis permitting module.
- H. Capital Sub-fund Budget (P. 113-122) - **This \$1,909,100 capital budget is an increase of 43.33% over the current budget.** The major expenditures proposed include:

Deerpath Culvert Repairs	\$ 300,000
Vernon Hills Park District's Kids Castle Contribution	\$ 100,000
Local Drainage Program	\$ 110,000

Huntington and Greggs Parkway Intersection Improvement	\$ 100,000
Aspen Drive and Route 60 Engineering	\$ 130,000
Replacement of Village's Cable Studio Equipment	\$ 82,000
Village Hall Public Meeting Room	\$ 350,000
Preventative Street Maintenance	\$ 205,000
Laschen Center Landscape Architect	\$ 50,000
Annual Sidewalk Replacement Program	\$ 50,000

- I. Motor Fuel Tax Budget (P. 123-128) - **This budget is \$1,833,500 which is an increase of \$1,032,500 or 128.9% from the current budget.** This budget requires a \$1,146,840 deficit in the Motor Fuel Tax Fund. The budget funds the first phase of the Lakeview-Fairway intersection improvements, and the FY 2017-18 road program in New Century Town Manor Homes, Westwood and portions of Sycamore Street and Fairway Drive. As noted earlier, although IDOT requires that \$775,000 be budgeted for this project, after reimbursements, the net cost to the Village for this phase of the project will be \$85,000. Due to the uncertainty regarding the timing of reimbursement, reimbursements from IDOT have not been included in the budget at this time. In the meantime, MFT reserves will be utilized to cover excess expense in this fund.
- J. Metra Station Sub-fund Budget (P. 129-134) - The Metra Station Sub Fund collects revenues from Metra Station Parking, which are used to cover expenses of the station. **The Metra Station Sub Fund budget is \$59,700, a decrease of \$48,700 or 44.93% from the current budget.** The expenditure budget is decreasing by \$48,700 due to the elimination of potential restroom design from the prior year budget. The Metra Sub Fund budget is projected to generate a \$36,300 surplus.
- K. Public Works Budget (P.135-176) - **The Public Works budget is \$5,357,953, an increase of \$341,182 or 6.8% from the original budget.** Public Works Salaries are \$2,111,532 which is an increase of \$9,037 or 0.43% from the current budget. Fringes are \$744,330, which is an increase of 6.37% from the current budget. Contractual services are \$1,301,015 which is an increase of \$207,582 or 19.51% more than the current budget. The main reason for the increase in the budget is the transfer of VHAC related expenses into the Public Works Department budget from the Resident Direct Benefit Fund, which has been eliminated for FY 2017-18. Commodities are \$926,390 which is an increase of \$83,860 or 9.95% increase from the current budget. Equipment is \$274,686 which is a \$3,900 or 1.4% decrease from the current budget.
- L. Replacement Fund Budget (P. 177-182) - **The Replacement Fund budget is \$158,000, a decrease of 84.45% from the FY 2016-17 budget.** The budgeted Replacement Fund contributions from the General Fund exceed proposed equipment purchases by \$120,217.
- M. Resident Benefit Budget - **The Resident Benefit budget has been eliminated in the FY 2017-18 Budget. These expenditures have been absorbed into the Public Works Department and President & Village Board budgets.**

- N. Community Events Budget (P. 183-190) - **The Events Fund is \$101,740, which does not contain an increase from the current budget.** This budget includes:
- \$8,900 for Arbortheater Events,
 - \$4,500 for the Fishing Derby,
 - \$43,700 for the Fourth of July, which is a 3.3% decrease,
 - \$5,940 for the Pageant,
 - \$13,700 for Summer Celebration Fireworks, and
 - \$25,000 for Oktoberfest which is a 6.38% increase.
- O. Summer Celebration Budget (P. 191-198) - **The Summer Celebration budget is \$185,535, which represents an increase of \$14,475 or 8.46% from the current budget.** Revenue estimates are expected to remain stable. The increase in expenditures includes increases for entertainment, tent rentals and grease disposal costs. This budget draws down the Summer Celebration Fund balance by \$30,985.
- P. General Purpose Budget (P. 199-202) - **The General Purpose budget is \$2,463,665, which is an increase of \$1,090,362 or 79.4% from the current budget.** The main reason for this increase is the addition of the \$1,005,000 transfer to the Melody Farm TIF District Fund, which is largely made up of a one-time \$1,000,000 transfer of excess permit revenues. Fringe benefits in General Purpose are up by 9.54% to \$57,500. This account is used to cover the health care costs of employees on pensions per legal stipulations or per ordinance. Contingency in this budget is \$455,000, a 15.19% increase from the current budget of \$395,000. The amount budgeted for transfers to the VHTC TIF fund is \$129,000, which is for the Village's statutorily required 10% match of the TIF revenues. This represents a 2.38% increase from last year's budget level.
- Q. Administration Budget (P. 203-228) - **The Administration budget is \$2,485,934, which is an increase of \$45,789 or 1.88% over the current budget.** Salaries are \$814,243 which is an increase of \$1,168 or 0.14% from the current budget. Fringes are \$240,094 which is a decrease of 1.74% from the prior year. Contractual services are \$1,325,052 which is an increase of \$38,964 or 3.03% over the prior year. Commodities are \$40,250 which is a decrease of \$8,500; or 17.44% more than the current budget. Equipment is \$66,295 which is an increase of \$18,400, or 38.42% more than the prior year.
- R. Committees Budget (P. 229-234) - **The overall Committee budget is \$31,083, which represents a 0.67% increase over the current budgeted level.**
- S. Judiciary Budget (P. 235-238) - **The Judiciary budget is \$527,500, which is a 7.05% decrease from the current budgeted level.**
- T. President & Village Board Budget (P. 239-244) - **The President and Trustees budget is \$123,142 which is a 45.0% increase over the current budget.** The main reason for the increase in this budget is due to the transfer of the \$32,500 social services grant program into this budget from the Resident Direct Benefit Fund.
- U. Vernon Hills Town Center (VHTC) Tax Increment Fund Budget (P. 245-250) - **The VHTC Tax Increment Fund budget is \$1,170,726, which is a decrease of 2.39% from the current budget level.** In FY 2017-18 the Tax Increment Fund is projected to run a surplus of \$249,274. Revenues are projected to be \$1,420,000, which is 2.45% more than was projected for FY 2016-17. Included in those revenues is a \$129,000 General Fund contribution as required in the TIF statute. Included in the FY 2017-18 budget are a number of principal and interest payments. This reflects the second year of payments for the Series 2015B Bonds, which refunded the last remaining portion of the 2007 Alternate

Revenue Bonds. Also included in debt service account is a placeholder for trustee fees to pay debt service on the refunded bonds.

- V. Melody Farm Tax Increment Fund Budget (P. 251-255) – **This is the first budget year for the Melody Farm Tax Increment Fund.** Revenues are projected to be \$22,055,000, which includes \$21,000,000 in bond proceeds, \$50,000 in projected tax increment and \$1,005,000 in transfers in from the General Fund. Included in the expenditures budget is \$18,000,000 in developer payments to Regency per the redevelopment agreement, and an estimated interest payment of \$500,000 for the upcoming 2017 bond issue, which will be funded from the bond issue. The remaining bond proceeds will be used to make interest payments on the bonds over the next three years, until property tax increment is generated from the development of the TIF site.

2. ADJOURNMENT