

**MEETING OF THE BUDGET COMMITTEE
February 23, 2022**

Minutes

The meeting of the Village Budget Committee was called to order by Chairperson Laura Pollastrini at 6:35 p.m. in the Village of Hampshire Village Board Room, 234 S. State Street, on Wednesday, February 23, 2022.

A quorum was established.

Committee Members Present: Laura Pollastrini and Toby Koth

In addition, present were Village Manager Jay Hedges, Finance Director Lori Lyons, and Assistant to the Village Manager Josh Wray.

CITIZEN COMMENTS

Police Pension Trustee Christopher Hessenflow commented on the mandatory contribution to the police pension fund. The budget currently shows approximately a \$504,000 contribution, but the Pension Board's actuary calculated a \$661,992 contribution was needed. He explained that contributing less puts more strain on future taxpayers and budgets, especially if there was any type of emergency, such as an event where multiple officers were injured and disabled.

FY2023 BUDGET PRESENTATION - OPERATING FUNDS

Finance Director Lyons explained that the General Fund is the Village's main operating fund, and the Water and Sewer Funds are enterprise funds that are treated similar to a business since the Village provides goods and services for revenue. Ms. Lyons noted that salaries and wages across the board have increased by at least 4% in close correlation with the 2021 annual CPI increase for the Chicago-Naperville-Elgin area, and health insurance costs are budgeted to increase at 8%.

Water Fund

Water sales are expected to increase by 11% as compare to the FY22 budget, largely due to more accurate metering of commercial accounts and the automatic increased water rates that is tied to the CPI. A \$165,000 transfer from the Water/Sewer Improvement Fund is budgeted to help pay for the planned capital projects.

The Water Fund expenses are budgeted at \$52,000 less than FY22. Initiatives in the Water Fund for FY23 include SCADA upgrades, surge suppression, brine tank cleaning and repair, meter replacements, and a utilities master plan. Expenses for personnel are budgeted at 6% less than projected for FY22 due to lower wages from senior staff turnover. Staff is still reviewing fuel costs and projected development, so those may affect some of the budgeted expenses.

The net total for the Water Fund is budgeted at \$25,849 revenues in excess of expenses.

Sewer Fund

Sewer revenue is expected to increase 5% from FY22, again due to increased rates in line with the CPI.

Sewer Fund expenses are budgeted at \$107,000 higher than FY22. Sewer Fund initiatives include SCADA upgrades, surge suppression, preventative maintenance on pumps, control upgrades,

and a utilities master plan. Expenses for personnel are budgeted at 5% higher than FY22, including a merit pay increase for our sewer operator now that he has completed his certifications.

Village Manager Hedges noted that staff does an internal and external equity analysis to determine compensation levels, comparing duties and pay with similar positions across Village departments as well as similar positions in other communities.

The net total for the Sewer Fund is budgeted at \$14,201 expenses in excess of revenues.

Ms. Lyons reminded the Committee that the Water and Sewer Funds are reported together in the annual audit, so the Water Fund's surplus can cover the Sewer Fund's deficit. Together, the Utilities funds are budgeted at a surplus of \$11,648.

General Fund

General Fund Revenues are expected to be 17.8% higher than the FY22 budget. Real estate taxes are expected to be 7.3% higher due to building activity on the residential and commercial side, income taxes are projected by the IML to be 24% higher mostly due to the Village's population growth with the new census, and cannabis taxes are projected by the IML to be 70% higher.

Trustee Koth asked if the State is planning to give municipalities a larger share of income tax again. Mr. Hedges responded that there are multiple bills in Springfield that would do that to different extents, but staff does not expect any to pass for this budget.

Total expenses are budgeted at 23.9% higher than the FY22 budget. General Fund initiatives include continued funding of the façade improvement program, supporting community activities such as holiday events, an additional headcount in the Streets Department, and the addition of a contract for Village communications requested by the Public Relations Committee.

Administration Dept. expenses are budgeted 18.6% higher than the FY22 budget. Personnel expenses in Administration are budgeted to increase by 10%, including a merit pay increase for Asst. to the Village Manager Wray after the completion of his MPA degree and the addition of responsibilities such as code enforcement and planning/zoning duties. The funding level for the façade improvement program is budgeted back at \$100,000 after two years at \$75,000. Trustee Koth noted a new quote should be gotten for mosquito control because he believes chemical prices will have increased.

Police Dept. expenses are budgeted at 3% higher than the FY22 budget. Salaries are contracted at a 3% increase for FY23, and certain officers will also be given step increases per the patrol and sergeant schedules. The Chief and the Lieutenant have a 4% increase. The contribution to the pension fund is budgeted at \$504,112 based on the Department of Insurance's actuarial estimate. Ms. Lyons expects the pension funds to be called to the pooled fund in Springfield on June 1, 2022. Chairperson Pollastrini asked what happens with regards to communities in the pooled fund that are very behind on their pension funding. Mr. Hedges noted that funds are pooled for investment in order to get better returns, but the individual pension funding remains separate by community. The budget for legal services is 25% higher than FY22 in expectation of negotiating a new FOP contract early in calendar year 2023. Installment payments are increasing by 104% from FY22 due to accepting the five squad cars the Village ordered.

Streets Dept. expenses are budgeted at 30% higher than the FY22 projected. Personnel services are budgeted to increase by 24% due to a new headcount and pay increases. The FY22 budget included a \$476,000 transfer from the Motor Fuel Tax Fund to help pay Streets personnel services, but staff has not yet added any transfer to the FY23 budget. Sidewalk maintenance is much higher than usual due to the Village's expected match of the Safe Routes to School grant the Village has applied for, which would construct new sidewalk near Hampshire Middle School. Equipment purchases in the Streets Dept. budget include a new wheel loader and a new pick-up truck.

Expenses for the Planning and Zoning Commission are expected to increase slightly with more meetings, and the Police Commission expenses budget to be the same.

The net total for the General Fund is budgeted at \$274,525 expenses in excess of revenues. Staff plans to present multiple options for covering this deficit before the total budget goes to the Village Board.

Mr. Hedges explained the long-term solution for this large deficit, mostly due to the increase police pension funding requirements, is a new revenue source. Current sources of additional revenue that staff are watching are potential increases in the LGDF, a new 0.25% motor fuel tax for non-home rule municipalities outside of Cook County, and a new 1% sales tax for non-home rule communities. These would take State legislative action or local referenda.

Trustee Pollastrini noted she is concerned with the current General Fund deficit. Mr. Hedges commented that he thinks it would be very difficult to cut \$275,000 from this budget and that the better long-term solution is a new revenue source. There are many risks and deteriorating equipment and infrastructure that the Village is now starting to address, but even at this budget level we are not keeping up with spending needs.

Trustee Koth noted that the budget presented is in great shape from his perspective based on what he has seen in the last 8 years.

ANNOUNCEMENTS

Chairperson Pollastrini announced the next Budget Committee meeting will be on Thursday, March 10, 2022, at 6:30 PM.

ADJOURNMENT

Trustee Koth moved to adjourn the Village Board meeting at 8:14 p.m.

Seconded by Chairperson Pollastrini

Motion carried by roll call vote.

Ayes: Pollastrini, Koth

Nays: None

Absent: Robinson



Laura Pollastrini, Committee Chair