Village of Mount Prospect
Committee of the Whole
Meeting Agenda
50 S. Emerson St. Mount Prospect, IL 60056

October 8, 2024	Village Hall - 3rd Floor Board Room	6:00 PM

1. **CALL TO ORDER**
2. **APPROVAL OF MINUTES**
   2.1. Committee of the Whole - September 10, 2024
3. **ROLL CALL**
4. **CITIZENS TO BE HEARD**
5. **DISCUSSION ITEMS**
   5.1. 2025 Annual Budget Workshop
6. **VILLAGE MANAGER'S REPORT**
   6.1. As submitted
7. **ANY OTHER BUSINESS**
8. **ADJOURNMENT**

ANY INDIVIDUAL WHO WOULD LIKE TO ATTEND THIS MEETING BUT BECAUSE OF A DISABILITY OR NEEDS SOME ACCOMMODATION TO PARTICIPATE, SHOULD CONTACT THE VILLAGE MANAGER'S OFFICE AT 847/392-6000, EXTENSION 5327

DRAFT

Village of Mount Prospect
Meeting of the Committee of the Whole
Tuesday, September 10, 2024 / 7:00 PM

CALL TO ORDER

Mayor Hoefert called the Committee of the Whole Meeting of the Village Board to order at 7:05 p.m. in the Board Room at Village Hall, 50 S. Emerson St.

ROLL CALL

Members present upon roll call by the Village Clerk: Mayor Paul Wm. Hoefert, Trustee Vincent Dante*, Trustee Agostino Filippone, Trustee Bill Grossi*, Trustee John Matuszak, Trustee Colleen Saccotelli
Absent: Trustee Terri Gens

APPROVAL OF MINUTES

3.1. Minutes of the Committee of the Whole meeting - August 13, 2024

Motion by Trustee Grossi, second by Trusee Dante to approve the minutes from the August 13, 2024 Committee of the Whole meeting.

Yea: Dante, Fillipone, Grossi, Matuszak, Saccotelli
Nay: None
Absent: Gens

Final Resolution: Motion passed

MAYORS REPORT

4.1. PROCLAMATION: National Hispanic Heritage Month - September 15 to October 15, 2024

Mayor Hoefert read the proclamation into the record recognizing and honoring National Hispanic Heritage Month. Prospect High School's Spanish Honor Society students accepted the proclamation. They each spoke about how their study of Hispanic culture has enriched their lives.

CITIZENS TO BE HEARD

Steve Polit

Resident
He reminded everyone that Coffee with Council is this Saturday.

DISCUSSION ITEMS

*Trustee Grossi announced he is recusing himself from the evening's discussion item pursuant to the passage of the Ethics Ordinance at the September 3, 2024, Village Board meeting. Trustee Grossi is the current President of the Mount Prospect Lions Club. He read a prepared statement, explaining his decision.
Trustee Grossi left the dais at 7:18 p.m. and exited the meeting.

*Trustee Dante announced his decision to abstain from the forthcoming discussion. Trustee Dante identified his roles that may present a conflict, including his position on the Downtown Merchants Association Board, as a member of the Chamber of Commerce, and as past president and current member of the Lions Club.
Trustee Dante remained at the dais but did not participate in the discussion.

Trustee Matuszak clarified that neither Trustee Grossi nor Trustee Dante are paid by the Lions Club or any other organizations mentioned.

Trustees Matuszak, Filippone, Saccotelli and Mayor Hoefert each declared their volunteer roles in the community with various organizations.

6.1. Public Representation Budget and Event Funding Discussion

Assistant Village Manager Alex Bertolucci and Director of Finance Amit Thakkar presented the Public Representation Budget and Village Events discussion.

Mr. Bertolucci stated that the Village Strategic Plan prioritized creating an events policy, guidelines, and process. Following the pandemic, staff took a closer look at the cost of hosting events, which prompted an internal review to improve event tracking. The review also included opportunities to add events in response to residents' interest in more community events. Mr. Bertolucci stated that staff created a Village Events and Festivals Enhancement Report to review existing conditions, code regulations, staffing, costs, and budgeting for Village events. With the help of the Finance Department, event codes were created to improve how we track these events.

Mr. Bertolucci provided a history of Village events. Outdoor entertainment has increased in popularity since 2016. The Village introduced new events and some existing events have grown over time. Mr. Bertolucci noted that the Village consistently receives positive reviews from the community for events via the Community Survey, social media, etc. Mr. Bertolucci displayed an overview of annual events, divided into three categories: Village-hosted events, Village-supported events, and community events. Mr. Bertolucci stated that the Village's Special Events Commission plans several community events throughout the year, including the 4th of July parade, Shining Stars Gala, Christkindlemarket, the Family Bike ride, and holiday decorating contests. Funding for these events is budgeted in Public Representation. Village department events such as the Public Works and Fire Department's open house and the Police Five-o 5k are budgeted by the respective department.

Director of Finance Amit Thakkar presented the proposed Public Representation budget for 2025. *(Clerk's note: the proposed 2025 Village Budget will be presented at a COW meeting in*

October).
Mr. Thakkar stated the proposed total 2025 budget for Public Representation is $776,120.00; 65% of this budget is allocated for various events, community groups, and holiday decorations. Mr. Thakkar presented details for village-hosted events, including the Downtown Block Party which began in 2000 and was previously run by the Chamber of Commerce with financial support from the Village. Starting in 2023, the Village assumed responsibility for all aspects of this event. Mr. Thakkar reviewed the cost of this event from 2022 through 2024. In 2022, the net cost to the Village was $78,555 (no revenue offset as this was a Chamber event). In 2023, the net cost was $25,465, and in 2024, the net cost was $19,057. The Village collaborates with the Mt. Prospect Park District and the Chamber of Commerce for the Celebration of Cultures. This is a one-day event. The net cost in 2024 was $30,752, in 2023 it was $31,796 and in 2022 the net cost to the Village was $27,245. This event continues to grow each year. Mr. Thakkar provided cost details on other Village events, including the July 4th Festival and parade, Fridays on the Green, Oktoberfest and Fall Fest.

Mr. Thakkar provided details on the 2024 budget for all events, including the Memorial Day parade, holiday tree lighting, Shining Stars Gala, and other smaller events. Mr. Thakkar stated that the net cost for all Village events in 2024 was $374,182. This amount includes both non-personnel and personnel expenditures. Revenues totaled $162,935 and expenditures totaled $537,116.

Mr. Bertolucci provided information about the budgets for events in neighboring communities for comparison. Mr. Bertolucci reported that the Village of Mount Prospect is spending above average on events and festivals compared to neighboring communities.

Mr. Bertolucci sought recommendations on a formal permit/application process for special events. In addition to establishing a formal application process, amendments to our Village Code are necessary to modernize outdated procedures.

A board discussion followed.

<u>Board Comments:</u>

- A formal application process will make things easier for both staff and applicants.
- It is important that the Police and Fire departments know when/where an event is happening.
- Sponsorship solicitations should be from the Village and not a specific staff member.
- Events are important to the community by providing entertainment; events enhance our bars and restaurants.
- Suggested a workshop for those who will be required to go through the application/permit process.
- Concerned that the extra hours staff put into work events will dampen staff morale over time.

<u>Mr. Bertolucci and Mr. Thakkar provided the following in response to questions from the Board:</u>

- Most neighboring communities implement a charge-back practice for events; the Village of Mount Prospect will consider adding this to the application process moving forward.
- Staff has reviewed a few special events policies of other municipalities; a broader review

will follow as we proceed with this policy.
- It is important to manage events so they don't overlap or conflict with other events.
- The $19,080 net cost for the Block Party included overtime costs for Public Works, Police, Fire, and Finance departments.
- Soliciting sponsorship from local businesses is an acceptable general practice; sponsorship opportunities are/were available on the Block Party website page.
- Village employees as individuals do not seek out sponsorship; some sponsorships are sought on behalf of the Village via email to organizations the Village works with. Sponsorships are a marketing opportunity for the sponsors as well.

In response to a clarifying question from the Board, Village Manager Michael Cassady stated the goal of a formal process is less about control and more about the organization of Village events. Mr. Cassady stated that the Village has many community events and is close to the capacity of events. However, he added that the door is not closed to adding new events if appropriate. Budget will be a factor in this determination.

Mayor Hoefert added that events are important to any community. It is not about producing a profit but more about controlling costs responsibly.

In response to a question from the Board, Mr. Cassady stated that any new event would be brought to the Board as a budget amendment.

In response to a question from the Board, Mr. Bertolucci stated he has, at this time, adequate feedback from the Board to revise the special events application and begin drafting accompanying code amendments.

Mayor Hoefert provided closing comments.

No additional discussion.

Public Comment:
Bill Starr
1819 W. Willow Lane
Member of the American Legion

- Requested members of the Village Board sign and send a birthday card to Virgil Wendt, a member of the American Legion who is celebrating his 90th birthday. Mr. Wendt has been carrying the American Flag in the 4th of July and Memorial Day parades for the past 25 years.

VILLAGE MANAGER'S REPORT

7.1. As submitted

No report.

DRAFT

ANY OTHER BUSINESS

Fire Chief Dolan reminded everyone that the Fire Department Open House is Saturday, September 14, at Randhurst Village from 10:00a.m. to 2:00p.m.

Trustee Dante thanked Chief Dolan, the Police Department, and the Public Works Department for the **expeditious** clean-up from the recent storm.

ADJOURNMENT

With no additional business to conduct, Mayor Hoefert asked for a motion to adjourn. Trustee Matuszak, seconded by Trustee Saccotelli motioned to adjourn the meeting. By unanimous voice vote, the September 10, 2024, Committee of the Whole meeting adjourned at 8:49 p.m.

Respectfully submitted,

Karen M. Agoranos
Village Clerk

Item Cover Page

Subject	**2025 Annual Budget Workshop**
Meeting	October 8, 2024 - MEETING OF THE MOUNT PROSPECT COMMITTEE OF THE WHOLE
Fiscal Impact	
Dollar Amount	
Budget Source	
Category	DISCUSSION ITEMS
Type	Budget Item

Information

Staff will present the proposed 2025 Annual Budget at this workshop. This budget was presented to the Finance Commission on September 26, 2024. The 2025 budget began with the Village's Community Investment Plan presentation in August 2024. This workshop will focus on the operation budget and other non-operating items. The first reading of the ordinance for the approval of the levy, abatement, and budget will occur on October 15, 2024. The Finance Commission's recommendation on the budget is expected on October 24, 2024. The public hearing for the budget and levy will be held on November 6, 2024. The final approval for all three budget, levy, and abatement ordinances is expected on November 6, 2024.

Discussion

The proposed 2025 Operating Budget and Community Investments Plan totals $165.4 million, a reduction of $22.7 million or 12.1 percent. This reduction is largely due to a reduction of interfund transfers to fund the Economic Emergency Fund and completion of projects funded by the American Rescue Plan. This spending plan continues to appropriately fund our public safety, support operations, and capital investments, ensuring our organization is positioned to continue a tradition of outstanding municipal services for our residents. Our 2025 plan continues our commitment to reducing the property tax burden for our residents and businesses, as two two non-village, independent, units of local government seek voter approval on key school and recreation enhancements for the community. In lieu of property tax levy increases to fund constant increases in personnel, other operating budget items, and capital, the Village continues to focus on economic development opportunities to enhance sales tax revenues.

Revenues

The 2025 revenue budget is set at $160.9 million, $4.0 million or 2.4 percent less than the previous year. In the FY 2024 budget, there were several one-time grant revenues, including the American Rescue Plan, Surface Transportation Program Grant (STP), and Congestion Mitigation and Air Quality Grant (CMAQ), among others. These grants will not be repeated in 2025, resulting in a decrease of $2.3 million or 4.1 percent in Intergovernmental Revenues.

Inter-fund transfers for 2025 will amount to $7.7 million, a reduction of $13.5 million or 63.6 percent from the $21.3 million transferred in 2024. The 2024 transfers included $6.5 million for the Economic Emergency Fund and $5.3 million for the American Rescue Plan, neither will be required in 2025, leading to a decrease in the inter-fund transfer budget for the year.

Revenue Categories	2025 Budget	2024 Budget	Increase / (Decrease)	% Change
Property Taxes	24,813,627	22,022,359	2,791,268	12.7%
Other Taxes	15,554,350	14,689,000	865,350	5.9%
Intergovernmental Revenue	54,857,954	57,179,236	(2,321,282)	-4.1%
Licenses, Permits & Fees	1,912,000	2,037,000	(125,000)	-6.1%
Charges For Services	47,342,301	42,255,770	5,086,531	12.0%
Fines & Forfeits	608,500	470,955	137,545	29.2%
Investment Income	3,933,700	1,818,245	2,115,455	116.3%
Other Revenue	3,085,500	2,854,944	230,556	8.1%
Reimbursements	1,086,500	337,000	749,500	222.4%
Total Reoccuring Revenues	**153,194,432**	**143,664,509**	**9,529,923**	**6.6%**
Other Financing Sources	7,749,433	21,279,000	(13,529,567)	-63.6%
Total Revenues	**160,943,865**	**164,943,509**	**(3,999,644)**	**-2.42%**

The proposed property tax levy for 2024 (payable in 2025) is $18.2 million, reflecting a reduction of $1.2 million or 6.3 percent from the 2023 level. Without abatements totaling $5.1 million, the property tax levy would have shown a 27.3 percent increase over the 2023 amount. This would have been the highest levy in the last ten years. The total levy in 2015 was $18.3 million. With the proposed abatements, the 2024 levy will be the lowest in the past decade. This will be the second consecutive year that the Village has reduced its property tax levy. The 2023 tax levy was reduced by 4.8 percent. Between the 2023 and 2024 tax levies, the Village has reduced its property tax levy by $2.2 million or 11 percent compared to the 2022 tax levy. With a proposed reduction of 6.3 percent in the Village portion of property taxes, average households will see a decrease of $65 in their annual property tax bill.

The "other taxes" category includes various locally imposed taxes such as home-rule sales tax, hotel/motel tax, food & beverage tax, and real estate transfer tax, among others. It is projected to generate a total of $15.6 million in taxes, representing an increase of $863,350 over the 2024 budgeted amount. The largest revenue category, intergovernmental revenues, is expected to total $57.2 million in 2025. Of this amount, state-shared sales tax is projected to be $36.0 million, while income tax (LGDF) is expected to account for $9.5 million. In 2024, intergovernmental revenues included $6.7 million in the American Rescue Plan. This amount is not repeated in 2025 and has resulted in an overall decrease of $2.3 million for the category (after an offset of $4.4 million increase in other line items). The current sales tax amount also includes $875,000 from grocery tax. Recent legislation eliminates this tax on January 1, 2026. Now, the Village has the option to enact a local grocery tax of up to 1 percent. This item will be addressed as part of the 2026 budget discussion in late 2025.

The Village's investment income has risen as a result of higher interest rates. The 2024 projection indicates that the investment incomes will reach $5.6 million, compared to the original budget of $1.8 million. The Federal Reserve Bank recently cut interest rates by 50 basis points. More rate reductions are expected in late 2024 and early 2025. In light of the current and future rate reductions, the investment income forecast is lowered from $5.6 million to $3.9 million. The Village is expected to earn above-market investment income because of a few long-term investments that the Village is holding. The Village has the intention and capacity to keep them until their maturities.

The 2025 budget includes $47.3 million in various charges for services, $5.1 million or 12.0 percent more than the 2024 budgeted amount. In addition to the existing charges, the 2025 budget introduces two new internal service charges: $1.6 million for the building improvement fund and $783,943 for the technology replacement fund. The 2025 budget also proposes changes to the ambulance billing fee structure to reflect the actual cost of operation per call more accurately. The 2025 budget for ambulance billing fees totals $4.1 million, an increase of $1.1 million or 35.4 percent over the 2024 budget. Ambulance fees were last raised in 2019. Comparable regional communities are charging significantly higher ambulance billing fees. The average ambulance billing fee is above $3,000. The actual cost per call is expected to be around $3,173, and the Village proposes changing fees from $1,500 to $3,000. Water and sewer utility rates are set to increase by 6.75 percent in 2025, as indicated in the water rate study.

Expenditures

The Budget for 2025 expenditures totals $165.4 million, a decrease of $22.7 million, or 12.1 percent, from the amended 2024 Budget. The decline in spending is mainly attributable to reduced inter-fund transfers from the General Fund. FY 2024 includes $21.3 million in transfers. Of this amount, $6.5 million is transferred from the General Fund to the Economic Emergency Fund, and $5.3 million is budgeted for the American Rescue Plan-funded projects. This was a one-time transfer and is not expected to be repeated on an annual basis. Besides that, the 2024 budget includes carryover projects totaling $13.8 million from 2023. The original 2024 budget included a community investment plan totaling $34.7 million. The 2025 proposed budget includes a community investment plan totaling $33.4 million.

Expense Categories	2025 Budget	2024 Budget	Increase / (Decrease)	% Change
Operating Budget	97,586,144	91,975,157	5,610,987	6.1%
Community Investment P	33,440,322	50,636,555	(17,196,233)	-34.0%
Debt Service	7,712,124	7,645,734	66,390	0.9%
Internal Service Funds	14,181,581	13,392,126	789,455	5.9%
Special Revenue Busines	2,027,500	1,750,000	277,500	15.9%
Special Revenue TIF	2,740,000	1,497,600	1,242,400	83.0%
Interfund Transfers	7,749,433	21,279,000	(13,529,567)	-63.6%
Total Revenues	**165,437,104**	**188,176,171**	**(22,739,067)**	**-12.1%**

The operating budget is scheduled to increase by $5.6 million, or 6.1 percent, from the 2024 amended budget. This increase is primarily due to higher pension contributions, cost-of-living adjustments for personnel, and inflationary adjustments to contracted services.

In the 5-year Community Investment Plan, CIP spending for 2025 is projected to be $33.4 million, $17.2 million less than the 2024 amended budget. There were unfinished projects totaling $13.8 million carried forward from 2023 to 2024, resulting in higher amounts for the FY 2024 CIP budget.

The total FY 2024 debt service payments will amount to $7.7 million. Internal Service Fund expenditures total $14.2 million, an increase of $789,455 compared to the FY 2024 amended budget. The plan includes inter-fund transfer outs totaling $7.8 million for FY 2025, of which $5.1 million will be used to abate debt service and pension property tax levies. A total of $1.7 million will be used to fund various capital projects. This year's inter-fund transfers include an operating transfer of $1.0 million from the Elk Grove Rural Special Service Area Fund to the General Fund.

$4.3 million in outstanding principal debt will be repaid during FY 2025, while the total interest payment will be $3.4 million. The Village has not planned any new bond issuance or debt for FY 2025. The next planned bond issuance is expected at the end of 2026.

Challenges for the Budget 2025

The Village has recently faced several new challenges, including inflation, possible recession, legislative changes, deficit levels at the State of Illinois, uncertain market conditions, rising pension costs, aging infrastructure, supply-chain issues, labor turnover, and others. Below are descriptions of some of those challenges.

a. The current inflation rate is around 2.5 percent (CPI-U) over the last 12 months. However, inflation recently reached a 40-year high at 9.1 percent. Increased costs of supplies, contractual services, and increased annual personnel costs are creating a burden for the fund and cash balances. These increases can also put more strain on an already stressed property tax system. The Village has enough cash and fund balance to handle the short-term impacts of inflation, but it may need to reconsider long term strategies to manage inflation.
b. The Village's finances rely heavily on Intergovernmental Revenues, with a substantial portion coming from the State of Illinois. The state has attempted to reduce the Local Government Distributive Fund (LGDF) Income Tax in the past. If the LGDF is further reduced, it would lead to revenue losses for the Village and could potentially put additional strain on the already burdened property tax system. While the State of Illinois has the ability to fully restore the LGDF to its original 10 percent allocation, it has not yet done so. The State recently eliminated the 1% grocery tax, effective January 1, 2026. The Village currently receives $875,000 in grocery taxes annually. The State has given local municipalities the option to enact a local grocery tax of up to 1 percent. Village Administration is planning to hold workshops in 2025 with the Finance Commission and Village Board to discuss available alternatives for this issue.
c. The Village invests in capital assets each year through the Community Investment Plan. Funding from various variable revenue sources and charges for services funds the new investment as well as the replacement of the existing assets. Maintaining aging infrastructures and facilities without the issuance of debt or a grant from the State or Federal Agency is challenging. The Village has recently received significant grants, but it is a challenge to get awards while competing with other grantees.
d. There is huge demand for construction materials and vehicles in the market. The Village is dealing with high prices and supply chain issues for capital projects. Many of the recent construction bid results have come in much higher than expected. The Village is struggling to replace its scheduled Police, Fire, and Public Works fleet. Staff hope that several measures taken by the Federal and State Governments will curb inflation and supply chain issues.
e. Current interest rates have led to a decrease in real estate transactions. As a result, the Village's revenue from real estate transfer tax is decreasing due to fewer property closings. Although there has been a slight increase in real estate transfer tax collection compared to last year, it is still 33 percent lower than its peak in 2022. The Village is

hopeful for a recovery in the real estate market. In the meantime, the additional investment income is helping offset the loss in real estate transfer tax revenues.

f. The State of Illinois changed the pension system in 2011 and created TIER II for police, fire, and employees participating in IMRF. Various legislation has recently been filed to increase the benefits under TIER II pensions. Any legislative changes that can increase the benefits under TIER II will increase the annual pension costs and the property tax burden for residents and businesses.

The Village's financial position remains very strong despite the challenges mentioned above. Reserve levels have continued to exceed our expectations due to revenue growth and responsible spending. The Village's General Fund is estimated to have a fund balance of $41.9 million, which will be 47 percent of the 2025 annual budget. It's important to note that not all fund balances are in liquid form. Some portion of the fund balance is tied up in accounts receivable and unavailable immediately. Substantial reserves and balanced annual budgets are two factors contributing to the strong bond rating assigned to Village debt. The General Fund reserves remain well above the target set by the Village Board (40%) through 2024.

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Items/Details	FY 2023 Actual	FY 2024 Estimated	FY 2025 Budget
Revenues - Unaudited	82,613,435	89,886,763	83,654,388
Expenses - Unaudited	(78,299,452)	(91,662,171)	(83,654,388)
Net Monthly Surplus/(Deficit)	**4,313,983**	**(1,775,408)**	**-**
Ending Unrestricted Reserves	**43,700,864**	**41,925,456**	**41,925,456**
As % of General Fund Budget	48%	50%	47%

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The 2025 budget can be viewed online by [clicking here.]

The staff will make a detailed presentation on the proposed 2025 Operating Budget at this meeting.

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Alternatives

1) The staff and the Village Board to discuss the proposed 2025 Annual Budget.
2) Action at the discretion of the Village Board.

Staff Recommendation

Staff recommends discussion on the proposed 2025 Annual Budget.

Attachments

None