



**2014 BUDGET PRESENTATION** - Trustee Hutchinson reviewed a PowerPoint presentation regarding the proposed FY 2014 Budget. She pointed out that FY 2013 expenditures came in under budget consistent with the Village's conservative spending trends over the past several years. The proposed FY 2014 budget successfully incorporates relatively flat operational expenses along with the Capital Plan and the proposed increases outlined in the presentation made by Chief VonAllmen at a previous meeting. The Village is pursuing a larger road resurfacing program this year utilizing funds that had been set aside from both the Capital Fund and Motor Fuel Tax Fund. By partnering with McHenry Township and pursuing an early bid, the Village received attractive pricing to accommodate nearly four miles of road resurfacing this year.

Trustee Hutchinson emphasized that based upon our engineer's recommendation, roads should be resurfaced on a 12 year life cycle. Road resurfacing costs continue to rise making it impossible for the Village to perform a 12 year resurfacing program. As an alternative, the Village is attempting to pursue a 20 year road resurfacing cycle but despite this year's larger program, long term projections reflect that the Village cannot generate sufficient revenues to do so regularly. Trustee Hutchinson stressed the importance of increasing dollars available for road resurfacing. Trustee McEvoy concurred. Trustee Hutchinson iterated that if the Village puts off road resurfacing beyond a 20 year life cycle, the costs will double because resurfacing will no longer be sufficient and roads will need to be rebuilt.

Trustee Hutchinson discussed the Village's Capital Fund explaining that the Village again successfully contributed towards both the annual and retro cost of the General Fund's Capital Plan. She pointed out however that user fees generated by the Sewer and Water Fund are not sufficient to fully support the Sewer and Water Fund's Capital Plan. This year's budget anticipates a \$154,406 shortfall in support of the Sewer and Water Capital Plan.

Trustee Hutchinson discussed the need to set aside four to six months of operational costs in a reserve fund. She explained that the Village needs to continue to work towards achieving this goal and reviewed a graph that reflects the goal compared with the amount the Village anticipates being able to contribute. The FY 2014 budget does not provide for any additional reserves to be set aside and long term projections currently reflect the ability to set aside approximately \$70,000 per year. Trustee Hutchinson stressed the importance of building the reserve fund so that the Village can achieve its strategic priorities and also take advantage of potential funding opportunities that require matching funds.

Trustee Hutchinson reviewed a Community Cost Analysis which compares the cost of real estate and utility taxes, vehicle sticker fees, refuse and recycling costs and water and sewer user fees for similarly sized communities in McHenry County. The analysis was first done last year and continues to reflect that predicated upon these costs, Johnsburg remains the lowest cost community in which to reside. She pointed out that even if residents were billed directly the full cost of refuse and recycling services, it would still cost residents less to live in Johnsburg than any of the other community in the comparison.

The presentation included a review of the increased sales tax dollars received as a result of the Walmart store and identified how the dollars are utilized. Trustee Hutchinson explained that the Village retains an initial amount of funds to cover operational impacts. Then a portion of the remaining funds are rebated back to Walmart in consideration of regional infrastructure improvements made by Walmart in accordance with the Economic Incentive Agreement. The net effect provides the Village approximately \$224,373 in undefined sales tax of which \$50,000 is transferred to the Sewer and Water Fund and the remaining \$174,373 goes to help support the Capital Fund.

Trustee Hutchinson reviewed accomplishments made this past fiscal year. She emphasized the importance of reaffirming the Village's AA Stable Bond Rating and identified vehicle, equipment and land purchases the Village was able to pursue as a result of the Capital Fund. Trustee Hutchinson iterated the Villages

fiscal challenges related to underfunded line items. She emphasized the need to address road resurfacing, residential refuse removal, street lighting, the sewer and water capital fund and general fund reserves, all of which are not fully supported at this time. She pointed out that we need to continue to be mindful of the threats to revenues disbursed through the State of Illinois such as State Income Tax, MFT and Corporate Personal Property Replacement Tax and discussed a new challenge that has come about regarding police pensions.

An analysis was prepared which reflects that in order to bring in sufficient revenues to cover the cost of residential refuse and recycling per home, the property would have to have an assessed value of greater than \$175,000 (\$525,000 market value) based upon the current rate.

An analysis was also performed regarding the vehicle sticker program. Much discussion occurred regarding whether or not the program is cost effective in that the Village only nets \$26,364 from sticker sales in support of street lighting which costs more than \$67,000 annually.

Trustee Hutchinson explained that several years ago the voters supported a referendum to levy taxes in support of police pensions. Since that time, the Village has levied the amount directed by an actuarial performed each year by the Illinois Department of Insurance. More recently the Department of Insurance has updated their software and altered factors affecting the actuarial which has resulted in a significant increase in the last actuarial report. The 2012 Tax extension levied \$110,807 for police pensions in accordance with previous actuarial reports. The 2013 report is suggesting next year's levy must increase to \$285,864. Chief VonAllmen informed the Board that the Police Pension Board is pursuing an independent actuarial report because of the significant discrepancies in the State's reports. Trustee Hutchinson explained that the Village will be impacted by whatever the increase may be beginning in FY 2015.

Trustee Hutchinson reviewed some possible solutions to our fiscal challenges. She explained that the Village can address the residential refuse and recycling shortfall by either pursuing a referendum to increase the sanitation levy or by eliminating the levy and instituting a direct billing system. To address the short fall in funds supporting street lighting, the Village can look to streamline administration of the program in an effort to reduce costs which could include bi-annual stickers and the pursuit of alternative mailing options. The Village could also increase the price of the sticker or supplement vehicle sticker revenues with other revenues such as video gaming tax to support the cost of street lighting. Lastly, to address future police pension impacts, the Village could pursue a referendum to increase the police pension levy or subsidize the program with general fund revenues however that would require a reduction or elimination of other services. She explained that the Finance Committee will be looking further into these alternatives this year.

Trustee Hutchinson stated that the budget will be on the next agenda for consideration along with the Appropriations Ordinance. She asked that any questions or requests for additional information be directed to Ms. Peters or Ms. Cwerenz prior to the next board meeting.

**ADJOURNMENT** - Trustee McEvoy moved to adjourn the meeting. Trustee Sisk seconded the motion. All Trustees present voted aye. Motion carried at 8:58 p.m.

Respectfully Submitted

*Claudett E. Peters*  
*Village Administrator*

