

**MINUTES OF THE
COMMITTEE OF THE WHOLE MEETING
VILLAGE OF NORTHFIELD
TUESDAY, JULY 21, 2020**

The Committee of the Whole meeting was called to order by Village President Joan Frazier on Tuesday, July 21, 2020 at 5:30 p.m. Village Clerk Stacy Sigman called the roll as follows:

Committee Members Present:

Trustee Tom Terrill (remote)
Trustee John Goodwin
Trustee Greg Lungmus
Trustee Charles Orth
Trustee Todd Fowler (remote)
Trustee Tom Whittaker

Absent:

President Joan Frazier

Others Present:

Village Manager Stacy Sigman, Community Development Director Steve Gutierrez, Finance Director Kyle Cratty, and Village Attorney Everette Hill (remote).

Approval of the March 3, 202 Budget Workshop Report of Proceedings

Trustee Whittaker made a motion, seconded by Trustee Goodwin to approve the March 3, 2020 Budget Workshop Report of Proceedings. Approval was unanimous.

Review of a License Agreement Request at 465 Central Avenue for the Use of Village Right of Way

Community Development Director Steve Gutierrez provided an overview of the requested right of way usage indicating that 465 Central housed a two story office building and has a parking lot to the south of the building. Just east of that is an undeveloped, overgrown, 20 foot alley. The owner has requested using a portion of that right of way for snow storage. He struggles to find enough parking for his tenants and during the winter, snow can take up 2 to 4 spaces. He would like approval to plow snow into the right of way in order to gain back those spaces. An outline of his request and site diagrams were provided along with a copy of the Use of Village Right of Way Policy. The owner, Mr. Pick, addressed those criteria and the standards in his submittal.

Director Gutierrez indicated that if the Board is amenable to the concept, the next step would be for staff and the Village Attorney to draft a license agreement and then bring it back to the Board in August for final action. In the meantime, staff would continue to work out details and refine the plan. Director Gutierrez indicated there are utilities in the alley but they would not be affected in any way. Staff is supportive of the request but would suggest that we have him replant some bushes, especially along the south edge of that area that faces Ash Street.

Trustee Whittaker asked if something similar was granted to a family on Jeffery. VM Sigman indicated that the Village has issued similar license agreements in other locations.

Trustee Goodwin said he felt it is a good idea but said it seems like there may be space without tearing out the buckthorn. Before removing all the material he suggested seeing how it goes for the first year. If there isn't enough room, then they could always take out more.

President Frazier pointed out that the unlicensed and unpermitted use of the Village right of way has been a problem in the past and the new Policy was adopted to address that. People have pools and tennis courts and other improvements encroaching, and the Board was concerned it would be too dramatic to attempt to reclaim all of the right of ways. So, the Board came up with this policy to regulate the use of the right of ways. The policy includes a presumption against private use of public property unless there is proof of a demonstrable compelling need. Her opinion, is that is met in this instance. She appreciates that the owner of the property keeps his property looking nice and the existing Buckthorn serves no purpose. She considers this a demonstrable compelling need for the use of the property. She suggested including in the license agreement that there be screening along Ash Street.

Trustee Orth agreed with Trustee Goodwin in that he is not sure it makes sense to take stuff out and then put in new plantings that could be destroyed by the snow. Buckthorn can hold up to that and it is like a natural fence. He would like to leave the buckthorn and allow Mr. Pick to store snow there.

President Frazier said the buckthorn is in the way of where they would put snow. She is not suggesting new plantings along the north/south strip but just at the end along Ash Street.

Director Gutierrez indicated that staff would like to work with Mr. Pick to refine all of these ideas and will come back with a final plan to be attached to the license agreement.

Trustee Lungmus appreciated Mr. Pick coming to the Village so we have an opportunity to look at this. He agrees that the buckthorn could be left there and have the snow piled onto it.

Trustee Terrill asked if the area could be used for parking when we don't have snow. VM Sigman said initially Mr. Pick wanted it for that purpose but unfortunately that increased the impermeable surface area which then required detention and MWRD approval.

Review of the Village's COVID-19 Adjusted Financial Projections

Finance Director Kyle Cratty said he was asked to look at how COVID would affect the finances of the Village of Northfield. The models in the Board packet are all based on revenue side and include three different projections – our most likely scenario, best case scenario and the worst case scenario.

The most likely scenario was the baseline used for the other two projections. The best and worst case scenarios were built off of those base level assumptions. The most likely scenario is based on a two year window of COVID impacts. It assumes the data from the stay home order period would be in place until mid-June and that things would start a slow recovery back to somewhat normal towards the fall. But it also assumes there will be some impacts over the next two years due to some recessionary impacts to the economy at large. The team didn't believe thing will jump back to 100% as there will probably be some businesses that won't make it. Key economic data is saying that we are not coming back as quickly as people want, especially with jobs and other areas. They believe there is a recessionary impact which will extend through FY2021/2022. In all models, we are still counting on full property tax collection. In the modeling, we assume a collection rate of 98 to 99% of the actual levy. We feel comfortable saying we are going to get what we budgeted from a property tax standpoint. If there are some delays in payment they will not likely cross fiscal years.

Director Cratty pointed out that the biggest area of impact will be on the sales tax side. That is the area which is the most volatile due to COVID. The largest impacts were seen between the months of March and July. The Village just received actual collection data for April and that was dead on with the model projections. The model is holding up through what was the most difficult month of the crisis so far. People did not feel comfortable going out. The most likely model has sales collections getting back to 90% through the next fiscal year. There will be businesses that don't make it and there will be some recessionary impacts on areas such as car sales and things people may put off buying because of the economy. That is built in to this most likely scenario.

For the state shared revenue, such as income tax and personal property replacement taxes, the models follow the guidance from the Illinois Municipal League. Their guidance suggests that income taxes will drop about 15% and the PPRT will fall about 30%. PPRT is not a huge portion of Northfield's budget and is not a large impact, but income taxes are. Our models include an additional 5% reduction in income taxes based on the high unemployment rates. Although those are starting to come back a little bit there might be some further easing of payments. Utility taxes were reduced slightly to 80 and 90% to reflect business closures. The first collection on this has not come in so we are not sure 80% is correct. We have 80% through the fall and then have it going to 90%.

On the building permit side, the economy is slowing, things are not being built and so we reflected a reduction in building permits. We see it ramping up toward the fall and based on historic patterns that is when we get the majority of our building permits. Director Cratty went on to say that in terms of police fines, during the COVID crisis, there aren't as many traffic stops. This is due to people not driving and trying to avoid as much contact as possible. Based on the feds lowering of the interest rates about two months ago, we reduced our interest income by 60%. Most of our money is invested in either treasuries or money markets, it has a direct impact on the interest income that we are receiving, so that number was reduced to 40% of our budget during the fiscal year.

From an overall perspective, the most likely scenario, anticipates a \$1.2 million loss in revenue this fiscal year and about \$800,000 next fiscal year. Given the current COVID trends, it looks likely we might actually fall somewhere between the most likely and worst case models.

President Frazier asked, how the decisions were reached on each scenario. Director Cratty said the team looked at the current state of the economy and used the most likely scenario to adjust for the other two models. The best case and worst case scenarios were to give us a confidence interval on both ends. The most likely scenario is what we truly believe is going to happen, but there are always positive and negative risks and we wanted to show them in the other models. Trustee Lungmus reminded everyone that this is a snapshot. As more information comes in it will be adjusted. From what we know now, the numbers are the best we have. Director Cratty added that every time he gets actual receipts in he will make adjustments and update the Board.

President Frazier then asked if this forecast is consistent with what other towns are suggesting. Director Cratty said that the model is being used in multiple locations and was not created from scratch, but the inputs and percentages are specific to Northfield. VM Sigman indicated that the only areas of true similarity is when we used IML's numbers. All the rest of the data is unique to Northfield and our business mix. Director Cratty said things were broken down by retail sector – so even sales taxes isn't a straight line.

Trustee Goodwin said he thought that one area of potential weakness is in the car sales. He is hearing many people will still work from home until the end of the year. That relates to not driving, not getting service, and not thinking about cars. He said that is a decent portion of our sales tax and we should keep our eyes on that. Trustee Lungmus added that people are also not taking public transportation. VM Sigman said the team contacted Medline and Fields and got direct input from them that are included in our projections. Field's said that auto sales have been very different in each part of the country with their Illinois market being some of the hardest hit. Trustee Whittaker said car production is way down and they can't stock cars. Trustee Lungmus said it is a fast moving target and even since this was put together a week and a half ago, there have been shut downs in other parts of the country. Based on that, there is a very real likelihood Illinois could see more shut downs. Trustee Goodwin noted that it is very dynamic and the school situation is another layer of dynamics that will play out in the next month or so. Trustee Lungmus said the model was built to be dynamic. As we get information, it can be plugged into the spreadsheet and will update everything immediately. Trustee Whittaker thanked Trustee Fowler, Lungmus, Goodwin, Kyle and Stacy for all the work that went into it.

Director Cratty then discussed the best case scenario. The key to this model is that the economy will rebound faster than anticipated and that there will not be a resurgence or any new shut downs this fall. It assumes in the fall, we will get back to 90 to 100% of our collections in most of our major revenue categories and then have sales tax collections back to 100% in the fall through the next fiscal year. The state shared revenue piece of it is kept consistent as the state works off of a July 1st fiscal year. Once the state makes a budgetary decision, it will stick

with us through the next fiscal year. He has kept the receipts similar and consistent with what they are now, because he doesn't think they will change much going forward. In terms of utility tax, it also goes back to relative normal in the fall and assumes businesses will start to open more and people will use the same energy as they did prior to COVID. The same with building permits, if the economy is not struggling, people will move forward with home improvements or larger scale building. Police fines would also increase as people get back on the road. Finally, under this scenario, the schools are open and our school resource officer would be fully in place during the entire school year. Under the best case scenario, we would anticipate a total \$1 million revenue loss all in FY2020/21.

Trustee Orth asked if there the presidential election is factored in. Trustee Lungmus responded that the models are science based – and more about therapies or vaccines. They do not include other factors like the election. Director Cratty said that political issues usually impact the stock market and interest rates and so political change wasn't factored in because that won't affect local revenues as much. President Frazier said she is surprised the market is doing reasonably well. Trustee Goodwin said since the interest rates are so low, that is the only place to put your money. He said from his perspective the market is oversold. Trustee Lungmus added that there was \$3 trillion in stimulus pumped into the economy which has had a huge impact. That is about equivalent to what the economy has slowed. In the equity markets there is a huge jump in the first timers who have never bought stocks before. There are a couple of new products that allow fractional ownership and ETF's that people are buying. It will be interesting to see what history writes on this.

Director Cratty then discussed the worst case scenario. The main difference from the most likely scenario is that it assumes another "stay at home" order this fall. The model makes the assumption that this would be most likely starting in the month of November and coinciding with the traditional cold and flu season. In the model, the numbers are then adjusted to be similar to those we used for March, April, May and June - through the spring of next year. It assumes if there is another "stay at home" that it lasts through the spring. The model takes us back to a 50% collection on sales tax for those months versus the 90 to 100% collection in the other two models. It is similar with the building permits, utility taxes and other miscellaneous revenues to the most likely model. Under the worst case scenario, it is also possible that that model may even have factors that extend into the third fiscal year and not just the next two fiscal years. Under the worst case scenario we anticipate a \$1.93 million loss this fiscal year and \$1.16 the next.

President Frazier pointed out that even if a vaccine does come out, people are saying there will be a reluctance to use it. It may take a while for people to accept and use it. Even if things got back to normal, remote working is likely here to stay. She asked Director Cratty how that impacts things like the utility tax. Director Cratty said that from a budgetary standpoint the sales tax impact is the biggest number. The majority of the Village revenue is sales and property taxes so those are the biggest areas of concern. Trustee Lungmus agreed with President Frazier that there will likely be a lasting high unemployment rate. He did not feel we will go back

to the 3 and 4% unemployment rate that we had in February. That can then effect businesses and real estate.

Trustee Terrill added that it is comforting to have the seven months of reserves and there is a lot of unknown scenarios working here. He also said he liked the three scenarios and think it provides an excellent perspective. Trustee Lungmus responded that part of this exercise is to educate the Board, staff, and the public about where we are at and how we have to manage our expenses. It is important for us to look at our revenue streams and those will effects our ability to provide essential services. He too appreciates the reserves we have. So far, it looks like we can manage this, but it's important to create these models so that we can educate the decision makers and the general public about how we spend money.

VM Sigman said it will be important to look at these models regularly. Each month we are get additional data and they will be updated. President Frazier noted that we have taken pride in our AAA bond rating. She asked what the rating agencies will likely do about the COVID situation, as everyone is in the same boat. What happens if we don't have the healthy reserves we currently do? Director Cratty said there are factors that we can control and there are some we can't control. Prior to leaving Oak Park, he went through a bond re-rating call and they were looking at how COVID is affecting units of local government. Their rating didn't change. Part of what they look at is the whether the Village has a plan. If you have these rating calls and you don't have a plan; that will be a concern. Bond ratings are four factors – management, reserves, regional factors and state factors. The management and reserves we can manage, the other two we can't. If the rating agency starts looking at this region of Illinois differently or Illinois differently from a rating standpoint, we may need to increase reserves to keep our rating - which will likely not be possible. He continuously monitors ratings and there has not been mass bonding rating reductions at this point. He said he will do his best to make sure that the Board is provided information on what is out there and how it can be addressed. If they downgrade the state of Illinois there may not be any AAA in Illinois.

President Frazier asked what steps, if any, we can take right now to protect ourselves. Director Cratty said being cognizant of spending and mindful of where we are at financially. This modeling is to make everyone aware of the situation that we are facing. VM Sigman added that they wanted the Board to be comfortable with the model and if there are any areas people feel we got wrong we would like to hear it. Moving forward we will update the numbers and then tie these to our reserves and expenses. We will also monitor what is happening in other communities with salary and benefits. We are fortunate to have reserves that provide us with the time to approach this situation in a deliberate and thoughtful manner.

Trustee Whittaker said he has been interested in cannabis sales and said that Arlington Heights repealed their initial rejection of dispensaries because of their loss of revenue and sales tax. He thinks Northfield should discuss it again as towns are now getting desperate for revenue.

Trustee Fowler said he concurs with Trustee Whittaker 100% and hoped we could consider it at a future meeting. Trustee Terrill agreed. President Frazier indicated that it will be revisited.

She said she doesn't know how much about how operations are unfolding in the other communities. Trustee Whittaker said that is what is frustrating is that nothing has really happened in the surrounding communities. Northbrook hasn't even opened yet. President Frazier suggested bringing it up for discussion in the next couple of months. We are going to have to look at all revenue possibilities and all reduction possibilities. Trustee Orth said we could check with Evanston, Highland Park or Skokie that have up and running distribution. Illinois revenues have exceeded what was expected. VM Sigman indicated that no one has inquired about locating in Northfield but since we elected to ban them she is not sure anyone would. Also, the state has been slow at rolling out new licenses and currently really only people who already had medical licenses have the ability to sell recreational product. Most other communities have only have medical dispensaries.

President Frazier asked about the possibility of getting more Cares Act money that would help municipalities. The Cares Act funding that the county gave us, the limit was less than 1% of \$15 million. Congress is looking at this again and there is a possibility that there could be FEMA money. Director Cratty said they are looking at Cares Act funding because we know what that number is and they are pulling together documentation for that. In Cook County, only direct expenses like PPE are eligible. FEMA has not started their process yet for reimbursement but it may allow for things like staffing costs. Staff is monitoring FEMA, State and County grant programs.

VM Sigman said the next step will be to bring this back to the Board once we have it aligned with the reserves and projected expenses.

Trustee Lungmus thanked Director Cratty and said he thought it was a great presentation.

Other Business

President Frazier said it is nice to see everyone but said if Illinois stays on the current path we may move back to Zoom meetings. She also said that she hasn't exercised her executive authority this month and she doesn't anticipate that she will in this coming month. That could change if we move back to Phase 3. If our situation changes for the worse, she may exercise her executive authority.

Trustee Whittaker made a motion, seconded by Trustee Goodwin to adjourn the meeting. The meeting adjourned at 6:52 p.m.