

This meeting is being held via telephonic attendance.

**AGENDA
SPECIAL FINANCE COMMITTEE
Village of Hoffman Estates
May 11, 2020**

Immediately following General Administration and Personnel

Members:	Gary Pilafas, Chairperson	Karen Mills, Trustee
	Anna Newell, Vice Chairperson	Gary Stanton, Trustee
	Michael Gaeta, Trustee	Karen Arnet, Trustee
		William McLeod, Mayor

I. Roll Call

NEW BUSINESS

1. Request approval of FY2020 budget adjustments related to the COVID-19 pandemic and related economic impact per the attachment.
2. Request approval of a Resolution to Draw on Letter of Credit No. 726 from Lakeside Bank for Airdrie Estates Subdivision.

II. President's Report

III. Adjournment

Further details and information can be found in the agenda packet attached hereto and incorporated herein and can also be viewed online at www.hoffmanestates.org and/or in person in the Village Clerk's office.

The Village of Hoffman Estates complies with the Americans with Disabilities Act (ADA). For accessibility assistance, call the ADA Coordinator at 847/882-9100.

**COMMITTEE AGENDA ITEM
VILLAGE OF HOFFMAN ESTATES**

SUBJECT: FY2020 Budget Adjustment and Economic Update
MEETING DATE: May 11, 2020
COMMITTEE: Special Finance Committee
FROM: James Norris, Village Manager
Daniel O'Malley, Deputy Village Manager
Suzanne Ostrovsky, Assistant to the Village Manager
Rachel Musiala, Director of Finance
Anthony Fashoda, Assistant Finance Director

PURPOSE: Request approval of FY2020 budget adjustments related to the COVID-19 pandemic and related economic impact.

BACKGROUND

FY2019 Year-end Results

The original budget for FY2019 reflected the Village's decision to utilize \$1,057,050 of General Fund reserves to fund previously deferred capital expenses. Although the Village's financial audit for FY2019 is not fully completed as of yet, the year-end financial results are showing a more positive end-result than what was budgeted. As can be seen on the first page of the attachment, instead of decreasing fund balance per the budget, the General Fund will have an increase in fund balance in the amount of \$934,766. This will bring the fund balance to 42.2% of General Fund expenses, well above the 25% requirement. This positive fund balance position needs to be highlighted. The economic growth of recent years and the responsible fiscal management exercised by the Village Board have put the Village in a more favorable financial position to deal with the negative impacts of the pandemic. One of the reasons a municipality establishes a fund balance is to deal with the "what if" emergency scenario, such as the emergency that we currently face.

DISCUSSION

As with FY2019 and prior to the pandemic, the Village approved a General Fund budget utilizing \$3,216,260 of fund reserves for capital. As was mentioned previously, the Village's healthy fund balance within the General Fund made it possible to address capital needs that had been delayed due to the length of recovery from the Great Recession. This included road improvements, vehicles, equipment, and other capital projects. However, when the COVID-19 pandemic spread globally and then nationally, negatively impacting the economy in March with businesses shutting down and increased unemployment, staff immediately took action to mitigate the financial impact on the Village budget. In mid-March, all non-essential capital spending, travel and training and vacant staff positions were all put on hold.

As we moved into April, we started seeing the gravity of the economic impact of the pandemic. Since mid-March, more than 33 million unemployment claims have been filed and the unemployment rate is expected to jump over

16% for the first time since the 1930's. The tourism, travel and entertainment industry has been brought to a standstill. Local businesses have been ordered closed and citizens ordered to remain at home to avoid spreading the virus and minimize the health risk. The effect of the pandemic has negatively impacted our states, our nation and our economy. The economic shock of the pandemic has been sudden and unprecedented. With only essential businesses operating, the Village's revenue streams are going to drop. The full effect of these impacts will not be known for some time, since we do not have any real numbers due to the lag in receipts, but it is clear the impact upon our Village will be significant. Based on this, we are projecting the following revenue shortfalls:

- A 25% reduction in sales tax, home rule sales tax, hotel tax, real estate transfer tax, motor fuel taxes, food & beverage tax, video gaming, and interest income. A shortfall of \$4.4 million for FY2020.
- A 20% reduction in income tax. A shortfall of \$1.1 million for FY2020.
- A 15% reduction in building permits. A shortfall of \$161,000 for FY2020.
- A 10% reduction in ambulance fees. A shortfall of \$170,000 for FY2020.
- A 5% reduction in utility taxes and local use tax. A shortfall of \$237,000 for FY2020.
- A 75% reduction in entertainment taxes. A shortfall of \$386,000 for FY2020.

The revenue shortfall being initially projected totals \$6,488,280. All of these revenue sources fund general Village operations, including public safety, street maintenance and debt service. This is in addition to the \$3,216,260 of fund balance that the Village had budgeted to utilize for capital prior to the pandemic. As we start receiving actual revenue figures over the coming months, we will be able to adjust our projections accordingly.

With this new financial projection, it was clear that we would have to further reduce operating and capital expenses as much as possible to preserve fund reserves and further mitigate the financial impact of the pandemic. Each Village department was asked to do a thorough review of their budgets and find areas that could be reduced. As you can see on the attachment (pages 3 through 6), every department has recommended reductions across a variety of areas. These reductions, including capital and vacant personnel positions, total \$3,459,545. If approved, these recommended reductions in Village expenditures along with the projected reductions in revenue would impact the Village with a net shortfall of \$6,244,995 which would reduce our fund balance to \$17,928,477 or a projected 30.1%.

Although this level of fund balance is still over the Village Board's 25% policy, we need to be mindful of the need that might arise in the immediate future for the Village to utilize more of our fund reserves as we prepare for FY2021. As our local region begins to slowly re-open, we remain hopeful that we will soon start seeing upward trends that will improve our revenues.

However, we are fully aware that the economic impact of the pandemic may likely affect FY2021 and possibly beyond.

Village Hall Front Entrance Signs

The Village Board recently approved a plan to install new entrance signs at the Village Hall. The estimated cost is \$36,846 for the electronic message board and \$15,884 for the center island sign, totaling \$52,730 for both signs. Staff would like direction from the Finance Committee if we should proceed with these sign installations as previously discussed, or if the plan should be altered due to the above financial concerns.

Sears Centre

The arena has been significantly impacted by the pandemic. Industry-wide, arenas across the nation have been shut-down, with optimism for event planning at an all-time low. While discussions regarding graduations in July are still occurring, there is significant uncertainty about the viability of any mass gathering events in the coming months. The arena has already lost significant business since the shelter-in-place order was implemented with several events cancelling or postponing to FY2021.

Initial projections are showing a loss of over \$1.5 million related to the arena alone if all events are cancelled for the balance of the year. If the arena is able to salvage some events later in the summer and have a few events in the fall, this shortfall will be decreased, but not substantially. To mitigate the impact of the potential of zero revenue coming into the arena, the General Manager took steps early-on, including deferring capital projects, terminating select positions and furloughing the majority of part-time staff. Separately, Levy Restaurants corporate office implemented a salary reduction for their full-time staff at the arena. Additionally, contract labor was reduced including janitorial and tech support. By taking these measures, we have been able to reduce the monthly expenses of the arena to \$160,000 per month. If no revenue comes into the arena for the balance of the year, the Village will have to fund an additional unbudgeted cost of \$770,000 over the next seven months, which is reflected in the attached analysis.

Given the substantial shortfall in the arena's expected revenue, the General Manager has worked on additional cost reductions that could be implemented if deemed necessary. Unfortunately, the arena is already managed on a lean budget, so significant cost cutting could only be achieved by furloughing full-time staff. To maintain operational efficiency with reduced staffing, the General Manager has devised a multi-phased staff restructuring.

Phase I – Initial furlough of two staff members (one full-time and one part-time). This would provide an additional savings of \$1,700 per week.

Phase II – Furlough three additional staff members so each department has only one employee, along with another salary reduction for a majority of Directors and the General Manager. This would provide an additional savings of \$6,500 per week.

Phase III – Further furloughs could be considered, but this would involve losing entire departments, which would hinder the arena’s ability to function efficiently and attract events. This would only be considered if mass gatherings were not feasible for a year or more.

Note: Furloughed staff will still receive health benefits.

It’s hard to determine if or when these furloughs would be necessary. A full arena staff is necessary at least four months prior to any event, especially as customers and clients will need to feel confident the arena is ready to operate in a post-COVID environment

RECOMMENDATION: Request approval of FY2020 budget adjustments related to the COVID-19 pandemic and related economic impact per the attachment.

ATTACHMENT
(FINANCIAL ANALYSIS)

FY2020 Budget Adjustment and Economic Impact of COVID-19

Updated: 5/7/2020 15:13

GENERAL FUND

2019 Year-End Results

Original Budgeted Revenues	57,471,180
Original Budgeted Expenses	(58,528,230)
Original Budgeted Shortfall	(1,057,050)
Actual Revenues - as of 4/21/2020 (not final)	58,834,090
Actual Expenses - as of 4/21/2020 (not final)	(57,899,324)
Actual Surplus	934,766
% of Unassigned Fund Balance:	
Unassigned Fund Balance - as of 12/31/2018	23,238,706
Unassigned Fund Balance - as of 12/31/2019	24,173,472
Budgeted Expenses (not including capital)	57,228,360
Fund Balance %	42.2%
25% of Unassigned Fund Balance	14,307,090
Current Surplus Above Required	9,866,382

Status of FY2020

Revenue Shortfall - detailed below	(6,488,280)
Expense Savings - detailed on following pages	3,459,545
Projected Shortfall	(3,028,735)
Projected Impact on the General Fund:	
2020 Original Budgeted Revenues	59,450,490
2020 Original Budgeted Expenses	(62,666,750)
Budgeted Shortfall	(3,216,260)
2020 Estimated Revenues - Preliminary	52,962,210
2020 Estimated Expenses - Preliminary	(59,207,205)
Estimated Shortfall - Preliminary	(6,244,995)
% of Unassigned Fund Balance	
Projected Unassigned Fund Balance	17,928,477
Budgeted Expenses (not including capital)	59,481,130
Projected Fund Balance %	30.1%

2020 Projected Revenue Deficit

General Fund:	
Hotel Tax	(331,250)
Real Estate Transfer Tax	(243,750)
Home Rule Sales Tax	(875,000)
IDOR Liability Adjustment - Home Rule Sales Tax	308,000
Building Permits	(161,250)
Sales Tax	(1,950,000)
IDOR Liability Adjustment - Sales Tax	308,000
Local Use Tax	(85,000)
Income Tax	(1,095,000)
Ambulance Fees	(170,000)
Red Light Cameras	(170,000)
Entertainment Tax	(161,250)
Interest Income	(125,000)
	<u>(4,751,500)</u>
Other Funds (funds Capital and Debt Service):	
MFT Revenue	(325,000)
Local MFT	(106,250)
Supplemental MFT	(225,000)
Electric Utility Tax	(90,000)
Natural Gas Utility Tax	(62,500)
Food & Beverage Tax	(598,030)
Entertainment Tax	(225,000)
Video Gaming	(105,000)
	<u>(1,736,780)</u>
TOTAL	<u>(6,488,280)</u>

2020 Projected Expense Savings

Legislative Division	
Travel & Training	9,410
Parade Candy	1,500
Volunteer Reception	2,500
Meeting Refreshments	1,000
General Government - Administration	
Travel & Training	9,500
Greenest Region Corp Sustainability Intern	17,000
Legal Division	
Personnel Vacancy	73,000
Outside Legal Fees	40,000
Human Resources	
Travel & Training	3,490
Fitness Challenge Prizes	500
Public Service Recognition Week	1,500
Employee Training	6,750
Leadership Program	25,000
Finance	
Overtime (for Village events, etc)	4,200
Travel & Training	3,000
Eliminate printing of employee pay stubs	200
Village Clerk	
Travel & Training	1,500
Communications	
Travel & Training	2,360
Printing of 4th Fest Fliers	265
Printing of Welcome Packets (fully stocked)	4,500
Photographer for Village Events	400
Performance Measure Consortium	2,900
Cable TV	
Travel & Training	2,400
Comcast Consultant	1,500
Hennessey Room A/V Upgrade	15,000
Video Server Replacement	28,000
Emergency Operations	
Travel & Training	4,500
Uniforms	3,600
Trailer Detailing	1,500
Boards & Commissions	
Events Cancelled	90,000
TOTAL BUDGET SAVINGS - General Government	356,975

2020 Projected Expense Savings**Police Department**

Salary Savings	
2 Vacant Officer Positions (12 months)	217,360
1 Vacant Officer Position (3 months)	25,500
1 Vacant ASO Position (8 months)	45,930
Crossing Guard Savings	20,000
Travel & Training	62,840
Miscellaneous Small Equipment & Supplies	44,900
New Hire Testing	37,200
Program Reductions	2,250
Capital	
(3) Ford Expeditions	120,480

TOTAL BUDGET SAVINGS - Police 576,460

Fire Department

4 Vacant Firefighters	61,250
Firefighter Retirement (July)	46,000
Overtime (Village events, training, etc)	30,390
Travel & Training	27,460
Miscellaneous Equipment & Supplies	10,190
Maintenance, Fire Stations	60,000

TOTAL BUDGET SAVINGS - Fire 235,290

Public Works

Salary Savings	100,000
Overtime	151,200
Travel & Training	8,700
Equipment Maintenance	12,250
Other Maintenance	22,400
Professional Services	15,000
Small Tools & Equipment	22,550
Other Minor Expenses	1,200
Fuel	150,000
Pavement Striping	20,000
Capital	
Sidewalk Replacement Program	25,000
Fire St. 23 Roof Replacement	35,050
Village Hall Masonry Cleaning	50,600
Dump Truck Unit #86	189,720
Stake Body Truck Unit #43	51,300
PCMS Message Board Replacement	20,000
Village Hall Plantings	10,000
EOC Furniture - Public Works	50,000
Street Sweeping	25,000
Replacement Village Hall Entryway Sign	-

2020 Projected Expense Savings

TOTAL BUDGET SAVINGS - Public Works	959,970
Development Services Department	
Code Seasonal Inspector(s)	12,480
Civil Engineering Unpaid Leave	2,400
Planning & Transportation Director Savings	57,890
Development Services Technician Savings	27,140
Electrical Inspector Rehire	18,830
Travel & Training	27,720
Graphics, Tradeshow Handouts	4,000
Code Enforcement Uniforms	700
Code/Health Software Enhancements	700
Comprehensive Plan Update	80,000
Traffic Counting Equipment	1,500
AutoTurn Subscription	2,000
Capital	
Reduction of Road Program	1,236,360
Code Enforcement Vehicle	22,100
TOTAL BUDGET SAVINGS - Dev. Svcs	1,493,820
Health & Human Services Department	
Travel & Training	1,620
Office Supplies	500
Printing & Binding	650
Periodicals	150
Awards	460
Medical Supplies	500
Other Supplies	1,500
Professional Services	950
Equipment Maintenance	200
Youth Programs	4,000
Employee Wellness	1,350
TOTAL BUDGET SAVINGS - H&HS	11,880
Information Systems	
Salary Savings	60,150
Travel & Training	18,000
Capital	
EOC Upgrades	24,000
Telephone System Replacement	131,000
Desktop Replacements	21,000
Public Safety Laptops	26,000
Server Replacement	20,000
Document Management	25,000
TOTAL BUDGET SAVINGS - Info. Systems	325,150

2020 Projected Expense Savings

Sears Centre Arena

Monthly Operating Shortfall	(770,000)
Capital	
HVAC Controls	205,000
Replace Metal Doors	40,000
PA System Amplifiers	25,000

TOTAL BUDGET SAVINGS - SCA (500,000)

Total Projected Expense Savings/(Deficit) **3,459,545**

**COMMITTEE AGENDA ITEM
VILLAGE OF HOFFMAN ESTATES**

SUBJECT: Approval of a Resolution to Draw on Letter of Credit No. 726 from Lakeside Bank for Airdrie Estates Subdivision

MEETING DATE: May 11, 2020

COMMITTEE: Special Finance Committee

FROM: Arthur L. Janura, Jr., Corporation Counsel

PURPOSE: Approval of a Resolution to Draw on Letter of Credit No. 726 from Lakeside Bank for Airdrie Estates Subdivision.

BACKGROUND: The Village Board approved a new Development Agreement regarding Airdrie Estates Subdivision.

DISCUSSION: The agreement provided for an increase in Developer performance security to \$343,000.

The new security is a cash deposit comprised of \$168,000 in new money and a draw down on an existing Letter of Credit in the amount of \$175,000. The attached Resolution is needed for the draw on the Letter of Credit.

RECOMMENDATION: Request approval of a Resolution to Draw on Letter of Credit No. 726 from Lakeside Bank for Airdrie Estates Subdivision.

RESOLUTION NO. _____ - 2020

VILLAGE OF HOFFMAN ESTATES

**A RESOLUTION REGARDING DRAFT DRAW ON
AIRDRIE ESTATES SUBDIVISION LETTER OF CREDIT**

WHEREAS, the Developer of Airdrie Estates has posted a Letter of Credit from Lakeside Bank; and

WHEREAS, Developer has failed to complete the required subdivision improvements; and

WHEREAS, the Developer has consented to a draft draw on its Letter of Credit; and

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Village of Hoffman Estates, Cook and Kane Counties, Illinois, as follows:

Section 1: The Village shall draw on Lakeside Bank's Letter of Credit No. 726 in the amount of \$175,000.00.

Section 2: This Resolution shall be in full force and effect immediately from and after its passage and approval.

PASSED THIS _____ day of _____, 2020

VOTE	AYE	NAY	ABSENT	ABSTAIN
Trustee Karen V. Mills	_____	_____	_____	_____
Trustee Anna Newell	_____	_____	_____	_____
Trustee Gary J. Pilafas	_____	_____	_____	_____
Trustee Gary G. Stanton	_____	_____	_____	_____
Trustee Michael Gaeta	_____	_____	_____	_____
Trustee Karen Arnet	_____	_____	_____	_____
President William D. McLeod	_____	_____	_____	_____

APPROVED THIS _____ DAY OF _____, 2020

Village President

ATTEST:

Village Clerk



HOFFMAN ESTATES

GROWING TO GREATNESS

May 12, 2020

Lakeside Bank
1055 W. Roosevelt Road
Chicago, IL 60608

**RE: JAMES & SUSAN Kelley II Revocable Trust dated July 14, 2003
Irrevocable Letter of Credit
Drawn Under Lakeside Bank Irrevocable Standby Letter of Credit No. 726
Dated April 18, 2006
\$175,000.00**

**APPLICANTS: JAMES & SUSAN KELLEY II REVOCABLE TRUST
DATED JULY 14, 2003**

**BENEFICIARY: VILLAGE OF HOFFMAN ESTATES
1900 Hassell Road, Hoffman Estates, IL 60169**

Gentlemen:

As Village Manager of the Village of Hoffman Estates, we certify that the Corporate Authorities of the Village of Hoffman Estates have determined to call the above-captioned Letter of Credit as amended.

1. The sum of One Hundred Seventy Five Thousand and no/100 Dollars (\$175,000.00) is due because subdivision improvements have not been completed.
2. We hereby certify (1) that the amount of our draft represents funds due in accordance with the approved plans for construction of the public improvements and private improvements for the benefit of the public for the Airdrie Estates Subdivision, and further, that (2) funds drawn under this Letter of Credit may also be used for site restoration, clean-up, erosion control, any other on-site or off-site development improvements or repairs and any fees required under Chapter 10 and 11 of the Hoffman Estates Municipal Code, and shall be available to the Village to remedy any deficiencies related to the development that are not addressed by the developer.
3. Distribution of the Letter of Credit funds to remedy any deficiencies related to the development shall not be limited based upon any prior estimates or reductions in the Letter of Credit.

VILLAGE OF HOFFMAN ESTATES ("BENEFICIARY")

BY: _____

NAME: JAMES H. NORRIS
TITLE: VILLAGE MANAGER
ADDRESS: 1900 Hassell Road, Hoffman Estates, Illinois 60169

1900 Hassell Road
Hoffman Estates, Illinois 60169
www.hoffmanestates.org

Phone: 847-882-9100
Fax: 847-843-4822

William D. McLeod
MAYOR

Gary J. Pilafas
TRUSTEE

Karen J. Arnet
TRUSTEE

Karen V. Mills
TRUSTEE

Gary Stanton
TRUSTEE

Bev Romanoff
VILLAGE CLERK

Anna Newell
TRUSTEE

Michael Gaeta
TRUSTEE

James H. Norris
VILLAGE MANAGER



HOFFMAN ESTATES

GROWING TO GREATNESS

May 12, 2020

Lakeside Bank
1055 W. Roosevelt Road
Chicago, IL 60608

Re: Airdrie Estates Subdivision

Dear Sir:

Please be advised the Applicant/Developer has failed to complete all the improvements as required in Airdrie Estates Subdivision as depicted on the Final Engineering Plans.

The incomplete improvements include sidewalks, street paving and associated work, the value of which exceeds \$175,000.00. The balance on the Letter of Credit is \$175,000.00, so the current draw is the final draw.

Sincerely,

Alan Wenderski
Village Engineer

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.

Alan Wenderski

1900 Hassell Road
Hoffman Estates, Illinois 60169
www.hoffmanestates.org

Phone: 847-882-9100
Fax: 847-843-4822

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