VILLAGE OF
LINCOLNSHIRE

To: Lincolnshire Residents, Mayor Brandt, and Village Board of Trustees

From: Brad Burke, Village Manager
Matt Rossi, Finance Director

Date: January 1, 2026

Subject: Budget Transmittal Letter – Fiscal Year 2026 Budget Highlights

On behalf of the Village staff and management team, we are pleased to submit the Village of Lincolnshire's Fiscal Year 2026 (FY 2026) Budget. The 2026 budget covers the Village fiscal year period from January 1 through December 31, 2026. The budget balances fiscal responsibility with strategic investments, aligning with Lincolnshire's shared goals to maintain the Village's financial health while investing in infrastructure and services.

This budget reflects a conservative approach to both projecting revenue and recommended expenditures while adhering to all Village fiscal policies. The budget maintains the required 75% fund balance for the General Fund and the 20% fund balance in reserve for the Water & Sewer Fund. Despite a stagnant revenue landscape, Lincolnshire continues to be prepared to meet financial obligations while making key investments in infrastructure, parks, and equipment.

BUDGET FORMAT

The FY 2026 Budget uses detailed expenditure line items to provide accountability and accuracy in budgeting. The line-item detail provides management ability to monitor expenditures and projects throughout the year.

Budget Officer System: In September 2023, the Village Board amended the Lincolnshire Village Code to create the Budget Officer System. Historically, Lincolnshire operated under the appropriation ordinance system where, in the first quarter of each fiscal year, an ordinance was passed setting legal spending authority. The change to the Budget Officer System resulted in the approved budget setting the legal spending authority for the Village and eliminated the need to create a separate appropriation ordinance.

The budget is divided into several sections including organizational information; a summary of the Village's financial status; breakdown of expenses by operational division; and the capital improvement plan. There are no changes in fund structure for Fiscal Year 2026.

BUDGET PROCESS

The annual budget cycle starts with staff updating Lincolnshire's 5-Year Financial Forecast and 10-Year Capital Improvement Plan. Looking at the Village's fiscal condition and infrastructure needs over a long-time horizon helps provide a comprehensive understanding of resources needed in current and future years. Staff updated the 5-Year Financial Forecast and presented the analysis to the Village Board in July 2025.

The key take-aways from work on the 5-Year Financial Forecast:

- Staff project General Fund operating revenues to exceed General Fund operating expenses in each of the five succeeding fiscal years.

- The Village will **meet its Fund Balance Policy** of maintaining 75% of one year's General Fund operating expenses in reserve for FY 2026.

- General Fund operating revenues for FY 2025 are projected to exceed projected FY 2025 General Fund operating expenditures by over $3 million The 2025 projection also includes $2,140,000 in transfers from the general fund to other funds.

- The budget for FY 2026 reflects General Fund operating revenues being $1.5 million greater than operating expenditures.

BUDGET HIGHLIGHTS

The Fiscal Year 2026 Budget meets the following aims.

- The Mayor and Board of Trustees adhere to a formal policy of keeping at least 75% of General Fund operating expenses in reserve (excluding transfers and debt service). Reserves at this level ensure the Village has time to respond to a significant economic event such as the loss of top sales tax generators or a natural disaster. The FY 2026 Budget **maintains the Village's General Fund unrestricted fund balance** at the reserve fund policy of 75% of operating expenditures.

- Excess reserves kept above the fund balance requirements are directed to fund future capital projects identified in the approved 10-Year Capital Plan. Excess reserves above the 75% minimum General Fund Balance are allocated to the General Capital Fund and Water & Sewer Improvement Fund to pay for needed capital projects/equipment.

- The FY 2026 Budget reflects a recommended **transfer** from the **General Capital Fund to** the **General Fund ($2,200,000)** to maintain 75% fund balance in the General Fund.

- The FY 2026 Budget reflects the **transfer** of General Operating Fund **existing reserves** to the Water & Sewer Improvement Fund (**$2,600,000**) to cover the cost of capital improvements planned for 2026. The budget continues the Village's historical approach to funding needed capital expenses from accumulated general fund reserves.

- The FY 2026 Budget also reflects a **transfer** of General Operating Fund **existing reserves** to the Storm Sewer Funds ($440,000) to cover operating and capital expenses incurred in the Storm Sewer Funds.

- The FY 2026 Budget reflects debt service payments related to the Sedgebrook Special Service Area, series 2022, and series 2025 general obligation bonds associated with storm sewer projects.

Notable Revenue Considerations

- FY 2026 revenue projections reflect limited growth and stagnation in Sales Tax, Home Rule Sales Tax, and Food & Beverage Tax revenues.

- **Room Tax:** The Fiscal Year 2026 Budget reflects the second full year of Hotel & Motel Room Tax at 6%. The rate increased 1% on July 1, 2024. The FY 2026 Budget reflects anticipated revenue 8% higher than the 2025 Budget ($175,000).

- **Property Tax:** The Fiscal Year 2026 Budget reflects a slight reduction in the property tax rate from 0.290 to an estimated rate of 0.28. The tax rate reduction contemplated is a result of a nearly 10% increase in taxable assessed value. Property tax is levied to fund Lincolnshire's general pension obligations and police protection expenses. The property tax levy for tax year 2025 (collection in FY 2026) is expected to increase $107,776 compared to

the tax year 2025 levy, but the final amount will not be known until the final EAV is certified in March 2026.

The Village previously held its tax levy rate flat at 0.250 for 3 straight tax years (2020-2022). Prior to that, the Village held its rate flat at 0.241 from tax years 2012-2019. The Village's portion of the total property tax is approximately 3% of the total tax bill. The actual tax rate is estimated to be 0.28 but will not be known until the final EAV is certified in March 2026. Lincolnshire expects to maintain one of the lowest municipal property tax levy of the 34 Lake County municipalities with a population greater than 5,000.

- Interest income and unrealized gains from investments have been significant over the past year. Interest income generated a combined $1.2 million in FY 2024 and projected 2025. However, this revenue source cannot be counted on as interest rates may decrease in future years if the federal reserve decrease interest rates.

Staff carefully monitors and evaluates the Village's financial condition especially as it relates to key revenues. In general, the budget for FY 2026 reflects continued limited growth in many major tax revenue line items. A summary of major revenue sources from prior fiscal years and FY 2026 can be found below:

REVENUE DETAIL: GENERAL FUND

ACCT	DESCRIPTION	Actual 2023	Actual 2024	Budget 2025	Est. 2025	Budget 2026
TAXES						
01-00-70-4010	State Income Tax	1,150,001	1,348,370	1,350,000	1,400,000	1,425,000
01-00-70-4020	Sales Tax	2,188,369	2,331,890	2,125,000	2,500,000	2,400,000
01-00-70-4021	Local Home Rule Sales Tax	1,960,399	2,087,610	1,900,000	2,200,000	2,100,000
01-00-70-4023	Grocery Tax	-	-	-	-	10,000
01-00-70-4025	Food & Beverage Tax	677,845	676,660	650,000	670,000	650,000
01-00-70-4030	Utility Tax	1,117,290	1,035,760	1,000,000	1,025,000	1,000,000
01-00-70-4032	Telecommunications Tax	916,332	785,220	805,000	575,000	525,000
01-00-70-4041	Room Tax	1,731,903	2,141,180	2,225,000	2,300,000	2,400,000
01-00-70-4042	Admission Tax	116,128	189,820	175,000	180,000	175,000
01-00-70-4050	Real Estate Transfer Tax	347,739	274,710	300,000	325,000	300,000
01-00-70-4060	Road & Bridge Tax	61,032	58,290	55,000	55,000	55,000
01-00-70-4063	Property Tax- IMRF	254,854	252,290	275,000	269,000	275,000
01-00-70-4064	Property Tax- FICA	218,231	216,770	225,000	220,000	225,000
01-00-70-4065	Property Tax- Police Protection	150,907	722,230	684,611	700,000	818,000
01-00-70-4070	Property Tax- Police Pension	1,101,120	819,430	915,451	900,000	945,000
01-00-70-4075	E911 Surcharge JETSB	-	-	-	-	-
01-00-70-4091	State Use Tax	309,065	281,440	200,000	100,000	25,000
01-00-70-4095	Cannabis Tax	12,018	12,790	13,000	12,000	12,000
01-00-70-4099	Miscellaneous Tax	6,845	5,220	4,500	3,050	3,500
Total Taxes		**$ 12,320,078**	**$ 13,239,680**	**$ 12,902,562**	**$ 13,434,050**	**$ 13,343,500**

Future Revenue Considerations

Grocery Tax: The action of the state legislature to eliminate the grocery tax with the adoption of the Illinois state budget in 2024 forced many communities to contemplated approving a local ordinance imposing the tax when state authority to collect such a tax on behalf of municipalities goes away in 2026. The Village Board took such action to impose a local grocery tax in the spring of 2025. While Lincolnshire does not currently have dedicated grocery uses in the community, creating the local tax prior to the state elimination of the tax, positions Lincolnshire to receive such revenues in the future should grocery uses move into the community.

Video Gaming: Staff continue to field local business inquiries regarding the possibility of offering video gaming. In working with these businesses, staff informed the establishments the Village previously made a deliberate decision to prohibit such uses in the community. Staff noted any request for a change would need to go before the Village Board for consideration. To date, the

businesses who made this initial inquiry regarding video gaming have not pursued a formal request for consideration.

Notable Expenditure Considerations

The FY 2026 Budget reflects near flat year-over-year expenditures in many line items. Staff take a conservative approach to annual budget expenditure to keep any increase at a minimum. However, there are a handful of notable changes for Village Board consideration:

- The FY 2026 Budget reflects no change in staff levels for the coming year.
- The FY 2026 Budget contemplates authorized full-time equivalent (FTE) staffing for the organization to be 62.25 in FY 2026; no change in FTE. Comparing FY 2026 staffing to 2013, the Village's FTE for 2026 is 14% less than levels 15 years ago.
- The FY 2026 Budget also demonstrates a continued commitment to addressing Village infrastructure needs and not deferring much-needed investments to future years.
- The Village's Compensation Plan for employees is a merit-based system. Given the number of retirements in recent years and new staff hired the pay for many newer employees is nearer to the minimum starting wage for various positions across all departments. The 2026 Budget reflects the need to support staff progression to midpoint salaries to ensure retention and development. The pay ranges for all Village positions contemplated for FY 2026 is pending the outcome of the Village Board receipt of the 2025 Compensation and Classification which is near completion.
- The Village's single collective bargaining unit, Fraternal Order of Police, represents all sworn police officers. The Village and Fraternal Order of Police current collective bargaining agreement expires at the end of 2025. The actual amount of increases for all bargaining unit members will be determined as a result of the pending negotiations. The budget reflects a placeholder increase in wages simply for projection purposes.

FINANCIAL SUMMARY

GENERAL FUND

The **General Fund estimated fund balance** is projected to total $8.9 million at the conclusion of FY 2025. The projected reserve balance **meets the Village's reserve fund policy**. Any funds more than the General Fund reserve policy are transferred to the General Capital Fund or Water & Sewer Improvement Fund for use towards capital equipment purchases or infrastructure.

Total **General Fund operating expenditures** are contemplated to be $13,809,960. This compares to budgeted General Fund expenditures projected for Fiscal Year-End 2025 in the amount of $12,806,880.

The FY 2026 Budget, including debt and transfers, reflects a 5.2% increase in expenditure compared to the 2025 Budget. The following is a summary of General Fund budget expenditures across all operating areas including debt and transfers.

EXPENDITURE SUMMARY: GENERAL FUND

	Actual 2023	Actual 2024	Budget 2025	Est. 2025	Budget 2026
Administration	515,202	596,230	651,182	644,909	702,700
Finance	343,066	424,330	477,020	479,345	512,145
Police	5,600,990	5,272,040	5,903,099	5,731,628	6,116,358
Community & Econ Development	1,169,035	1,333,730	1,361,677	1,437,624	1,590,306
Insurance & Common	1,611,923	862,840	986,915	929,923	1,059,555
PW Administration	265,389	300,960	356,809	360,029	395,692
PW Streets	1,125,864	1,190,930	1,352,936	1,288,080	1,423,517
PW Forestry & Parks	1,442,771	1,532,370	1,702,977	1,707,297	1,786,536
PW Facilities	173,026	175,790	240,507	228,045	223,151
Debt & Transfers	2,845,000	3,690,000	890,000	2,140,000	840,000
TOTAL	**$ 15,092,266**	**$ 15,379,220**	**$ 13,923,122**	**$ 14,946,880**	**$ 14,649,960**

General Capital Fund - Investment in Infrastructure and Equipment

The FY 2026 Budget makes strategic investments in critical Village infrastructure. The following are highlights of planned infrastructure improvements recommended for funding in 2026.

- Capital expenditures planned for FY 2026 are a result of projects included in the approved 10-Year Capital Improvement Plan. The Village Board approved the 2025 update to the Capital Improvement Plan on August 11, 2025. A copy of the approved plan is found in the Capital Improvement Program divider.

- The FY 2026 Budget includes $2,303,993 in General Capital Fund expenditures for critical equipment, infrastructures, and facilities improvements, including the following:

- **Facilities**
  - Interior painting project for the Village Hall ($55,000).
  - Replace carpeting in Community Room, Village Board Room, and Village Hall lower level ($85,000).
  - Security system improvements at the Village Hall ($130,000).
  - Design of multi-year renovation project for the Police Department to improve workflow and replace aging locker room ($150,000).
  - Replace aging and failing office furniture in the Police Department ($60,000).

- **Equipment**
  - Replace existing servers and switches that have reached end of life and maintenance ($56,000).
  - Replace existing brush chipper ($125,000).

- **Furniture & Fixtures –** None proposed

- **Parks (Funded via Transfer from Park Development Fund to General Capital Fund)**
  - Annual forestry activities related to tree replacement ($50,000) – via Tree Bank Funds
  - Routine bridge inspection ($10,000).
  - North Park facilities roof replacement project – concession area, picnic pavilion, and shop building ($350,000).
  - North Park outfield fencing ($30,000).
  - Completion of the Spring Lake Park Bridge Installation ($25,000)

  - **Park Development Fund –** FY 2025 saw minimal contributions to the Park Development Fund due to a decrease in new residential development. The Park Development Fund budget for 2026 reflects a $390,000 transfer to the General Capital Fund to offset the cost of 2026 park and path projects noted above.

- **Roadways**
  - Street name sign and signpost replacement ($500,000).
  - Engineer services related to the 2026 resurfacing project see below. Engineering costs to be funded via **General Capital Funds** ($140,000).
  - As part of the Lincolnshire Drive South Area Drainage Improvement Project, Lincolnshire Drive, Wiltshire Drive, and Londonderry Lane will be resurfaced once drainage and other utility work is complete. To ensure a consistent pavement surface, the remaining portions of Lincolnshire Drive and Londonderry Lane will be resurfaced through a separate contract. $700,000 in **Motor Fuel Tax Funds** will be used to pay for this project.
  - Phase II Engineering design of Old Mill Road and Old Mill Circle to plan for 2027 resurfacing project ($50,000).

- **Vehicles**
  - Replace and upfit three police squads per replacement schedule ($195,000).
  - Take delivery of one-ton dump truck ordered in FY 2024 with anticipated FY 2026 delivery ($272,000).

WATER AND SEWER FUND

Revenues are based upon a five-year average of water sales (360 million gallons). The Fiscal Year 2026 budget provides for a 5% increase in the combined fee for water and sanitary sewer service charged to utility customers served by the Village's water and sewer system. The fee increase is driven by the Village's water provider (City of Highland Park) increasing the wholesale charge for water purchased by the Village 3.5% effective January 1, 2026. The City of Highland Park indicates 3.5% annual rate increases planned through 2030.

In addition to the increased costs to purchase water, Lake County has provided notice to the Village of a 4% increase for sanitary sewer processing services as of January 1, 2026. The FY 2026 Budget reflects a combined residential water and sewer rate with an increase from $17.81 to $18.70, a $0.89/1,000 increase.

Water & Sewer Fund Administrative costs are to increase 3.7% ($22,411). Water & Sewer Operating costs are to increase 4.9% for FY 2026 ($257,298). The increase is primarily due to the rate increase from Highland Park and the increase in sanitary sewer charges assessed by Lake County, the combined increase of which totals $250,000 compared to the 2025 Budget.

The FY 2026 Budget **meets** the Village's **fund balance policy** for the Enterprise Fund. For the Water and Sewer Fund at the beginning of FY 2026, the **unrestricted net position** is projected to be $1.2 million. Based upon the FY 2026 Budget, December 31, 2026, projected unrestricted net position is expected to be $1,285,472 or 20% of annual operating expenses in the fund. The policy is to maintain 20% or at least two months in reserve.

WATER AND SEWER IMPROVEMENT FUND

Staff projects $50,000 in direct revenues from connection fees in Fiscal Year 2026. This amount represents connection fees due to new construction. Connection fees related to commercial developments pending approval by the Village Board and building permit issuance are not reflected as revenues for 2026.

Water and Sewer capital improvements total $3,511,000. Most of these expenditures are related to:

- Annual leak detection survey ($25,000)
- SCADA system upgrades ($45,000)
- Lincolnshire Drive South project water main replacement engineering ($200,000)
- Lincolnshire Drive South project water main replacement infrastructure ($2,300,000)
- Old Mill water main looping design engineering ($100,000)
- Miscellaneous water and sanitary system repairs ($100,000)
- Sanitary sewer rehabilitation ($145,000)
- Sanitary sewer lining/repairs ($141,000)
- Northampton lift station rehabilitation approved in FY 2025 ($350,000)
- Londonderry Lane lift station rehabilitation project engineering design ($50,000)
- Old Mill sanitary system extension design engineering ($20,000)

OTHER FUNDS

The FY 2026 Budget reflects use of $700,000 in **Motor Fuel Tax Funds** to pay for the resurfacing of Lincolnshire Drive and Wiltshire Drive as part of the Lincolnshire Drive South Storm Water projects. The Village practice is to build up a fund balance for multiple years and use available funds for a single year's road project. **Motor Fuel Tax** revenues are based upon Lincolnshire's population and estimated future per capita revenue provided by the Illinois Municipal League.

The **Police Pension Fund** reflects a 2026 Village contribution of $923,640. Funds for the Police Pension Fund employer contribution come from the Village's annual property tax levy. The Police Pension Fund conducts an actuarial analysis annually to provide the Village with a recommended contribution amount. The contribution amount reflected in the FY 2026 budget matches the actuary recommended amount and is approximately 1% ($8,198) more than the amount levied in 2025.

The budget for the **E911 Fund** reflects emergency telephone surcharge revenue anticipated for FY 2026 as well as expenditures related to dispatch services provided by the Village of Deerfield and the Police Department's annual squad laptop lease expense. The FY 2026 Budget includes **$390,000** to replace 30 existing **portable radios** used by all officers and $240,000 for dispatch services.

The **Park Development Fund** reflects revenues received in the form of developer donations for new residential developments. Use of Park Development Fund revenues is restricted to expenses related to park and path maintenance and construction. The 2026 Budget contemplates park donation revenue due from permits issued for the M/I Homes Townes at Barclay townhome development. The Park Development Fund budget reflects a $390,000 transfer to the General Capital Fund to pay for various park and path projects planned for 2026.

The budget for **Sedgebrook Special Service Area** reflects the property tax levy assessed for the Sedgebrook Retirement community and Camberley Club townhomes to pay for public

improvements. The Village receives the property taxes from all property owners in this special service area and uses the tax proceeds to pay related principal and interest on the bonds when they come due during the fiscal year.

ACKNOWLEDGEMENTS

The budget for 2026 is not just a financial document; it is a roadmap for our village's future. I am confident that, with your support, we can achieve our objectives and continue to foster a vibrant, thriving community.

The presentation of this budget document would not be possible without the support, coordination, and ability of the Village's Department Managers. We are grateful for the time members of the Village's leadership team dedicated to the budget process and worked to refine financial forecasts. Special appreciation is extended to Finance Director Matt Rossi for efforts in assisting with developing the budget, this presentation, and for work on various financial models and forecasts.. Additionally, Administrative Assistant Leslie Cole, Administrative Assistant Rebekah Fontane, and Management Analyst Nasko Pelinkaj are thanked for their assistance in editing and proofreading the narrative portions of the budget document and assembly. Without each of these staff members' commitment, this document would not have become a reality.

Lastly, I would like to express my sincere gratitude to the Mayor and Village Board of Trustees. All members of the management team benefit from your collective guidance, support, and confidence. Please feel free to reach out with any questions or comments in the meantime.

Respectfully submitted,

Bradly J. Burke
Village Manager

Matt Rossi
Finance Director