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, 2025

Subject: Budget Transmittal Letter – Fiscal Year 2025 Budget Highlights

On behalf of the Village staff and management team, we are pleased to submit the Village of Lincolnshire's Fiscal Year 2025 (FY 2025) Budget. The 2025 budget covers the Village's fiscal year period from January 1 through December 31, 2025. 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 challenging revenue landscape, Lincolnshire continues to be prepared to meet financial obligations while making key investments in infrastructure, parks, and equipment.

BUDGET FORMAT

The FY 2025 Budget uses detailed expenditure line items to provide accountability and improved accuracy in budgeting. The line-item detail improves management's ability to monitor expenditures and projects throughout the year.

Budget Officer System: In September 2023, the Village Board amended the Lincolnshire Village Code to remove the need for an appropriation ordinance and created the Budget Officer System. Historically, Lincolnshire operated under the appropriation ordinance system where an ordinance was passed setting legal spending authority in the 1st quarter of each fiscal year. This change resulted in the approved budget establishing the legal spending authority for the Village and eliminated the need to create a separate appropriation ordinance.

The budget is broken down 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 or additional funds added to the budget for Fiscal Year 2025.

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 longer time horizon provides 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 2024.

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 detailed in the financial forecast.

- The Village will **meet its Fund Balance Policy** of maintaining 75% of one year's General Fund operating expenses in reserve for FY 2025.

- General Fund operating revenues for FY 2024 are projected to exceed projected FY 2024 General Fund operating expenditures by $3.3 million. The 2024 projection also includes $3.1 million transferred from the general fund to other funds resulting in a net increase of $190,000 to the general fund.

- The budget for FY 2025 reflects General Fund operating revenues being $1.5 million greater than operating expenditures.

BUDGET HIGHLIGHTS

The Fiscal Year 2025 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 are intended to 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 2025 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 as outlined 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 2025 Budget reflects a recommended **transfer** from the **General Capital Fund to** the **General Fund ($2,550,000)** to maintain 75% fund balance in the General Fund.

- The FY 2025 Budget reflects the **transfer** of General Operating Fund **existing reserves** to the Water & Sewer Improvement Fund (**$3,000,000**) to cover the cost of capital improvements planned in 2025. The budget continues the Village's historical approach to funding needed capital expenses from accumulated general fund reserves.

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

Notable Revenue Considerations

- FY 2025 revenue projections reflect limited growth and stagnation in Sales Tax, Home Rule Sales Tax, and Food & Beverage Tax revenues.

- **Room Tax:** The Fiscal Year 2025 Budget reflects the first full year of Hotel & Motel Room Tax at 6%. The rate increased 1% on July 1, 2024. The increase will result in an estimated increase of $400,000 to general fund revenue annually compared to the 5% rate.

- **Property Tax:** The Fiscal Year 2025 Budget reflects maintaining the property tax rate at 0.290 for the second consecutive year. Property tax is levied to fund Lincolnshire's general pension obligations and police protection expenses. The amount levied for collection in FY 2025 is expected to increase $172,939 compared to the budget for FY 2024, but the final amount will not be known until the EAV is certified by Lake County in March 2025. 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 expected to be 0.29, which allows Lincolnshire to maintain the lowest municipal property tax levy of the 34 Lake County municipalities with a population greater than 5,000.

- In terms of real estate transfer tax, there have been no large commercial property sales resulting in limited growth in this revenue line.

- Interest income and unrealized gains from investments have been significant over the past year. Interest income generated a combined $1.2 million in FY 2023 and projected 2024. However, this revenue source cannot be counted on as interest rates may decrease in future years in 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 2025 reflects continued limited growth in many major tax revenue line items. A summary of major revenue sources from prior fiscal years and for FY 2025 can be found below:

ACCT DESCRIPTION		Actual 2022	Actual 2023	Budget 2024	Est. 2024	Budget 2025
TAXES						
01-00-70-4010	State Income Tax	1,303,788	1,150,001	1,275,000	1,400,000	1,350,000
01-00-70-4020	Sales Tax	2,022,181	2,188,369	2,075,000	2,200,000	2,125,000
01-00-70-4021	Local Home Rule Sales Tax	1,801,569	1,960,399	1,875,000	1,950,000	1,900,000
01-00-70-4025	Food & Beverage Tax	684,543	677,845	650,000	650,000	650,000
01-00-70-4030	Utility Tax	1,257,611	1,117,290	1,125,000	1,025,000	1,000,000
01-00-70-4032	Telecommunications Tax	910,389	916,332	730,000	850,000	805,000
01-00-70-4041	Room Tax	1,510,567	1,731,903	1,750,000	2,050,000	2,225,000
01-00-70-4042	Admission Tax	178,892	116,128	70,000	180,000	175,000
01-00-70-4050	Real Estate Transfer Tax	1,005,721	347,739	350,000	300,000	300,000
01-00-70-4060	Road & Bridge Tax	58,651	61,032	50,000	55,000	55,000
01-00-70-4063	Property Tax- IMRF	280,972	254,854	255,000	250,000	275,000
01-00-70-4064	Property Tax- FICA	203,664	218,231	219,000	215,000	225,000
01-00-70-4065	Property Tax- Police Protectio	105,920	150,907	752,723	705,000	684,611
01-00-70-4070	Property Tax- Police Pension	1,002,258	1,101,120	829,320	820,000	915,451
01-00-70-4075	E911 Surcharge JETSB	437,217	-	-	-	-
01-00-70-4091	State Use Tax	321,794	309,065	315,000	300,000	200,000
01-00-70-4095	Cannabis Tax	12,872	12,018	12,500	12,500	13,000
01-00-70-4099	Miscellaneous Tax	4,533	6,845	4,500	5,221	4,500
Total Taxes		**$ 13,103,142**	**$ 12,320,078**	**$ 12,338,043**	**$ 12,967,721**	**$ 12,902,562**

Future Revenue Considerations

Grocery Tax: The action of the state legislature to eliminate the grocery tax with the adoption of the Illinois state budget presents an opportunity for Lincolnshire to consider approving a local ordinance imposing the tax when state authority to collect such a tax on behalf of municipalities goes away in 2026. Such action must be taken prior to October 2026. While Lincolnshire does not currently have dedicated grocery uses in the community, creating the local tax prior to the state elimination of the tax, will position Lincolnshire to receive such revenues in the future should grocery uses move into the community.

Video Gaming: Staff have fielded 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 making a formal request for consideration.

Notable Expenditure Considerations

The FY 2025 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 2025 Budget reflects one change in staff levels for the coming year. The Public Works Department Utilities Division requests funding a part-time seasonal position for FY 2025. This position would work summer into fall and provide additional resources to assist full-time personnel during the most demanding time for the division in terms of water and sewer system maintenance and capital project execution. The total hours worked would stay below 1,000 to avoid a financial liability associated with providing IMRF and health insurance benefits. The Water & Sewer Operations Budget reflects $20,000 in part-time funds for 2025 to fund this position.

- With the addition of the part-time Utilities Division staff, the authorized full-time equivalent (FTE) staffing for the organization will be 62.25 in FY 2025; an increase of .50 FTE. Comparing FY 2025 staffing to 2012, the Village's FTE for 2025 is 13.5% less than levels 14 years ago.

- The FY 2025 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 2025 Budget reflects the need to support staff progression to midpoint salaries to ensure retention and development.

- The Village's lone union, Fraternal Order of Police, executed a collective bargaining agreement set to expire at the end of 2025. The agreement calls for an annual wage increase of 2.75% for all members over the four years of the agreement.

- Health Insurance Opt-Outs: An increasing number of employees are opting out of health insurance, reducing immediate costs. However, as employees age, marry, and start families, there may be a greater financial burden on health insurance in future years.

FINANCIAL SUMMARY

GENERAL FUND

The **General Fund estimated fund balance** is projected to total $8,502,639 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 $13,011,422. This compares to budgeted General Fund expenditures projected for Fiscal Year-End 2024 in the amount of $11,891,812.

The FY 2025 Budget, including debt and transfers, reflects a 4.5% increase in expenditures compared to the. The following is a summary of General Fund budget expenditures across all operating areas including debt and transfers.

EXPENDITURE SUMMARY: GENERAL FUND

	Actual 2022	Actual 2023	Budget 2024	Est. 2024	Budget 2025
Administration	512,500	515,202	627,865	611,989	651,182
Finance	319,821	343,066	439,225	426,722	477,020
Police	4,863,518	5,600,990	5,743,881	5,429,283	5,903,099
Community & Econ Development	1,082,530	1,169,035	1,310,143	1,261,997	1,361,677
Insurand & Common	1,496,696	1,611,923	950,716	865,479	986,915
PW Administration	263,980	265,389	342,920	310,320	356,809
PW Streets	1,051,724	1,125,864	1,377,160	1,254,663	1,352,936
PW Forestry & Parks	1,346,077	1,442,771	1,604,100	1,599,176	1,702,977
PW Facilities	166,458	173,026	193,922	178,412	240,507
Debt & Transfers	3,200,000	2,845,000	840,000	3,140,000	890,000
TOTAL	**$ 14,303,304**	**$ 15,092,266**	**$ 13,429,932**	**$ 15,078,041**	**$ 13,923,122**

General Capital Fund - Investment in Infrastructure and Equipment

The FY 2025 Budget makes strategic investments in critical Village infrastructure. The following are highlights of planned infrastructure improvements recommended for funding in 2025.

- Capital expenditures planned for FY 2025 are a result of projects included in the approved 10-Year Capital Improvement Plan. The Village Board approved the 2024 update to the Capital Improvement Plan on August 12, 2024. A copy of the approved plan is found in the Capital Improvement Program divider.

- The FY 2025 Budget includes $1,911,500 in General Capital Fund expenditures for critical equipment, infrastructures, and facilities improvements, including the following:

- **Facilities**
  - Public Works shop floor concrete repairs and refinishing project previously included in 2024 Budget ($120,000)
  - Public Works Facility HVAC project previously included in the 2024 Budget ($80,000)

- **Equipment**
  - Police Department drone for outdoor investigation/security at special events ($24,000)
  - Replace existing Kubota utility cart ($35,000)

- **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)
  - Whytegate Park playground renovation project and safety surface installation ($275,000)
  - Spring Lake Bridge Replacement previously included in 2024 Budget ($340,000)
  - **Park Development Fund –** FY 2024 saw minimal contributions to the Park Development Fund due to a decrease in new residential development. The Park Development Fund budget for 2025 reflects a $725,000 transfer to the General Capital Fund to offset the cost of 2025 park and path projects noted above.

- **Roadways**
  - Street signpost replacement ($7,500)
  - Road Resurfacing on Brookwood Lane, Hamilton Court, Whitmore Lane, and Olde Half Day Road (by Walgreens) ($750,000)

- **Vehicles**
  - Replace and outfit one Police vehicle, retrofit one other vehicle for investigations, upfit two vehicles purchased in 2024 ($120,000)

WATER AND SEWER FUND

Revenues are based upon a five-year average of water sales (360 million gallons). The Fiscal Year 2025 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, 2025. The City of Highland Park indicates 3.5% annual rate increases planned through 2029.

In addition to the increased costs to purchase water, Lake County has provided notice to the Village of a planned 4% increase for sanitary sewer processing services as of January 1, 2025. The FY 2025 Budget reflects a combined residential water and sewer rate with an increase from $16.96 to $17.81, an $0.85/1,000 increase.

Water & Sewer Fund Administrative costs are to decrease 3%. Water & Sewer Operating costs are to increase 2.8% for FY 2025. The increase is due to the rate increase from Highland Park and the increase in sanitary sewer charges assessed by Lake County.

The FY 2025 Budget **meets** the Village's **fund balance policy** for the Enterprise Fund. For the Water and Sewer Fund at the beginning of FY 2025, the **unrestricted net position** is projected to be $1,106,458. Based upon the FY 2025 Budget, December 31, 2025, projected unrestricted net position is expected to be $1,119,308 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 2025. This amount represents connection fees due to new construction. Connection fees related to commercial developments pending approval by the Village Board are not reflected as revenues for 2025.

Water and Sewer capital improvements total $3,323,000. Most of these expenditures are related to:

- Completion of Alternate Water Source Study ($100,000)
- Reservoir Facility Assessment ($50,000)
- 18" Transmission Main Abandonment Project ($111,000)
- Schelter Road watermain upsizing ($500,000)
- Riverwoods Road watermain design engineering ($75,000)
- Replace Utility Division Vehicle Truck #242 ($200,000)
- Old Mill Commons Lift Station Rehabilitation ($730,000)
- Northampton Lift Station Engineering / Rehabilitation ($670,000)
- Sanitary Sewer Lining ($100,000)
- Sanitary Interceptor Repairs ($272,000)

OTHER FUNDS

The FY 2025 Budget reflects no use of **Motor Fuel Tax Funds**. 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 2025 Village contribution of $915,451. 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 2025 budget matches the actuary recommended amount and is 10.4% more than the amount levied in 2024.

The budget for the **E911 Fund** reflects emergency telephone surcharge revenue anticipated for FY 2025 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 **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 2025 Budget does not contemplate park donation revenue due to the completion of the Manors of Whytegate subdivision and no other large-scale residential developments approved and pending construction. The Park Development Fund budget reflects a $725,000 transfer to the General Capital Fund to pay for various park and path projects planned for 2025.

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 2025 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 during this especially difficult economic time. 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 in response to the economic crisis. Additionally, Administrative Assistant Leslie Cole, Administrative Assistant Rebekah Fontane, and Assistant Village Manager/Community and Economic Development Director Ben Roesler 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