

**LOWELL TOWN COUNCIL
WORK SESSION
2016 BUDGET
DISCUSSION OF ORDINANCE #2015-10 - Discharging of Firearms, Air Guns, Etc.
AUGUST 10, 2015**

A work session of the Lowell Town Council was called to order on Monday, August 10, 2015 at 6:00 P.M. by President Christopher Salatas. Members present were Craig Earley, LeAnn Angerman, Donald Parker, Christopher Salatas, and Edgar Corns. Also present were Clerk-Treasurer Judith Walters, Town Attorney David Westland, Building Administrator Tom Trulley, Public Works Director Greg Shook, Police Chief Erik Matson, Financial Advisor Greg Guerrettaz, one member of the media, and one interested citizen.

Financial Advisor Greg Guerrettaz stated he had come in early and spoke with some people from Cedar Lake to discuss the 2013 lack of funds. Their concern was that the revenues we have for them were inflated by the fact that we asked if they wanted to pre-pay their debt early because we had already paid it off. In 2011, we had approached Cedar Lake and told them that we were in a position to pay the bond off early and asked if they would like to do the same, but we never heard back from them. We paid the entire amount off and left their amortization outstanding. Mr. Guerrettaz went in to detail of the calculations that were explained to Cedar Lake per the original contract that had been made. After everything had been explained, they had decided to take the information back to the Cedar Lake Council to come to an agreement. Mr. Guerrettaz explained that from the Town's perspective, we have done nothing wrong. The figures are very objective and we just want to come to an agreement and move on.

2016 Budget - Mr. Guerrettaz stated that Clerk-Treasurer Walters had been working on the changes to the budget and has kept him up to date on Council's meetings and where you would like to go with the 2016 budget. Right now we have it at about a \$179,000 increase which includes the payroll increase of 3%, group insurance, property insurance, electrical, water, and the new Town Manager at \$12,500 in the General Fund and MVH Fund, and then \$25,000 in the Water and Sewer. This all means that the General Fund Budget in 2016 will be up around \$179,000. He stated originally he had stated that when the State is done, we will have a growth quotion of around \$73,000 - \$75,000 of new money, which still leaves us over about \$100,000. Some of the estimated revenues have been adjusted since the building permit fees will be updated, which will help support that department. With the \$179,000, if the Council chooses to go forward, we will be lowering the operating balance from last year that we were granted and start tracking down maybe \$50,000 - \$75,000 per year. The last approved operating balance was \$696,000. Mr. Guerrettaz explained his formula to get to a 90-day operating cost and explained that with the increase, we may be right at the 90-days, whereas last year, we were a little higher than that.

Mr. Guerrettaz stated one of the issues we are having to deal with now is that the State either overestimated or you did not bring in as much income taxes as expected. The drop could be around 1% - 3%, which means the \$210,000 that has been requested in the LOIT Public Safety Fund's budget, may actually only be around \$203,000. We will not see those certifications for roughly another sixty days because the State is behind. At the \$210,000 level, you will start eating in to the LOIT's balance, which is tight anyway at about \$60,000 - \$70,000. On the EDIT we are working with something similar where you have a \$200,000 budget, and the revenue may be around \$193,000. Given the fact we did not spend that money, we have a stronger balance in that fund, but we still do not have a lot of room. When we do the street barn, we are hoping that the debt service may be a little less or that the project may cost less so when we do the bond issue it may be a little better.

Mr. Guerrettaz stated his concern was the overall sustainability of the \$179,000 increase as we move forward. In the last meeting we had talked about doing a General Obligation Bond to capture the fact that our tax rate dropped about \$.04 because we had a lot of assessed value come on to the tax rolls. If we are able to put in a General Obligation Bond for 2016, we may be able to get the town \$500,000 - \$600,000 for road improvements and keep a stable tax rate. Mr. Guerrettaz touched on some of the capital improvements that were asked for by various departments that will be taken care of with the 2015 budget.

Mr. Guerrettaz stated we had hoped that the income tax would stay the same, but it seems that some overestimating was done all the way through because the adjusted gross income is not as high as Lake County estimated it to be. Mr. Guerrettaz expressed his concern about having declining income taxes and using them, having to use the cash balance in the General Fund, and having water and sewer projects on the horizon. He stated that he does try to look out four to five years in the future while creating the budget.

Clerk-Treasurer Walters explained that the \$179,000 over in the General Fund was not just a fourth of a Town Manager, that is all of his benefits budgeted. A third of his insurance is out of the General Fund because there was not enough in the MVH Fund, and the rest would be out of Water and Sewer. The Police Pension increase for a patrolman salary to \$65,000 is in the General Fund, the six month police officer is out of the EDIT Fund, but his benefits are still from the General Fund. Currently there is \$25,000 budgeted for an officer for half of 2016, but to continue it into 2017, we would need to budget \$50,000, plus a full year benefits in General Fund. Right now there is a line item for Capital Additions of \$45,000, so for 2016 it was decreased to \$20,000, with that \$25,000 going towards the police officer. Mr. Guerrettaz asked if he was correct in stating that was originally created for economic development, for something that may develop outside of a TIF District. Clerk-Treasurer Walters stated that was correct. Mr. Guerrettaz stated he always advises in setting aside some of your Economic Development Income Tax for those situations. Clerk-Treasurer Walters explained some other areas that were changed such as the Code Enforcement Officer's income coming out of Planning and Building, and the increase in revenue for Planning and Building based on the preliminary figures that are set for permit fee increases.

Councilman Earley stated that it sounded like we are cutting things really thin. Mr. Guerrettaz stated he would not use those words, but you are making 2017 and 2018 very, very tight. Unless some things change here like better income taxes or a better growth quotion, things will be tight. Going up \$179,000 in just the General Fund in one year is pretty aggressive. Councilman Corns asked if the State does not approve the budget, where do we need to start cutting. Mr. Guerrettaz stated they will approve your budget, but they will just cut your operating balance. They are not looking at sustainability, just getting your 2016 budget done and out the door. He stated his advise is to always look three years down the road. Sustainability is not the DLGF's responsibility. Councilman Parker asked how a General Obligation Bond would help. Mr. Guerrettaz stated if we get another \$10 million in assessed evaluation, your tax rate would go down from \$.79 to \$.74. This is a way to get more Capital Improvement money and keep the tax rate flat. We do not know if this would work because we do not have any assessed evaluation numbers from the County, but we could put it in to the 2016 budget. Discussion followed regarding the benefits of a General Obligation Bond. Mr. Guerrettaz and Clerk-Treasurer Walters also explained the \$75,000 that was received from the State in the M.V.H. Fund and how it can only go towards street paving and nothing else. Discussion followed.

Councilman Earley stated he did not want to leave office and three years down the road see some major impacts of the decisions that are being made now. He stated we need to reconsider our priorities. Mr. Guerrettaz asked if there was a priority we could stay off one year and maybe add it down the road. Councilman Corns asked what priority Mr. Guerrettaz would cut. Mr. Guerrettaz stated really your two options are the Town Manager or the payroll increase. You know your day to day operations, so you need to weigh that one. He stated he had told them cautiously to be careful with a Town Manager, but if you get a Town Manager who is not concerned about making a name for themselves, that would be good. Equally, a 3% payroll increase is a high priority simply because of the real cost to live, which is going up about 2% - 3%. The top two priorities that we deal with on a regular basis are payroll increases and group insurance increases. Mr. Guerrettaz explained further the top two priorities and how they impact the yearly budget.

President Salatas stated he did like the idea of a GO Bond if it would help us keep the tax rate flat, plus we could get some roads repaired, which people always like to see. Mr. Guerrettaz stated he understood that you would still have to pay interest, but interest rates are still very low. He stated he is trying to give the Town maximum flexibility and to not lose out on opportunities. Councilman Earley stated it would seriously behoove the Council to understand what he is trying to tell you because you are going to live

through 2017 and 2018 when things start to get tight. If you are interested in a Town Manager, it should be postponed for a year. Councilman Parker stated he felt the exact opposite and believed everything could still be done. The point Mr. Guerrettaz is making is to be aware of what you are looking at in the future. That \$179,000 could come down \$40,000 - \$50,000 if we make some moves in-house and depending on what happens with the search. The main message is to be aware of what is going on in the future and to make some decisions the next year and the following year. We have postponed things enough around here. President Salatas stated regarding the Police Pension, Chief Matson came in and asked for \$75,000 and we came down to \$65,000. "Could we take that amount down to a quarter and phase it in over four years?" Clerk-Treasurer Walters stated you are already paying \$59,000 for a First Class Patrolman, so going up to \$65,000 really is not that much. Councilman Parker stated he believed next year they would look back and be able to sustain everything. He stated he also liked the idea of the GO Bond. Councilman Earley agreed with the idea of the GO Bond. Discussion followed. Clerk-Treasurer Walters asked if the Council would like her to advertise the budget as is with the GO Bond included. The majority of the Council agreed.

Clerk-Treasurer Walters stated in conjunction with the Labor Day Festival, The Times has always done an insert about Lowell. They are asking if the Town would like to advertise in the insert, which we did do ½ of a page last year. The Council agreed to do the ½ of a page again this year for \$480, which would come out of the Community Relations Fund.

President Salatas stated he would like to schedule a work session on Monday, August 17th for Matt Reardon to come in and explain the outstanding SEH bill that we have. After some discussion, the Council agreed to have a work session on Thursday, August 20th at 6:00 PM.

Firearms Ordinance - President Salatas stated due to time constraints, he would like to push this item back to the August 20th work session that was just scheduled.

With no further questions or comments, Councilman Parker made a motion to adjourn the work session at 6:49 PM, seconded by Councilman Corns and carried with five ayes.

Attest:

Christopher Salatas, President

Judith Walters, Clerk-Treasurer