
OPERATIONS COMMITTEE MEETING AGENDA



MEETING DATE: Monday, February 4, 2019

MEETING TIME: 6:00 p.m.

MEETING LOCATION: North Aurora Village Hall, 25 E. State St., North Aurora

CALL TO ORDER

ROLL CALL

AUDIENCE COMMENTS

APPROVAL OF MINUTES

1. Approval of the Operations Committee Minutes dated January 7, 2019

NEW BUSINESS

1. North Aurora Town Centre Economic Incentive Agreement

OLD BUSINESS

OTHER INFORMATION

TRUSTEE COMMENTS

ADJOURN

Initials SB

**VILLAGE OF NORTH AURORA
OPERATIONS COMMITTEE MEETING MINUTES
JANUARY 7, 2019**

CALL TO ORDER

Trustee Guethle called the meeting to order.

ROLL CALL

In attendance: Trustee Mark Guethle, Trustee Laura Curtis, Mayor Dale Berman, Trustee Mark Carroll, Village Administrator Steve Bosco, Finance Director Bill Hannah.

AUDIENCE COMMENTS – None

APPROVAL OF MINUTES

1. Approval of the Operations Committee Minutes dated October 1, 2018

Motion for approval made by Trustee Carroll and seconded by Trustee Curtis. All in favor.

Motion approved.

NEW BUSINESS

1. Revised Budgetary, Fiscal and Fund Balance Policies

Finance Director Bill Hannah reported that the policies were last updated in 2012. When the Village last met with the bond rating agency, it was discussed that the Village should review the policies on a regular basis. Overall, the policies are generally the same. Hannah reviewed the changes.

Revenue Policies

-Provided clarification that they should be reviewed annually to look at all revenue sources.

-Clarified the water user fee policy.

-Added a clarification to the one-time revenue policy. The policy says that one-time revenues can only be used for one-time non-recurring expenditures such as capital equipment and capital improvement projects. The Village added, “or its additional contributions for pensions.”

Expenditure Policies

Added that the Village would maintain a level of expenditures in accordance with the goals and objectives of the Village Board in addition to a manner to provide for the public well-being and safety of the community.

Debt Policies

-In regard to debt repayment, clarified that the useful life of the asset created with the debt should exceed the repayment schedule of the bonds.

-The Village will stay in good contact with all bond rating agencies and comply with the Securities and Exchange Commission.

-Debt funded projects should be accompanied by a full analysis of the operating and maintenance costs associated with the project. The Village previously passed a resolution regarding post issuance compliance procedures for debt. The policy now makes a reference to that resolution which was passed in 2013.

Cash Management Policy

The policy states the three main components of the investment policy to match what was recently approved by the village board.

Accounting/Auditing/Budgeting Policy

A statement was added to this policy that proposed capital projects should be accompanied by projection of future operating and maintenance costs associated with the project.

Police Pension Trust Fund Policy

The policy was previously adopted in 2013 adopting 100% funding goals. The only addition made was that the Village will periodically review the assumptions and the actuarial valuation in consultation with the actuary and make any needed changes.

Fund Balance Policy

-The Village will still maintaining its 40% - 50% General Fund fund balance target. The policy clarifies that if the targets are below the minimum that it would be restored within a reasonable period.

-A statement was added that any use of fund balance or reserves would be considered in a context of maintaining a strong level of overall budgetary flexibility and liquidity for governmental funds in total.

2. Revised Purchasing Policy

-The state allowed the threshold by which projects must be publicly bid to be increased from \$20,000 to \$25,000. In order for the Village to take advantage of that change we would need to amend our purchasing policy and ordinance to allow for that increased threshold for which certain projects must be publicly bid.

-Village Administrator's purchasing authorization level – increasing from \$10,000 to \$15,000.

-Increase in change order authorization for the Administrator from \$10,000 to \$15,000.

-Allowing for approval of purchases of goods and services before the budget has been adopted which is what the Village does now. This clarifies that it is okay to do that.

-Minor clarifications to credit card authorizations for employees and clarification on sales tax exemptions.

OLD BUSINESS – None

OTHER INFORMATION – None

TRUSTEE COMMENTS

Trustee Curtis asked that someone take a look at the traffic light at that corner of Orchard and Randall. When on Mooseheart turning left onto Randall Road, the green arrow does not always work and appears to work only every other cycle. Guethle said the village could get in touch with the county.

ADJOURNMENT

Motion to adjourn made by Trustee Carroll and seconded by Trustee Curtis. All in favor.
Motion approved.

Respectfully Submitted,

Lori J. Murray
Village Clerk

VILLAGE OF NORTH AURORA OPERATIONS COMMITTEE REPORT

TO: OPERATIONS COMMITTEE MEMBERS
CC: STEVE BOSCO, VILLAGE ADMINISTRATOR
FROM: MIKE TOTH, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR
SUBJECT: TOWNE CENTRE ECONOMIC INCENTIVE AGREEMENT
DATE: FEBRUARY 4, 2019

Background

On March 23, 2005 the North Aurora Village Board approved an annexation agreement with Rubloff North Aurora LLC for the development known as the North Aurora Towne Centre. Later built in 2006, North Aurora Towne Centre is located between I-88 and Orchard Gateway Boulevard, east of the Auto Mall and west of Randall Road. Target and JC Penny are the main anchor tenants for North Aurora Towne Centre. In order to offset some of the costs attributable to the development, the Village approved an Economic Incentive Agreement as part of the Annexation Agreement. At the time of approval, it was projected that the Towne Centre would bring in \$3 million in sales tax per year. The North Aurora Towne Centre has since seen decline with several major tenants such as Best Buy, La-Z-Boy, MC Sports, Office Max, Justice, Layne Bryant, and NTB having closed. Although there is nothing suggesting JC Penny's closure in North Aurora, there is concern over the number of JC Penny stores being closed nationally.

North Aurora Towne Centre (Commercial Portion)



Note: Closure of Best Buy, La-Z-Boy and NTB.

Economic Incentive Agreement

The original economic incentive agreement was to pay out a total of \$15 million over a 15-year term for economic assistance toward the actual project improvement costs. The Village would provide the developer with 50% of the 1% of the sales taxes generated by all retail sales within Towne Centre to arrive at the \$15 million cap. The trigger point for commencement of the agreement was either A) Target and Kohl's were open for business to the public or B) Target or Kohl's and at least 50,000 square feet of the inline stores located between Target or Kohl's stores are open for business to the public. Kohl's never opened to the public, but the completion of Target and at least 50,000 of the inline stores prompted commencement of the economic incentive agreement on November 1, 2006. Given a 15-year term, expiration of the original agreement would be October 31, 2021. Preferred Real Estate, LLC (the group that owns the storefronts between Target and JC Penny) was not the original developer of Towne Centre, but through acquisition are now the beneficiaries of the funds. As of November 2018, a total of \$3,212,827.07 has been paid out. Based upon the 1% sales tax, North Aurora Towne Centre currently generates roughly \$440,000 per year of sales tax, half of which (\$220,000) is currently being rebated back to Preferred Real Estate. Thus, the Village currently receives roughly \$220,000 in sales tax from the North Aurora Towne Centre.

Request

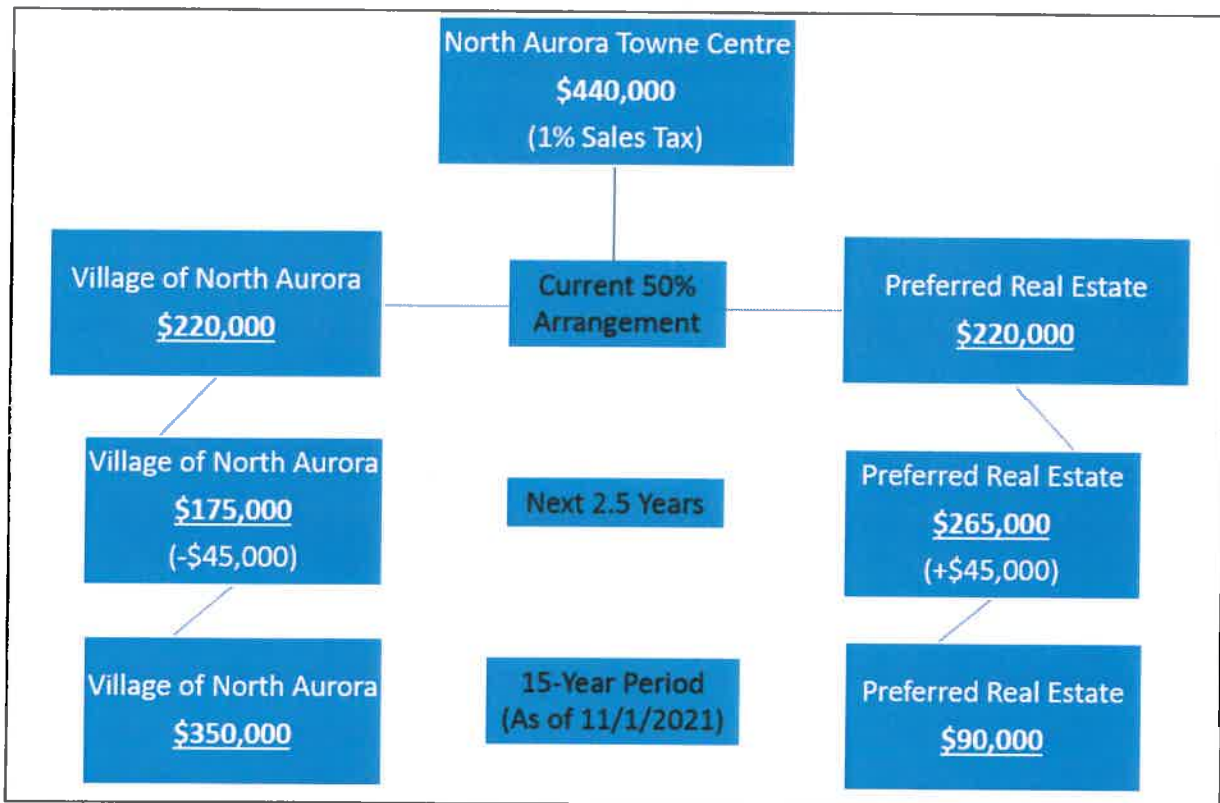
Preferred Real Estate has been working with UFC Gym to secure a 15-year lease on 35,000 square feet of the former MC Sports and Office Depot spaces. As part of the lease agreement with UFC Gym, Preferred Real Estate is required to improve the tenant space to the satisfaction of the tenant. According to Preferred Real Estate, they cannot get the lender to agree to the needed additional funds for the tenant improvements, without the Village approving an economic incentive agreement.

Staff has been working with Preferred Real Estate over the last several months on amending the Economic Incentive Agreement. The request is being made by Preferred Real Estate, LLC as a way to offset the \$1,550,000 buildout cost for a large-scale fitness center user, UFC Gym. Several versions of the amendment have been discussed between staff and Preferred. The proposed request would include an amendment to the current economic incentive agreement and the adoption of a new agreement that would commence after expiration of the current agreement.

The following is the general framework of the request:

- The current economic incentive agreement be amended to provide Preferred Real Estate with 100% of the 1% generated in the inline portion of the shopping center (not including Target or JCPenny) for the remainder of the existing agreement. For all other properties the reimbursement terms remain unchanged. (*Est. Additional Value \$112,500 (2.5 years @ \$45,000)*).
- All vacant land be removed from the current reimbursement area upon approval of the amended agreement.
- A new agreement be adopted providing Preferred with 100% of the 1% generated in the inline portion of the shopping center for a term of 15 years and a cap of \$120,000 per year. (*Est. Value \$1,350,000 (15 years @ \$90,000)*)
- Reimbursement of the increased rate would commence upon occupancy of the UFC Gym and include any retroactive payment dating back to the January 2019 sales.
- All building permit fees, plan review fees and inspection fees for the UFC buildout be waived. (*Est. \$40,000*)
- Preferred relinquish any restrictions for permitted uses on all vacant land in perpetuity.

As previously stated, North Aurora Towne Centre currently generates roughly \$440,000 per year of sales tax and the Village currently receives roughly \$220,000 of that. The inline portion of the shopping center is currently generating roughly \$90,000 per year of the total sales tax. If the economic incentive agreement were to be amended and a new agreement was adopted over the terms stated above, the *reduction* in sales tax to the Village would be an estimated \$45,000 per year over the next 2.5 years. Once the original agreement expires in 2.5 years and the new agreement commences, the Village will receive 100% of the sales tax generated within Towne Centre, which will be an estimated \$440,000. Then, \$90,000 per year of that would be rebated back to Preferred Real Estate and the Village would be receiving roughly \$350,000 per year of sales tax.



Preferred Real Estate would like to take this opportunity to solicit feedback from the Operations Committee on the proposed request.

UFC BUDGET 10-24-18

UFC GYM - NORTH AURORA	35000	SF	10-18-18		
Lockers & Benches			\$15,000		
Demo			\$20,000		
Concrete Cut & Patch			\$60,000		
Framing & Drywall			\$100,000		
Acoustical Ceilings			\$18,000		
Doors - Frames - Hardware			\$30,000		
Paint			\$100,000		
Polished Concrete			\$125,000		
Flooring & Wall Tile			\$127,000		
Cabinets & Tops			\$3,000		
Fire Alarm			\$20,000		
Fire Protection			\$15,000		
HVAC			\$60,000		
Plumbing			\$200,000		
Electrical			\$360,000		
Sauna			\$15,000		
Graphics			\$10,000		
Sound & Security			\$20,000		
Exterior Sign			\$12,000		
SUB TOTAL			\$1,310,000		
Permits			\$5,000		
Archit/Engineers			\$25,000		
General Conditions			\$15,000		
Supervision			\$20,000		
Fee (5%)			\$25,000		
Commissions			\$150,000		
TOTAL			\$1,550,000	\$44	