

**MINUTES OF SPECIAL SESSION
HIGHLAND CITY COUNCIL
MONDAY, DECEMBER 1, 2025**

Mayor Hemann called the Special Session to order at 6:30pm at Highland City Hall. Council members Klaus, Sloan, Bellm, and Napper were present. Others in attendance were City Manager Conrad, City Attorney Kathryn Warren, Directors Cook, Gillespie, Ohren, and Widman, Deputy Clerk Chris Flake, City Treasurer Nicolaides, City Clerk Bellm, and 11 citizens.

PUBLIC HEARING

Mayor Hemann opened the public hearing on Truth in Taxation. The purpose of this public hearing is for the City Council to receive comments in regards to the proposed Estimated Tax Levy.

PUBLIC FORUM

Citizens' and Comments:

Adam McDonald stated I lived here for about ten years. I love the community. I am in favor of the tax levy. I just want to know why. I know there is a 3% increase in water and sewer rates for this year already. The city voted to implement continuing the local grocery sales tax that the state voted to discontinue. With all the increasing rates, fees, and taxes I just fear it will become too expensive to live. I would ask the council to vote no for such a high increase.

John Kapp stated he likes the Christmas tree sales setup on the Square. The Square looks really good all lit up and with everything. Change is good. The Christmas Parade was wonderful.

Allison Malesia stated we closed on our first home, here in Highland, today. The proposed tax levy is really scary with all the costs.

Mayor Hemann explained the council's job is to ensure the city runs efficiently. As a city, we have to make sure we pay our bills. I have asked City Manager Chris Conrad to prepare a statement explaining the need for the proposed increase and public hearing.

City Manager Conrad started off by stating for purposes of this discussion we have pulled historical data from 2014 through 2024, since 2024 is the most recent property tax year available. Highland is a Non-Home Rule Community organized under the Illinois Municipal Code. That means that with respect to the levying of taxes, we have very specific rules regarding maximum limits that we can levy for specific city functions, and rules for how we must go about the levying of taxes. For instance, the posting requirements state that we post any levy request in excess of 5% for 30 days, before hosting a public hearing on the levy request. This posting does not tie the hands of the council on their ultimate decision on the tax levy, but is intended to allow the public the opportunity to provide feedback before the passing of the levy. This is the first time in many years that staff are requesting an increase above the 5% mark in funding, and the below information is provided in an effort to explain the need for the request.

The portion of your tax bill that this proposed increase would impact, is the City of Highland portion of your tax bill. If you live in Helvetia Township, this is roughly 21% of your tax bill; if you live in Saline Township it is 22% of your bill.

The City of Highland government services are funded primarily through two sources of revenue: property taxes and sales/income taxes. Revenues received from property taxes must be spent on the specific purpose of the property tax, while sales and income tax revenues may be spent in a discretionary manner to fund various city priorities. Property tax limits for Non-Home Rule Communities do not allow property taxes to fully fund our government services. For example, the City of Highland is limited to levying .075% for police protection, which results in about \$200,000.00 a year in property tax revenue. This doesn't cover the total cost of the police department (\$3,692,956.40 in 2025-2026 budget), so the police budget is subsidized with discretionary revenues from Sales and Income Tax. This same scenario applies to each of the government funds: EMS: \$654,408 (property tax), \$1,524,238.00 (total budget); Streets: \$120,723.52 (property tax), \$1,835,169.00 (total budget); and, Parks: \$235,587.00 (property tax), \$1,549,931.95 (total budget). However, that does not include the pool, Korte Rec Center, or Senior Center lease.

The city is not immune to inflation and cost increases. Operating cost comparisons from 2014-2024 including the total levy amounts from 2014 to 2024 are as follows:

<u>Category</u>	<u>2014 Budget</u>	<u>2024-25 Budget</u>
Levy	\$3,252,813.00	\$4,384,499.73
EAV	\$177 million	\$276 million
Levy rate	1.828%	1.587%
Personnel	\$7.9 million	\$9.7 million
No. of Full-Time Employees	129	109
Health Insurance	\$852,000.00	\$1.75 million
IMRF	\$490,000.00	\$350,000.00
Police pension	\$427,000.00	\$672,000.00
Social Security	\$460,000.00	\$525,000.00
Property Insurance	\$230,000.00	\$320,000.00

The General Levy, which was \$572,522.00 in 2014, was \$871,671.00 in 2024. These funds can be used to subsidize streets, parks, and for general purpose. At the same time, in those areas we have our costs increase significantly. For example:

<u>Category</u>	<u>2014 Budget</u>	<u>2024-25 Budget</u>
Concrete	\$82/Sq. Yard	\$171/Sq. Yard
Asphalt	\$80/ton	\$142/ton
Park Restrooms	\$22,500.00	\$45,000.00
Truck ¾ ton	\$35,000.00	\$50,100.00
Child Swing Seat	\$179.00	\$358.00

City Manager Conrad explained to assess the impact on property taxes for the city portion of the property tax burden of our citizens. I used a household of 2100 square feet of living space on a lot just under .5 acres. It has been sold once and reassessed twice; and, assessments have not been challenged. It only has the standard homestead exemption. The city portion of the tax bill was \$792.78 in 2014 and \$1,032.24 in 2024. The average annual increase of the proposed tax levy would be \$23.94 annual, or just under \$2.00 per month.

He reported staff has taken many steps in order to minimize the impact of inflation on our operations and to offset the increases in operations with other revenue sources. The period from 2014-2024 has seen significant changes in minimum wage costs, which put upward pressure on all personnel costs, health care costs, which have far outpaced inflation, and a period of the most significant inflation since the 1970's. To mitigate the increased costs, we have used technology and attrition to reduce full-time employee headcount by 15% (129-109) without reducing services. This has resulted in reductions in the increases of expenses for not just salaries, but also healthcare costs, pension and social security. We have also been opportunistic in our approach to equipment and capital purchases and rely much more on joint purchasing contracts and government pricing than we ever have in the past in order to maximize the value to our taxpayers. We have been very fortunate to have been able to offset many of these cost increases with our discretionary revenues. However, to continue that practice of pulling revenues from the discretionary funds, runs the risk of threatening the operations of those core services that rely heavily on the discretionary funds, such as police, streets and parks.

He added that it should be noted that we are currently at the lowest tax rate for the City of Highland in the last 10 years. While we are asking for 7.2 % in additional revenue, we are only expecting this to be a 2% increase to individual property owners, due to new construction/development and increased assessed valuations. Our investment in infrastructure and economic development has resulted in a hundred-million-dollar increase in total EAV over the last 10 years. We have worked with the school district to actively confront unfair commercial property assessment challenges, which not only places a heavier tax burden on homeowners, commercial properties tend to put more on infrastructure. Levy assessment information for taxing bodies is available on the county clerk's website.

Mayor Hemann pointed out the levy is based on an estimate of what estimated costs will be for the next year. City Manager Conrad confirmed that is correct. We look at if we can make up the difference by using discretionary funds first. It becomes, do we cut core government services or increase tax revenue. Mayor Hemann stated with the EAV increase, we believe the increase will be around 2.5%.

Councilwoman Bellm made a motion to adjourn. Motion seconded by Councilman Napper. Roll Call Vote: Councilmembers Klaus, Sloan, Bellm and Napper voted aye, none nay. Motion carried. Meeting adjourned at 6:54pm.

Kevin B. Hemann, Mayor

Barbara Bellm, City Clerk