BOARD REPORT

TO:	VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM:	SCOTT KOEPPEL, VILLAGE ADMINISTRATOR KARIN JOHNS, FINANCE DIRECTOR
SUBJECT:	FUTURE VILLAGE HALL
AGENDA:	August 18, 2026
DATE:	August 10, 2026

ISSUE
Shall the Village Board discuss the future of Village Hall?

DISCUSSION
The Village's Administration and Finance Departments currently operate out of leased office space at 160 S. Municipal Drive under an agreement originally executed in June 2022. Following the execution of the initial lease, the property was sold to a new owner. To maintain administrative continuity while permanent facility strategies are thoroughly analyzed and executed, the Village recently enacted a two-year lease extension.

Future Site & Facility Development Options

Option A: Village-Owned Parcel (Route 30 & Municipal Drive)
The Village currently owns a 19-acre parcel (PIN: 14-17-400-021) situated directly across Route 30 from the Fire Protection District. This property is fully utility-ready for municipal development. Moving forward under this option would require the Village to engage an architectural firm to perform a facility space needs assessment, establish an appropriate funding strategy, and retain architectural services to design a customized building tailored to operational requirements.

Option B: Dedicated Site in "The Grove" Development (Area 3)
Pursuant to Section 8.2 of the Annexation Agreement for "The Grove" development, the property owner has agreed to dedicate a 0.75-acre parcel to the Village for constructing a new Village Hall. Upon request by the Village, this dedication will take place as part of recording the first Final Plat of Subdivision for Area 3A, with the precise location mutually agreed upon by both parties. Because project timing depends on the overall development schedule of The Grove, intermediate steps would involve extending the current lease at 160 S. Municipal Drive,

continuing annual contributions to capital reserves, or potentially evaluating the purchase of the existing leased building.

Option C: Purchase an Existing Building
The Village could pursue the acquisition of an existing commercial building within the community, including the potential purchase of our current facility at 160 S. Municipal Drive. Outright purchase would transition the Village from a tenant to a property owner, eliminating ongoing lease obligations and building long-term equity. This approach could significantly accelerate the timeline and lower upfront capital expenses relative to new construction.

Option D: Extend Lease and Remain at 160 S Municipal
Alternatively, the Village could elect to negotiate a long-term lease extension or series of renewal options to maintain administrative operations at 160 S. Municipal Drive. This path avoids significant upfront capital outlays, debt service obligations, and construction risks associated with ground-up facility development. Additionally, it preserves maximum financial flexibility while future local commercial development matures. However, remaining a tenant subjects the Village to ongoing lease payments, potential rent escalations over time, landlord approval for major facility modifications, and a reliance on the Library for Village Board meetings, while yielding no long-term real estate equity for the municipality.

Financial Considerations
Legal Debt Limit
The Village has an approximate $42 million legal debt margin, which is the limit of the total amount of non-referendum debt that can be issued. Alternative revenue source debt, IEPA loans, and TIF notes would not count against this limit. It is important to note that this is the limit for the total debt allowed, not a funding source or ability to pay for the debt service through property taxes.

Non-Referendum Debt Funding Sources

- ***Property Taxes:*** The Village cannot issue any Limited Tax General Obligation Debt as it has zero as its Debt Service Extension Base (DSEB). This level is based on the amount of non-referendum debt the Village had in 1991, when the Property Tax Limitation Law (PTELL) went into effect.
- ***Alternative Revenue Source Debt:*** The Village could issue Alternative Revenue Source Debt, which entails the Village obligating a funding source for the debt service from some non-property tax revenue stream to pay for the debt, such as water revenues, sales tax, or income tax. The Village could present options to increase revenues such as a Places for Eating Tax. This means these funds would be used for debt service and would no longer be available for operational expenditures. Assuming the Village Hall Debt would be split between the General Fund and the Water Fund, the Village could issue $5-$7.5 million for a 30-year debt issuance. This would entail a water rate increase for debt service. The General Fund has been transferring annually a contribution for future Village Hall

improvements, which could be used for debt service; however, this amount has varied due to operational needs.

Referendum Debt Funding Source

- ***Capital & Debt Referendums:*** The Village could seek voter approval to issue long-term debt backed by property taxes.
    - ***General Obligation Bonds:*** The Village can do a referendum for a specific debt issue. If approved, the Village levies a dedicated property tax outside the standard operational caps to pay the annual debt service. This will increase the property tax levy for the duration of the Village Hall Debt Service
    - ***Debt Service Extension Base (DSEB) Referendum:*** Since the Village has zero for a DSEB, a referendum is required to establish this annual non-referendum bonding limit, allowing the Village to issue limited bonds without referendum for each project. This levy is outside the tax cap and could be used on an as-needed basis.
- ***Tax Rate & Levy Referendums***
    - ***Limiting Rate Referendum (Rate Increase):*** This referendum can increase the Village's overall operational limiting rate under PTELL. This would allow the Village to collect more overall property tax revenue than allowed by the annual CPI cap and direct it to the General Fund***.*** The General Fund could then issue ARS Bonds.
- ***Structural & Governance Referendums***
    - ***Home Rule Status Referendum:*** Municipalities with a population under 25,000 can adopt Home Rule status if approved; this would eliminate the PTELL restrictions for the annual levy process. This also grants broad constitutional powers to tax, borrow, and regulate without specific state statutory authorization.

COST

There is no cost for the discussion.

ATTACHMENTS

Presentation.

RECOMMENDATION

Staff recommends that the Board discuss these options and provide guidance on preferred strategic direction.

FUTURE VILLAGE HALL OPTIONS

Presented by:

SCOTT KOEPPEL, VILLAGE ADMINISTRATOR

August 18, 2026

AGENDA

- Current Village Hall
- 30 and Municipal
- Site in Area 3 of The Grove
- Purchase an existing building
- Financial Considerations
- Feedback from Village Board

CURRENT VILLAGE HALL

Administration and Finance Departments are currently located at 160 S. Municipal Drive. The Village entered a lease in June 2022. Since moving in, the building has been sold. The Village recently enacted a two-year extension of the lease.

The office has enough space for the current staffing level.

Village Hall does not have a room large enough for Village Board meetings, so meeting are currently held at the library.

If the Village Board decides to remain in the current space for an extended period, staff recommends that the Village begins negotiating a longer-term lease.

30 AND MUNICIPAL

- The Village owns a 19-acre parcel # 14-17-400-021 located across Rt. from the Fire Protection District.
- The site is utility-ready.
- **Next steps**:
  - Engage with an architect for a needs assessment
  - Decide on funding
  - Hire an architect to design the building

AREA 3 OF THE GROVE

- Section 8.2 of the Annexation Agreement: Owner agrees to dedicate to the Village a 0.75-acre site for the Village to construct a Village hall. If the Village requests such dedication, the site shall be dedicated as part of the recording of the first Final Plat of Subdivision for Area 3A. The exact location of the Village hall site within Area 3A shall be mutually agreed upon by Owner and the Village.
- The timing is dependent on the development of The Grove
- **Next steps:**
  - Extend the current lease for 160. S Municipal
  - Continue annual contributions to capital

PURCHASE EXISTING BUILDING

The Village can purchase an existing site in the Village and renovate it.

This option could be cheaper than new construction.

Sugar Grove has limited available sites.

Discussion in open session could influence future negotiations.

Next Steps: Staff creates a list of possible buildings.

SUGAR GROVE INCORPORATED 1957

FINANCIAL CONSIDERATIONS

- Renovating the Police Department depleted the capital reserve funds.
- Any near-term large capital expenditures related to Village Hall will require the issuance of debt.
- Referendum Funding Source
    - General Obligation Bonds
    - Debt Service Extension Base
    - Rate and Levy Referendum
- Non-Referendum Funding Source
    - Alternative Revenue Source Debt (limited amount)

NEXT STEPS

WHAT OPTION DOES THE VILLAGE BOARD PREFER?