

**MINUTES OF THE COMMITTEE OF THE WHOLE MEETING
OF THE GURNEE VILLAGE BOARD**

**GURNEE VILLAGE HALL
NOVEMBER 27, 2017**

Call to Order

Mayor Kovarik called the meeting to order at 7:00 p.m.

Other Officials in Attendance

Patrick Muetz, Village Administrator; David Ziegler, Assistant Village Administrator/Community Development Director; Brian Gosnell, Finance Director; Christine Palmieri, Director of Human Resources; Tom Rigwood, Director of Public Works; John Kavanagh, Fire Chief; Kevin Woodside, Police Chief; Sandra Campbell, Deputy Police Chief; Jack Linehan, Assistant to the Administrator

Roll Call

PRESENT: 6- Thorstenson, Jacobs, Ross, Garner, Balmes, Hood
ABSENT: 0- None

A. DISCUSSION ITEMS

1. Presentation by Street Supervisor Jake Balmes – FY 17/18 Snow and Ice Control Plan.

Mr. Balmes presented the following Power Point presentation related to Snow and Ice Control Operations to the Board:

Snow Season Overviews

- Average yearly salt usage since control system upgrades = 2500 Tons
- Average runs per year 22
- Year (Average Salt Cost Per Ton)
 - 2008-2009 \$138.52
 - 2009-2010 \$64.00
 - 2010-2011 \$64.00
 - 2011-2012 \$58.24
 - 2012-2013 \$58.24
 - 2013-2014 \$55.90
 - 2014-2015 \$57.68
 - 2015-2016 \$62.43
 - 2016-2017 \$64.94
 - 2017-2018 \$58.95
- Salt Savings
 - Estimated Savings of 15,715 tons or \$950,757

Materials / Liquids

- Materials – granular and liquid
 - Salt – 4,500 tons on hand / up to 1,200 tons on contract
- Anti-icing
 - Treating roads 24 to 72 hours prior to an event
 - Anti-Icing Units
 - Hook lift 1,625 gallons tank
- Average usage since 2009 – 2503 Tons
- Most Salt used 2014 – 4033 Tons

Weather Information

- Weather Sentry/DTN System
- Internet Sites
- Media Outlets – Cable television and local radio weather reports are available and should be utilized as a supplementary source of information

Operation Staffing

- Director, 3 Supervisors, 23 Maintenance Workers (2 on medical leave), 3 Mechanics
- 22 Trucks on 11 designated snow routes
- Mechanics cover parking lots and breakdowns
- Supervisors cover for absent drivers

“Typical” Call Out Scenario

- Snow Ops initiated by Snow Boss or Police Dispatch
 - Road conditions deteriorate
 - Freezing conditions are forecast
- Single Crew
 - Operation hours 3 am – 8 pm
 - 1 hour for the crew to be on the road from time of call
 - Vehicle Maintenance Staff first in, last out
- Operations Cease
 - Roads are clear
 - Conditions are forecast to improve

Sidewalks

- Changes to the Route
 - Added Route 132 from Route 21 east to Lawrence
 - Added O’Plaine south to Country Trails
 - Added all of Old Grand
- The new machine for narrow walks and bridge crossings
- V-Plows and Blowers for all machines

On the Horizon

- Continued driver training and education and public awareness
- Continue to research alternative methods of reducing salt usage
- Improved tracking of SIC Ops and costs in Cityworks

Questions:

Trustee Thorstenson asked if Lake County DOT snow removal efforts keeping up the pace with our snow removal process.

Mr. Balmes said most complaints he receives are on State roads.

Mayor Kovarik asked if was possible to take on Grand Avenue.

Mr. Balmes said we would have to expand our operation and it would be very costly.

Trustee Garner said he is OK with driving on all road conditions but asked if the Village is liable if an accident occurs during road condition one.

Mayor Kovarik said no the Village would not be liable.

Trustee Garner said many school kids use the sidewalks to get to school and in the past he has seen them walking on Grand Avenue because the sidewalks weren’t cleared of snow and ice. He asked if the Village would be liable if something happened to one of them.

Mayor Kovarik said no.

WTHS School Board President Tom Drake said there is a process in place in which under certain conditions and within a certain distance from the school transportation will be provided.

2. Presentation of financial reports:

- a) Lauterbach & Amen Actuary Jessica Fain - FY 17/18 Police and Fire Actuarial Reports

Mr. Gosnell introduced Ms. Jessica Fain from Lauterbach & Amen, the Village’s actuary, and she presented the following information in a Power Point presentation to the Board:

Contribution Requirement & Funded Percentage

Current Year:	Prior Year:
Fire = \$1,810,723	\$1,738,081
Police = \$2,167,602	\$2,137,886
Total = \$3,978,325	\$3,875,968

Current Year Funded Percentage (Actuarial Value of Assets)

- Fire = 70.39%
- Police = 67.82%
- Totals = 68.91%

Unfunded Actuarial Liability

Fire = \$14,282,736
Police = \$20,835,445
Totals = \$35,118,181

Active Member Count

Fire = 54
Police = 57
Totals = 111

Inactive Member Count

Fire = 21
Police = 42
Totals = 62

Ending Net Position

Fire = \$33,515,730
Police = \$43,075,205
Totals = \$76,590,935

Change in Net Position

Fire = \$4,396,086
Police = \$3,230,652
Totals = \$7,626,738

Demographic Changes

- There were 4 Police Officers hired (1 of which was a Tier I), which increased the recommended contribution approximately \$77,400.
- There were 3 Police Officers who retired, which decreased the recommended contribution approximately \$7,200.
- There was 1 Police Officers who became disabled, which decreased the recommended contribution approximately \$1,300.
- There were 4 Police Officers who terminated (2 of which were vested), which decreased the recommended contribution approximately \$76,800.
- There was 1 deferred Firefighter who elected not to complete reciprocity, which decreased the recommended contribution approximately \$4,000.
- There was 1 Police Officer who passed away, which decreased the recommended contribution approximately \$50,800.
- No other retired or disabled Police Officers or Firefighters passed away, which increased the recommend contribution approximately \$33,000.

Funded Percentage Summary

Based on Actuarial Value of Assets

- Current Valuation
- Fire = 70.39%
- Police = 67.82%
- Totals = 68.91%

b) Finance Director Brian Gosnell – Multi-Year Financial Forecast.

Mr. Gosnell presented the Multi-Year Financial Forecast (MYFF) in a Power Point presentation to the Board:

Mayor Kovarik noted the importance of investment returns in funding pension funds. She noted volatility in returns makes the Village contribution less predictable, which can affect funding for operations.

Finance Director Gosnell noted the volatility in each fund over the last 15 years, and the different investment strategies of each fund. He noted the Police Pension Fund is less diversified than the Fire Pension Fund, which may lead to more volatility in investment returns. He noted the Police Pension Fund is reviewing their investment strategy and recently made a purchase of a stock mutual fund.

Purpose & Objective of the MYFF

- Long-term planning tool and Best practice GFOA & ICMA
- Establish capital funding
- Confirm long-term sustainability of funds
 - Identify threats to services and capital plan early
- What if Analysis
- Provide a financial backdrop for operating & policy decisions
- MYFF is:

- Projection of **potential** financial outcomes
- Based on a set of assumptions
- Constantly changing based on actual results
- MYFF is NOT:
 - An absolute predictor of future performance
 - A substitute for a budget

Questions Answered

- Can we sustain operations long-term?
- Can we continue the capital program as outlined in the Multi-Year Capital Plan?
- What are the threats and opportunities to fiscal sustainability?
- What is the impact of a potential economic downturn?
- What is the impact to fund balance?

Forecast Structure

- 5-Year history + current budget/estimate + 5-Year projection
 - Revenues, Expenses, Capital Funding and Fund Balance
 - Major General Fund revenue scenarios
 - Baseline / Expansion / Contraction
- Funds included
 - General Fund (110)
 - Water & Sewer Operating Fund (221)
 - Water & Sewer Capital Fund (223)
 - E-911 Fund (203)
 - Bond Fund (141)
 - Motor Fuel Tax Fund (122)
 - Capital Improvement Fund (131)

Director Gosnell noted the 911 Fund is no longer a part of the Forecast as those revenues are under the Jurisdiction of the Northeast Lake County Consolidated Emergency Telephone Systems Board as of July 1, 2017.

Key Decision Points

- Debt Service
 - Use of Debt Service Roll off for Capital
 - 100% of Series 2012 (FY18) - \$250k
 - 50% of Series 2009 (FY19) - \$425k
 - **May need to be reduced**
 - Multi-Year Water Rate Plan
 - Annual Increase on Combined Rate Through FY2021
 - W&S Capital Funding
 - Draw-down of W&S Fund Balance - \$450k Annually
 - **\$300k transfer from General to W&S Capital through FY2021**
 - **Recommended change, if not available from W&S operating Surplus**

Director Gosnell noted recommended changes to direction received at last year's presentation. The recommendations included foregoing the capital transfer to the Water & Sewer Capital Fund if the operating fund had sufficient surplus in excess of the \$300 thousand.

Threats

- Personnel Costs Outpace Revenue Growth
 - Property Tax/New Growth
- State Budget
 - 10% Income Tax Reduction (\$300k)
 - 2% Administrative Charge HMR (\$200k)
- Changing Sales Tax Landscape
 - Taxability of Transactions
 - Village Participation
- Federal Legislation and Economic impact

Director Gosnell noted growth in personnel costs outpacing revenue growth is not unique to Gurnee, but options for increasing revenue are limited without a property tax in place. Gosnell noted changes in consumer habits could change the tax base for sales tax.

Opportunities

- East Grand Corridor
 - Business Retention & Attraction
- 911 Consolidation
 - Additional Partners
- Gurnee Process Innovation Committee
 - Greater Operating Impact
- Great Wolf
 - Capitalize on Grand Opening
 - Co-Promotion

General Fund – Revenue Modeling

- Baseline Model
 - Discounts economic cycles
 - Average prior 15 fiscal years
 - Continued slow steady growth
- Expansion Model
 - Post-recession expansion
 - Average 5 fiscal years
 - Trough to peak expansion period
 - Continued economic expansion at current pace
- Contraction Model
 - Recession plus post-recession expansion
 - 1-year recession (FY2019) plus post-recession
 - Revenue impact lag
 - Peak to trough contraction followed by trough to peak expansion

General Fund

- Major Revenues
 - Sales Tax
 - Use Tax
 - Amusement Tax
 - Hotel Tax
 - Food & Beverage
 - Telecommunications Tax
 - Building Permits
 - Income Tax
- Total Major Revenues
 - Baseline – 3.11%
 - Expansion – 4.64%
 - Contraction – 3.32%
 - Actual Last 5 – 3.11%

Gosnell noted the addition of anticipated revenue from the opening of Great Wolf lodge skews the hotel tax and total figures slightly.

- Major Expenditures
 - Salaries
 - Property Liability & Workers Comp
 - Health Insurance
 - Pensions
 - Debt Service

Water & Sewer

- Revenues
 - Water Rate Plan thru FY2021
 - Assume 2% Annual drop in usage
 - FY2017 up 3%
- Expenses
 - Same as General Fund
 - CLCJAWA
 - Knowles Rd. Tower FY19/20
- W&S Capital Funding
 - Draw-down of W&S Fund Balance - \$450k Annually
 - *\$300k transfer from General to W&S Capital through FY2021*
 - *Offset by W&S fund Surplus*
 - \$2.8m target
 - CLCJAWA
 - Projected Rate in FY2018 increased
- Capital Funding
 - Fund Balance remains at or above 35%

Gosnell noted the increase in projected rates from CLCJAWA reduce the funds available for capital in the out years of the forecast. Gosnell noted the Village is still ahead of historical funding by a wide margin although not at levels recommended in a 2011 Baxter & Woodman study.

Capital Fund (131)

- Revenues
 - Expiring Debt Service Transfer - \$675k
 - Impact Fee fund \$200k
 - HMR Baseline Assumption
- Expenses
 - Multi-Year Capital Plan
- Fund Balance
 - Remains at \$2m+ with Transfers

MFT Fund (122)

- Dedicated to Road Resurfacing
- \$850k annually
- Fund Balance above \$300k

911 Fund (121)

- Maintain as Pass-Through
- JETSB Controlled

Capital Funding

Director Gosnell noted the forecast shows sufficient funding available for the projects outlined in the Multi-Year Capital Plan. He noted the Multi-Year Capital Plan is the next step in the planning process and is scheduled for discussion on December 18th.

Director Gosnell noted the financial policy updates would be discussed at the next Village Board meeting to allow more time for discussion.

Adjournment

It was moved by Trustee Garner, seconded by Trustee Balmes to adjourn the meeting.

Voice Vote: ALL AYE: Motion Carried.

Mayor Kovarik adjourned the meeting at 8:35 p.m.

**Andrew Harris,
Village Clerk**