

**MINUTES OF THE REGULAR MEETING
OF THE GURNEE VILLAGE BOARD**

**GURNEE VILLAGE HALL
JANUARY 25, 2021**

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; Heather Galan, Village Engineer; Bryan Winter, Village Attorney; Brian Gosnell, Finance Director; Chris Velkover, Information Systems Director; John Kavanagh, Fire Chief; Brian Smith, Police Chief; Jack Linehan, Assistant to the Administrator

Roll Call

PRESENT: 6-Thorstenson, Ross, Garner, O'Brien, Balmes, Hood
ABSENT: 0- None

Pledge of Allegiance

Mayor Kovarik led the Pledge of Allegiance.

A. APPROVAL OF CONSENT AGENDA

It was moved by Trustee Balmes, seconded by Trustee Garner to approve the Consent Agenda as presented.

Roll call,

AYE: 6- Thorstenson, Ross, Garner, O'Brien, Balmes, Hood
NAY: 0- None
ABSENT: 0- None
Motion Carried.

B. CONSENT AGENDA / OMNIBUS VOTE

The Village Administrator read the consent agenda for an omnibus vote as follows:

1. Approval of minutes from the January 4, 2021 meeting.
2. Approval of Ord. 2021 – 02 extending the moratorium on the establishment of smoke, vape or hookah shops and/or lounges.
3. Approval of Ord. 2021 – 03 authorizing the purchase of software and product licenses from CDW Government, LLC and execution of an Enterprise Agreement with Cisco Systems.
4. Approval of a bid letting date of January 26, 2021 for 2021 Bridge Deck Repair Project.
5. Approval of Payroll for period ending January 1, 2021 in the amount of \$865,112.92.
6. Approval of Payroll for period ending January 15, 2021 in the amount of \$802,022.75.
7. Approval of Bills for the period ending January 25, 2021 in the amount of \$1,463,024.34.

It was moved by Trustee Garner, seconded by Trustee Ross to approve the Consent Agenda for an omnibus vote as read.

Roll call,

AYE: 6- Thorstenson, Ross, Garner, O'Brien, Balmes, Hood
NAY: 0- None
ABSENT: 0- None
Motion Carried.

C. PETITIONS AND COMMUNICATIONS

None.

D. REPORTS

1. Presentation by Finance Director Brian Gosnell:
 - COVID-19 Financial Update #12.
 - Multi-Year Financial Forecast: Fiscal Year 2022 – 2026
 - Multi-Year Capital Plan: Fiscal Year 2022 – 2026

Mr. Gosnell presented a PowerPoint related to the COVID-19 Financial Update #12, Multi-Year Financial Forecast and Multi-Year Capital Plan.

Mr. Gosnell noted the following in the COVID-19 Financial Update #12;

COVID-19 Financial Impact

As of December 31, 2020

Expected Duration: Gosnell noted the Illinois Department of Public Health announced region 9 could move to Tier 1 mitigation on 1/26/2021, which would allow restaurants to open at 25% capacity.

- Tier 3 → Tier 2 Mitigation Plan 1/18/2021 → Tier 1 Tomorrow
 - Tier 1
 - Restaurants 25% Capacity, Distancing, Hours
 - Retail 25% Capacity
 - Grocery 50% Capacity
 - Less Restrictions
 - Cultural Institutions, Gaming & Casinos, Household Gatherings, Indoor Fitness, Organized Recreational Activities
- Vaccine Approval & Distribution

Big Three Status: Gosnell noted Great Wolf Lodge is ready to open as soon as the State allows operation of the indoor waterpark.

- Six Flags
 - Closed for Season
- Gurnee Mills
 - Limited Opening with Safety Protocols
 - Capacity Limits
- Great Wolf Lodge
 - Temporarily Closed Pending Indoor Waterpark Restrictions

General Fund – Revenues: Director Gosnell noted the updated projection is revenues will come in about \$8.2 million or 19% under last year, which is better than the earlier prediction of \$10 million or 25%. This is due to better than expected sales tax for the last three months, less than anticipated drop in income tax and better than expected amusement tax due to the holiday lights display at Six Flags Great America.

- Original -\$10m or -25%
- Projection -\$8.2m or -19%
 - Big Four -\$8.2m
 - Other Revenues No Net Impact

General Fund – Big Four: Gosnell discussed the status of the Big Four revenues and the updated projection.

- Projection -\$8.2m or -33%
 - Sales Tax -17%, -\$2.9m
 - Amusement Tax -81%, -\$3.1m
 - Hotel Tax -75%, -\$1.4m
 - Food & Beverage Tax -41%, -\$830k

Director Gosnell presented detailed projections for the following major revenue sources:

General Fund – Sales Tax

- Projection -15% for Remaining Months

General Fund – Amusement Tax

- Projection -90% for Remaining Months

General Fund – Hotel Tax

- Projection -90% for Remaining Months

General Fund – F&B Tax

- Projection -50% for Remaining Months

Gosnell presented the expenditures that include:

General Fund – Expenditures: Gosnell noted the original projection was a savings of \$3-\$5 million and the current estimate is \$4.6 million with the majority of savings coming from personnel.

- Original -\$3-\$5m
- Projection -\$4.6m or -11%

General Fund – Fund Balance: Director Gosnell noted original projections were \$5-\$7 million of fund balance used in FY2021, updated projections estimate \$3 million due in part to the \$1.4 million CARES Grant.

- Original -\$5-\$7m
- Projection -\$3.5m
 - CARES Grant \$1.4m

Gosnell noted the estimates of major revenues used for the COVID update are the basis for the year-end estimates used in the Multi-Year Financial Forecast (MYFF) for FY2021.

Multi-Year Financial Forecast: Fiscal Year 2022 – 2026

Finance Director Gosnell noted the following in the Multi-Year Financial Forecast;

Purpose and objective of the long-term plans was to:

- Multi-Year Financial Forecast
 - Confirm long-term sustainability of Funds
 - Identify threats to services and capital plan
 - IS a projection of *potential* financial outcomes
 - IS NOT an absolute predictor of future performance
- Multi-Year Capital Plan
 - Identifies long-term strategy
 - Provides a scope of capital responsibilities
 - Preview of budgeted capital priorities

The long-term plans are the first step in the financial planning and reporting process.

The financial forecast includes a 5-year history and 5-year projection for revenues and expenses in the General Fund, Water & Sewer Operating and Capital Funds, Motor Fuels Tax Fund, Police Restricted Revenue Fund, Capital Improvement Fund and Fleet Services Fund.

Finance Director Gosnell reviewed key decision points from previous years including the use of debt service rolling off, the current water rate plan, planned drawdowns of fund balance, the IEPA loan for the Knowles Tower, and funding for Fire Station #3.

Threats in the upcoming years include COVID-19 Crisis, State fiscal situation, changing Sales Tax landscape, and personnel costs outpacing revenue growth. Opportunities include 911 Consolidation, workforce turnover, “Big 3” COVID impacts, and the East Grand corridor.

Gosnell then reviewed the modeling for major General Fund revenues that includes a baseline, expansion and contraction models.

The Baseline Model assumes 75% of COVID losses are recovered in FY 2022, with a fully recovery in FY 2023. The Expansion Model assumes a full recovery in FY 2022. The Contraction Model assumes 50% of COVID losses are recovered in FY 2022, another 25% are recovered in FY 2023 and full recovery occurs in FY 2024.

Director Gosnell then reviewed the Major Revenue models, including Sales Tax, Home Rule Sales Tax, Amusement Tax, Hotel Tax, Food & Beverage Tax, Use Tax, Telecommunications Tax, Building Permits and Income Tax.

Gosnell then discussed major expenditures that are forecasted in detail and include salaries, health insurance, liability and workers compensation insurance, pension liabilities and debt service.

Gosnell reviewed the impact of the projections for all three revenue models on General Fund balance. Gosnell noted the Baseline Model Fund Balance remains at or above Village policy through the forecast period. Gosnell explained there are several factors not included in the forecast that will increase the fund balance including conservative budgeting, structural adjustments in revenues or expenditures, new growth or a change in the mix of the tax base. Gosnell noted the total deficit of all 5-years of the forecast is roughly \$6 million and historical General Fund surpluses from conservative budgeting could make up \$5

million of that amount prior to any other factors.

To illustrate how the factors impact fund balance projections over time, Gosnell then reviewed the fund balance projections for FY2021 from the forecast in FY17 that projected General Fund Balance to be \$21.6 million. Gosnell noted by the time of preparation for the FY2021 forecast the Fund Balance was projected to be \$26.8 million due to the factors outlined.

Gosnell reviewed the Water & Sewer Fund forecast noting the current rate plan expires at the end of this Fiscal Year and that no rate increase is built in. Gosnell noted with the COVID crisis and the impact on residents and water usage there were too many unknowns to recommend a rate increase at this time. Gosnell reviewed the Water & Sewer Fund balance and noted a modest rate increase would remove the deficits.

Gosnell discussed the Capital Improvement Fund and Motor Fuel Tax Fund and the impact those funds have on the Capital Plan in future years, noting the funding and use of resources for each Fund. Gosnell discussed how the Motor Fuel Tax Fund can act as a relief valve for the Capital Improvement Fund by taking on a greater share of the road program if needed.

Gosnell then discussed the Police Restricted Revenue and Fleet Services Funds. He noted the funding and use of resources for each Fund, and how each can act as a relief valve for other Funds if needed.

Gosnell discussed the conclusions and recommendation in the MYFF including ways to mitigate the use of fund balance in the future by diversifying the Village revenue base being less reliant on sales tax, managing workforce turnover, pursuing new growth, segregating one-time revenues for capital and setting fees to achieve full cost recovery whenever possible.

Questions:

Mayor Kovarik asked what impact the pension consolidation will have on the Village's pension funds and contribution.

Gosnell responded he does not expect much of an impact of the Village due to our funding levels.

Multi-Year Capital Plan: Fiscal Year 2022 – 2026

Finance Director Gosnell and Acting Public Works Director Galan reviewed the Multi-Year Capital Plan noting the following;

The Village utilizes a pay-as-you-go funding model for capital with the exception of the IEPA Loan for the Knowles Rd. Water Tower and a Promissory Note for Fire Station #3. Established funding sources include home rule sales tax, motor fuel tax, impact fees, grants, reserves and General Fund surpluses.

The total projected capital spending over the forecast period is \$49.4 million with FY22 totaling \$13.1 million. The FY22 projected spending breaks down as follows;

- Transportation System
 - FY2022 - \$4.1 million
 - \$3.4 million in rehabilitation work including:
 - \$1.7 million street resurfacing
 - \$1.0 million for reconfiguration and signalization of the intersection of Manchester Dr. and Milwaukee Ave., and improvements to Manchester Dr.
 - \$368 thousand for improvements related to the Stearns School Road overpass to enhance pedestrian accessibility
 - \$350 thousand in patching
 - \$50 thousand in crack sealing
 - \$225 thousand in Engineering consulting and inspections
 - \$140 thousand for sidewalk improvements at the

- Buildings & Building Improvements
 - FY2022 - \$3.2 million
 - Administration
 - \$55 thousand for a monopole on Cemetery Rd. (Split 50/50 with Water & Sewer)
 - Police Department
 - \$100 thousand for improvements including; condenser replacement, fire protection dry system, veterans' memorial repairs, and indoor air handling upgrades
 - Fire Department
 - \$2.3 million for the completion of Fire Station #3 construction
 - \$250 thousand for furniture, fixtures and equipment for Fire Station #3

Gosnell noted the furniture, fixtures and equipment (FF&E) for Fire Station #3 could be rolled into the loan if needed. There is additional contingency built-in that would provide funding if needed.

Questions:

Mayor Kovarik asked about the warning siren maintenance funds and if the Village was looking at moving away from this system based on improvements in technology and the way residents receive information.

Chief Kavanagh stated the Village has not yet looked at moving away from the system. He further stated the system is in good shape and typically yearly maintenance is low.

Trustee O'Brien asked about rolling FF&E into the loan noting if possible, the Village should try to keep debt to a minimum and pay for FF&E out of the capital fund.

Gosnell noted rolling it into the loan was an option if additional funding was needed for infrastructure and there was contingency built in to the contract.

2. Presentation by Fire Chief John Kavanagh – Fire Station #3 Update #5.

Chief Kavanagh updated the Board on Fire Station 3's progress to date, stating construction continues to move along as scheduled. The roof has been installed on the apparatus bay and all openings have been temporarily closed in so internal floors can be poured. Roofing and sidewall sheeting on the office and living quarters has begun and will be completed in the next week. To this point the weather has been a huge help in keeping progress moving and heating costs down.

Questions:

Trustee Balmes noted the recent passing of retired Chief Dada and inquired about opportunities to recognize and memorialize him.

Chief Kavanagh stated the Department is currently working on that and should have further information in the future.

E. OLD BUSINESS None.

F. NEW BUSINESS None.

G. PUBLIC COMMENT None.

Closing Comments None.

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

Voice Vote: ALL AYE: Motion Carried.

Mayor Kovarik adjourned the meeting at 8:04 p.m.

**Andrew Harris,
Village Clerk**