

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

**GURNEE VILLAGE HALL  
NOVEMBER 23, 2015**

**Call to Order**

Village Administrator Muetz called the meeting to order at 7:03 p.m.

**Other Officials in Attendance**

Patrick Muetz, Village Administrator; David Ziegler, Assistant Village Administrator/Community Development Director; Brian Gosnell, Finance Director; Fred Friedl, Fire Chief; Chris Velkover, IS Director; Ellen Dean, Economic Development Director; Jack Linehan, Asst. to the Village Administrator

**Roll Call**

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

Village Administrator Muetz noted the Mayor would not be present at the meeting and entertained a motion to appoint a President Pro Tem to chair the meeting.

It was moved by Trustee Garner, seconded by Trustee Ross to appoint Trustee Balmes as President Pro Tem.

**Roll call,**

**AYE: 5- Wilson, Ross, Garner, Thorstenson, Hood**

**NAY: 0- None**

**ABSENT: 0- None**

**Motion Carried.**

**Visit Lake County Update**

**1. Visit Lake County Update – Trustee Cheryl Ross**

Trustee Ross gave a brief history stating that she, along with the Mayor, Village Administrator Muetz, Finance Director Gosnell and Visit Lake County President Maureen Reidy met earlier in the year to brainstorm ideas in light of the state budget stalemate. It is estimated that the bureau would be solvent through November, 2015. The state requires that the Visitor's Bureau matches the state grant so that they cannot keep much in reserve from year to year. Money from the hotel tax goes to the state, but there is also a local tax that comes to Gurnee and a percentage of that tax that is sent to the Visitor's Bureau each month that is used to pay salaries, rent, utilities, travel, etc. The Bureau has cut down as much as possible until the state grant comes through. Trustee Ross further stated that the stalemate could quite possibly affect the summer marketing campaign. Lastly, she stated that if there is no state solution by January, a temporary solution would be an advancement on the anticipated funds that have already been budgeted through May 1<sup>st</sup>.

Trustee Ross then gave an overview of the return-on-investment the Village of Gurnee and its tourism-related businesses received from the marketing partnership with the Village in 2015.

Village Administrator Muetz indicated that the Village shares 20 percent of our hotel/motel tax with the Bureau excluding KeyLime. We budgeted \$142,000 in this year's budget and are at \$88,000 year-to-date. He further stated that if there's a crunch in January there could be approximately \$30,000 remaining to advance to the Bureau that would assist them in moving forward until the stalemate is resolved. He stressed that the Bureau has yet to receive their \$1.1 million FY15 grant. He stated that if the Village were to advance the Bureau what was approved in the budget to help them maintain staff, and get ready for the summer, no new funds would be paid until the next fiscal year.

**Questions/Comments**

Trustee Garner asked what would be the advance dollar amount.

Village Administrator Muetz stated that \$88,000 is what's has been paid under the regular schedule and the Village has shared 20 percent monthly of that amount. He stated that we would not go

over the \$142,000 approved budget.

Trustee Thorstensen asked Visit Lake County Riedy if there are any large expenses or revenue potential and the impact of a \$30,000 advance. She also asked about anticipated large expenses prior to May.

Ms. Riedy stated that the Bureau has cut down a lot on expenses and should be okay through February and can tap into their reserve funds. They also stated that a couple community partners that will be paying membership dues in the spring and would be willing to advance payment in January, if necessary. Ms. Riedy also stated that from all indications, the state grant will come through, it's just a matter of when.

Trustee Thorstensen then asked for clarification regarding the state and local hotel tax and its impact.

Ms. Riedy stated that the local and state taxes are collected on all the hotels and approximately one-third of that portion of that is reinvested in tourism and placed in a special fund. The Bureau can tap into the fund on an annual basis and typically receive from \$800,000 to \$1.1 million annually that is reinvested in marketing to increase overnight hotel stays.

## Multi-Year Financial Forecast

### 2. Multi-Year Financial Forecast- Finance Director Brian Gosnell

Finance Director Brian Gosnell gave the following overview of the multi-year financial forecast which is a long-term planning:

#### Purpose & Objective

- Long-term planning tool
  - Best practice GFOA & ICMA
- Project potential outcomes
- 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

#### Structure

- 5-Year history – current budget/estimate – 5-Year projection of Revenues, Expenses and Fund Balance
  - 15-Year history shown for perspective
- Funds included
  - General Fund (101)
  - Bond Fund (410)
  - E-911 Fund (203)
  - Motor Fuel Tax Fund (205)
  - Capital Improvement Fund (304)
  - Water & Sewer Operating Fund (521)
    - Water & Sewer Capital Fund (523)

#### General Fund – Revenue Modeling

The natural fluctuation of the economy between periods of expansion (growth) and contraction (recession). Factors such as gross domestic product (GDP), interest rates, levels of employment and consumer spending can help to determine the current stage of the economic cycle.

General Fund – Major Revenues include:

- Sales Tax
- Income Tax
- Amusement Park
- Food & Beverage Tax
- Hotel Tax
- Telecommunications Tax
- Use Tax
- Building Permits
  
- Sales Tax
  - 1% state shared, 50% of 1% home rule
- Assumptions
  - Existing business mix
  - No changes in collection or payment methods
- Projection Inputs
  - Historical data
  - National Bureau of Economic Research
  
- Sales Tax - \$17.672m
  - Baseline Model – 1.75% annually
    - FY2001-FY2015, 2008 downturn 75% impact
  - Expansion Model – 3.5% annually
    - FY2011-FY2015 average
  - Contraction Model - -3.25% FY2017, 3.5% after
  
- Summary
  - Baseline Model – FY2017-FY2021 average +1.75%
  - Expansion Model – FY2017-FY2021 average +3.97%
  - Contraction Model – FY2017-FY2021 average +1.55%

General Fund – Other Revenues

- Total \$8.75m (25% of total)
- 2.5% increase annually

Finance Director Gosnell that the major revenue sources generate approximately 75% of all general fund revenue and these same sources are used for quarterly financial reporting.

General Fund – Major Expenditures

- Full-time salaries
  - Turnover accounts for about 2% savings
  - Liability & workers compensation insurance
    - Continued MICA participation
    - Health insurance
    - Premium adjustment
    - Pensions
    - Actuary forecast
    - Debt Service
- Debt Service
  - Transferred to Debt Service Fund from General & W&S
  - 3 G.O. Issues (2009, 2011, 2012)
  - Park District (75%)
- Assumptions
  - No new debt
  - No change in allocation of Series 2012 (60% General, 40% W&S)
  - No refinancing
  - Capture 100% of debt coming off in FY2017 & 2018; 50% of debt coming off in FY2019-2021 for capital
- Projection Inputs
  - Actual data

General Fund – Other Expenses

- Increase by 2.5% annually
- No capital fund transfer other than debt service roll off

General Fund – Conclusions

- Fund balance sufficient to sustain a recession
- Limited new growth opportunities to increase tax base
- Operating increases exceed revenue growth in all but expansion

model

- Current operating model unsustainable long-term without “new growth” or revenue sources
- Must contain growth in personnel costs to continue to contribute to capital with General Fund surpluses or new growth
  - Long-term managed adjustments through attrition
    - Technology
    - Intergovernmental Cooperation
    - Privatization/Outsourcing
- Uncertain state situation threatening current revenue sources

Finance Director Gosnell stated that without new growth or other revenue sources, we will have to make operation adjustments. He further stated that as a service organization, personnel makes up the majority of our cost, so we are limited to what we can do on the expenditure side to bend the cost curve. We must contain personnel growth through long-term managed adjustments through attrition and by implementing technology and reducing staff inputs for processes partnering with other agencies, such as the county or township and looking at privatization where it makes sense, primarily non-customer centric services.

#### Water & Sewer Fund

- Combined Operations (521) & Capital (523)
- Water & Sewer Rates
- Major Expenditures
  - Salaries
  - IMRF
  - Health Insurance
  - Liability & WC Insurance
- Current Water Rate Structure (Baxter & Woodman Study)
- Study noted
  - Reliance on one-time revenues from new growth in place of rate increases
  - Changing economic environment necessitated a rate structure change
    - Lower connection fees
    - Declining water usage
  - Current rates (2011) did not reflect cost of service
- Recommendations
  - Bi-monthly billing
  - Update rates to reflect full-cost pricing
  - Usage rate distribution 75% Water, 25% Sewer (expense allocation)
  - Establish fixed charges
  - Begin to build capital into rate
- Current Water Rate Structure (B&W Study)
  - Begin to build capital into rate
  - Water \$2.2m, Sewer \$600k annual investment
  - Fixed monthly charge based on meter size
    - Intent to cover portion of O&M (25%)
  - Variable charge per 1,000 gallons
    - CLCJAWA Rate + Village Rate
  - Pass-through CLCJAWA Changes – 5/1
  - Increase Village portion by 3% - 10/1
- Results of Rate Change
  - Fund balance increase from \$3.2m (47%) to \$5m (70% of actual FY15 expenditures)
    - Operating expenditures grew faster than rate increases (avg. 4% FY2011-2015)
    - Lower water consumption
      - Billed consumption down 11% from FY2012 to FY2015
      - Invested \$750k in capital between FY2011-FY2015
- Water System – How much do we need?
  - FY 2016 Budget
    - O&M - \$3.65m x 75% water portion = \$2.75m
    - Debt Service - \$165k, final year
    - CLCJAWA - \$3.52m
    - Lost Water 7% - \$250k
  - Total = \$6.7m

- Water System – Where does it come from?
  - FY 2016 Budget
    - \$645k Water base fees
    - \$5.4m Water usage fees
  - Total = \$6.05m
  - Gap - \$650k
  - What about capital? + \$2.2m (B&W Study)
  - Real Gap = -\$2.8 m
- Challenge
  - Rate structure expired 10/1/15
  - Keep rate increases to a minimum/predictable
  - Preserve rate structure implemented based on B&W study
  - Keep up with increased operating costs
  - Increase capital funding
- Assumptions
  - Water usage declines 2% annually

Finance Director Gosnell gave various water comparative rate scenarios including the CLCJAWA portion and how it impacts the water bill.

#### Questions/Comments

Trustee Wilson asked if there are any state road constructions jobs coming up in the near future.

Village Engineer Scott Drabicki stated there is nothing in the five year plan that should impact the Village other than water mains.

Trustee Balmes asked if there is a set distribution between roads and water mains regarding the home rule sales tax that we put into the capital expenditures.

Village Administrator Muetz clarified stating there is no set distribution and that it's dictated by the Board

Trustee Garner asked what is causing the decrease in water usage.

Finance Director Gosnell stated that residents are being more efficient and conscious of water consumption.

Finance Director Gosnell gave the following overview of the water sewer system including the following:

#### Water and Sewer Fund

- Sewer System – Where does it come from?
  - FY2016 Budget
    - \$215k Sewer base fees
    - \$1.7m Sewer usage fees
  - Total = \$1.92m
  - Gap = +\$1m
  - Capital = \$600K (B&W Study)
  - Sewer Surplus = \$400k
    - Water Gap = \$2.8m

Finance Director Gosnell then presented cost comparison rates with the various communities.

- Conclusions
  - Water System
    - Combined rate captures CLCJAWA decrease for capital
    - Introduce capital rate in FY17 (5% increase)
    - 3% Increase on combined rate thereafter
    - 3% annual on fixed charges
  - Capital
    - Utilize Fund Balance of \$450k in FY17-20
    - Utilize \$300k of Debt service/HMR throughout
    - \$2m for capital by FY2021
    - \$6m over next 5 years in infrastructure
  - Fund balance remains at \$2.7m or more throughout (30% of expenditures)
    - Prior to annual surpluses

- Sewer System
  - Retain current rate structure
  - 3% annual increases throughout on variable and fixed charge every May 1<sup>st</sup>.
- Water & Sewer Fund – Discussion Points
  - Rate Model
    - Rate structure and increases
    - Effective May 1st
  - Knowles Rd. Tower Funding
    - IEPA Loan
    - General Fund Loan
    - \$325k annual debt service built into model

Trustee Balmes asked the Board for direction on the Water & Sewer Funds.

Trustee Wilson stated he would be in favor of the 2017 5% increase followed by 3% increase the following years.

Trustee Thorstenson asked for clarification regarding other municipality's rate increase schedule.

Finance Director Gosnell clarified stating that most increase annually May 1<sup>st</sup>.

Trustee Garner stated the increase is conservative and a long time coming and appreciates the plan brought forth.

Trustee Balmes stated that she is in favor of a yearly increase.

Trustee Hood stated that he would prefer to build our reserves and borrow from ourselves which would give the Village flexibility in spending.

Village Administrator Muetz stated if the 5% and 3% increase is palatable with the Board, staff would move forward with an ordinance. The Board concurred with the conservative increase.

Finance Director Gosnell completed the forecast with an overview of the following remaining funds:

- 911 Fund
  - Personnel to General Fund in FY2017
  - Utilize as Capital Fund for 911 operations
  - Motorola Lease expires in FY2018
  - Fund balance maintains at least \$275k throughout
  - No large capital purchases planned thru FY2021
- MFT Fund
  - Assumes no change in funding
  - Continued use for resurfacing/crack sealing
    - FY2017 - \$725k
    - FY2018 - \$925k
    - FY2019 - \$925k
    - FY2020 - \$925k
    - FY2021 - \$925k
  - Maintain fund balance of about \$250k
- Capital Improvement Fund
  - \$300k transfer to W&S Capital
  - \$100k transfer from Impact Fee Fund
  - 100% of Series 2012, 50% of Series 2009 Debt Service (\$250k - \$675k)
  - Assumes \$500k annually General Fund Surplus
    - FY2011 – FY2015 average \$2.2m
  - Fund Balance negative in FY2020
    - General Fund Surpluses
    - Vehicles & Equipment

The Finance Director stated that as it stands right now, in the event of a recession and no general fund surpluses, we would likely have to delay a portion of the capital plan to maintain a positive fund balance in the Capital Improvement Fund or use General Fund balance. He also stated that there will be a thorough review of

vehicles and equipment this budget cycle.

He further stated that from a capital standpoint, the FY16 budget capital program was \$10.1m and we expect to end at \$10.4m largely due to the Motorola lease. The good news is if all the assumptions come in at baseline or better we can fully fund our capital plan. Should we have a recession in the next year, we will obviously have to evaluate our options.

- Future Recommendations
  - Expiring Debt Service to Capital
    - Reserve Debt Capacity for Buildings
  - Full Cost Recovery for Charges for Service
  - Departmental Long-Term Planning
    - Staffing, Services, Capital
    - Seek staffing efficiencies
      - Technology
      - Privatization
      - Intergovernmental Partnerships

In conclusion, Trustee Balmes commended Finance Director Gosnell and staff on a job well done with the first Multi-Year Financial Forecast.

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**Closing Comments**      None.

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**Adjournment**              It was moved by Trustee Ross, seconded by Trustee Garner to adjourn the meeting.

**Voice Vote:      ALL AYE:      Motion Carried.**

Trustee Balmes adjourned the meeting at 8:15 p.m.

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**Donna Dallas**  
**Deputy Village Clerk**