

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

**GURNEE VILLAGE HALL
JANUARY 29, 2018**

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; Bryan Winter, Village Attorney; Jack Linehan, Assistant to the Village Administrator; Brian Gosnell, Finance Director; John Kavanagh, Fire Chief; Kevin Woodside, Police Chief; Ellen Dean, Economic Development Director; Scott Drabicki, Village Engineer

Roll Call

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

A. DISCUSSION ITEMS

1. Discussion of Rate Adjustment to Amusement Tax and Hotel Tax.

Village Administrator Muetz gave an overview stating that due to the overall retail landscape and the change in consumer shopping, specifically online shopping, retail sales tax has taken a drastic hit in the past several years. That, coupled with dedicated funding for Economic Development opportunities no longer being available, puts the Village in position to look for other sources of revenue if it is to continue operating without levying a property tax. The Village Administrator stated that in order to make up for declines in Sales Tax, earmark funding for economic development, maintain strong reserves and keep the tax burden on residents low, staff is proposing to increase Amusement Tax from 3% to 4% and Hotel Tax from 5% to 6% effective May 1, 2018. A one percentage point increase in each would generate approximately \$1 million. Village Administrator Muetz further stated that a portion of this additional revenue could be earmarked for economic development purposes. In addition, the annual contribution to Visit Lake County would be capped by the Village based on the current number of hotels at \$190,000 and the agreement would be revisited if a new hotel or major attraction is constructed in the Village. All the entities impacted by this proposed change were notified January 18th of the proposed change and invited to tonight's meeting. The timeline is to make the impacted entities aware of this discussion, prepare an ordinance for vote by the Village Board at the March 5th regular Board meeting and if approved, become effective May 1, 2018 to coincide with the Village's fiscal year.

Questions/Comments

The Mayor stated that our retail corridor is extraordinarily strong with 98% occupancy; we have more demand than supply; and the past 20 years have seen a significant demographic change in our community which have affected our sales tax. She further pointed out that both amusement tax and hotel taxes have not increased in over 20 years.

Trustee Jacobs asked where the State is with regard to internet taxing; are the surrounding cities considering an amusement and hotel increase; and have we looked at the hotel tax rates north of the border.

The Mayor clarified stating that State Representative Dold introduced a bill in Congress regarding internet sales tax and that bill is still in committee; however, the Supreme Court will be taking up the case soon. Village Administrator Muetz clarified stating that non home rule communities are limited to having their hotel rate at 5% by the State of Illinois. The Village Administrator will contact communities north of the border to find out what their tax rates are.

Trustee Ross informed the Board that as a result of her last meeting at Visit Lake County, it was determined that they are going to increase the contribution amount of all towns other than Gurnee by five percent. Trustee Ross is the Village Board's representative for Visit Lake County.

Trustee Garner stated that he is in agreement with both tax increases; however, his concern is that the increase is in line with other communities. He also expressed concern regarding Visit Lake County stating that while they are of great value to the Village, the Village pays six times what surrounding communities pay and receive no more benefits than those communities who pay less. He believes other communities should bear the financial burden.

Trustee Ross made further comments regarding the complexity of the state rules regarding their contribution. The Village Administrator stated that Visit Lake County President, Maureen Reidy will be invited to an upcoming meeting to answer questions and clarify its role in Lake County.

Trustee Balmes stated her ongoing frustration is with funding the big box businesses while the Village still does not levy a property tax and yet provides outstanding service to residents and businesses in the Village. She also asked that any additional revenue not be solely designated towards Economic Development. Village Administrator Muetz clarified stating that this can be further discussed during the budget process.

Trustee Hood echoed Trustee Balmes' request regarding designation of additional revenue not being governed by Village ordinance. He also stated that it's part of the Village Board's due diligence to inquire regarding the annual contribution to Visit Lake County. He is in line with the Village's approach regarding the Amusement Tax and Hotel Tax proposed increase.

Public Comment(s)

Chetan Patel
Baymont Inn & Suites
5430 Grand Avenue
Gurnee, IL

Chetan Patel, Baymont Inn & Suites, asked the Board if they considered raising the Amusement Tax to 5% instead of raising the hotel's 1%; is Great Wolf paying one or two taxes; and what benefit will raising the tax offer to hotels. The Mayor clarified stating that the decision was made to raise all the entity's taxes by 1% to reach the additional revenue to remain solvent and that Amusement and Hotel tax go hand-in-hand. She further clarified stating that Great Wolf will be paying a Hotel Tax and a Resort Tax. Finally, she stated that the funds raised by the tax increase will go directly to the General Fund which the Village uses to provide exceptional service such as Police, Fire, and Public Works, in lieu of a property tax.

Kal Patel
Country Inn & Suites
5420 Grand Avenue
Gurnee, IL

Kal Patel, Country Inn & Suites, thanked the Board for their letter regarding tax increases. He asked about the accrued dollars for economic development and how the hotels will benefit. The Mayor clarified stating that the Village is looking for more entertainment options during the winter months and welcomed any suggestions.

In conclusion, the Mayor and Village Administrator stated that a decision will be postponed until Maureen Reidy, Visit Lake County President comes before the Board to address concerns after which, an ordinance will be presented to the Board for a vote.

2. Discussion of Funding Scenarios for the Knowles Road Water Tower.

Village Engineer Drabicki gave the following overview of the Knowles Road Water Tower that will be constructed on the west side of the Village highlighting the following:

Project Overview

- New 2MG aerial tank to provide storage and pressure
- Pressure increase will be engineered for area west of Hunt Club Road – New Zone 5
- Water source will be new CLCJAWA transmission main on Almond Road
- Storage can be used in entire Village
- Tank design is nearing completion
- Pressure Reducing Valve designs are complete
- Pump station is being right-sized and is currently evolving

Finance Director Gosnell gave an overview of the various options for funding the project that includes loan proceeds and use of reserves as follows:

Potential Project Financing

- IEPA Loan
 - 20 years @ 1.76%, early payoff option
 - Approve a not to exceed, final after bidding
 - Consultant and Bond Counsel expenses
 - Backed by water rates, not G.O. debt, does not prohibit G.O. debt
 - Issue of additional debt against water system would need IEPA approval as first lien holder
- Reserves
 - Water & Sewer Fund Reserves
 - 4/30/17 Audited balance \$5.55m or 60.69% of FY18 expenses
 - Maintain 50% balance +\$978k
 - Maintain 35% balance +\$2.35m
 - General Fund
 - 4/30/17 Audited balance \$26.02m or 65.35% of FY18 expenses

Options Include:

1. \$5m IEPA Loan & \$1.5m W&S Reserves
 - Annual payment \$298,747
 - Total interest \$974,946
2. \$4m IEPA Loan & \$1.5m W&S Reserves & \$1m General Fund Reserves
 - Annual payment \$238,998
 - Total interest \$779,957
3. Full IEPA Funding
 - Annual payment \$388,375
 - Total interest \$1,267,430
 - 3a. Additional payment of \$100k annually– total interest \$972k (Option 1)
 - 3b. Additional payment of \$210k annually– total interest \$778k (Option 2)
4. No IEPA Loan, \$1.5m W&S Reserves & \$5m General Fund Loan

Questions/Comments

The Trustees unanimously favored Option 1 combined with making additional principle payments. Staff will move forward and prepare an ordinance for a vote.

Closing Comments None.

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

Voice Vote: ALL AYE: Motion Carried.

Mayor Kovarik adjourned the meeting at 8:15 p.m.

Donna Dallas
Deputy Village Clerk