

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

**GURNEE VILLAGE HALL  
JUNE 24, 2019**

**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; Tom Rigwood, Director of Public Works; John Kavanagh, Fire Chief; Brian Smith, Police Chief; Ellen Dean, Economic Development Director, Jack Linehan, Assistant to the Administrator; Erica Wells, Assistant to the Finance Director.

**Roll Call**

**PRESENT: 5-Garner, Balmes, Hood, Thorstenson, Ross**  
**ABSENT: 1-O'Brien**

**Pledge of Allegiance**

Mayor Kovarik led the Pledge of Allegiance.

**A. DISCUSSION ITEMS**

1. Presentation of the FY 2018/2019 4th Quarter Financial Status Report.

Finance Director Brian Gosnell presented the following Power Point presentation to the Board:

Fiscal Year 2018/2019  
4th Quarter Financial Review  
May 1, 2018 – April 30, 2019  
(Un-audited)

**Cash & Investments**

- Total \$36,163,640
  - General Fund 68%
  - W&S 18%
  - 26% Checking/Money Market – First Midwest
  - 29% Short-Term Fixed Income – Schwab
  - 45% in Money Markets - IL Funds
- Yield vs. Benchmark
  - Village Portfolio – 2.338%
  - 91 Day T-Bill – 2.433%

**Major General Fund Revenues**

- Major revenues in total finished just under budget by 0.26% or \$81k, but 8.34% or \$2.35m over last year.
- Strong increases in Sales Tax, Use Tax and Amusement Tax.
- Hotel Tax finished quite a bit under budget but far ahead of last year due to the Village budgeting for the maximum exposure under the rebate agreement, this will be much closer in the FY 2019/2020 budget.
- Food & Beverage and Telecom Tax finished slightly under budget, Food & Beverage was still over 2% better than last year but missed budget by \$28k, Telecom decreased more than expected.
- Building Permits missed budget based on the timing of some major projects that are still out there, and Income Tax finished the year strong ending \$139k over budget.

**General Fund Revenues**

- General Fund revenues in total finished just slightly ahead of budget at 100.18% or \$77,600 ahead of budget.
- Taxes finished at 77.89% largely due to the Resort Tax negative variance.
- Licenses & Permits finished at 88.82% of budget due to less than expected impact fees.
- Fines & Forfeitures finished just under at 96.81% due to lower court and red light fines.
- All other categories finished ahead of budget.

### **General Fund Expenditures**

- General Fund expenses in total finished the year at 97.83% or \$918k under budget.
- Professional & Technical Services finished the year at 106.75% of budget or \$96k over budget due to contract employees being paid out of this category but budgeted in salaries and wages.
- The Other Financing Uses category includes the transfer of \$1.3m to the Capital Fund and \$200k to Water & Sewer Capital Fund.
- All other categories finished right at or under budget
- With the positive revenue and expenditure variances staff anticipates a surplus of just over \$1m, after transfers to capital.

### **Water & Sewer Fund Revenues**

- Water & Sewer Fund revenues finished the year at 100.54% or \$50k over budget.
- In the Charges for Service category water usage was up about 2.5% versus last year, cell tower lease revenue was down due to less carriers and the change from water tower to antennae directing it to the General Fund.
- Fines & Forfeitures finished ahead of budget due to greater than anticipated late fees.
- Investments & Contributions category finished well over budget by \$70k due to investment performance and adjusting banking to take advantage of higher interest rates, this is partially offset by higher fees on the expenditure side.

### **Water & Sewer Fund Expenditures**

- Water & Sewer Fund expenses finished at 99.07% or \$947k under budget.
- Professional & Technical Services finished at 107.59% or \$1500 over budget due to personnel testing.
- Other Contracted Services finished at 110.69% or \$13k over budget due to bank fees as staff moved funds from earnings credit to money market accounts to earn more interest.
- There was a large savings in the Supplies category of \$342k largely due to the timing of purchasing new meters, will start in FY20.
- Overall the Water & Sewer Operating and Capital Funds will end with a \$600k surplus.

### **Police & Fire Pension**

- Police Pension (Ziegler & Stratford)
  - Avg. Monthly Portfolio Balance - \$52.02m
  - FY19 Gains/Income – \$5.74m
  - FY19 Annualized Return – 11.03%
  - 12 month Rolling Return – 11.03%
  - 36 month Rolling Return – 9.87%
- Fire Pension (Sawyer Falduto)
  - Avg. Monthly Portfolio Balance - \$37.94m
  - FY19 Gains/Income – \$2.64m
  - FY19 Annualized Return – 6.97%
  - 12 month Rolling Return – 6.97%
  - 36 month Rolling Return – 8.23%

**Questions:** None.

2. Discussion of proposal to pay off Series 2011 General Obligation Bonds early using General Fund surplus in order to save on interest fees.

Finance Director Brian Gosnell presented the following Power Point presentation to the Board:

### **Series 2011 Cash Defeasance**

- Call Option Each of Last 3 Years
- Speer Financial Analysis
  - \$4,461,500 To Payoff (November 15)
  - \$4,500 Speer Fee
  - \$259,050 Interest Savings
- Potential Funding Sources
  - \$1,122,000 FY 2019/2020 Budget

- \$1,393,334 Debt Service Fund Balance
- \$1,035,000 Projected FY 2018/2019 General Fund Surplus
- \$138,000 FY 2019/2020 Aquatic Center Savings
- \$773,166 General Fund Balance
- General Fund Balance Remains at 60%

Finance Director Gosnell stated the Village has one outstanding bond, Series 2011, which the Village has explored paying off early. The outstanding amount to pay it off is \$4.4 million. This includes a few small fees related to early payment, however the savings in interest would be approximately \$260,000.

Director Gosnell next reviewed funding sources to pay off this debt including budgeted debt service funds, debt service fund balance, 18/19 General Fund Surplus and FY 19/20 Aquatic Center Debt Service savings. This results in an additional \$773,000 needed to pay off the debt that would need to come from General Fund balance. He stated staff is looking for direction on if staff should move forward with this.

**Questions:**

Mayor Kovarik stated this is a significant savings. She asked if there was a penalty for paying off the debt early.

Director Gosnell said no.

Trustee Thorstenson asked for clarification on outstanding bonds if this is paid off.

Director Gosnell stated the Village would have no General Obligation (G.O.) Bonds. He then provided further information on G.O. Bonds and how they can be used.

Mayor Kovarik stated the Village's "obligation" is property tax, however each year it is abated and the debt is paid with cash on hand.

Trustee Thorstenson asked for confirmation if the Village paid this off early, it would not need to abate property taxes going forward.

Director Gosnell stated that is correct, however he has to check on timing.

Trustee Thorstenson stated she feels most comfortable keeping a small amount of money financed to provide the Village a cushion. She asked if the Village has refinanced this bond.

Staff responded it did not believe so.

Trustee Thorstenson stated refinancing could provide additional benefits to the Village.

Director Gosnell stated it's important to keep in mind that financing of Fire Station #3 is upcoming and if the Village wanted to finance it, it would have to issue another bond.

Trustee Balmes referenced the Multi-Year Financial Forecast and the scenarios that were included in it. She stated she agrees with Trustee Thorstenson related to maintaining a cushion.

Administrator Muetz stated it's important to keep in mind that this involves spending \$800,000 of the \$24 million the Village has in fund balance.

Director Gosnell stated it's also important to remember paying it off early means the Village will not have to budget for it going forward.

Trustee Balmes stated spending fund balance is concerning to her should the economy take a turn for the worse.

Trustee Hood stated he likes the opportunity to save the interest costs and taxpayer dollars. He stated the Village can afford to pay it

off today and therefore should take advantage of this opportunity.

Trustee Garner stated the Village has been fiscally conservative and has earned the right to pay off this debt. He stated the Village fund balance is nearly double what the policy requires. He continued to state he supports paying it off early.

Director Gosnell reiterated this alleviates a \$1.2 million payment next year.

Administrator Muetz stated the pool will be paid off this fiscal year as well.

Trustee Ross said the speaker at the Lake County Partners Annual Meeting stated the economy may be headed for a recession but none of those indicators have presented themselves. She stated the economy continues to be strong.

Trustee Ross then asked if there was a plan for the debt service payment in future years.

Staff stated no.

Mayor Kovarik asked what the interest rate on this bond issue is.

Director Gosnell stated between 3% and 4%.

Trustee Thorstenson asked about the General Fund balance target.

Director Gosnell provided some additional information, stating Village policy requires 35% and the 60% General Fund balance referenced would be after this bond is paid off. He continued to state paying this bond off early provides the Village budgeting flexibility and puts the Village in a stronger position in the future.

Trustee Balmes expressed concern about freeing up this funding and the perception it may create.

Administrator Muetz stated the formula approach to determining wages continues to be supported by the workforce. He continued to state this change will be included in financial forecasts and staff will need direction from the Board on how this funding is used going forward.

Mayor Kovarik stated the Village has and continues to make strategic investments that it is benefitting from compared to surrounding communities. She continued to state the Village needs to remain fiscally conservative.

Administrator Muetz stated staff has no plans for the funding, rather it's an opportunity to purchase flexibility related to future budgeting.

Trustee Ross stated staff would not have brought this forward if they did not believe it was worthwhile.

Administrator Muetz agreed with this statement. He continued to state that staff will work to bring this forward at a future meeting.

### 3. Discussion of budget amendment related to the Police Pension Fund.

Finance Director Brian Gosnell reviewed the following Power Point presentation:

#### **Fund 307 Budget Adjustment**

- Greater than Expected Pensions
- Budget Amendment +\$150,000
- Note in Management Letter

Director Gosnell stated the Village had a retirement in the Police Department that was not anticipated when the FY 18/19 Budget was developed. As a result, the Police Pension Fund expenditures

exceeded budget and therefore a budget amendment is appropriate. The amendment increases Police Pension Fund expenditures by \$150,000.

**Questions:**

Mayor Kovarik said we are not appropriating more money.

Director Gosnell said this is increasing budgeted expenditures in the Police Pension Fund to cover what actually happened

Trustee Ross asked if we are sure that is enough.

Director Gosnell said yes.

Administrator Muetz said the amendment will be on the next Board agenda.

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**Adjournment**

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

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

Mayor Kovarik adjourned the meeting at 7:33 p.m.

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**Andrew Harris,  
Village Clerk**