

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE VILLAGE OF GRAYSLAKE HELD OCTOBER 13, 2018

The Special Meeting of the Board of Trustees of the Village of Grayslake was called to order in the Board Room of the Grayslake Village Hall at 8:30 a.m. Mayor Taylor presiding.

Roll call: Trustees Vogel, Waldenstrom, Davies, Shores - present. Trustees Jarvis, Nicodemus – absent. Clerk Lee – present.

Also present were various staff members.

Mayor Taylor welcomed Board members to the special meeting to discuss the 2019 capital improvement program.

Mayor Taylor suggested that the Board reorder the discussion topics to discuss extended term financial plans after a general review of the latest financial forecasting information. Discussion of the annual resurfacing program could be next followed by remaining capital project related discussions. The Board concurred with this approach.

Mayor Taylor asked Village Manager Mike Ellis to present information on Village financial forecasts and capital projects. Mr. Ellis began by thanking the team for all their work on the meeting information with special recognition of Assistant Manager Kryska's work on extended financial planning. He then reviewed different financial stability factors that are used to attempt to maintain a healthy financial condition including the expectation of our customers that the Village will remain sound financially with the ability to deliver, at least, the services we now provide. He provided information on the overall set-up of the Village's different operating and capital funds noting that the Village's General Fund includes the General Operating Fund which supports certain operations that do not typically generate sufficient dollars on their own to support their costs. These include things like police, management services, recreational facilities like the senior, aquatic and heritage centers, and building/code enforcement and these are supported with general revenues. After paying for operations the remaining General Fund dollars support the Resurfacing Fund, General Capital Project Fund and the Economic Development Capital Fund. Mr. Ellis reviewed the key forecasting assumptions used for the latest updates including changes to out-year forecasted annual increases in General Operating Fund costs and road resurfacing costs. He stated the latest updates incorporated the approved FY 18/19 budget and latest cost figures for the various capital projects. He specifically reviewed the fragile nature of the General Fund (General Operating Fund/Resurfacing Fund/General Capital Project Fund/Economic Development Capital Fund) due to certain factors including a lack of control of major revenue sources, narrow sales tax base, property tax caps, and the fact that most General Fund operating expenses (police/snow plowing/aquatic center) are impacted by outside factors. For this reason the Village has developed certain fiscal defenses and these defensive methods are key to the Village's ability to get through economic downturns while maintaining services and a planned capital program. One main fiscal defense has been maintaining a lower dependency on economically sensitive and unpredictable revenues for operations. Since maintaining this defense means that some of these revenues are not used for operations they become available for infrastructure/capital purposes. If the Village grows weaker financially due to higher dependency on these revenues for operations,

the natural result is less infrastructure dollars. He reviewed past declines in annual General Fund economically sensitive/unpredictable revenues from their peak years. It was noted that the ongoing annual water/sewer infrastructure payback to the General Fund has provided some substitute revenue. Cost cutting has been made possible by implementation of various atypical operating approaches which have allowed for an over 60% reduction in full-time non-police officer positions. The Board discussed the fact that cost containment efforts have resulted in per capita operating costs rising 37.4% less than inflation since 1992. If the Village per capita operating spending had risen with inflation spending would be 50% higher. Trustee Vogel pointed out that even with new services added since 1992 per capita operating costs have still risen 34.5% less than inflation.

Mr. Ellis explained that, overall, the fall updates to the Grayslake Financial Forecasts continue to reflect a very slow weakening of financial position of the General Fund over the next ten years. This is reflected in a gradually rising dependency on economically sensitive and unpredictable revenues for General Operating Fund costs and decreasing availability of dollars for infrastructure or capital projects to the point where there is no capital funding. Mr. Ellis presented a chart depicting the projected dependency percentages for the General Operating Fund and combined dependency for operations and resurfacing.

The Board reviewed projections for the General Capital Project Fund showing a gradual decline in available project dollars. It was noted that the lack of selected projects results in an increasing balance in the Economic Development Capital Fund. As projects are selected over these years these dollars would be used. The Board reviewed the ten year cash flow projections for these funds and it was noted that no new multi-year projects are included in the General Capital Project Fund at this time.

Mr. Ellis reviewed the status of the Water and Sewer Capital Fund noting that revenues are limited due to limited development activity. The lack of funds precludes adding large projects to this fund beyond normal annual miscellaneous project expenses. Any fund balance can also serve as a reserve for unexpected expenses.

Mr. Ellis discussed his suggested transfer of excess funds in the General Operating Fund balance to the Police Pension Fund (\$132,000) and retention of funds for anticipated property purchase costs (\$300,748). Mr. Ellis answered questions from the Board about the status of these funds and the recommended transfer. The Board consensus was to draft the needed resolution including the recommended transfers for final approval of the Board at a future Board meeting.

Mayor Taylor directed the Board to the provided extended term financial information and asked Mr. Ellis to provide background. Mr. Ellis stated that over the last thirty years different Village Boards have taken actions as needed to preserve the Village's healthy financial position. He noted that the Village's attention to long term, and detailed, forecasting can give the Board time to consider options and to implement plans gradually. He reviewed recent Board discussions on extended term financial planning which started with the identification of large General Fund operating and resurfacing deficits after the normal ten year financial forecast period. Since identifying the forecasted long term challenges the Board reviewed and discussed options including service cuts, cost containment measures and revenue items. At a later discussion the

Board then established financial plan objectives including \$2.0 million (inflation adjusted) per year in non-resurfacing General Fund capital dollars and a maximum 85% dependency on economically sensitive/unpredictable revenues for operations and resurfacing. With these objectives in mind, after further discussions on options with Mayor Taylor, a draft Extended Term Financial Plan was developed.

In developing this plan the following concepts were utilized:

- Meeting the Board's financial objectives.
- Recognizing cost inflation will be present during the extended period so customer costs will need to rise gradually somewhat over time.
- Be customer sensitive by delaying fee adjustments or additions as long as possible while allowing for increases as needed to meet inflation.
- Strengthen the General Fund by utilization of revenue sources in control of the Village.
- Maintain resources to deliver police and street maintenance services.
- Provide for some infrastructure funding without borrowing.
- Flexible plan that the Board can change as conditions warrant over time.

The proposed plan starts with restrained capital spending, utilizes storm sewer capital paybacks after the conclusion of the water/sewer infrastructure paybacks and delays General Fund revenues as long as practical and as the opportunity for some water/sewer savings begins to emerge. It was noted that the plan strengthens the weakest part of the Village's finances and puts revenues where we project they will be needed. Customer cost impacts could be minimized through lesser water/sewer rates from a pass-through to our customers of anticipated CLCJAWA rate reductions over the coming years and a reduced capital portion of water/sewer rates. These lesser than contemplated water/sewer rates combined with the new General Fund revenues (garbage rates/transportation fee/utility taxes) result in an overall projected customer cost increase of 1% per year over the 15-year plan period. This would be a swap of what customers pay while also recognizing the normal inflation of costs.

Board members discussed the plan details and how it reflects previous Board discussions. Mayor Taylor suggested the Board think about including an extraordinary majority vote requirement and/or additional steps or procedures to go outside an adopted plan. This could help preserve the Village's financial health while allowing changes. The questions of the need to reach a wider consensus to go outside an adopted plan and the potential ability of a small minority to disrupt Village finances were discussed. Taking flexibility from future Board's versus strengthening use of our practices was also considered. The Mayor stated that this could be considered further later and after the legal review.

Trustee Vogel made a motion to direct finalization of an Extended Term Financial Plan as presented for Board approval in 2019. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Mayor Taylor – all "aye". Motion carried.

Trustee Davies suggested that the Board might consider the use of capital funds generated in excess of the capped annual capital spending amount for options as they arise that could help the Village financially in the long run.

Trustee Waldenstrom made a motion to authorize design services and bidding for the annual road resurfacing program, the Prairie Crossing path paving and including curbing on White Street and Oak Avenue as presented. Seconded by Trustee Davies. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Mayor Taylor – all “aye”. Motion carried.

Mayor Taylor directed the Board to the various planning studies completed over the last year. Discussion on the need for additional back-up water well supply in light of the CLCJAWA transmission system was held. Mayor Taylor noted there are a number of locations where a line break could prevent JAWA water service for months and the costs for redundant pipes are very high. The report confirms that the Village has an approximate 21 day capability to supply without CLCJAWA. It was noted that a number of agency members who had sufficient well capacity before CLCJAWA started service have maintained their systems as back-ups reducing the potential support for costly transmission redundancy improvements. Since we have never had this level of back-up, as the CLCJAWA system ages there is an increasing risk that we will not be able to supply our customers. Trustee Vogel stated that someday CLCJAWA may add more redundancy but it could take years. The consensus was to begin the process of developing additional back-up well supply for our customers.

The Board discussed the Stormwater Management Report completed by our consulting engineers which recommends construction of a new storm sewer downstream of the Haryan Farms stormwater system to replace the old field tiles currently in use. It was noted that the current system has worked in normal, even heavier, storms but struggled during the 2017 200-year rain event. Mayor Taylor noted that this project had been on previous project lists. The consensus was to put this project in a multi-year plan after the well project is completed.

Trustee Vogel reviewed the history on his discussions with former Trustee Edwards on possible enhancements to Memorial Park. Board members discussed the concepts which were provided by the Village’s consulting planner to start a discussion. Members expressed views on the different ideas including paths, landscaping, benches and trash receptacles. Generally, members supported landscaping upgrades, benches and receptacles and less paths than shown on the concept plan. Trustee Shores suggested two crisscrossing paths and Trustee Vogel suggested a connection between the Veteran’s Memorial and the gazebo. All agreed that the next step is an opportunity for neighbor’s to provide feedback. This will be arranged.

Mayor Taylor reviewed the potential uses for the extra financial information on fairgrounds land uses for planning and developer negotiations. Trustee Vogel asked if the Board felt comfortable with land uses in scenarios 1, 2 and 3. Members discussed these and the best Village negotiation stance including for the retail component. Members felt the amount of retail may impact the residential options. After the discussion the consensus was to have S.B. Friedman complete a market study for retail on the site. Trustee Davies felt the provided information along with the market study would help in recruiting developers. Trustee Vogel suggested at some point we should be able to broadly say “yes” to land uses assuming our development standards are met. Mayor Taylor felt the market study on retail would also be important for a Comprehensive Plan update process.

Board members discussed various project options as included on project lists. They reviewed the latest costs for Atkinson Road intersection improvements with detailed discussion on traffic back-ups at Washington Street including left turning back-ups extending some length down Atkinson Road. It was noted that these improvements are also in anticipation of the eventual Route 83 realignment to Atkinson Road at Route 137 that could increase traffic on Atkinson Road. Also discussed were latest costs for the Center Street utility burial project. Board members discussed the mix of spending between infrastructure and projects the public can see. Heritage Center Executive Director Michelle Poe discussed the proposed Heritage Center Foundation fundraising plan development. Trustee Shores expressed his support for this “next step” in our effort to add private funding for the Heritage Center. Mayor Taylor suggested that Gelatin Park additional improvements be considered later after the park has been in use. A brief discussion on event planning for the 125th anniversary of the Village’s founding was held and it was confirmed that suggestions are welcome as planning begins. A draft schedule will be presented for consideration. Mayor Taylor also reviewed for the Board project feedback he received from Trustee Nicodemus.

After some Board discussion Mayor Taylor offered his initial suggestions for some projects for FY 19/20 including the first year work of the well project, fairgrounds retail market study, Atkinson Road/Washington Street Phase I engineering, Heritage Center field tile replacement, Seymour Avenue drainage project, water chlorination system, Comprehensive Plan update, Public Works building demolitions, Heritage Center fundraising plan and the 125th anniversary budget. The consensus was to include these projects.

The Board then discussed possible additional projects. Possible customer funding for the additional Center Street burial project costs was discussed with Board members expressing various views on ComEd billing for this with particular emphasis on the need for strong communication to our customers if this option were used. After this discussion the consensus was to not take this approach at this time.

Board members discussed the Center Street burial project and the path to Alleghany Park. Trustee Shores mentioned that he gets expressions of support for the path project from runners, bikers and park users. Trustee Davies agreed but noted that the burial project is the last of the planned downtown projects so it would be good to finish what we started. The consensus was to complete the burial project in 2019 and authorize design engineering for the Alleghany Park path connection.

Trustee Shores made a motion to authorize design engineering and bidding as needed for the following 2019 projects:

- Well project (year one)
- Fairgrounds market study
- Atkinson Road/Washington Street intersection Phase I engineering
- Water chlorination system
- Comprehensive Plan update
- Seymour Avenue drainage
- 125th celebration budget
- Heritage Center area field tile replacement
- Public Works building demolitions

- Heritage Center fundraising plan
- Center Street utility burial
- Engineering for bike path (Alleghany Park connection)
- Path from library to aquatic center

Seconded by Trustee Davies. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Mayor Taylor – all “aye”. Motion carried.

The Board then discussed the results of contracting certain pool operating activities including achieving 2018 benefits of this approach and the extra costs. The Board also reviewed financial performance projections for the aquatic center with and without the contracting approach. Supplemental projections including higher costs from possible minimum wage increases were also discussed. Options for an in-house staff addition as included in the current financial forecasts were considered in conjunction with ending the contract to provide, among other things, pool management back-up.

Trustee Waldenstrom made a motion to end the contract with Jeff Ellis Management LLC and to authorize the hiring of an additional management analyst as soon as it can be done. Seconded by Trustee Davies. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Mayor Taylor – all “ayes”. Motion carried.

The Board discussed the final format and wording for the community grant program previously considered by the Board. Board suggested edits will be incorporated. Implementation steps were discussed and it was directed that information on the program and application process/schedule be included in upcoming Village communications and the placement on the website of application forms. It was confirmed that the Board will make the determination of recipients prior to the beginning of each fiscal year from the applications received and in accordance with the program budget. Mayor Taylor suggested that this be started as a pilot program. Trustee Shores made a motion to implement the plan on a pilot program basis. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Mayor Taylor – all “ayes”. Motion carried.

Trustee Shores made a motion to adjourn at 12:25 p.m. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Mayor Taylor - all “aye”. Motion carried.