

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE VILLAGE OF GRAYSLAKE HELD MARCH 30, 2019

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

Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus - present. Trustee Jarvis – absent. Also present: Village Clerk Lee, various staff members and members of the public.

Mayor Taylor welcomed the Board members to the annual budget workshop. He asked Village Manager Mike Ellis to provide information on the updated Grayslake Financial Forecast and the Draft FY 19/20 Operating and Capital Budgets.

Mr. Ellis began by providing information on major items/changes in the updated financial forecasts. These include property tax amounts continue to be forecasted utilizing the Board's policy for the annual COLA and 50% of "new property" revenues. He noted changes to the basis of aquatic center swim lesson revenues, the fact that residential building activity is now limited in the forecast period, flat utility tax revenues and slightly higher interest earnings. In terms of costs the forecast includes the latest large North Shore Water Reclamation District (NSWRD) sewer rate increases and further projects a 2.5% annual increases for these services after FY 19/20. Mr. Ellis stated that the NSWRD/LCPW agreement does not allow for review and input on NSWRD rate decisions. The 2019 forecasts also include actual CLCJAWA FY 19/20 rates, maintains the current use level of part-time police officers, reflects the Building Department post-transition cost basis, assumes contracted financial services and the ending of the JEM aquatic center contract. He added that the forecasts included projections on the cost impacts of the new minimum wage law which adversely impacts seasonal public works and aquatic center staffing costs. It is also projected that there will be significant cost increases in a number of operating contracts due to the wage law. He noted that, based on the recent resurfacing bids, the resurfacing cost baseline was again lowered for the annual road resurfacing program and this results in some additional capital dollars in the forecasts. He stated that, per the Board's direction, the forecast includes only two multi-year capital projects (emergency back-up well project/Haryan Farm outfall storm sewer). He referred the Board to the chart entitled Summary of Key Financial Indicators which shows ten year projected trends of rising operating dependency on certain unpredictable revenues and a gradual decline in the amount of available capital project dollars after approved projects are paid for over the period.

Village Manager Ellis then reviewed the Village's overall financial health as depicted in the updated multi-year projections using the customary seven financial health indicators. He provided specific information on each indicator and compared the results of this year's projections to the last two years. Overall, the forecasts continue to show the impact of the large drop in some major General Fund revenues from their peaks in past years. In year ten 94% of shared revenues would be consumed by operating spending and resurfacing versus the Board target of 85% but he noted that the lower resurfacing cost baseline results in the 85% target not being exceeded in FY 25/26. He noted that projected available General Capital Project Fund dollars are \$8,491,800 over the next ten years which is up from the 2018 forecasts. He added that the projection does not include approximately \$550,000 in potential annual income tax

receipts that are not included in our forecasts. Overall the past trends remain including gradually rising dependencies and declining infrastructure spending.

Information was presented on the status of the Police Pension Fund including the rising asset level of the fund and the Village's annual contributions which have been \$1.4 million above the levels recommended by the Department of Insurance and our actuary over the last 15 years. Funding level comparisons versus the state average reflect a healthy fund and it was noted that the funding level rose to over 81%. Mr. Ellis reiterated that a continued commitment to funding these police pensions will be required in the future to meet the Village's commitments. Board members discussed the status of the police pension fund and it was noted that changing conditions over time could significantly change the outlook and our costs. Year-to-year changes can be expected due to changing actuarial assumptions and investment earnings.

The Board discussed the forecasts including the financial trends and Mayor Taylor asked about the impact on ratepayers of a proposed legislation mandating public expenditures for the replacement of private lead services. This would add millions of dollars to ratepayer costs. A rate differential estimate including these costs will be created.

Mr. Ellis then provided overview information on the draft FY 19/20 budget. Mr. Ellis stated that operating costs in the draft budget are \$18,589,471. These costs are up 4.3% from the current budget with much of the increase attributed to another large sewer rate increase from the NSWRD. This rate increase constitutes 45% of the overall budgeted cost increase. He noted that operating costs, excluding costs related to the NSWRD rate increase, rise 2.6%. Police salaries/benefits are the largest share of non-NSWRD costs with the new full-time position and increased fixed asset contributions also major contributors. Operating revenues are estimated at \$19,987,580. Shared revenues (sales/use tax/income tax/electricity/ natural gas/ telecommunications) are budgeted up \$235,730. Mr. Ellis noted that many of these revenue sources are lower than in their peak years reducing General Fund revenues by over \$1,000,000 per year. Mr. Ellis reviewed revenue sources and budgeted expenses by type and stated that police related costs are budgeted to be 33% of operating expenses, public works related costs are 39%, garbage services 10%, and building department at 3%. Special services, including senior center, aquatic center and heritage center are 5%. All other costs total 10% reflecting the fact that the Village spends most on direct services with a small amount of overhead. Mr. Ellis reviewed operating budget areas describing cost areas that have an increase or decrease in operating spending. He confirmed that in the last three years increases from rising sewer rates from Lake County Public Works and the NSWRD have contributed more to operating cost increases than anything else. Specific budget revenues and cost areas were reviewed with Board members asking questions on the various expenses included in the draft. The Board reviewed information on the use of shared revenues and discussed the Village's strategy of lower dependency on unpredictable revenue sources for operations. The draft budget utilizes 35% of these revenues for General Operating Fund expenses. Total operating and capital spending is \$25,699,717 with lower capital spending responsible for a 2% decrease in overall spending versus the FY 18/19 budget.

Mr. Ellis reviewed capital spending as presented in the Draft Budget including projects selected by the Board for 2019, carry-over expenses for projects in 2018 and previous years, resurfacing fund costs, fixed asset projects and economic development incentive arrangements. It was noted

that for resurfacing and capital projects where bids have been received costs are \$585,999 lower than the fall estimates. Of course actual construction costs could be different due to anticipated construction difficulties.

After discussion on various items included in the draft budget, Mayor Taylor asked the Board to consider the Grayslake Financial Forecasts 2019. After discussion Trustee Vogel made a motion to accept the 2019 Grayslake Financial Forecasts. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

The Board discussed the 2019 Village of Grayslake Financial Plan. Mr. Ellis reviewed the objectives of the plan and the long-term organizational goal of controlling per capita operating spending versus inflation. It was noted that since 1992 per capita operating costs have risen almost 35% less than inflation. Trustee Davies made a motion to accept the 2019 Village of Grayslake Financial Plan. Seconded by Trustee Nicodemus. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Mayor Taylor asked Mr. Ellis to provide an overview/background on the Extended Term Financial Plan materials previously provided to the Board. Mr. Ellis provided a brief history of Board deliberations and direction on the development of a longer term financial plan through FY 34/35. The need for a long term plan was determined as a result of extra financial forecasting beyond our usual ten year period that revealed large General Fund operating/ resurfacing deficits in the longer term. These deficits are related primarily to the loss of landfill host fee revenue and the ending of the water/sewer infrastructure reimbursements to the General Fund currently paid by our water/sewer customers. Pursuant to the Board’s direction in the fall of 2018 a new longer term financial plan was developed to meet the Board’s two main plan goals (85% maximum dependency on unpredictable shared revenues for General Fund operations and Resurfacing Fund expenses/\$2.0 million (inflation adjusted) annual General Capital Project Fund (non-grant dollars) spending). The plan, which was updated from the fall to incorporate the 2019 financial forecasts, meets the Board’s objectives, strengthens the General Fund in a number of ways, and is designed to be customer sensitive. Mr. Ellis directed the Board to the detailed plan sheet and described its contents. Board members discussed the plan in the context of their past discussions and questions about the plan were answered. Trustee Davies asked how unspent annual capital dollars are handled in the plan. Mr. Ellis explained that the plan anticipates that the annual capped spending amounts would be spent and the Board could carry-over unspent dollars in one year to the next or future years or put it in the plan’s longer term capital reserve. Important to the overall plan is the companion Long Term Water/Sewer Rate Plan which results in lower water/sewer rates over the period due to a pass-through of projected CLCJAWA rate reductions and less capital resources from rates after the water/sewer infrastructure reimbursement ends. Mr. Ellis noted that since rates would be higher without the CLCJAWA pass-through and lower capital spending, the lower rates offset 50% of the extra General Fund customer fees over the plan period. The remaining extra customer costs equate to 1% more per year over the plan period. This is less than expected inflation and recognizes that police and resurfacing costs will rise over the fifteen year period. Capital dollars beyond the capped annual capital spending amount are put in reserve. In addition there remains some infrastructure reimbursement dollars for use post-plan period.

Mr. Ellis noted that the draft plan and related water/sewer rate plan requires a larger rate increase for water/sewer customers and rates are higher than they could be. He referred the Board to an alternative Extended Term Financial Plan that reduces the level of water/sewer infrastructure reimbursements. This increases dependency on unpredictable shared revenues for operations and resurfacing while maintaining an acceptable dependency level. The alternative plan meets the Board's financial objectives and results in lower water/sewer rates over the plan period. The resulting end of period capital reserve is less. In this plan the customer savings from lower water/sewer customer rates offset 85% of the extra General Fund customer costs with the remaining extra costs equating to 0.5% per year over the plan period and well below projected inflation. Like the first plan this alternative, for the most part, swaps lower water/sewer customer costs for higher General Fund costs. This switches what customers pay for and how they pay it.

Mr. Ellis noted that the Board could lower water/sewer rates further in the first year of the alternative plan through a one-time transfer of \$500,000 from the General Operating Fund to the Water/Sewer Fund. This would reduce the rate change to forty cents per month in FY 19/20 for the typical household customer. He referred the Board to this long term rate plan.

In summarizing the plan options Mr. Ellis reiterated that the plans cover the General Fund, Resurfacing Fund and Water/Sewer Fund and they project financial health over the plan period only. Since the plan utilizes infrastructure paybacks there remains a need in the next decade to look beyond the plan period to address the end of these reimbursements at some point beyond FY 34/35. The plans are backed-up by a robust planning spreadsheet tool that allows for updating as financial conditions change. It is requested that the Board select an Extended Term Financial Plan and Long Term Water/Sewer Rate Plan for inclusion in the Village of Grayslake Financial Plan, review the adopting ordinance and finalize plan wording.

Mayor Taylor reiterated that getting to this point is the result of over two years of Board discussion. He recommended the inclusion of the alternative plan along with the water/sewer rate plan including the one-time \$500,000 General Fund transfer. Board members discussed the presented plan, which is in-line with the Board's fall 2018 direction, the alternate plan and the water/sewer rate plans. Various Board members commented on the value of the plans and the focus on minimizing customer financial impacts while recognizing that costs will likely go up some over time. It was noted that since the plan can be adjusted as needed the timing and amounts of the fees and rates in the plan can be changed. Trustee Vogel made a motion to include the Alternate Extended Term Financial Plan and the Alternate-A Long Term Water/Sewer Rate Plan in the Village's financial plan, approve the final plan language and utilize the prepared adopting ordinance. Seconded by Trustee Davies. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all "aye". Motion carried. The Mayor noted that the final documents will be prepared for final approval in April in conjunction with the budget.

Mayor Taylor directed the Board's attention to the budget requests for Police Department forfeiture fund projects, fixed asset projects and miscellaneous capital projects. A brief discussion was held on the proposed lists of these smaller projects as recommended by the operating departments. The extra dollars for additional watermain break repairs was discussed.

Director Heinz is looking into the higher level of breaks this year to see if this is a trend or an exception. Mayor Taylor noted this could change cost levels in the future. It was also suggested that the days of the farmers market be put on the new banners. The Board consensus was to include the requested police projects, miscellaneous projects, and fixed assets in the final budget. Trustee Davies made a motion to include the requested forfeiture fund, miscellaneous projects and fixed asset projects in the final FY 19/20 budget. Seconded by Trustee Vogel. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Mayor Taylor asked the Board if there were questions on the Heritage Center information and budget request. Trustee Shores commented on the value of the data metrics Director Poe uses to track progress at the center. Trustee Davies commended Ms. Poe for her good work within the community. Trustee Nicodemus made a motion to include the heritage center budget request in the final capital budget. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Mayor Taylor briefly described the provided Economic Development Commission budget request information. Trustee Vogel noted that the budget was similar to past EDC requests. The Board also discussed potential economic incentive arrangements noting that line items have been included but actual amounts may vary when arrangements are negotiated. The specific incentive arrangements for The Vine and Harger were discussed in detail. Board members noted the key role The Vine played in starting the restaurant growth in the downtown and different Board members discussed the ongoing efforts to gain school district support for a property tax abatement to attempt to retain Harger in the local economy. Trustee Shores commented on the limited interactions between elected officials of the different Board’s and his thought that we should find ways to add to this. It was noted that tax abatements may be new to some on these Boards causing some of the process difficulties. Mayor Taylor stated a recent districts meeting was somewhat positive and noted the abatement support from the library, park and fire districts and recommended that, if needed, the Village proceed with these partners even if the schools fail to join with the Village making up the difference toward the full \$600,000 Harger incentive amount. The consensus of the Board was to do this if needed. After further discussion Trustee Vogel made a motion to include funding for the Harger and The Vine incentives in the FY 19/20 budget, authorize execution of The Vine incentive agreement and finalize the Harger incentive agreement with the Village contributing what is needed to get to the needed amount with willing district partners. Seconded by Trustee Shores. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Village Manager Ellis discussed possible Village participation in a property tax abatement program for a 1.4 million square foot office/warehouse project on Peterson Road. In this case, while no final decisions are made, the participating school districts have expressed support. The company has not chosen the site. The consensus of the Board was to support participation as needed.

Board members discussed certain normal operating and construction contracts that have been bid/proposed for FY 19/20. These cannot be executed at this time because a final budget including these contracts has yet to be adopted. The Board discussed the different contracts and

the consensus of the Board was to authorize the Village Manager to execute these contracts as presented prior to final budget approval.

The Board discussed the work and contributions of the Farmers Market. Particular mention was given to the upcoming Shop and Dine promotion they will be conducting. Trustee Nicodemus made a motion to include funds for the new 2-year agreement with the Farmers Market for certain promotional and other services as included in the draft budget. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Mayor Taylor directed the Board to Chief Perlini’s memo regarding continued participation in the Lake County Metropolitan Enforcement Group (LCMEG). He expressed his view that, while there is not much LCMEG activity in Grayslake, participation helps keep Grayslake safer by assisting in other areas. He reviewed the budget options to provide sufficient staffing in the budget to allow continued participation stating his preference for an “early hire” of an additional full-time officer in FY 19/20. This will also provide additional staffing flexibility when unexpected staff leaves happen. The consensus was to do this. Trustee Vogel made a motion to include funds for one additional full-time police officer position in the FY 19/20 budget. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

The Board discussed inclusion of a program to encourage installation of residential solar power equipment and/or conduct an energy audit. Trustee Nicodemus commented that there appears to already be a financial incentive to install solar equipment. Mayor Taylor said it is an option for the Village to act locally on regional/national issues at little cost. After discussion the consensus was to not budget funds for this at this time.

Board members reviewed an outline for activities and events for commemorating the 125th year of the Village’s incorporation including a reduction in costs. Trustee Nicodemus made a motion to include funding for the celebration in FY 19/20 and FY 20/21 in the requested amounts. Seconded by Trustee Vogel. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Applications for funding under the pilot Community Grant Program were discussed. Mayor Taylor suggested that the Oasis Santa event and the two Grayslake Arts Alliance requests could be appropriate in other parts of the budget. After discussion Trustee Shores made a motion to fund the Oasis request and Grayslake Arts Alliance requests in the Miscellaneous Projects line item and provide the funding in the budget for the following grants to American Legion (\$2,000), Westlake Academy (\$2,000 on a reimbursement basis after fence construction), Grayslake Pageant (\$2,000), Village of Grayslake Pageant (\$2,000) and University of Illinois Extension (\$1,904). Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried. “Open to the Public” signage for the playground will be discussed with Westlake Academy.

Mayor Taylor referred the Board to the financial performance of the Garbage/Recycling Fund under the current multi-year rate plan. He noted that the rates have held steady in recent years and the fund balance is diminishing and below target. After discussion he recommended that Option C as presented be used. The consensus of the Board was to draft an ordinance using this approach and including revised figures in the final budget. The Board directed that staff work to adjust the rates to lower the first year increase and spread the increase over time.

The Board discussed the aquatic center rate plan including periodic increases for memberships, daily admissions and other fees. After discussion, the consensus was to continue the current rate plan.

The Board discussed various miscellaneous budget related items. Trustee Shores made a motion to utilize the State of Illinois police accreditation program in the future, name the green space near Millennium Court "Village Center Commons", continue staff participation in the discussions on a bike share program, authorize execution of a lease for public parking with Grayslake Feed Sales and include funding as needed in the FY 19/20 budget. Seconded by Trustee Nicodemus. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all "aye". Motion carried.

Trustee Waldenstrom made a motion to update the Village's pay plan as presented. Seconded by Trustee Nicodemus. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all "aye". Motion carried.

Board members discussed the completed fairgrounds retail market study which reflects a limited market for retail on the site. Other non-retail options may also be possible along with some residential. The study also reconfirmed that the unusual development requirements from Lake County inhibit chances for redevelopment. The consensus was to discuss these findings, at a staff level, with Lake County to attempt to eliminate these unusual requirements.

Trustee Vogel made a motion to approve the updated Ten Year General Fund Capital Improvement Program which reflects past Board direction and to approve the updated Highway Transportation Plan as required by Statute. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all "aye". Motion carried.

Trustee Vogel made a motion to direct staff to prepare the final budget incorporating the discussions of the Board. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all "aye". Motion carried.

Trustee Vogel made a motion to go into executive session pursuant to Sections (5 ILCS 120/2(c)(11)) and 5 ILCS 120/2(c)(1)) of the Illinois Open Meetings Act and to have Village Clerk Lee, Village Manager Ellis and Assistant Village Manager Kryska present in the session. Seconded by Trustee Waldenstrom. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all "aye". Motion carried.

Trustee Waldenstrom made a motion to reconvene into the special meeting at 12:02 p.m. Seconded by Trustee Vogel. Roll call: Mayor Taylor, Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Also present – Village Clerk Lee.

Trustee Davies made a motion to adjourn the special meeting of the Board of Trustees. Seconded by Trustee Shores. Roll call: Trustees Vogel, Waldenstrom, Davies, Shores, Nicodemus, Mayor Taylor – all “aye”. Motion carried.

Meeting adjourned at 12:03 p.m.