

**VILLAGE OF LAKE BLUFF
BOARD OF TRUSTEES
REGULAR MEETING
NOVEMBER 28, 2016**

APPROVED MINUTES

1. CALL TO ORDER AND ROLL CALL

Village President O'Hara called the meeting to order at 7:00 p.m. in the Lake Bluff Village Hall Board Room, and in the absence of Village Clerk Aaron Towle, Deputy Village Clerk Drew Irvin called the roll.

The following were present:

Village President: Kathleen O'Hara

Trustees: Barbara Ankenman
Steve Christensen
Mark Dewart
Eric Grenier
William Meyer

Absent: John Josephitis, Village Trustee
Aaron Towle, Village Clerk

Also Present: Drew Irvin, Village Administrator
Peter Friedman, Village Attorney
Susan Griffin, Finance Director
Jeff Hansen, Village Engineer
Michael Croak, Building Codes Supervisor
David Belmonte, Police Chief
Jake Terlap, Public Works Superintendent
Franco Bottalico, Administrative Intern

2. PLEDGE OF ALLEGIANCE

President O'Hara led the Pledge of Allegiance.

3. CONSIDERATION OF THE MINUTES

Trustee Grenier moved to approve the November 14, 2016 Board of Trustees Regular Meeting Minutes as presented. Trustee Christensen seconded the motion. The motion passed on a unanimous voice vote.

4. NON-AGENDA ITEMS AND VISITORS

President O'Hara stated the Village President and Board of Trustees allocate fifteen minutes for those individuals who would like the opportunity to address the Village Board on any matter not listed on the agenda. Each person addressing the Village Board of Trustees is asked to limit their comments to a maximum of five (5) minutes.

There were no requests to address the Board.

5. VILLAGE BOARD SETS THE ORDER OF THE MEETING

There were no requests to change the order of the meeting.

6. ITEM #6A – WARRANT REPORT FOR NOVEMBER 16-30, 2016

President O’Hara reported expenditure of Village funds for payment of invoices in the amount of \$202,043.04 for November 16-30, 2016.

As such, the total expenditures for this period is in the amount of \$202,043.04.

As there were no questions from the Board, Trustee Dewart moved to approve the Warrant Report. Trustee Meyer seconded the motion. The motion passed on the following roll call vote:

Ayes: (5) Ankenman, Christensen, Dewart, Grenier and Meyer
Nays: (0)
Absent: (1) Josephitis

7. ITEM #7 – VILLAGE ADMINISTRATOR’S REPORT

Village Administrator Drew Irvin reported on the upcoming event, “It’s a Wonderful Life... in Lake Bluff”, scheduled for December 3rd and encouraged everyone attend.

Village Administrator Irvin stated the PCZBA continues to study the Village’s bulk and massing regulations in order to determine if the zoning code is effectively managing the massing of new single-family homes. The PCZBA identified how the Village’s zoning code treats attic space as part of the calculation of floor area ratio as a priority issue. Following conversations the PCZBA is recommending the Village consider amending the text of the zoning code to include in the calculation of total floor area ratio that portion of an attic floor that has a floor to roof sheathing height equal or greater than six feet. Village Administrator Irvin stated the PCZBA also discussed institutional zoning and the required setbacks for the Block 3 property under the existing zoning code. It was the consensus of the PCZBA to consider modifying the minimum setback of any new building along Scranton Avenue, as the possibility that as-of-right redevelopment of that block may occur, from 0 feet to 15 feet for the CBD portion of Block 3. The PCZBA will hold public hearings at an upcoming meeting regarding these issues.

Trustee Dewart encouraged the PCZBA to conduct a comprehensive review of the setbacks and harmonize the setbacks with respect to all adjacent parcels to create a balanced environment.

8. ITEM #8 – VILLAGE ATTORNEY’S REPORT

Village Attorney Friedman had no report.

9. ITEM #9 – VILLAGE PRESIDENT’S REPORT

President O’Hara reported subject to the consent of the Board of Trustees, the Village President appoints members to the Village’s various advisory Boards and Commissions. Recently, Alexandra Walinskas resigned from the Sustainability and Community Enhancement Committee creating a vacancy on the Commission. Village President O’Hara provided background information on Lake Forest High School

student and Lake Bluff resident Emmet Brady and recommended his appointment to fill the available position. President O'Hara stated Ms. Walinkas was the first student the Village Board appointed to an advisory board and she performed extremely well.

Trustee Dewart moved to approve the recommended appointment. Trustee Christensen seconded the motion. The motion passed on a unanimous voice vote.

10. ITEM #10 – ACCEPTANCE OF THE CORRESPONDENCE

President O'Hara introduced the correspondence from the Informational Reports on November 11 and 18, 2016.

Trustee Ankenman moved to accept the correspondence as submitted. Trustee Grenier seconded the motion. The motion passed on a unanimous voice vote.

11. ITEM #11 – A PUBLIC HEARING REGARDING YEAR 2016 PROPERTY TAX LEVY

President O'Hara reported that the Village of Lake Bluff, in keeping with past practice, will conduct a public hearing on the proposed 2016 property tax levy. Finance Director Susan Griffin will present information on the Finance Committee's tax levy recommendation. The hearing notice was published in the *Lake County News Sun* on November 19, 2016 and on the Village's website on November 18, 2016.

President O'Hara declared the public hearing open.

Finance Director Susan Griffin stated this hearing is for the 2016 property tax levy which will affect the tax bills that are mailed by Lake County in May 2017 and due in two equal installments in June and September.

Finance Director Griffin's powerpoint presentation began with a chart showing the 2015 property taxes for all governmental agencies applicable to most Lake Bluff taxpayers. She stated the Village and the Library are responsible for about 9% and 2% of the total tax bill, respectively. The local School Districts are about 60% of the total property tax bill and the Mosquito Abatement District levy is less than 1% of the total tax bill. The Sanctuary Subdivision property taxes differ slightly because they pay into the Rockland Fire Protection District instead of the Village's fire protection and do not pay into the Central Lake County Joint Action Water Agency.

Finance Director Griffin explained that the Village requests a dollar amount but has no role in the assessment process and described basics of the assessment process. The Shields Township assessor calculates the assessed value of the property which is then reviewed by the Lake County Chief Assessor noting that the goal is for the equalized assessed valuation (EAV) should represent 33.33% of the market value. The market value of the property is determined based on several methods including the three prior years' sales transactions and, for commercial property, the revenue generation of the business. She noted the Village's tax base is predominately residential at 89% with the remaining 11% comprised of commercial, industrial, farm and railroad property. She presented a chart showing the assessed value by class for the past 10 years along with the tax extension over the same period and noted that the EAV increased in 2015 after declining each year since 2008. The Village as a home rule community is not subject to the Property Tax Extension Limitation Act (PTELL) but passed a Resolution in 2005 committing to abide by the PTELL limit.

Finance Director Griffin stated the 2016 aggregate levy calculated under the PTELL is \$4,130,447 or 1.25% increase from 2015 and is the lowest increase in nine years. She explained the PTELL amount includes a Consumer Price Index-Urban of 0.7% and new construction estimated at just under \$3 million. The EAV is projected to increase approximately six percent. The Village share of the levy is \$3,233,329 providing \$39,890 new dollars. The property tax revenue represents 30% of the FY17 governmental funds and police pension fund revenue projections and is the second largest source of revenue after sales taxes. The Village will abate the bond issue tax levies as has been past practice. The Library levy is \$897,118 which will provide \$11,068 new dollars to the Library. This property tax revenue represents 98% of the Library's FY17 total revenue projections and funds 89% of total budgeted expenditures.

Finance Director Griffin reviewed the levy breakdown by function and noted that the levy is divided as follows: general purposes - 53%; pension funds – 25%; and the Library – 22%. She stated it is important to note the levy does not fully fund these functions as the Village relies on multiple sources of revenue, such as: sales, income, utility and other taxes, building permits and other user fees, licenses and fines, and interest earnings to cover the costs of Village services.

Finance Director Griffin reviewed the long term budget concerns are: sales tax revenue is heavily reliant on auto sales, future state-shared revenue sources are uncertain, grant funds are diminishing, low or negative investment returns require larger pension contributions, and significant annual funding is required to maintain the aging infrastructure. Along with diversifying revenue sources, the Village has implemented many changes to its expenditures to maintain financial stability and will continue to explore municipal partnering and other cost savings opportunities. These actions included: (i) reducing personnel from 50 to 35 employees over the past seven years; (ii) outsourcing household waste collection; (iii) partnering with other agencies and outsourcing dispatch operations; (iv) strategically investing in technology infrastructure and services to improve system security and reliability, and to enhance employee productivity; and (v) facilitating commercial development opportunities such as the Target development and Heinen's Grocery store.

Finance Director Griffin reported the proposed tax levy is expected to result in a Village tax rate decrease from .784 to .747 per \$100 of EAV. The Village share of the tax bill on a home with a market value of \$600,000 (EAV of \$200,000), if no change in the EAV from the previous year, would decrease by approximately \$74. If the EAV on that \$600,000 home increases by 6% (EAV change from \$200,000 to \$212,000), the tax bill is estimated to rise by \$14.

In response to a question from Trustee Grenier, Finance Director Griffin explained that the Village's 1.25% increase in the levy amount from \$4,079,489 to \$4,130,447 is attributed to the impact of the 0.7% CPI factor and the new construction added to the tax rolls. Trustee Grenier asked what the dollar amount is if the Village does not increase the levy. Finance Director Griffin responded that the total amount of the new dollars is just under \$40,000.

Finance Committee Chair Trustee Christensen asked what the dollar amount is attributed to the CPI factor. Finance Director Griffin replied that the CPI factor results in \$22,000 of the PTELL increase in the Village share of the levy. Finance Committee Chair Trustee Christensen commented that the Village raised its General Fund reserve funding from 30% to 50% of operating expenditures two years ago due to the concerns noted in the Finance Director's presentation. He acknowledged the potential State-shared revenue reductions but wondered why the Village would increase the levy amount as the fund balance

reserve is currently in excess of 50%. He said that if the 50% is not a sufficient reserve then it should be increased; otherwise he would personally like to see a 0% increase in the tax levy. Trustee Christensen highlighted the cost savings initiatives the Village has implemented over the past several years noting that a new household waste hauling contract is expected to result in significant savings over the next five years. Therefore, given the excess reserves and the minimal amount of the levy increase, he suggested that this is the year to be an example for other taxing bodies by limiting the increase, if any, in the levy. He queried, if not now, when would be the right time.

Trustee Grenier commented that the increase in sales and other taxes from economic activities provides the Village an opportunity to reduce reliance on the property tax. He remarked that the Village should not be taking from the residents' savings to put into the Village's savings.

Trustee Meyer agreed with Trustee Christensen regarding the use of excess reserves and inquired into the dollar amount of the excess reserves. Finance Committee Chair Trustee Christensen stated it is a multiple of the \$40,000 levy increase.

Trustee Ankenman remarked that pension funds are one of the Village's biggest liabilities and noted the recent change in the Police Pension Plan funding level from 58% to 52% due to the actuarial assumption changes required under new accounting rules. She stated that the Village has an opportunity to fund more than what is actuarially required in order to attain the required level sooner.

Trustee Dewart stated his agreement with Trustee Ankenman and noted that the Village could put this gain toward the pension funding at a modest cost. He said that the part of being a good steward is to adequately fund pensions and that there is still a long way to go to meet the State requirements. Trustee Christensen noted that the Board had this discussion two years ago but feels that it is just as prudent to use excess reserves appropriately. Trustee Dewart expressed his concern that Springfield will look for other sources to resolve its enormous budget deficit, especially by cutting local government sources such as sales taxes. This would undermine the good work the Village has done diversifying its revenue sources.

Finance Director Griffin responded to the question regarding the excess reserves noting that the FY16 reserves were \$6.6 million but the FY17 reserves are expected to decline to \$6.1 million or 73% and decline to \$5 million or 58% in FY18 in order to finance capital projects. She noted that operating costs have been consistent year to year but that significant capital projects are being financed from excess reserves as grants are not as available as in past years. Discussion ensued regarding the ability to revise the levy ordinance at the next meeting. The Trustees requested updated information on the multi-year plan with a re-prioritization of capital projects. President O'Hara, as a member on the Northwest Municipal Conference Legislative Committee, provided an update on the measures being considered by Springfield to address the State's financial crisis and the impact to municipal governments.

President O'Hara opened the floor for comments from the public.

Mr. Rick Lesser (resident) asked how the tax bill would decrease if the levy increases. Finance Director Griffin stated that the dollar amount increases but the tax rate declines.

Mr. Lesser commented on the police pension fund negative rate of return and asked what was the amount of the prior year loss on investments. Finance Director Griffin replied that the investment loss was approximately \$200,000 for the fiscal year ending April 30, 2016. She explained that this loss is partly due to showing unrealized gains and losses of all the investments as of the market value on April

30th. Trustee Meyer commented that reporting the investments at market value on a specific date is an accounting rule subject to the volatility of the markets on any given day. It was noted that the investment portfolio value has risen since April 30th as the Dow Jones Industrial Average Index is now over 19,000. Finance Director Griffin briefly explained how the gains and losses are recorded when an investment is sold.

In response to a question from Mr. John Nelson (resident), Finance Director Griffin replied that the assumed rate of return of the pension calculations is 7%. Mr. Nelson questioned the probability of earning 7% returns annually in the pension portfolio. Finance Director Griffin answered that the Village has an independent actuarial valuation done each year and the Village reduced the assumed rate from 7.5% a few years ago to 7%. The Village and Police Pension Board will decrease the amount if it becomes apparent that this is unattainable over the 40 year time horizon. She stated that the actual returns over the past five years have been approximately 5.5% and slightly higher over the past 10 years.

Mr. Nelson expressed his appreciation to the Village Board for their service and stated that he is exceedingly frustrated by the inability of a resident to comprehend the property tax environment in Lake Bluff. He understands that the Village is responsible for 9% and the Library for 2% of his property tax bill; however, his property taxes increased 22% last year. He urged the Board to do what they can to drive a dialogue with the other taxing bodies. Mr. Nelson remarked that real estate on the North Shore continues to be under extreme pressure and that there is a strong connection between the tax rate in Lake Bluff to real estate values. He pondered what would happen to the Lake Bluff real estate market when interest rates rise and economic growth slows down. He asked about the target policy for the Police Pension Fund funding. President O'Hara replied that the pension plan is statutorily required to be 90% funded by 2040. President O'Hara acknowledged that Illinois has more individual taxing bodies than any other state and offered the mosquito abatement district as an example of the resulting costs to the taxpayers with this taxing structure. Trustee Ankenman described the factors that impact the actuarial valuation of the plan assets and liabilities. Mr. Nelson expressed his opinion that the pension obligation should not be readjusted due to the availability of surplus tax dollars and that excess reserves should be refunded back to the taxpayers. President O'Hara remarked that the Village has a huge list of unfunded capital projects such as sewer improvements that are estimated in the millions of dollars. Further, she stated that Lake Bluff has a proposal before the IL Department of Transportation (IDOT) to assist with mitigating the flooding issue on Route 176 at the underpass which could cost \$2 million or more.

As there were no further comments from the public, President O'Hara closed the public hearing

12. ITEM #12 – AN ORDINANCE LEVYING PROPERTY TAXES FOR THE FISCAL YEAR BEGINNING MAY 1, 2016 AND ENDING APRIL 30, 2017 FOR THE VILLAGE OF LAKE BLUFF, LAKE COUNTY, ILLINOIS

President O'Hara reported pursuant to State law, on or before the last Tuesday in December, the Village must file with the County Clerk an Ordinance requesting a property tax to be levied on all taxable property within the Village. After review of levy estimates and financial projections as presented by staff, the Finance Committee recommends that the Village levy \$3,233,329 for the year 2016, which represents a 1.25% increase over the 2015 property tax extension. She further reported the Lake Bluff Public Library Board has requested a property tax levy of \$897,118 for the year 2016, which is a 1.25% increase over the previous year. The total levy amount of \$4,130,447 is in compliance with the Property Tax Limitation Act and the Truth In Taxation Act was not required for this levy.

Following a brief discussion regarding procedural requirements, Trustee Grenier moved to approve first reading of the ordinance. Trustee Ankenman seconded the motion. The motion passed on a unanimous voice vote.

13. ITEM #13 – AN ORDINANCE ABATING 2016 PROPERTY TAXES LEVIED FOR GENERAL OBLIGATION DEBT SERIES 2011 AND 2012 BONDS OF THE VILLAGE OF LAKE BLUFF, LAKE COUNTY, ILLINOIS

President O’Hara reported the Village currently has Refunding Bonds Series 2011 and 2012 General Obligation (“G.O.”) bonds outstanding. Pursuant to Ordinances 2011-19 and 2012-13 the County Clerk is required to extend a property tax levy in an amount sufficient to pay the interest and principal on the bonds. She further reported in the past the Village has abated the annual property tax levy. Because the bond ordinances directing extension of the annual property tax levy were filed with the County Clerk, an ordinance is required to abate (not levy) the property tax for these bonds. The Finance Director determined that the Waterworks Fund has the amount necessary to transfer to the Waterworks Bond and Interest Account for principal and interest payments on the 2011 Refunding Bonds. The 2012 Refunding Bond principal and interest payments will be paid by General Fund revenues.

Trustee Grenier moved to approve first reading of the ordinance. Trustee Meyer seconded the motion. The motion passed on a unanimous voice vote.

14. ITEM #14 – A RESOLUTION APPROVING A PROFESSIONAL ENGINEERING SERVICES AGREEMENT WITH HLR, INC (Design Services for FY2017 Lift Station Projects)

President O’Hara reported the Village’s FY17 budget includes funding for projects to replace aging equipment at the Tangley Oaks and Bath and Tennis lift stations. More specifically, the budget includes \$32,500 for rebuilding pump #3 at the Tangley Oaks Lift Station; \$75,000 for replacing the control panel at the Tangley Oaks Lift Station; and \$75,000 for the replacement of pumps, pipes, and equipment at the Bath and Tennis Lift Station. In addition to these projects in the current budget, one check valve at the Tangley Oaks Lift Station and one check valve at the West Blodgett Lift Station have recently become inoperable and require repair; otherwise, this would result in the Village not being able to operate one of the three pumps at each lift station.

President O’Hara reported Village staff met with engineers from HLR, Inc. to discuss the upcoming projects and requested a proposal for professional services to provide design, bidding, and construction services for the various projects, including the check valve replacements that are not included in the current budget. She further reported the proposal from HLR, Inc. is for an amount not to exceed \$35,392, of which \$2,816 is for the projects not included in the current budget. The FY2016-2017 budget contains a total of \$182,500 for the budget projects at the Tangley Oaks and Bath and Tennis Lift Stations. It is recommended that the board approve the proposal from HLR, Inc. for an amount not to exceed \$35,392.

As there were no further comments from the Board, Trustee Dewart moved to adopt the resolution. Trustee Christensen seconded the motion. The motion passed on the following roll call vote:

Ayes: (5) Christensen, Dewart, Grenier, Meyer and Ankenman
Nays: (0)
Absent: (1) Josephitis

15. ITEM #15 – TRUSTEE’S REPORT

There was no Trustee’s report.

16. ITEM #16 – EXECUTIVE SESSION

At 8:16 p.m. Trustee Grenier moved to enter into Executive Session for the purpose of discussing Property Disposition (5 ILCS 120/2(c)(6)), Personnel (5 ILCS 120/2(c)(2)) and Executive Session Minutes (5 ILCS 120/2(c)(21)). Trustee Meyer seconded the motion. The motion passed on the following roll call vote:

Ayes: (5) Dewart, Grenier, Meyer, Ankenman and Christensen
Nays: (0)
Absent: (1) Josephitis

There being no further business to discuss, Trustee Grenier moved to adjourn out of executive session. Trustee Dewart seconded the motion and the motion passed on a unanimous voice vote at 8:30 p.m.

17. ITEM #17 – CONSIDERATION OF THE MINUTES OF THE NOVEMBER 14, 2016 EXECUTIVE SESSION MEETING

Trustee Ankenman moved to approve the November 14, 2016 Executive Session Meeting Minutes as presented. Trustee Grenier seconded the motion. The motion passed on a unanimous voice vote.

18. ITEM #18 – ADJOURNMENT

Trustee Grenier moved to adjourn the regular meeting. Trustee Dewart seconded the motion and the motion passed on a unanimous voice vote. The meeting adjourned at 8:31 p.m.

Respectfully Submitted,

R. Drew Irvin
Village Administrator

Aaron Towle
Village Clerk