



# Village of Lake in the Hills

600 Harvest Gate, Lake in the Hills, Illinois 60156

COMMITTEE OF THE WHOLE MEETING

JULY 12, 2022

## Call to Order

The meeting was called to order at 7:30 pm. Roll call was answered by Trustees Huckins, Harlfinger, Dustin, Bojarski, Murphy, Anderson, and President Bogdanowski.

Also present were Village Administrator Shannon Andrews, Chief of Police Mary Frake, Finance Director Pete Stefan, Interim Public Works Director Ryan McDillon, Airport Manager Michael Peranich, Village Attorney Brad Stewart, and Village Clerk Shannon DuBeau.

Pledge of Allegiance was led by President Bogdanowski.

## Audience Participation

None.

## Finance

### **Informational Item Concerning the Review of Actuarial Valuations**

Presented by Finance Director Pete Stefan

Each year, the Village has three actuarial valuation reports performed, the results of which are incorporated into the Annual Comprehensive Financial Report and/or used to determine the recommended number of contributions to be made into the Lake in the Hills Police Pension Fund. Those reports are:

- Village of Lake in the Hills Postretirement Health Plan Actuarial Valuation
- Lake in the Hills Police Pension Fund GASB 67/68 Report Actuarial Valuation
- Lake in the Hills Police Pension Fund Actuarial Funding Report Actuarial Valuation

The Postretirement Health Plan Actuarial Valuation details the costs of the Village's mandated postretirement health care costs which are comprised of the direct costs of prior employees receiving Public Safety Employee Benefits Act benefits (currently one) as well as the implicit subsidies all retirees receive by only having to contribute the same premium towards health insurance continuation coverage as active employees although retiree health care costs, in general, are more expensive. Both the direct costs and the implicit subsidies are required to be shown as liabilities on the Village's financial statements.

The costs for the latter two reports are shared equally between the Village and the Pension Fund and are formally presented to the Pension Board. The Pension Board then prepares an annual Municipal Compliance Report that is presented to the Village Board prior to any tax levy being adopted. This year, in preparation for the Police Facility Funding Plan being presented as a separate agenda item, a representative from Lauterbach & Amen, LLP was present at the Committee of the Whole meeting to review each report with the Committee.

Actuarial Consultant Kevin Cavanaugh of Lauterbach & Amen, LLP discussed the report in detail; including recommended contribution funded status, recommended contribution reconciliation, recommended contribution



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breakdown, demographics, age and service distribution, change in fair value of assets, expected benefit payments, risk management, alternative contribution, 5-year employer contribution history, GASB solvency test, and actuarial certification.

President Bogdanowski largely credited the Police Pension Board for the favorable results. Director Stefan noted that the Village's fund is ranked as #10 in the state.

## **Request to Approve the Police Facility Funding Plan**

Presented by Finance Director Pete Stefan

As part of the FY23 budget process, a funding plan needs to be developed for the construction of a new Police Facility as well as the related debt service. While many of the variables are unknown at this point, a preliminary funding plan is being proposed as outlined in the memorandum attached to the agenda. The following is a synopsis of the proposed plan:

- A. Start with the \$314,000 pension cost savings identified in the FY22 budget as the first part of the amount available for annual debt service payments.
- B. Use \$4.6 million of the General Fund fund balance to pay off the unfunded liability of the Police Pension Fund, thereby freeing up an additional \$726,000 in annual cash flow.
- C. Capture an additional \$47,000 in annual savings from the FY23 reduction in Illinois Municipal Retirement Fund contributions generated by a reduction in the Village's contribution rate from 7.84% to 6.95%.
- D. The resulting total cash flow of \$1,087,000 identified above will support a \$14.1 million debt issue, assuming a 4.5% interest rate over 20 years. Alternatively, stretching the term out to 25 years at a 5.0% interest rate would free up another \$83,000 to cover increased operating costs.
- E. Fund the remaining \$7.9 million of a projected total project cost of \$22 million with a transfer of General Fund fund balance to the Police Facility Construction Fund.
- F. The General Fund fund balance will still have a remaining projected balance of \$6.5 million, which exceeds the operating reserve requirement of 25% of prior year expenditures or \$4.4 million.

Several ancillary benefits are outlined in the memorandum including no increase in property taxes, no impact to the operating budget created by debt service payment requirements, and having a 100% funded Police Pension Fund with all pension related debt having been eliminated from the balance sheet.

Staff recommends a motion to approve the Police Facility Funding Plan in conceptual form as outlined in the July 6, 2022, memorandum (attached to the agenda) subject to final revisions of costs and other estimates to be determined during the FY23 budget process.

Trustee Bojarski noted that the financial data collected looks back at "boom" years, stating that she feels the data may not align with our current situation. With respect to "smooth values," Director Stefan stated that the Fair Value of Assets fluctuated from -4.92% to 19.61% in one year. He explained that being at peak is what has presented the opportunity. He stated that the Village will probably start out with a negative, which is why he suggests using the



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\$4.3 million influx. Kevin explained the concept of resetting the actuarial value of assets to distinguish past results from future results.

President Bogdanowski questioned the Village’s operating expenses for 2022 thus far. Director Stefan stated that a budget amendment will be implemented, adding that the Village is likely \$2 million over the budgeted revenue. Any losses noted were related to investment losses in the pension fund.

Motion was made to place this item on the Village Board Agenda.

## Police

### Request to Approve the Ordinance Amending Chapter 41 of the Lake in the Hills Municipal Code

Presented by Chief of Police Mary Frake

Staff is seeking the Board’s approval for the full recodification of Chapter 41, Traffic, which includes the relocation or restructuring of the information, as well as the more significant change of the reduction of the speed limit on Reed Road west of Haligus Road from 45 miles per hour to 35 miles per hour.

In April 2022, the Village received a request from the Village of Huntley, in cooperation with School District 158, to consider reducing the speed limit in front of the Reed Road school campus from 45 miles per hour to 35 miles per hour in the interest of safety for the students traveling to the school campus. The Village installed traffic analyzers and enlisted Chastain & Associates to review the data and provide a recommendation. Chastain & Associates advised that while there are other countermeasures, the more permanent solution is to reduce the current posted limit from 45 miles per hour to 35 miles per hour. Reduction of the speed limit will not be an issue as Reed Road west of the Village is already posted at 35 miles per hour.

Additionally, in early 2020, the Village began a major undertaking to recodify the Municipal Code. Recommendations were made by the codifier and then reviewed by staff and the Village Attorney. When situations present to change one section of the Municipal Code, in this case the speed limit, we have then taken the opportunity to make all the recommended changes to a Chapter to ensure that we are working towards a more streamlined and organized set of regulations. The majority of the changes to the Chapter involved clarifying language, reorganization of the sections, re-numbering where necessary, and again the more significant is the reduction of the speed limit on Reed Road west of Haligus Road.

The table below details each of the section relocations:

Summary of Relocations/Changes			
Chapter 41.05	All Night Parking	Relocated to	41.08 and retitled to Overnight Parking
Chapter 41.06	Exception to 41.05	Relocated to	41.09 and retitled Exception to parking prohibition
Chapter 41.07	Persons with Disabilities	Relocated to	41.13
Chapter 41.08	Speed Limit	Relocated to	41.15
Chapter 41.09	Parking on Private Property	Relocated to	41.16



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Chapter 41.10	No Parking	Relocated to	41.07 and retitled Parking prohibited
Chapter 41.11	Yield Intersections	Relocated to	41.17 and retitled Yield and Stop Intersections
Chapter 41.12	Traffic Enforcement on Certain Property	Relocated to	41.18
Chapter 41.13	Compression/Release Engine Use Brake Use Prohibited	Relocated to	41.19 and retitled Compression brakes prohibited
Chapter 41.14	Automated Traffic Law Enforcement	<i>Eliminated</i>	
Chapter 41.15	Careless Driving	<i>Eliminated</i>	
Chapter 41.16	Penalty		Addressed in Chapter 41.01

Staff recommends a motion to Approve the Ordinance to Recodify Chapter 41 Traffic of the Lake in the Hills Municipal Code.

Trustee Dustin questioned the recent relocation of an eastbound 45 mile per hour sign, which was moved from the west end of school to east end of the school. Chief Frake stated that a temporary relocation of the sign may have been necessary for road improvements.

Administrator Andrews stated that requests have come in as a collaboration between District 158, the Village of Huntley, and the Village of Lake in the Hills. If approved, all signs from Haligus Road to Route 47 will be adjusted to 35 miles per hour.

Motion was made to place this item on the Village Board Agenda.

### Public Works

#### **Request to Reject all Bids for Security Systems and Fire Monitoring, Sprinkler Recertification, Testing, and Maintenance**

Presented by Interim Public Works Director Ryan McDillon

Staff seeks Board approval to reject all bids for fire, sprinkler and security services. On April 27, 2022, staff released a Request for Proposal (RFP) requesting pricing for Security Systems and Fire Monitoring, Sprinkler Recertification, Testing, and Maintenance for a term of five years. The RFP was sent to twenty-two vendors, was posted on the Village’s website, and published in the Northwest Herald. On May 10th, vendors representing five firms chose to attend the mandatory pre-proposal meeting and on May 25th, staff received and opened four sealed bids—ranging from a low of \$89,175 to a high of \$279,830. The RFP results are attached to the agenda for your review.

These bids are considered non-responsive as they represent an increase of approximately 58% over the budgeted amount for these services in 2022. In prior years, fire and security services were managed under two separate agreements. While staff expected the merger of these services to provide financial savings, it appears as though it has escalated the prices.



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Another possibility is that the current economic conditions are inflating these numbers. If that is the case, a five-year agreement would lock the Village into the escalated rates long after the conditions may change. Assuming a 6% cost escalator to the budgeted amount for FY22, the total impact across the five-year agreement could cost the Village \$22,000 more than staff would normally anticipate.

With a rejection of the bids, staff will work with our vendors to negotiate one-year agreements for the same services, which would be expected to fall within the spending authority of the Department. Should those costs remain high in the current year, staff will need to return to the Board to request a budget amendment. Staff will continue to research the best way to seek competitive bids in future years.

### Financial Impact

The FY22 Budget includes \$11,896 in for these services spread across four accounts—two in the General Fund and two in the Water Fund. As shown in the table below, all four of these accounts would exceed the budget if the lowest bid was accepted. Carried across the length of the five-year agreement, the total budgetary impact could be as high as \$22,000.

### FY22 Analysis of the Lowest Bid

Account	Budgeted	Bid	Over/Under
100.30.32.60.24	\$1,039.00	\$1,276.80	+\$237.80
100.30.32.61.08	\$3,855.00	\$4,779.10	+\$924.10
520.00.00.61.08	\$5,125.00	\$7,963.90	+\$2,838.90
520.00.00.60.24	\$1,872.00	\$4,723.20	+\$2,846.20
<b>Total</b>	<b>\$11,891.00</b>	<b>\$18,743.00</b>	<b>+\$6,852.00</b>

Staff recommends a motion to reject all bids for Security Systems and Fire Monitoring, Sprinkler Recertification, Testing, and Maintenance.

Trustee Huckins asked if the Fire, Sprinkler and Security Services cover all buildings. Interim Director McDillon confirmed this.

Trustee Murphy asked if this will affect safety. Interim Director McDillon stated that safety will be an issue if the projects are lost.

Trustee Huckins asked if this will affect current services. Interim Director McDillon stated that it will not.

Motion was made to place this item on the Village Board Agenda.



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## Request to Approve the Airport Ground Lease for Executive Hangar

Presented by Airport Manager Michael Peranich

The Lake in the Hills Airport Rules and Regulations require airport tenants to enter into applicable leases, licenses, or storage agreements for Village owned hangers. James Finefield and Kent Seaver with High Flying Eagles, LLC are requesting a new ground lease on the Executive Hangar. This lease is for a period of twenty years from July 15, 2022, to July 14, 2042. The lease includes an option to renew for four additional five-year terms.

The managers of High Flying Eagles have signed the appropriate lease forms and acceptable insurance is already on file for another hangar owned in the business name. This LLC is in good standing with the State of Illinois Secretary of State’s office.

### Financial Impact

The Airport Fund will receive \$7,982.16 annually from the ground lease, based on a rate of \$.1267 and a hangar with 5,250 square feet of space. This lease amount is subject to annual increases approved by ordinance

Staff recommends a motion to approve the Ordinance and authorize the Village President and Village Clerk to sign the ground lease for the Executive Hangar with James Finefield and Kent Seaver of High Flying Eagles, LLC.

Motion was made to place this item on the Village Board Agenda.

## Request to Approve an Ordinance Amending Minimum Aviation Fuel Pricing

Presented by Airport Manager Michael Peranich

Staff seeks approval of an Ordinance establishing new minimum aviation fuel pricing.

Arrow Energy of Saline, Michigan, is currently under contract to furnish and deliver two different types of aviation fuel to the airport. The price per gallon that the Village pays to Arrow fluctuates based on a regional pricing index. Village staff then resells the aviation fuel it purchases from Arrow to aircraft owners at a markup that ensures that the Village is reimbursed for all costs associated with the resale of fuel. A profit margin is built into this cost as well. The Village’s aviation fuel minimum markup is known as “Minimum Aviation Fuel Pricing” and is reviewed by Village staff each year, typically in July, and then brought before the Village Board for approval.

The proposed minimum markup of self-service fuel is provided below. This represents an approximate \$.03 increase in the price of 100LL and \$.01 increase in the price of Jet-A. The 100LL increase is largely due to unanticipated repairs needed to components supporting the tank and the Jet-A increase is primarily due to a continued decline in the amount of Jet-A fuel sold over the past year, which spreads the Village’s costs associated with providing this service over a smaller number of transactions.

100LL Self Service Expenses per Gallon		Jet-A Self Service Expenses per Gallon	
Tank operating	\$.0304	Tank operating	\$.1471
Tank maintenance	\$.0369	Tank maintenance	\$.1186



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Flowage fee	\$.2850	Flowage fee	\$.2850
Total	<b>\$.3523</b>	Total	<b>\$.5507</b>
<b>Minimum markup:</b> Inventory cost +\$.3523		<b>Minimum markup:</b> Inventory cost +\$.5507	

The proposed minimum markup for full-service fuel is provided below. This is a \$.01 drop for the 100LL truck compared to the minimum price in 2021 and \$.19 increase for the Jet-A truck. Although the 100LL truck has required more maintenance over the last year than the Jet-A truck, the Jet-A increase is higher than the 100LL increase this year. So far this year, the airport has sold fewer gallons of Jet-A compared to previous years, which spreads the Village’s costs associated with providing this service over a smaller number of transactions.

100LL Full-Service Expenses per Gallon		Jet-A Full-Service Expenses per Gallon	
Truck operating	\$.2093	Truck operating	\$.2169
Truck maintenance	\$.0253	Truck maintenance	\$.6504
Flowage fee	\$.5900	Flowage fee	\$.5900
Total	<b>\$.8246</b>	Total:	<b>\$1.4573</b>
<b>Minimum markup:</b> Inventory cost +\$.8246		<b>Minimum markup:</b> Inventory cost + \$1.4573	

The cash/invoice discount of 3.35% for customers who pay using either cash or check will remain the same. Credit card fees will continue to be recovered only on transactions that utilize them at a rate of 3.35%. This fee is included in the per-gallon price presented to customers at the time of sale and represents the highest charge levied by a credit card company—American Express. Sales tax for aviation fuel fluctuated between 7.75% and 8% over the past year but will remain at 7.75% going forward.

The Airport strives to maintain competitive fuel rates among other northern Illinois airports. The fee structure presented would accomplish just that. The Airport Manager monitors the aviation fuel pricing charged by neighboring airports and may increase pricing in order to increase revenues but cannot charge less than the approved minimum sale price without approval from the Village Board.

### Financial Impact

The sale of fuel remains the largest source of income for the airport with gross sales of \$475,770 in 2021. An adjustment to the minimum aviation fuel price ensures that the Airport is not losing money and continues to profit from the resale of fuel.

Staff recommends a motion to approve an Ordinance establishing new minimum aviation fuel pricing.

President Bogdanowski asked how sales have been for the last 6 months. Michael stated that sales are up. While the reconstruction project may affect future sales, he expects a sharp recovery.



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Trustee Huckins asked for clarification on self-serve versus full-service. Michael explained that self-service fees only cover the cost of fuel while full-service fees include the cost of staff and vehicle time, which attribute to an average difference of about \$0.75.

Motion was made to place this item on the Village Board Agenda.

## Board of Trustees

None.

## President

President Bogdanowski noted that though some tents were ruined by storms prior to the event, Ribfest was very successful. Trustee Dustin recounted the Lake in the Hills Rotary Club president mentioning how helpful the Public Works department was with regard to the event.

## Closed Session

Motion to enter into Closed Session to discuss Pending Litigation (5 ILCS 120/2(c)(11)) was made by Trustee Huckins and seconded by Trustee Murphy. On roll call vote, Trustees Anderson, Bojarski, Murphy, Huckins, Dustin, and Harlfinger voted Aye. No Nays. Motion Carried.

### **Return from Closed Session**

Roll call was answered by Trustees Huckins, Harlfinger, Dustin, Bojarski, Murphy, Anderson, and President Bogdanowski.

## Adjournment

A motion to adjourn the meeting was made by Trustee Murphy and seconded by Trustee Anderson. On roll call vote, Trustees Anderson, Murphy, Bojarski, Dustin, Harlfinger, and Huckins voted Aye. No Nays. Motion carried.

There being no further business to discuss, the Committee of the Whole meeting was adjourned at 8:26 pm.

Submitted by,

A handwritten signature in cursive script that reads "Shannon DuBeau".

Shannon DuBeau  
Village Clerk