AGENDA
VILLAGE OF GLENCOE
BOARD OF TRUSTEES
COMMITTEE OF THE WHOLE

Village Hall Conference Room
675 Village Court
Thursday, September 19, 2019 – 5:30 PM

I. CALL TO ORDER
Honorable Lawrence Levin, Village President
Joe Halwax, Trustee
Gail Lissner, Trustee
Barbara Miller, Trustee
Peter Mulvaney, Trustee
Gary Ruben, Trustee
Jonathan Vree, Trustee

II. PUBLIC COMMENT
Individuals interested in addressing the Village Board on non-agenda items may do so during this time.

III. DISCUSSION REGARDING PUBLIC SAFETY EMPLOYEE BENEFITS ACT (PSEBA) HEARING PROCEDURE

IV. STAFF REPORT AND DISCUSSION OF SYSTEM WIDE WATER METER REPLACEMENT PROGRAM

V. DISCUSSION OF POTENTIAL HOME RULE REVENUES

VI. OTHER BUSINESS

VII. ADJOURN

The Village of Glencoe is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the meeting or the facilities, are requested to contact the Village of Glencoe at least 72 hours in advance of the meeting at (847) 835-4114, or the Illinois Relay Center at (800) 526-0844, to allow the Village of Glencoe to make reasonable accommodations for those persons.
The Illinois Public Safety Employee Benefits Act ("PSEBA"), 820 ILCS 320/1 et seq., provides that public safety employees, including sworn law enforcement officers, firefighters and emergency medical technicians, who are either killed or "catastrophically injured" in the line of duty are eligible to receive free group health insurance from their municipal employer. In order to qualify for PSEBA benefits, two conditions must be satisfied:

1. The employee must have suffered a "catastrophic injury;" and
2. The injury must have occurred as a result of an officer engaging in fresh pursuit, responding to what the employee reasonably believed to be an emergency, as a result of an unlawful act perpetrated by another, or during the investigation of a criminal act.

While the PSEBA statute does not define the term "catastrophic injury," Illinois case law has defined it as any injury which renders the employee eligible for a line-of-duty disability pension (Krohe v. City of Bloomington, 2002 IL App [4th] 94112). As interpreted by the Court in Krohe, a “catastrophic injury” need not render the employee incapable of any gainful employment; rather, the employee must be unable to continue employment as a law enforcement officer, firefighter or emergency medical technician.

If an employee satisfies both eligibility criteria, the employer must provide the employee with free health insurance benefits for the employee (until Medicare eligibility), his or her spouse and the employee’s dependent children who qualify for benefits (until age 25). If the employee passes away, the PSEBA recipient’s surviving spouse receives free health insurance benefits until the surviving spouse reaches Medicare eligibility, or until the surviving spouse remarries.

One tool that some municipalities have utilized to meet this responsibility is an administrative process, in which injured employees (or a deceased employee’s surviving spouse and/or dependents) apply for PSEBA benefits and the application is then reviewed. In addition to the application process, some municipalities have enacted hearing processes that provide the opportunity for a disputed PSEBA benefits claim to be adjudicated. Until recently, the ability to create PSEBA administrative processes was limited to home rule municipalities; however, in late 2017, the Illinois Appellate Court issued a decision that held that non-home rule municipalities have the right to create PSEBA administrative processes (Englum v. City of Charleston, 2017 IL App [4th] 160747). Alternatively, in the absence of a hearing
process, a municipality may administratively determine whether an employee qualifies for PSEBA benefits. If the employee disagrees with the disposition of the municipality, they may sue for PSEBA benefits in circuit court.

Generally, PSEBA claims are very infrequent—since PSEBA was implemented in 1997, the Village has had only two PSEBA beneficiaries; however, the Village does not have a PSEBA administrative hearing process. In light of the *Englem* decision, staff is recommending that the Board consider implementing a hearing process.

**Application and Hearing Process**

If a claim for benefits is received, an applicant would provide information through an application form. Conceptually, if the claim for PSEBA benefits is disputed, a formal hearing process provides an opportunity for a hearing officer to review facts and arguments relevant to the claim and issue a decision regarding PSEBA benefits eligibility. While the hearing officer may be a member of Village staff, it would be staff’s recommendation to instead utilize a neutral, third-party hearing officer who is knowledgeable about the PSEBA statute and hearing procedures. While there is a cost to utilize a hearing officer, it offers the benefit of an expert, third-party review of a claim. Along with the hearing process, staff also plans to review and update the Village’s PSEBA application form to ensure consistency of process.

It is important to note that each claim will require an individualized, fact-specific analysis to determine eligibility, and the application and hearing process provide the greatest opportunities to conduct this analysis. Staff would recommend that the Village’s PSEBA administrative processes could be constructed to permit, but not *require*, a hearing to determine benefits eligibility. This would allow the Village to simply approve the claim without requiring a hearing if it is determined administratively that a PSEBA applicant is eligible to receive benefits. If there is question or a dispute regarding PSEBA benefits eligibility, a hearing would be conducted, and the hearing officer would issue a decision and order regarding benefits. A hearing officer’s decision could be subject to further appeal in State court; however, the scope of the appeal would be limited to the underlying record of the administrative hearing, rather than allow the introduction of new testimony.

**Basic Health Insurance Plan**

In addition to the above, staff is recommending another administrative change. Municipalities may designate a “basic” health insurance plan and only allow PSEBA beneficiaries to receive the basic plan for PSEBA benefits. Municipalities that have designated a basic plan have either named a specific health plan (typically its least expensive plan), or established that the basic plan is the plan that is least costly to the Village as determined by the Village from time to time. In these municipalities, PSEBA recipients are only eligible to receive the basic health insurance plan as free PSEBA benefits; however, some municipalities allow PSEBA recipients to pay the difference between the basic health insurance plan and a more expensive plan offered by the municipality.

Since the Village has not designated a “basic” health insurance plan, in connection with formalizing the Village’s PSEBA administrative procedures, staff also recommends that a basic health insurance plan be designated, which would allow the Village to limit a portion of its PSEBA expenses.

**Next Steps**

Staff will provide a brief presentation at the September 19, 2019 Committee of the Whole meeting.
regarding these recommendations. Based on Board input, staff would then work with counsel to include a draft ordinance for the Village Board’s consideration at a subsequent meeting.
BACKGROUND AND ANALYSIS

The Glencoe water utility currently includes approximately 3,060 active water meters in the water distribution system of varying age, style and water meter reading capabilities. In 1983, a Village-wide water meter replacement program was implemented to replace water meters originally installed in the 1930s. Again in 2007, the Village began a meter replacement program in-house, and over a three year period approximately 2/3 of the Village’s water meters were replaced, with the remaining 1/3 updated with new radio read registers.

The process for reading water meters has evolved significantly over the years. In the past, water meters were physically read, and the meter register was recorded on paper. Technology then advanced to radio read, which allowed for the reading of the meter register to be transferred via radio waves and stored on a device in the field that could be downloaded in the office. As radio read technology improved, it allowed for drive-by radio read collection and fixed network radio read functionality. The current technology in water meter reading is cellular.

In 2017, staff implemented a “Smart Water Meter” pilot program and replaced 10 larger service water meters in the Village. These smart water meters collect consumption data in five-minute intervals and report water meter readings daily via a cellular read to an online portal. These reads can be uploaded into the Village’s billing software in a matter of minutes; in comparison, the Village’s current water meter reading process can take an entire day or longer. Beginning in 2018 the Village started experiencing water meter failures on the 10 to 12-year-old meters, and the number of water meters failing on a monthly basis is trending upward. In 2018, staff was also informed that the current water meter reading program would no longer be supported in 2019, and an upgrade would be necessary to continue reading the Village’s water meters. This sequence of events led to the purchase of new software and the restocking of inventory with new cellular read water meters for the replacement of failing meters. The balance of the existing water meters in the system are still drive-by radio read meters.
that are compatible with the new Badger Beacon Software. This transition period has resulted in water meter reading being accomplished through both automatic meter reading (AMR) technology - radio read and advanced metering infrastructure (AMI) technology - smart meters.

Based on the experiences of the last couple of years, staff firmly believes that the Village needs to begin planning for a system-wide water meter replacement because the existing water meters in the system are beginning to fail, and due to their age, have diminishing accuracy. Meter accuracy is critical for the reduction and accountability of non-revenue water loss. Most existing water meters that staff has tested are outside of the American Water Works Association’s (AWWA) acceptable range of +/- 1.5% error. Beginning this year, the Illinois Department of Natural Resources (IDNR) requires all direct diverters of Lake Michigan water to have non-revenue water as a percent of water supplied be below 10%. In order to reach that required threshold, it is critical that all water meters in the system are accurate.

Staff’s recommendation is to consider a system-wide water meter replacement in the near term. While there is still a decision to be made on a water meter type, the consensus at this time is to utilize the AMI technology. Implementing upgraded water meters on all of the water services in the system will result in a reduction in non-revenue water, instill consumer confidence in the Village’s Water Utility, provide the tools necessary for residents to track water use in a more sustainable fashion and allow a move to meters that read in gallons instead of cubic feet. In addition, upgraded meters will provide the opportunity to balance water distribution and consumption on a daily/weekly/monthly/annual basis. Over the last year staff has met with several companies capable of performing a system-wide water meter replacement. Each of the vendor companies reported that they are meter agnostic and offer varying levels of implementation and support. Staff recommends moving forward with a comprehensive request for proposals (RFP) for Village-wide water meter replacement later this fall with the anticipation of having more accurate contract costs for the final SY 2020 Budget (before the final budget is approved in January or February 2020). A tentative timetable could have meter replacement underway by June or July of 2020, but that would require Revenue Bonds be let from the Water Fund to accommodate this effort. It should be noted that meter replacement was and is anticipated even in the current Community Improvement Program (CIP).

Staff will present this item for brief discussion at the September 19 Committee of the Whole meeting along with funding recommendations for the proposed program. No action other than Board feedback is requested at this time, as this effort will run concurrently with SY 2020 Budget development.
### Agenda Item:

5.1. – Discussion of Potential Home Rule Revenues

### Purpose and Action Requested:

Review and discussion of revenue sources available under the home rule governance structure.

### Strategic Priority Addressed:

Financial Sustainability, Operational Effectiveness

---

**Introduction**

The Village’s Strategic Plan and strategic vision statement outlined the Village Board’s intention to evaluate the Village’s current governance structure, including its regulatory, financial and economic development authority. To that end, for the last several months, the Village has undertaken a comprehensive examination of the Village’s authority as a special charter, non-home rule municipality.

This discussion has proceeded in several parts. At the May 16, 2019 Committee of the Whole meeting, staff and the Village Attorney presented an overview of municipal governance structures in Illinois. Following that presentation, the Board asked staff to prepare additional information regarding Glencoe’s regulatory authority as a special charter, non-home rule municipality and governance in the region. At the July 18, 2019 Committee of the Whole meeting, staff presented information regarding legal aspects of home rule authority, governance in the region and the application of home rule authority in neighboring communities, past applications or limitations of Glencoe’s authority and past reviews of Glencoe’s governance structure. Following that discussion, the Village Board requested that staff prepare information regarding potential financial implications of home rule authority, including new revenue opportunities. This memorandum focuses on revenue sources that Glencoe is unable to implement today as a non-home rule community.

**Background**

Municipalities with home rule authority have significant additional legal authority to implement non-property tax revenues in the form of taxes and fees as compared to non-home rule municipalities; however, certain types of revenues may be more relevant to an individual municipality based on the
municipality’s tax/fee base such as sales tax, food and beverage tax, entertainment/amusement tax, package liquor tax, demolition tax, real estate transfer tax (with voter referendum approval), storm water utility fees and others. Examples of such revenue sources that may be relevant to the Village are summarized in Table 1, including preliminary estimates of revenue that may be generated by each source.

The process and timeline to implement and receive revenue is also provided. It is noteworthy that these timelines may vary based on revenue specific requirements to pass ordinances, file certain revenues with the Illinois Department of Revenue (“IDOR”), and to provide sufficient time for training and implementation for any new taxes or fees impacting local businesses or residents. It is also important to note that many of these taxes diversify the those affected by new taxes and fees; for example, much of the burden of taxes such as a food and beverage tax or amusement tax would be borne by non-residents visiting Glencoe.

With the implementation of new revenue, this may also provide an opportunity for the Village to evaluate its portfolio of revenues to replace some existing revenue sources that are less efficient to administer. An additional comparison of home rule and non-home rule revenues is provided in Table 2.

**Debt Issuance**

In addition to revenue generating ability for fees and taxes, Glencoe is also somewhat restricted in raising funds through borrowing. To issue general obligation debt (which is backed by the municipality’s full faith and credit/taxing authority), non-home rule municipalities must submit a referendum question to residents to obtain voter approval to issue the debt. In contrast, home rule municipalities may issue general obligation bonds without the requirement to seek voter approval through a referendum. Alternatively, non-home rule municipalities may also issue a limited amount of general obligation bonds without referendum approval under the municipality’s limited tax debt service extension. As discussed during the Tudor Court financing process, the amount of limited tax issuance authority is capped at 0.5% of a municipality’s historic equalized assessed valuation and increased annually by the Consumer Price Index. This calculation allows the Village to issue bonds with a maximum annual payment of $600,000 (which is approximately equal to a 10-year general obligation bond issue for $5 million, depending on interest rates).

Non-home rule municipalities are also subject to a statutory debt limit of 8.825% of the equalized assessed valuation of the municipality. General obligation bonds are subject to this limit; however, certain other types of bonds and debt, such as revenue bonds and alternate bonds, are not subject to this limit. It is noteworthy that any municipality - whether home rule or non-home rule - may establish its own debt limit as a matter of municipal financial policy. Non-home rule municipalities cannot establish a local debt limit policy that exceeds the statutory debt limit.

Both home rule and non-home rule municipalities may issue other types of bonds without a referendum, including alternate revenue bonds (paid from a specific revenue source, such as water rate revenue, with the full faith and credit/taxing authority of the municipality as backup security), revenue bonds (paid from a specific revenue source), tax increment finance bonds (paid with incremental property tax growth in a tax increment financing district), refunding bonds (which refinance existing bonds), special service area bonds (paid by special property tax assessment of properties in the special service area) and loans, among others. However, these bonds typically carry higher costs of borrowing, as they are not backed by the Village’s full taxing authority (as would be a General Obligation Bond).
Next Steps
At the September 19 Committee of the Whole meeting, staff will present this information, respond to the Village Board’s questions and will seek Village Board’s feedback regarding possible next steps it may wish to consider, if any. Possible next steps may include seeking additional research regarding governance, development of potential options for further evaluation of home rule authority, commencement of the process of initiating a referendum question or ceasing discussions at this time.

ATTACHMENTS:
1. Table 1 - Home Rule Revenue Summary
2. Table 2 - Home Rule vs. Non Home Rule Comparison
### Table 1: Home Rule Revenue Sources

<table>
<thead>
<tr>
<th>Revenue Type and Description</th>
<th>Timeframe and Process to Implement</th>
<th>Estimated Annual Revenue</th>
</tr>
</thead>
</table>
| Home Rule Sales Tax – *Tax on tangible personal property sold at retail in the municipality (excluding certain vehicles, food/beverage, medicine and medical products), implemented in 0.25% increments* | The Village must pass an ordinance by:  
  - October 1 for taxes to take effect by January 1 of the following year  
  - April 1 for taxes to take effect by July 1 of the same year  
  Actual receipts from a new sales tax would be received by the Village approximately 3 months following the effective date. | $75,000 per 0.25%                |
| Local Motor Fuel Tax\(^1\) – *Tax on fuel sold in the municipality ($0.01/gallon increments)* | This tax would be established by local ordinance. Successful implementation would typically be 2-3 months following the approval of the tax to allow for training for business owners, and changeover of point-of-sale systems. | $12,000 per $0.01 of tax          |
| Natural Gas Use Tax – *Tax on consumption of natural gas used by consumers that is purchased from outside of Illinois* | This tax is collected locally and would require a local ordinance and notification of suppliers. Successful implementation would typically be 2-3 months following the approval of the tax to allow for notification. | $400,000 at $0.05 per therm       |
| Food and Beverage Tax – *Tax on the service of food and beverages (e.g. restaurants)* | This tax would be established by local ordinance. Successful implementation would typically be 2-3 months following the approval of the tax to allow for training for business owners, and changeover of point-of-sale systems. Please note – these taxes are collected by the Village imposing them. | $30,000 per 0.25%                |
| Package Liquor Tax – *Tax on sales of liquor sold in original containers* | This tax would be established by local ordinance. Successful implementation would typically be 2-3 months following the approval of the tax to allow for training for business owners, and changeover of point-of-sale systems. Please note – these taxes are collected by the Village imposing them. | $75,000 per 0.25%                |
| Amusement/Entertainment Tax – *Tax on admission fees and/or ticket sales* | This tax would be established by local ordinance. Successful implementation would typically be 2-3 months following the approval of the tax to allow for training for business owners, and changeover of point-of-sale systems. Please note – these taxes are collected by the Village imposing them. | $30,000 per 1.0%                  |
| Hotel/Motel Tax – *Tax on overnight stays in hotels, motels and short-term home rentals* | This is not applicable at this time.                                                                                                                                                                                                  | Not applicable at this time        |
| Real Estate Transfer Tax – *Authority to implement tax on the sale of real estate with referendum* | This would be imposed via ordinance following a successful referendum. Successful implementation would require 2-3 months for notification of affected parties.                                                                 | $185,000 at $1 per $1,000 of home value |
| Storm Water Utility Fees – *User fee charged to sewer customers to support installation and maintenance of storm water infrastructure* | This would be imposed following passage of an ordinance. Would require approximately 1 month to implement in utility software.                                                                                                        | $305,000 at $5/month/account      |

\(^1\) The Illinois General Assembly passed a bill (SB 1939) that was signed into law as Public Act 101-0032, that allows non-home rule municipalities in Cook County to implement a local motor fuel tax of up to $0.03 per gallon.
# TABLE 2: NEW REVENUE COMPARISON

<table>
<thead>
<tr>
<th>Revenue Description</th>
<th>Assumptions</th>
<th>Home Rule</th>
<th>Non-Home Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Revenues for Home Rule and Non Home Rule</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Rule Sales Tax <em>(Non Home Rule 1% MAX)</em></td>
<td>Each 0.25% Increment</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Food and Beverage Tax <em>(Places of Eating 1% MAX)</em></td>
<td>Each 0.25% Increment</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Local Fuel Tax <em>(Non Home Rule Limit $.03)</em></td>
<td>Each $0.01 Increment</td>
<td>$12,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Hotel/Motel Tax <em>(Restricted to Tourism)</em></td>
<td>Each 1% Increment, 5% MAX</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Increase Telecommunications Tax*</td>
<td>Raise Existing Rates to Max</td>
<td>$57,000</td>
<td>$57,000</td>
</tr>
</tbody>
</table>

**Subtotal of New Revenue Available =** $174,000

| **Additional Home Rule Revenues** |
| Packaged Liquor Tax | Each 0.25% Increment | $75,000 | - |
| Amusement Tax | Each 1% Increment | $30,000 | - |
| Contractor’s License | Fee of $50 per Contractor | $15,000 | - |
| Scavenger’s License | Fee of $10 /Month/ Business | $5,000 | - |
| Natural Gas USE Tax | Fee of $0.05 per Therm | $400,000 | - |
| Real Estate Transfer Tax *(Referendum Required)* | Fee of $1 / $1,000 Home Price | $185,000 | - |
| Storm Water Utility Fee | Fee of $5 /Month/ Account | $305,000 | - |

**Additional Home Rule Revenue Excluding Property Tax =** $1,015,000

| **Plus Potential Property Tax** |
| Real Estate Property Tax* | Pensions (All Employees) | $1,500,000 | - |

**Grand Total New Revenue Available =** $2,515,000

*Values noted represent the difference between what is collected now and the maximum amount that could be collected. **Indicates a New Fee or Tax*