AGENDA
COMMITTEE OF THE WHOLE
November 13, 2018
2200 Harnish Drive
Village Board Room
- AGENDA -
7:30 P.M.

Trustee Jasper – Chairperson
Trustee Brehmer
Trustee Glogowski
Trustee Steigert
Trustee Sosine
Trustee Spella
President Schmitt

1. **Roll Call – Establish Quorum**
2. **Public Comment – Audience Participation** (*Persons wishing to address the Committee on an item on this agenda must register with the Chair prior to roll call.*)
3. **Community Development**
4. **General Administration**
   A. Review and Consider the Comcast Franchise Agreement Renewal
   B. Consider Eminent Domain Proceeding for 901 N. Main for a Temporary Easement
   C. Consider Illinois Metropolitan Investment Fund (IMET) Tolling Agreement Extension
   D. Consider Accepting the Police Pension Fund Municipal Compliance Report
   E. Consider the Police Pension Fund Tax Levy
   F. Consider the 2018 Property Tax Levy
   G. Review the Popular Annual Financial Report (PAFR) for the year ending April 30, 2018
5. **Public Works & Safety**
   A. Consider Certain Items as Surplus
   B. Discuss Sewer Service Connection for Certain Properties
6. **Executive Session**
7. **Other Business**
8. **Adjournment**

VILLAGE OF ALGONQUIN

GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: November 5, 2018

TO: Tim Schloneger, Village Manager

FROM: Michael Kumbera, Assistant Village Manager

SUBJECT: Comcast Franchise Agreement Renewal

Background:
In 2014, the Village entered into a cable service franchise agreement with Comcast for a five-year term. The attached agreement is substantially similar in most material respects to the agreement that the Village has had in place with Comcast for the past several years. Like the existing agreement, it authorizes Comcast to operate in Village rights of way in a manner consistent with the municipal code and imposes a 5% fee on gross revenues.

Under Federal law, before the Village can renew this proposed franchise agreement, a public hearing must be held. Accordingly, the Village has published notice and at the meeting on November 20, 2018, the Village will hold a hearing to allow the public the opportunity to comment on the proposed franchise renewal. After that hearing, if this franchise agreement is in acceptable form, the Village Board may approve at that same meeting.

Recommendation:
Staff recommends the Committee of the Whole forward this item to the Village Board for approval by resolution at their meeting on November 20, pending public hearing on the same date.

PUBLIC NOTICE

VILLAGE OF ALGONQUIN

NOTICE OF PUBLIC HEARING

THE FOLLOWING PUBLIC HEARING IS SCHEDULED TO BE HELD BEFORE THE CORPORATE AUTHORITIES AT THE GANEK MUNICIPAL CENTER, 2200 HARNISH DRIVE, ALGONQUIN, ILLINOIS ON THE DATE AND AT THE TIME INDICATED.

TUESDAY, NOVEMBER 20, 2018

PUBLIC HEARING BEFORE CORPORATE AUTHORITIES

7:25 P.M.

RE: PROPOSAL FOR A RENEWED AND REVISED CABLE FRANCHISE AGREEMENT SUBMITTED BY COMCAST OF NORTHERN ILLJNOIS, INC.

Notice is hereby given that the Village President and Board of Trustees of the Village of Algonquin will hold a public hearing on the proposal for a renewed and revised cable franchise agreement submitted by Comcast of Northern Illinois, Inc. on Tuesday, November 20, 2018, at 7:25 p.m., in the Village Board Room located in Algonquin's Ganek Municipal Center, 2200 Harnish Drive.

CABLE TELEVISION FRANCHISE AGREEMENT
BY AND BETWEEN
THE VILLAGE OF ALGONQUIN, ILLINOIS
AND
COMCAST OF NORTHERN ILLINOIS, INC.,

THIS FRANCHISE AGREEMENT (hereinafter, the "Agreement" or "Franchise Agreement") is made between the Village of Algonquin, Illinois (hereinafter, the "Village"), an Illinois municipal corporation and Comcast of Northern Illinois, Inc., (hereinafter, "Grantee"), this _______ day of __________, 2018 (the "Effective Date").

The Village, having determined that the financial, legal and technical abilities of the Grantee are reasonably sufficient to provide the services, facilities, and equipment necessary to meet the future cable-related needs of the Village, desires to enter into this Franchise Agreement with the Grantee for the construction, operation and maintenance of a Cable System on the terms and conditions set forth herein.

This Agreement is entered into by and between the parties under the authority and shall be governed by the Cable Communications Policy Act of 1984, as amended from time to time, 47 U.S.C. Sections 521 *et seq,* and the Illinois Municipal Code, as amended from time to time; provided that any provisions of the Illinois Municipal Code that are inconsistent with the Cable Act shall be deemed to be preempted and superseded.

Article I – Franchise Hereby Granted

a. The Village hereby agrees to permit the Grantee to construct, operate and maintain a cable system in the Village subject to the terms and provisions of the Village's generally applicable ordinances governing the streets and rights of way of the Village.

b. The Village hereby agrees that, provided the Grantee is in compliance with all generally applicable Village codes and ordinances, this Franchise Agreement shall be effective for a period of five (5) years from and after the Effective Date.

Article II – Operations within the Village's Rights of Way

a. The Grantee hereby agrees to occupy the rights of way in accordance with the terms and provisions of Illinois State law and the Village's generally applicable ordinances governing the streets and rights of way of the Village including, but not limited to, the provisions of Chapter 39 of the Algonquin Municipal Code governing Construction of Utility Facilities in the Rights of Way, as currently in effect and as may be subsequently amended.

b. The Grantee shall at all times maintain insurance and shall provide the Village with certificates of insurance in accordance with the provisions of Chapter 39 of the Algonquin Municipal Code governing Public Ways and Property, as currently in effect and as may be subsequently amended. Said certificates of insurance shall name the Village and its elected and appointed officers, officials, agents and employees as an additional insured.

Article III – Franchise Fee

a. The Grantee shall pay a franchise fee to the Village for the privilege of operating in the Village's rights of way in a manner consistent with the provisions of the Cable Communications Policy Act of 1984, as now in effect and as may be subsequently amended from time to time. The franchise fee shall be in an amount equal to five percent (5%) of annual Gross Revenues received from the operation of the cable system to provide cable service in the Village, and shall be made on a quarterly basis, and shall be due forty-five (45) days after the close of each calendar quarter. If mailed, the Franchise Fee shall be considered paid on the date it is postmarked. The Village hereby agrees that the total franchise fee, as interpreted under the Cable Communications Policy Act of 1984, shall not exceed the greater of the percentage of fees any other video service provider, under state authorization or otherwise, providing service in the Franchise Area pays to the Village.

b. As used in this agreement, gross revenue means the cable service revenue derived by the Grantee from the operation of the cable system in the Village's Rights of Way to provide cable services, calculated in accordance with generally accepted accounting principles. Gross revenues shall also include such revenue sources from the provision of cable service as may now exist or hereafter develop from or in connection with the operation of the cable system within the Village, provided that such revenues, fees, receipts, or charges may lawfully be included in the gross revenue base for purposes of computing the Village's permissible franchise fee under the Cable Communications Policy Act of 1984, as may be amended from time to time.

c. The Village and Grantee acknowledge that the audit standards are set forth in the Illinois Municipal Code at 65 ILCS 5/11-42-11.05 (Municipal Franchise Fee Review; Requests For Information). Any audit shall be conducted in accordance with generally applicable auditing standards.

d. In accordance with 65 ILCS 5/11-42-11.05 (k), the Village shall provide on an annual basis, a complete list of addresses within the corporate limits of the Village. If an address is not included in the list or if no list is provided, the Grantee shall be held harmless for any franchise fee underpayments (including penalty and interest) from situsing errors.

Article IV – Cable Communications Policy Act of 1984

Nothing in this Agreement shall be construed to limit, in any way, the Grantee's rights or responsibilities under the Cable Communication Policy Act of 1984, as amended and the renewal of this Agreement shall be governed by that Act.

Article V - Customer Service Standards

The Village and Grantee acknowledge that the customer service standards and customer privacy protections are set forth in the Cable and Video Customer Protection Act (220 ILCS 5/22-501 *et. seq.).* Enforcement of such requirements and standards and the penalties for noncompliance with such standards shall be consistent with that Act.

IN WITNESS WHEREOF, this Franchise Agreement has been executed by the duly authorized representatives of the parties as set forth below, as of the date set forth below:

For the Village of Algonquin, Illinois:	**For Comcast of Northern Illinois, Inc.:**
By ____________________________	By: _________________________________
Its ____________________________	Its: _________________________________

VILLAGE OF ALGONQUIN
GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: October 18, 2018

TO: President Schmitt and Village Board of Trustees

FROM: Tim Schloneger

SUBJECT: 901 Cary Road Eminent Domain Proceeding to Acquire a Temp Easement

---

There are three pieces of private property necessary to append to the Main Street ROW at the intersection of Cary-Algonquin Road in order to facilitate the construction of the future roundabout.

At 901 Cary Road the Village is working to acquire a five-year temp easement to resurface, reconfigure, and re-stripe the parking lot due to impacts associated with our improvement. The five-year timeframe is due to the lengthy nature of federal projects.

The Village's negotiator has negotiated with the owner of 901 Cary Road regarding the land underlying the temporary easement. Compensation was offered in accordance with an appraisal of the property and the temporary easement. However, we have been unable to reach an agreement and are at an impasse.

Therefore, I am recommending that the Board authorize an Ordinance to bring an Eminent Domain Proceeding to acquire the temp easement.

ORDINANCE NO. 2018 - O -

An Ordinance Authorizing the Village to Bring an
Eminent Domain Proceeding to Acquire Certain Property
Located at 901 Cary Road, Algonquin, IL 60102

WHEREAS, the Village of Algonquin (the "Village"), Kane and McHenry Counties, Illinois, is a home rule municipality as contemplated under Article VII, Section 6, of the Constitution of the State of Illinois, and the passage of this Ordinance constitutes an exercise of the Village's home rule powers and functions as granted in the Constitution of the State of Illinois in addition to all other case and statutory law, including but not limited to the Equity in Eminent Domain Act, P.A. 094-1055, as amended, and the statutes set forth herein, empowering the Village relative to the subject matter of this Ordinance;

WHEREAS, pursuant to the Illinois Municipal Code, 65 ILCS 5/1-1-1 *et seq.* (the "Code"), the Village is authorized to acquire by eminent domain such property that is useful, advantageous or desirable for municipal purposes or public welfare. Section 11-61-1 of the Code provides as follows:

> Sec. 11-61-1. The corporate authorities of each municipality may exercise the right of eminent domain by condemnation proceedings in conformity with the provisions of the constitution and statutes of the State of Illinois for the acquirement of property useful, advantageous or desirable for municipal purposes or public welfare including property in unincorporated areas outside of but adjacent and contiguous to the municipality where required for street or highway purposes by the municipality.
>
> In addition, 65 ILCS 5/11-61-2 provides as follows:
>
> Sec. 11-61-2. The corporate authorities of each municipality may vacate, lay out, establish, open, alter, widen, extend, grade, pave, or otherwise improve streets, alleys, avenues, sidewalks, wharves, parks, and public grounds; and for these purposes or uses to take real property or portions thereof belonging to the taking municipality, or to counties, school districts, boards of education, sanitary districts or sanitary district trustees, forest preserve districts or forest preserve district commissioners, and park districts or park commissioners, even though the property is already devoted to a public use, when the taking will not materially impair or interfere with the use already existing and will not be detrimental to the public.

WHEREAS, the Subject Property is legally described as follows:

<u>Parcel 1A</u>
That part of the Southeast Quarter of Section 27, Township 43 North, Range 8 East of the Third Principal Meridian, in McHenry County, Illinois, bearings and distances based on the Illinois State Plane Coordinate System, East Zone, NAD 83 (2011 Adjustment), with a combined scale factor of 0.999954916, being described as follows:
Commencing at a point of intersection with northerly extension of the westerly line of Lot A in Block 43 in Frank E. Merrill and Company's Unit 3 Algonquin Hills Subdivision, being a subdivision in the east half of said Section 27, according to the plat thereof recorded March 23, 1928 as document no. 82647 and with the southerly right-of-way line of Algonquin-Cary Road as dedicated per document no. 154006, recorded April 8, 1941; thence South 46 degrees 41 minutes 46 seconds West, a distance of 94.30 feet (94.00 feet record) along said

southerly right-of-way line to a point on the easterly right-of-way line of Main Street as per document no. 909545, recorded June 12, 1985; thence South 15 degrees 11 minutes 34 seconds West, 60.28 feet along said easterly right-of-way line; thence South 06 degrees 04 minutes 46 seconds East, 120.00 feet along said easterly right-of-way line to the point of beginning; thence continuing South 06 degrees 04 minutes 46 seconds East, 63.10 feet to a point on a 1047.51 feet radius curve, concave westerly; thence southerly 8.25 feet along said curve (the chord bears South 02 degrees 02 minutes 20 seconds East, 8.25 feet); thence South 88 degrees 11 minutes 12 seconds West, 6.00 feet to a point on the easterly right-of-way line of Main Street as dedicated per document no. 69579 and document no. 69580 recorded August 19, 1925, said easterly right-of-way line being a 1041.51 feet radius curve, concave westerly; thence northerly 8.00 feet along said curve (the chord bears North 02 degrees 02 minutes 00 seconds West, 8.00 feet); thence North 06 degrees 04 minutes 46 seconds West, 62.90 feet along said easterly right-of-way line, thence North 83 degrees 55 minutes 14 seconds East, 6.00 feet along said easterly right-of-way line to the point of beginning; and

(PINs 19-27-402-025 & 19-27-402-030)

Parcel 1B
That part of the Southeast Quarter of Section 27, Township 43 North, Range 8 East of the Third Principal Meridian, in McHenry County, Illinois, bearings and distances based on the Illinois State Plane Coordinate System, East Zone, NAD 83 (2011 Adjustment), with a combined scale factor of 0.999954916, being described as follows:
Beginning at a point of intersection with northerly extension of the westerly line of Lot A in Block 43 in Frank E. Merrill and Company's Unit 3 Algonquin Hills Subdivision, being a subdivision in the east half of said Section 27, according to the plat thereof recorded March 23, 1928 as document no. 82647 and with the southerly right-of-way line of Algonquin-Cary Road as dedicated per document no. 154006, recorded April 8, 1941; thence South 37 degrees 22 minutes 14 seconds East, a distance of 10.05 feet along said northerly extension to a point on a line 10.00 feet southerly of and parallel with said southerly right-of-way line; thence South 46 degrees 41 minutes 46 seconds West, 109.58 feet along said parallel line to a point on the easterly right-of-way line of Main Street as per document no. 909545, recorded June 12, 1985; thence North 15 degrees 11 minutes 34 seconds East, 19.14 feet along said easterly right-of-way line to a point on said southerly right-of-way line of Algonquin-Cary Road; thence North 46 degrees 41 minutes 46 seconds East, 94.30 feet (94.00 feet record) along said southerly right-of-way line to the point of beginning.

(PIN 19-27-402-030) (together, the "Subject Property")

WHEREAS, the Subject Property is approximately .033 acres in size; and

WHEREAS, the Village also wishes to acquire a five-year temporary easement legally described as follows:

That part of the Southeast Quarter of Section 27, Township 43 North, Range 8 East of the Third Principal Meridian, in McHenry County, Illinois, bearings and distances based on the Illinois State Plane Coordinate System, East Zone, NAD 83 (2011 Adjustment), with a combined scale factor of 0.999954916, being described as follows:

Commencing at a point of intersection with northerly extension of the westerly line of Lot A in Block 43 in Frank E. Merrill and Company's Unit 3 Algonquin Hills Subdivision, being a subdivision in the east half of said Section 27, according to the plat thereof recorded March 23, 1928 as document no. 82647 and with the southerly right-of-way line of Algonquin-Cary Road as dedicated per document no. 154006, recorded April 8, 1941; thence South 37 degrees 22 minutes 14 seconds East, a distance of 10.05 feet along said northerly extension to the point of beginning; thence continuing South 37 degrees 22 minutes 14 seconds East, 10.05 feet along said northerly extension to a point on a line 20.00 feet southerly of and parallel with said southerly right-of-way line; thence South 46 degrees 41 minutes 46 seconds West, 24.00 feet along said parallel line, thence South 00 degrees 26 minutes 27 seconds West, 55.50 feet; thence South 83 degrees 57 minutes 58 seconds West, 7.00 feet; thence South 38 degrees 39 minutes 39 seconds West, 29.00 feet; thence South 05 degrees 59 minutes 06 seconds East, 24.00 feet; thence South 05 degrees 56 minutes 52 seconds West, 178.36 feet; thence South 88 degrees 11 minutes 12 seconds West, 18.00 feet to a point on a 1047.51 feet radius curve, concave westerly; thence northerly 8.25 feet along said curve (the chord bears North 02 degrees 02 minutes 20 seconds West, 8.25 feet); thence North 06 degrees 04 minutes 46 seconds West, 63.10 feet to a point on the easterly right-of-way line of Main Street as per document no. 909545, recorded June 12, 1985; thence continuing North 06 degrees 04 minutes 46 seconds West, 120.00 feet along said easterly right-of-way line; thence North 15 degrees 11 minutes 34 seconds East, 41.14 feet along said easterly right-of-way line to a point on a line 10.00 feet southerly of and parallel with said southerly right-of-way line of Algonquin-Cary Road; thence North 46 degrees 41 minutes 46 seconds East, 109.58 feet along said parallel line to the point of beginning (the "Temporary Easement).

WHEREAS, the Subject Property and the land underlying the Temporary Easement are depicted in Exhibit A hereto.

WHEREAS, the Village wishes to acquire title to the Subject Property to alter, widen, extend, grade, pave and otherwise improve the existing streets at or proximate to the intersection of N. Main Street and Algonquin-Cary Road. Under the laws of the State of Illinois, including portions of the Code cited in the preceding paragraphs, the Village is authorized to acquire in fee simple title the Subject Property insofar as it is necessary that the Village have and acquire the Subject Property for street purposes and the public welfare as well as the Temporary Easement to resurface and re-stripe the parking lot on the affected property owner's land and reconfigure same due to the impact associated with the Village acquiring title to the Subject Property and the undertaking of the street improvements described above; and

WHEREAS, the Village's negotiator has negotiated with the owner of the Subject Property and the land underlying the Temporary Easement, offered compensation in accordance with an appraisal of the Subject Property and the Temporary Easement, but the parties were unable to reach an agreement and are at an impasse; and

WHEREAS, for the reasons and findings set forth above, the Village's Board of Trustees believes that the acquisition of title to the Subject Property and the acquisition of the Temporary Easement are necessary for a public purpose or purposes as contemplated by subparagraph § 5-5-5 of the Eminent Domain Act, 735 ILCS 30/5-5-5; and

WHEREAS, Section 6(a) of Article VII, of the Illinois Constitution provides as follows:

> Except as limited by this Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals, and welfare.

WHEREAS, the Subject Property and the land underlying the Temporary Easement are within the Village's corporate boundaries and the exercise of eminent domain to acquire the Subject Property and the Temporary Easement pertains to the Village's government and affairs;

NOW, THEREFORE, BE IT ORDAINED by the President and Board of Trustees of the Village of Algonquin, Kane and McHenry Counties, Illinois, as follows:

SECTION 1: The foregoing recitals are incorporated herein as if fully set forth herein. The Village determines that is necessary and desirable that the Subject Property be acquired in fee simple title and that the Temporary Easement be acquired for the reasons and public purposes set forth above and in accordance with the statutory authority set forth above. The Village Manager, Village staff and counsel are authorized and directed to take such steps, either by negotiation or eminent domain, to acquire title to the Subject Property and to acquire the Temporary Easement and in accordance with applicable law.

SECTION 2: If any section, paragraph, subdivision, clause, sentence or provision of this Ordinance shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, invalidate or nullify the remainder thereof, which remainder shall remain and continue in full force and effect.

SECTION 3: All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 4: This Ordinance shall be in full force and effect upon its passage, approval and publication in pamphlet form (which publication is hereby authorized) as provided by law.

Aye:
Nay:
Absent:
Abstain:

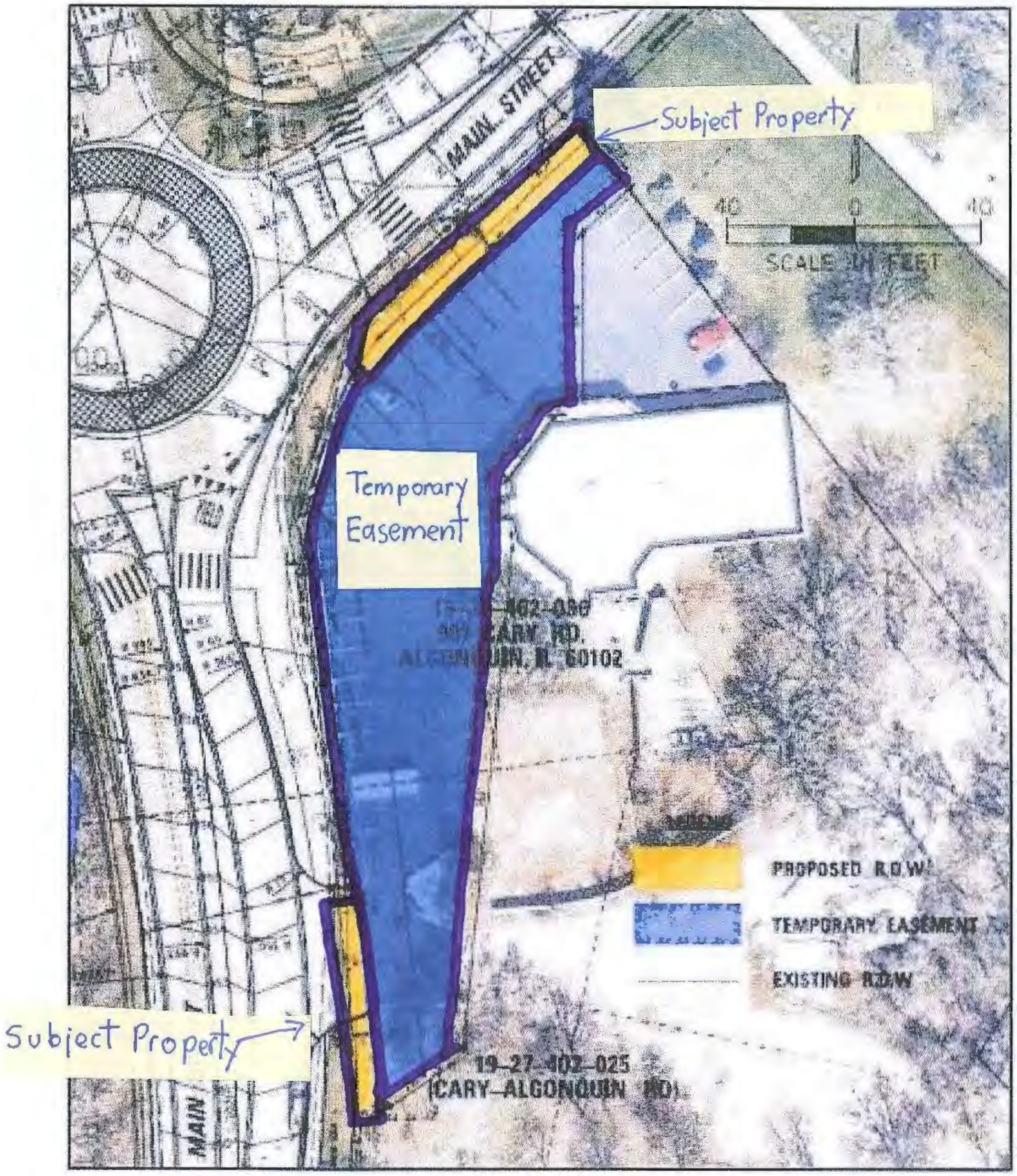
APPROVED:

____
Village President John C. Schmitt

(SEAL)
ATTEST: ____________________________
Village Clerk Gerald S. Kautz

Passed: ______________________________
Approved: ____________________________
Published: ____________________________
Z:\A\AlgonquinVillageof\Ordinances\EminentDomain.Ferraro.doc

EXHIBIT A



Subject Property
MAIN STREET
40
0
40
SCALE IN FEET
Temporary Easement
ALGONQUIN, IL 60102
19-27-402-025
(CARY-ALGONQUIN RD)
PROPOSED R.O.W.
TEMPORARY EASEMENT
EXISTING R.O.W.
Subject Property
MAIN

VILLAGE OF ALGONQUIN
GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: November 7, 2018

TO: President Schmitt and Village Board of Trustees

FROM: Tim Schloneger

SUBJECT: Illinois Metropolitan Investment Fund (IMET) Tolling Agreement Extension

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The Village previously approved a Tolling Agreement with IMET. The Agreement tolls any statute of limitation, so the Village will not waive any rights to bring suit in the future.

There is no monetary obligation resulting from signing the agreement. It permits the Village to preserve its discretion regarding whether to terminate the Agreement and file suit at a later date.

The current Tolling Agreement has an expiration date of January 31, 2019. I recommend that the Board approve an amendment to extend the tolling period through January 31, 2020. The Village still reserves the right to terminate with thirty days' notice if a group decides to pursue IMET for any reason before then.

THIRD EXTENSION TO TOLLING AGREEMENT

This Extension to Tolling Agreement is made and entered into as of January 31, 2019, by and between Illinois Metropolitan Investment Fund (“IMET”), on the one hand, and the Village of Algonquin on the other hand (collectively “the Parties”).

The Parties agree that Paragraph 7 of the tolling agreement by and between the Parties dated March 15, 2016 (the “Tolling Agreement”) shall be amended to read as follows: “If not terminated earlier as provided in the 30 Day Notice provision of Paragraph 6, the Tolling Agreement shall terminate on January 31, 2020.”

All of the other provisions of the Tolling Agreement remain unchanged.

Illinois Metropolitan Investment Fund

____

By: Randall M. Lending
One of its Attorneys

Dated: ______________________________

Village of Algonquin

____

By:

Dated:_______________________________

VILLAGE OF ALGONQUIN
GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: November 4, 2018

TO: Tim Schloneger, Village Manager

FROM: Michael Kumbera, Assistant Village Manager

SUBJECT: Municipal Compliance Report

Background:
Pursuant to House Bill 5088, attached please find the Municipal Compliance Report for the Algonquin Police Pension Fund. The Police Pension Board is required to report annually to the Board of Trustees on the condition of the pension fund at the end of each fiscal year for tax levy purposes.

Recommendation:
Staff recommends the Committee of the Whole forward this item to the Village Board for acceptance by resolution at their meeting on November 20.

C: Susan Skillman, Comptroller

THE VILLAGE OF ALGONQUIN, ILLINOIS
POLICE PENSION FUND

PUBLIC ACT 95-0950
MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED
APRIL 30, 2018

Lauterbach & Amen, LLP
CERTIFIED PUBLIC ACCOUNTANTS

668 N. RIVER ROAD • NAPERVILLE, ILLINOIS 60563
PHONE 630.393.1483 • FAX 630.393.2516
www.lauterbachamen.com

September 24, 2018

Members of the Pension Board of Trustees
Algonquin Police Pension Fund
Algonquin, Illinois

Enclosed please find a copy of your Municipal Compliance Report for the Algonquin Police Pension Fund for the fiscal year ended April 30, 2018. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report on page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed Public Act 95-0950 - Municipal Compliance Report must be provided to the Municipality before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

If you have any questions regarding this report, please contact us at auditreport@lauterbachamen.com.

Respectfully submitted,

LAUTERBACH & AMEN, LLP

THE VILLAGE OF ALGONQUIN, ILLINOIS
POLICE PENSION FUND

Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2018

The Pension Board certifies to the Board of Trustees of the Village of Algonquin, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

1) The total cash and investments, including accrued interest, of the fund at market value and the total net position of the Pension Fund:

	Current Fiscal Year	Preceding Fiscal Year
Total Cash and Investments (including accrued interest)	$28,459,612	$25,653,540
Total Net Position	$28,453,853	$25,647,185

2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers and from other sources:

Estimated Receipts - Employee Contributions	$413,600
Estimated Receipts - All Other Sources	
Investment Earnings	$1,921,000
Municipal Contributions	$1,984,537

3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	$1,518,200
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	N/A
Private Actuary - Lauterbach & Amen, LLP	
Recommended Municipal Contribution	$1,984,537
Statutory Municipal Contribution	$1,325,579

4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	Current Fiscal Year	Preceding Fiscal Year
Net Income Received from Investment of Assets	$1,712,063	$2,101,966
Assumed Investment Return		
Illinois Department of Insurance	N/A	6.50%
Private Actuary - Lauterbach & Amen, LLP	6.75%	6.75%
Actual Investment Return	6.33%	8.77%

5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	44

6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	Number of	Total Amount Disbursed
(i) Regular Retirement Pension	13	$943,928
(ii) Disability Pension	4	$161,970
(iii) Survivors and Child Benefits	0	$0
Totals	17	$1,105,897

7) The funded ratio of the fund:

	Current Fiscal Year	Preceding Fiscal Year
Illinois Department of Insurance	N/A	65.73%
Private Actuary - Lauterbach & Amen, LLP	65.58%	62.95%

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	N/A
Private Actuary - Lauterbach & Amen, LLP	$15,173,302

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL POLICE
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this ___________ day of __________, 2018

President ____ Date ___________________

Secretary ____ Date ___________________

THE VILLAGE OF ALGONQUIN, ILLINOIS
POLICE PENSION FUND

Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2018

INDEX OF ASSUMPTIONS

1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended April 30, 2018 and 2017.

   Total Net Position - as Reported in the Audited Financial Statements for the Years Ended April 30, 2018 and 2017.

2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended April 30, 2018 plus 4% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest $100.

   Estimated Receipts - All Other Sources:

   Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended April 30, 2018, times 6.75% (Actuarial Investment Return Assumption) Rounded to the Nearest $100.

   Municipal Contributions - Recommended Tax Levy Requirement as Reported by Lauterbach & Amen, LLP, Actuarial Valuation for the Year Ended April 30, 2018.

3) (a) Pay all Pensions and Other Obligations - Total Non-Investment Deductions as Reported in the Audited Financial Statements for the Year Ended April 30, 2018, plus a 25% Increase, Rounded to the Nearest $100.

   (b) Annual Requirement of the Fund as Determined by:

   Illinois Department of Insurance - No April 30, 2018 Actuarial Valuation available at the time of this report.

   Private Actuary - Lauterbach & Amen, LLP

   Recommended Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the April 30, 2018 Actuarial Valuation.

   Statutorily Required Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the April 30, 2018 Actuarial Valuation.

INDEX OF ASSUMPTIONS - Continued

4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended April 30, 2018 and 2017.

   Assumed Investment Return:

   Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the April 30, 2017 Actuarial Valuation. No April 30, 2018 Actuarial Valuation available at the time of this report.

   Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Lauterbach & Amen, LLP, April 30, 2018 and 2017 Actuarial Valuations.

   Actual Investment Return - Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning balance of the Cash and Investments and the Ending balance of the Cash and Investments, excluding the fiscal year net investment income, as Reported in the Audited Financial Statements for the Fiscal Years Ended April 30, 2018 and 2017.

5) Number of Active Members - Illinois Department of Insurance Annual Statement for April 30, 2018 - Schedule P.

6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for April 30, 2018 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.

   (ii) Disability Pension - Same as above.

   (iii) Survivors and Child Benefits - Same as above.

INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the April 30, 2017 Actuarial Valuation. No April 30, 2018 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the Lauterbach & Amen, LLP, April 30, 2018 and 2017 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No April 30, 2018 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Lauterbach & Amen, LLP in the April 30, 2018 Actuarial Valuation.

VILLAGE OF ALGONQUIN

POLICE PENSION FUND
INVESTMENT POLICY

1.0 Policy:

It is the policy of the Algonquin Police Pension Fund to invest pension funds in a manner which will preserve the actuarial soundness of the plan, while meeting the cash flow demands of the fund and conforming to all state statutes governing the investment of police pension funds.

2.0 Scope:

This investment policy applies to the assets of the Police Pension Fund of the Village of Algonquin.

3.0 Prudence:

Investments shall be made with care, skill, prudence and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. (Prudent Expert Rule)

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Investment Principles:

A. Investments shall be made solely in the interest of the beneficiaries of the Fund.
B. Assets shall be invested in proportion to the present value of the Fund's liabilities.
C. Investments shall be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent to not do so.
D. The Fund may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
E. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity and return.

5.0 Investment Objectives:

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregated return from capital appreciation and dividend and interest income.

The Fund seeks long term growth of principal while avoiding excessive market risk. Short term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

6.0 **Asset Allocation:**

The following policy shall govern the overall equity/fixed commitment of the Fund:

Acceptable Ranges of Equity Commitment

Minimum	Target	Maximum
45%	65%	65%

Acceptable Ranges of Corporate Bonds within the Fixed Income Portfolio

Minimum	Target	Maximum
0%	None	50%

The balance to be in Fixed Income and cash equivalents. Guidelines describing permissible types of equities and fixed income investments are provided in Sections 10, 11 and 14 to follow.

6.1 **Specific Investment Goals:**

Over a 5 year investment horizon, it is the goal for the Plan to meet or exceed the return of a blend of benchmark indices that reflect the asset allocation of the Pension Fund Portfolio.

The above goals are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account. The goal of each investment and or manager over the investment horizon, shall be to: Meet or exceed the market index or blended market index selected and agreed upon by the Trustees that most closely corresponds to the style of management.

6.2 **Portfolio Rebalancing:**

The portfolio will be reviewed quarterly and rebalanced at least annually using the market value of the portfolio.

7.0 **Delegation of Authority:**

Authority to manage the Village of Algonquin Police Pension Fund's investment program is derived from the following:

The establishment of investment policies is the responsibility of the Police Pension Board shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, wire transfer agreements and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board. The Board shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Board may from time to time amend the written procedures in a manner not inconsistent with this policy or with state statutes.

8.0 **Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers shall refrain from undertaking personal investment transaction with the same individual with whom business is conducted on behalf of their entity.

9.0 **Authorized Financial Dealers and Institutions:**

The Village Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. All authorized firms must be "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except on a qualified public depository as established by state statutes.

Unless transacted by the Investment Manager, all financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following:

- audited financial statements
- proof of Financial Industry Regulatory Agency(FINRA) certification
- proof of state registration
- completed broker/dealer questionnaire
- certification of having read the Village's investment policy
- depository contracts

An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the village invests.

10.0 **Investment Guidelines:**

Investments of the Fund shall be made with a firm authorized to provide investment services (Section 9).

No more than 20% of the portfolio shall be invested in any issuer to the exclusion of U.S. Treasury Securities.

10.1 **Liquidity:**

The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated.

11.0 **Authorized and Suitable Investments:**

The Fund may invest in any type of security allowed for in Illinois Compiled Statutes (40 ILCS 5/1-113.1-1-113.4a) regarding the investment of pension funds. Approved investments include:

A. Interest bearing direct obligations of the United States of America.
B. Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.
C. Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes:
   (i) The Federal National Mortgage Association
   (ii) Federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Acts of 1971 or amendments to that Act
   (iii) Federal home loan banks and the Federal Home Loan Mortgage Corporation; and
   (iv) Any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
D. Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
E. Interest bearing savings accounts or certificates of deposit, issued by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
F. Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
G. Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool (Illinois Funds) in accordance with the Deposit of State Moneys Act and interest bearing funds or pooled accounts of the Illinois Metropolitan Investment Funds, or funds managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.
H. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
I. Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.
J. Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to the following:
   (i) Bonds, notes certificates of indebtedness, treasury bills, or other securities that are guaranteed by the full faith and credit of the United States of America as to principal and interest.
   (ii) Bonds, notes debentures, or other similar obligations of the United States of America or its agencies.

(iii) Short term obligations of corporations organized in the United States with assets exceeding $400,000,000, provided that (A) the obligations mature no later than 180 days from the date of purchase, (B) at the time of purchase, the obligations are rated by at least 2 standard national rating services at one of their 3 highest classifications, and (C) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.

K. General accounts of life insurance companies authorized to transact business in Illinois.

L. Any combination of the following, not to exceed 50% as of July 1, 2011 and 55% as of July 1, 2012, of the pension fund's net assets:

(i) Separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments.

(ii) Separate accounts that are managed by insurance companies authorized to transact business in Illinois, and are comprised of real estate or loans upon real estate secured by first or second mortgages.

(iii) Mutual Funds that meet the following requirements: (a) the mutual fund is managed by an investment company and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953; (b) the mutual fund has been in operation for at least 5 years; (c) the mutual fund has total net assets of $250 million or more, and; (d) the mutual fund is comprised of diversified portfolio of common or preferred stocks, bonds, or money market instruments.

(iv) Through an appointed investment advisor, as defined under Sections 1- 101.4 and 1- 113.5, may, through that investment adviser, invest an additional portion of its assets in common and preferred stocks and mutual funds. The stocks must meet all of the following requirements: (a) the common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System; (b) the securities must be of a corporation in existence for at least 5 years; (c) The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation may not exceed 5% of the total outstanding stock of that corporation; (d) The straight preferred stocks or convertible preferred stocks must be issued or guaranteed by a corporation whose common stock qualifies for investment by the board; and (e) ADR's are excluded.

N. Corporate bonds managed through an investment advisor must meet all of the following requirements:

i) The bonds must be rated as investment grade by one of the two largest rating services at the time of purchase.

ii) If subsequently downgraded below investment grade, the bonds must be liquidated by the manager from the portfolio within 90 days after being downgraded.

The fund's total investment in separate accounts and mutual funds shall not exceed 65% of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

- have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.
- have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
- receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

Any public agency may also invest any public funds in a Public Treasurers' Investment Pool (Illinois Funds) created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

To the extent a public agency has custody of funds not owned by it or another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to particular fund.

Investment advisers and consultants shall be fiduciaries, as defined in Section 1-101.2, with respect to the Pension Fund, and comply with the provisions of 40 ILCS 5/1-113.5.

12.0 **Collateralization:**

It is the policy of the Fund and in accordance with the GFOA's Recommended Practices on the Collateralization of Public Deposits, the Fund requires that funds on deposit in excess of FDIC limits be secured by some form of collateral. The Fund will accept any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities

(The Fund reserves the right to accept/reject any form of the above named securities.)

The Fund also requires that all depositories that hold the Fund's deposits in excess of the FDIC limit must provide and sign a Collateralization Agreement.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping, by an independent third party depository, or the Federal Reserve Bank of Chicago, designated by the Fund and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Fund.

13.0 **Safekeeping and Custody:**

When possible, security transactions entered into by the Fund shall be conducted on a delivery-verses-payment (DVP) basis. Securities will be held by a third party custodian or qualified broker/dealer as defined by 40 ILCS 5/1-113.7 (A), be designated by the Fund and evidenced by safekeeping receipts and/or itemized statements.

14.0 **Diversification:**

In order to reduce the risk of default, the investment portfolio of the Fund shall not exceed the following diversification limits unless specifically authorized by the Board of Trustees:

- Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
- Commercial paper shall not exceed 10% of the Fund's investment portfolio.
- Deposits in the Illinois Public Treasurer's Investment Pool shall not exceed 50% of the Fund's investment portfolio.
- Brokered certificates of deposit shall not exceed 25% of the Fund's investment portfolio.

15.0 **Maximum Maturities:**

The Fund will attempt to match its investments with anticipated cash flow requirements and future liabilities.

16.0 **Internal Controls:**

The Treasurer is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the Fund are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Treasurer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members.
- Written confirmation of telephone transactions for investments and wire transfers

- Development of a procedure for making wire transfers

17.0 Investment Manager Performance Review and Evaluation:

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Trustees for review. The investment performance of total portfolios as well as asset class components will be measured against commonly accepted performance benchmarks. Consideration shall be given to the investment objectives, goals and guidelines as set forth in this statement. The Trustees intend to evaluate the portfolio(s) over at least a three year period, but reserve the right to terminate a manager for any reason including the following:

- Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

- Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

- Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

18.0 Reporting:

The Treasurer or designated third party shall prepare an investment report at least quarterly, including a succinct management summary that provides a clear picture of the status of the current investment portfolio. This management summary will be prepared in a manner which will allow the entity to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Police Pension Board. The report will include the following:

- A listing of individual securities held at the end of the reporting period.
- Listing of investments by maturity date
- The percentage of the total portfolio which each type of investment represents
- The percentage of the total portfolio which each institution is holding
- The percentage of the total portfolio broken down by defined maturity periods
- Principal and type of investment by fund

18.1 Marking to Market:

A statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that the minimal amount of review has been performed on the investment portfolio in terms of value and subsequent price volatility. Review should be consistent with the GFOA Recommended Practice on Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools.

19.0 Investment Policy Adoption:

The Fund's investment policy shall be adopted by resolution of the Algonquin Police Pension Fund. This policy shall be reviewed on an annual basis by the President and any modifications made thereto must be approved by the Police Pension Board.

Amended: 10/26/2016

Stan W. Helgerson
President
Village of Algonquin Police Pension

VILLAGE OF ALGONQUIN

GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: November 4, 2018

TO: Tim Schloneger, Village Manager

FROM: Michael Kumbera, Assistant Village Manager

SUBJECT: Police Pension Fund Tax Levy Request

Background:
The Algonquin Police Pension Fund Board of Trustees is requesting that the Village Board levy an amount $1,984,537 ($1,985,000 rounded) in accordance with the actuarial valuation results for the year beginning May 1, 2018. This is a $1,000 increase from last year's levy. A copy of the request and actuarial valuation from Lauterbach and Amen is attached.

The fund is 65.58 percent funded (up 4.2 percent) from the prior year and the amortization target remains 100 percent by 2033 (15 years). This recommendation has been tentatively placed in the 2018 tax levy resolution that the Committee of the Whole will consider on November 13.

Recommendation:
Staff recommends the Committee of the Whole forward this item to the Village Board for acceptance by motion at their meeting on November 20.

C: Susan Skillman, Comptroller

MEMORANDUM

TO: Village President and Board of Trustees

FROM: Stan W. Helgerson, President, Police Pension Fund

DATE: July 23, 2018

RE: 2018 Tax Levy Request

The Police Pension Fund Board is hereby requesting that the Village Board levy $1,984,537 for the Police Pension Fund. The amount was determined by an actuary that was jointly hired by the Village and the Pension Board.

Thank you for your consideration.

cc: Algonquin Police Pension Board

Lauterbach & Amen, LLP
668 N. River Road
Naperville, IL 60563

Actuarial Valuation as of May 1, 2018

ALGONQUIN POLICE PENSION FUND

Utilizing Data as of April 30, 2018
For the Contribution Year May 1, 2018 to April 30, 2019

LAUTERBACH & AMEN, LLP

Actuarial Valuation – Funding Recommendation

Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ALGONQUIN POLICE PENSION FUND

Contribution Year Ending: April 30, 2019
Actuarial Valuation Date: May 1, 2018
Utilizing Data as of April 30, 2018

Submitted by:

Lauterbach & Amen, LLP
630.393.1483 Phone
www.lauterbachamen.com

Contact:

Todd A. Schroeder
September 17, 2018

LAUTERBACH & AMEN, LLP

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ACTUARIAL CERTIFICATION

This report documents the results of the actuarial valuation of the Algonquin Police Pension Fund. The purpose is to report the actuarial contribution requirement for the contribution year May 1, 2018 to April 30, 2019. Determinations for purposes other than meeting the employer's actuarial contribution requirements may be significantly different from the results herein.

The results in this report are based on information and data submitted by the Village of Algonquin, Illinois including studies performed by prior actuaries. We did not prepare the actuarial valuations for the years prior to May 1, 2016. Those valuations were prepared by other actuaries whose reports have been furnished to us, and our disclosures are based upon those reports. An audit of the information was not performed, but high-level reviews were performed for general reasonableness, as appropriate, based on the purpose of the valuation. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information. The results of the actuarial valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The Village of Algonquin, Illinois selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in this valuation are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable funding requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. The undersigned of Lauterbach & Amen, LLP, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render this Actuarial Opinion. There is no relationship between the Village of Algonquin, Illinois and Lauterbach & Amen, LLP that impairs our objectivity.

The information contained in this report was prepared for the use of the Algonquin Police Pension Fund and the Village of Algonquin, Illinois in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. It is intended to be used in its entirety to avoid misrepresentations.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

Todd A. Schroeder

Todd A. Schroeder, EA

MANAGEMENT SUMMARY

Contribution Recommendation
Funded Status
Management Summary

Contribution Recommendation

	Prior Valuation	Current Valuation
Contribution Requirement	$1,983,552	$1,984,537
Expected Payroll	$4,314,452	$4,157,150
Contribution Requirement as a Percent of Expected Payroll	45.97%	47.74%

Recommended Contribution has Increased $985 from Prior Year.

Funded Status

	Prior Valuation	Current Valuation
Normal Cost	$1,038,677	$987,120
Market Value of Assets	$25,647,185	$28,453,853
Actuarial Value of Assets	$26,283,605	$28,913,925
Actuarial Accrued Liability	$41,750,218	$44,087,227
Unfunded Actuarial Accrued Liability	$15,466,613	$15,173,302
Percent Funded		
Actuarial Value of Assets	62.95%	65.58%
Market Value of Assets	61.43%	64.54%

Funded Percentage has Increased 2.63 on an Actuarial Value of Assets Basis.

MANAGEMENT SUMMARY – COMMENTS AND ANALYSIS

Contribution Results

The contribution recommendation is based on the funding policies and procedures that are outlined in the "Actuarial Funding Policies" section of this report.

The State of Illinois statutes for pension funds contain parameters that should be used to determine the minimum amount of contribution to a public pension fund. Those parameters and the resulting minimum contribution can be found in the "Illinois Statutory Minimum Contribution" section of this report.

Defined Benefit Plan Risks

Asset Growth:

Pension funding involves preparing plan assets to pay benefits for the members when they retire. During their working careers, assets need to build with contributions and investment earnings, and then the pension fund distributes assets during retirement. Based on the fund's current mix of employees and funded status, the fund should be experiencing positive asset growth on average if requested contributions are made and expected investment earnings come in. In the current year, the fund asset growth was positive by approximately $2.8 million.

Asset growth is important long-term. Long-term cash flow out of the pension fund is primarily benefit payments. Expenses make up a smaller portion. The fund should monitor the impact of expected benefit payments and the impact on asset growth in the future. In the next 5 years, benefits payments are anticipated to increase 50-55%, or approximately $602,000. In the next 10 years, the expected increase in benefit payments is 150-155%, or approximately $1.7 million.

Unfunded Liability:

Unfunded liability represents dollars we expect to be in the pension fund already for the fund members based on funding policy. To the extent dollars are not in the pension fund the fund is losing investment returns on those dollars going forward. Payments to unfunded liability pay for the lost investment earnings, as well as the outstanding unfunded amount. If payment is not made, the unfunded liability will grow.

In the early 1990s, many pension funds in Illinois adopted an increasing payment to handle unfunded liability due to a change in legislation. The initial payments decreased, and payments were anticipated to increase annually after that. In many situations, payments early on may be less than the interest on unfunded liability, which means unfunded liability is expected to *increase* even if contributions are at the recommended level.

The current contribution recommendation includes a payment to unfunded liability that is approximately $346,000 more than interest on the unfunded liability. All else being equal and contributions being made, unfunded liability would still be expected to decrease. The employer and the fund should anticipate currently that improvement in the funded percent will be mitigated in the short-term. The employer and the fund should understand this impact as we progress forward to manage expectations.

Actuarial Value of Assets:
The pension fund smooths asset returns that vary from expectations over a five-year period. The intention over time is that asset returns for purposes of funding recommendations are a combination of several years. The impact is intended to smooth out the volatility of contribution recommendations over time, but not necessarily increase or decrease the level of contributions over the long-term.

When asset returns are smoothed, there are always gains or losses on the Market Value of Assets that are going to be deferred for current funding purposes, and recognized in future years. Currently, the pension fund is deferring approximately $460,000 in losses on the Market Value of Assets. These are asset losses that will be recognized in upcoming periods, independent of the future performance of the Market Value of Assets.

Plan Assets
The results in this report are based on the assets held in the pension fund. Assets consist of funds held for investment and for benefit payments as of the valuation date. In addition, assets may be adjusted for other events representing dollars that are reasonably expected to be paid out from the pension fund or deposited into the pension fund after the actuarial valuation date as well.

The current fund assets are audited.

The Plan Assets Used in this Report are Audited.

The actuarial value of assets under the funding policy is equal to the fair market value of assets, with unexpected gains and losses smoothed over 5 years. More detail on the Actuarial Value of Assets can be found in the funding policy section of the report.

Demographic Data

Demographic factors can change from year to year within a pension fund. Changes in this category include hiring new employees, employees retiring or becoming disabled, retirees passing away, and other changes. Demographic changes can cause an actuarial gain (contribution that is less than expected compared to the prior year) or an actuarial loss (contribution that is greater than expected compared to the prior year).

Demographic gains and losses occur when the assumptions over the one-year period for employee changes do not meet our long-term expectation. For example, if no employees become disabled during the year, we would expect a liability gain. If more employees become disabled than anticipated last year, we would expect a liability loss. Generally, we expect short-term fluctuations in demographic experience to create 1%-3% gains or losses in any given year, but to balance out in the long-term.

In the current report, the key demographic changes were as follows:

New hires: The fund added 2 new active members in the current year through hiring. When a new member is admitted to the pension fund, the employer contribution will increase to reflect the new member. The increase in the recommended contribution in the current year for the new fund members is approximately $4,000.

Disability: There was 1 member of the fund who became disabled during the year. When a member becomes disabled, the fund will often experience a decrease in normal cost, but an increase in unfunded liability. The increase in the recommended contribution in the current year for the new disability was approximately $18,000.

Retirement: There was 1 member of the fund who retired during the year. When a fund member retires, the normal cost will decrease. Any change in the actuarial liability will be considered when determining the amount to pay towards unfunded liability each year. The increase in the recommended contribution in the current year due to the retirement experience is approximately $3,000.

Termination: There was 1 vested member of the fund who terminated employment during the year. The member took a refund. The fund is no longer obligated to pay a benefit to the member in the future. The decrease in the recommended contribution in the current year due to the termination experience is approximately $40,000.

Deferred Annuitants: There was 1 vested member of the fund who terminated employment during the year and did not take a refund. The fund may be obligated to pay a benefit to the member in the future. The decrease in the recommended contribution in the current year due to the termination experience is approximately $30,000.

Mortality: There was 1 retiree who passed away during the year, with no eligible surviving spouse. When a retiree passes away, the fund liability will decrease as the pension fund no longer will make future payments to the retiree. If there is an eligible surviving spouse, the fund liability will increase to represent the value of the expected payments that will be made to the spouse. The net decrease in the recommended contribution in the current year due to the mortality experience is approximately $73,000.

Salary Increases: In the current year, salary increases were less than anticipated due to the current contract being in negotiations. This caused a decrease in the recommended contribution for the current year. A portion of this decrease was offset by applying 2.50% COLA increases to all active members' pay, in anticipation of retroactive pay increases upon contract settlement. The net decrease in the recommended contribution in the current year due to the salary experience is $12,000.

Assumption Changes

The assumptions were not changed from the prior year.

Funding Policy Changes

The funding policy was changed from the prior year. The new funding policy represents a better fit for the goals of pension funding for all stakeholders. The new funding policy features a layered amortization on changes in the unfunded liability and is summarized in the table on page 17. The change in the funding policy did not impact the recommended contribution for the current year.

ACTUARIAL CONTRIBUTION RECOMMENDATION - RECONCILIATION

Actuarial liability is expected to increase each year for both interest for the year and as active employees earn additional service years towards retirement. Similarly, actuarial liability is expected to decrease when the fund pays benefits to inactive employees.

Contributions are expected to increase as expected pay increases under the funding policy for the Fund.

	Actuarial Liability	Contribution Recommendation
Prior Valuation	$ 41,750,218	$ 1,983,552
Expected Changes	2,824,486	59,507
Initial Expected Current Valuation	$ 44,574,704	$ 2,043,059

Other increases or decreases in actuarial liability (key changes noted below) will increase or decrease the amount of unfunded liability in the plan. To the extent unfunded liability increases or decreases unexpectedly, the contribution towards unfunded liability will also change unexpectedly.

	Actuarial Liability	Contribution Recommendation
Salary Increase Less than Expected	(103,833)	(11,593)
Demographic Changes	(383,644)	(85,134)
Asset Return Less than Expected *	-	28,960
Contributions Less than Expected	-	9,244
Total Actuarial Experience	$ (487,477)	$ (58,522)
Current Valuation	$ 44,087,227	$ 1,984,537

*The impact on contribution due to asset performance is based on the Actuarial Value of Assets.

Key demographic changes were discussed in the prior section.

VALUATION OF FUND ASSETS

Market Value of Assets
Actuarial Value of Assets

MARKET VALUE OF ASSETS

Statement of Assets

	Prior Valuation	Current Valuation
Cash and Cash Equivalents	$ 529,772	$ 628,248
Money Market	436,040	479,709
Fixed Income	9,279,622	9,478,047
Stock Equities	2,751,475	3,043,543
Mutual Funds	12,565,575	14,735,789
Receivables (Net of Payables)	84,701	88,518
Net Assets Available for Pensions	$ 25,647,185	$ 28,453,853

The Total Value of Assets has Increased Approximately $2,807,000 from Prior Valuation.

Statement of Changes in Assets

Total Market Value - Prior Valuation	$ 25,647,185
Plus - Employer Contributions	1,900,000
Plus - Employee Contributions	409,143
Plus - Return on Investments	1,712,063
Less - Benefit and Related Payments	(1,170,771)
Less - Other Expenses	(43,767)
Total Market Value - Current Valuation	$ 28,453,853

The Return on Investment on the Market Value of Assets for the Fund was Approximately 6.4% Net of Administrative Expenses.

The return on investments shown has been determined as the Return on Assets from the statement of changes in assets, as a percent of the average of the beginning and ending Market Value of Assets. Return on Investment is net of the Other Expenses as shown. The Return on Investments has been excluded from the Total Market Value of Assets at the end of the year for this calculation.

MARKET VALUE OF ASSETS (GAIN)/LOSS

Current Year (Gain)/Loss on Market Value of Assets

Total Market Value - Prior Valuation	$ 25,647,185
Contributions	2,309,143
Benefit Payments	(1,170,771)
Expected Return on Investments	1,769,605
Expected Total Market Value - Current Valuation	28,555,163
Actual Total Market Value - Current Valuation	28,453,853
Current Market Value (Gain)/Loss	$ 101,310
Expected Return on Investments	$ 1,769,605
Actual Return on Investments (Net of Expenses)	1,668,295
Current Market Value (Gain)/Loss	$ 101,310

The Return on the Market Value of Assets was Lower than Expected Over the Most Recent Year.

The (Gain)/Loss on the Market Value of Assets has been determined based on expected returns at the actuarial rate.

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

Total Market Value - Current Valuation		$ 28,453,853
Adjustment for Prior (Gains)/Losses		
	Full Amount	
First Preceding Year	$ 101,310	81,048
Second Preceding Year	(513,338)	(308,003)
Third Preceding Year	1,581,362	632,545
Fourth Preceding Year	272,409	54,482
Total Deferred (Gain)/Loss		460,072
Initial Actuarial Value of Assets - Current Valuation		$ 28,913,925
Less Contributions for the Current Year and Interest		-
Less Adjustment for the Corridor		-
Actuarial Value of Assets - Current Valuation		$ 28,913,925

The Actuarial Value of Assets is Equal to the Fair Market Value of Assets with Unanticipated Gains/Losses Recognized over 5 Years. The Actuarial Value of Assets is Currently 102% of the Market Value.

(GAIN)/LOSS ON THE ACTUARIAL VALUE OF ASSETS

Total Actuarial Value - Prior Valuation	$ 26,283,605
Plus - Employer Contributions	1,900,000
Plus - Employee Contributions	409,143
Plus - Return on Investments	1,535,715
Less - Benefit and Related Payments	(1,170,771)
Less - Other Expenses	(43,767)
Total Actuarial Value - Current Valuation	$ 28,913,925

The Return on Investment on the Actuarial Value of Assets for the Fund was Approximately 5.6% Net of Administrative Expenses.

The Actuarial Value of Assets incorporates portions of gains and losses over multiple years.

HISTORICAL ASSET PERFORMANCE

The chart below shows the historical rates of return on plan assets for both Market Value of Assets and Actuarial Value of Assets.

	Market Value	Actuarial Value
First Preceding Year	6.4%	5.6%
Second Preceding Year	9.0%	5.4%
Third Preceding Year	(0.4%)	4.9%

The returns on assets shown above were calculated based on the annual return on investment for the year, as a percentage of the average value of the assets for the year.

For purposes of determining the average value of assets during the year, the ending market value of assets has been adjusted to net out to the portion related to the investment returns themselves. All other cash flows are included.

For purposes of determining the annual return on investment we have adjusted the figures shown on the preceding pages. The figures shown on the preceding pages are net of investment expenses. We have made an additional adjustment to net out administrative expenses. Netting out administrative expenses allows us to capture returns for the year that can be used to make benefit payments as part of the ongoing actuarial process.

The adjustment we make is for actuarial reporting purposes only. By netting out administrative expenses and capturing return dollars that are available to pay benefits, it provides us a comparison to the estimated rate of return on assets, but does not provide a figure that would be consistent with the return rates that are determined by other parties. Therefore, this calculated rate of return should not be used to analyze investment performance of the Fund or the performance of the investment professionals.

RECOMMENDED CONTRIBUTION DETAIL

Actuarial Accrued Liability

	Prior Valuation	Current Valuation
Active Employees	$ 23,098,251	$ 22,780,865
Inactive Employees		
Terminated Employees - Vested	153,799	763,917
Retired Employees	16,586,094	17,547,621
Disabled Employees	1,912,074	2,994,824
Other Beneficiaries	-	-
Total Inactive Employees	18,651,967	21,306,362
Total Actuarial Accrued Liability	$ 41,750,218	$ 44,087,227

The Total Actuarial Liability has Increased Approximately $2,337,000 from Prior Valuation.

Funded Status

	Prior Valuation	Current Valuation
Total Actuarial Accrued Liability	$ 41,750,218	$ 44,087,227
Total Actuarial Value of Assets	26,283,605	28,913,925
Unfunded Actuarial Accrued Liability	$ 15,466,613	$ 15,173,302
Total Market Value of Assets	$ 25,647,185	$ 28,453,853
Percent Funded		
Actuarial Value of Assets	62.95%	65.58%
Market Value of Assets	61.43%	64.54%

Funded Percentage as of the Valuation Date is Subject to Volatility on Assets and Liability in the Short-Term.

DEVELOPMENT OF THE EMPLOYER NORMAL COST

	Prior Valuation	Current Valuation
Total Normal Cost	$ 1,038,677	$ 987,120
Estimated Employee Contributions	(427,562)	(411,974)
Employer Normal Cost	$ 611,115	$ 575,146

At a 100% Funding Level, the Normal Cost Contribution is Still Required.

NORMAL COST AS A PERCENTAGE OF EXPECTED PAYROLL

	Prior Valuation	Current Valuation
Expected Payroll	$ 4,314,452	$ 4,157,150
Employee Normal Cost Rate	9.910%	9.910%
Employer Normal Cost Rate	14.16%	13.84%
Total Normal Cost Rate	24.07%	23.75%

Ideally, the Employer Normal Cost Rate will Remain Stable.

CONTRIBUTION RECOMMENDATION

	Prior Valuation	Current Valuation
Employer Normal Cost*	$ 652,365	$ 613,968
Amortization of Unfunded Accrued Liability/(Surplus)	1,331,187	1,370,569
Funding Requirement	$ 1,983,552	$ 1,984,537

The Recommended Contribution has Increased 0.05% from Prior Valuation.

*Employer Normal Cost Contribution includes interest through the end of the year.

Schedule of Amortization – Unfunded Actuarial Liability

Below is the schedule of remaining amortization balances for the unfunded liability.

Unfunded Liability Base	Initial Balance	Date Established	Current Balance	Years Remaining	Payment
Initial Unfunded Liability	$ 15,466,613	4/30/2017	$ 15,179,422	15	$ 1,371,123
Asset (Gain)/Loss	$ 320,616	4/30/2018	$ 320,616	15	$ 28,960
Actuarial (Gain)/Loss*	$ (325,744)	4/30/2018	$ (325,744)	15	$ (29,424)
Contribution (Gain)/Loss	$ (992)	4/30/2018	$ (992)	15	$ (90)
Total	$ 15,460,493		$ 15,173,302		$ 1,370,569

*$18,419 of the Actuarial (Gain)/Loss Initial Balance is attributable to a loss due to employee contributions below expectation. $84,544 of the Actuarial (Gain)/Loss Initial Balance is attributable to a loss due to employer contribution timing.

Actuarial Methods – Recommended Contribution

Actuarial Valuation Date	May 1, 2018
Data Collection Date	April 30, 2018
Actuarial Cost Method	Entry Age Normal (Level % Pay)
Amortization Method	Level % Pay (Closed)
Amortization Target	Layered - See Page 17
Asset Valuation Method	5-Year Smoothed Market Value

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described. The actuarial cost and amortization method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

The recommended contribution amount shown in this report is based on the methods summarized above. The Actuarial Funding Policies section of the report will include a more detailed description of the funding methods being used.

The Actuarial Funding Methods are meant to provide a systematic process for determining contributions on an annual basis. The methods do not impact the expectation of future benefit payments. The methods only impact the way dollars are contributed towards future benefit payments.

Different Actuarial Funding Methods may achieve funding goals with differing levels of success. Certain methods are more efficient and more stable on an annual basis.

ILLINOIS STATUTORY MINIMUM CONTRIBUTION

Minimum Contribution
Methods and Assumptions

Statutory Minimum Contribution

	Minimum Contribution
Contribution Requirement	$1,325,579
Expected Payroll	$4,157,150
Contribution Requirement as a Percent of Expected Payroll	31.89%

Funded Status – Statutory Minimum

	Minimum Contribution
Normal Cost	$1,143,678
Market Value of Assets	$28,453,853
Actuarial Value of Assets	$28,913,925
Actuarial Accrued Liability	$40,913,677
Unfunded Actuarial Accrued Liability	$11,999,752
Percent Funded	
Actuarial Value of Assets	70.67%
Market Value of Assets	69.55%

The Statutory Minimum Contribution is based on funding methods and funding parameters in the Illinois statutes for pension funding. The resulting contribution is lower than the recommended contribution for the current plan year. The lower contribution amount is not recommended because it represents only a deferral of contributions when compared to the recommended contribution method.

Actuarial Funding methods for pensions are best applied to provide a balance between the long-term goals of a variety of stakeholders:

1. Beneficiaries – the fund participants are interested in benefit security and having the dollars there to pay benefits when retired

2. Employers – cost control and cost stability over the long-term

3. Taxpayers – paying for the services they are receiving from active employees

The Statutory Minimum Contribution methods are not intended to provide a better system in any of the above categories long-term. The parameters are not recommended for a long-term funding strategy.

The Statutory Minimum methods put into place in 2011 were intended to provide short-term budget relief for Employer contributions. An employer using the Statutory Minimum parameters for current funding should view the contributions as short-term relief. Our recommendation in this situation is for a pension fund and an employer to work towards a long-term funding strategy that better achieves the long-term funding goals, over a period that does not exceed 3-5 years.

The Securities and Exchange Commission in 2013 used the phrase "Statutory Underfunding" to describe situations where contributions appear to be more manageable in the short-term, but set up future contribution requirements that are less likely to be manageable.

ACTUARIAL METHODS – ILLINOIS STATUTORY MINIMUM CONTRIBUTION

Actuarial Valuation Date	May 1, 2018
Data Collection Date	April 30, 2018
Actuarial Cost Method	Projected Unit Credit (Level % of Pay)
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	90% Funded over 22 years
Asset Valuation Method	5-Year Smoothed Market Value

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described. The actuarial cost and amortization method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

The Actuarial Funding Methods are meant to provide a systematic process for determining contributions on an annual basis. The methods do not impact the expectation of future benefit payments. The methods only impact the way dollars are contributed towards future benefit payments.

Different Actuarial Funding Methods may achieve funding goals with differing levels of success. Certain methods are more efficient and more stable on an annual basis.

ACTUARIAL VALUATION DATA

Active Employees
Retirees and Beneficiaries

Active Employees

	Prior Valuation	Current Valuation
Vested	38	34
Nonvested	8	10
Total Active Employees	46	44
Total Payroll	$ 4,250,692	$ 4,095,714

Total Payroll for the current year includes 2.50% COLA increases applied to each active members' pay, in anticipation of future retroactive pay increases upon contract settlement.

Inactive Employees

	Prior Valuation	Current Valuation
Terminated Employees - Vested	1	2
Retired Employees	13	13
Disabled Employees	3	4
Other Beneficiaries	0	0
Total Inactive Employees	17	19

Summary Of Benefit Payments

	Prior Valuation	Current Valuation
Terminated Employees - Vested	$ 2,751	$ 6,770
Retired Employees	76,472	80,730
Disabled Employees	8,229	13,440
Other Beneficiaries	-	-
Total Inactive Employees	$ 87,453	$ 100,939

Benefits shown for terminated employees under deferred retirement are not currently in pay status.

ACTUARIAL FUNDING POLICIES

Actuarial Cost Method
Financing Unfunded Accrued Liability
Actuarial Value of Assets

Actuarial Cost Method

The actuarial cost method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

In accordance with the Pension Fund's Funding Policy the actuarial cost method for the recommended contribution basis is Entry Age Normal (Level Percent of Pay). The Entry Age Normal Cost Method is a method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called normal cost. The portion of the actuarial present value not provided at a valuation date by the actuarial present value of future normal costs is called the actuarial liability.

Financing Unfunded Actuarial Accrued Liability

The Unfunded Actuarial Accrued Liability may be amortized over a period either in level dollar amounts or as a level percentage of projected payroll.

In accordance with the Pension Fund's Funding Policy for the recommended contribution, the unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions to a 100% funding target over a layered amortization target. See page 17 for more detail.

Actuarial Value of Assets

The pension fund is an ongoing plan. The employer wishes to smooth the effect of volatility in the market value of assets on the annual contribution. The Actuarial Value of Assets is equal to the Market Value of Assets with unanticipated gains/losses recognized over five years.

The asset valuation method is intended to create an Actuarial Value of Assets that remains reasonable in relation to the Market Value of Assets over time. The method produces results that can fall above and below the Market Value of Assets. The period of recognition is short.

It is intended that the period of recognition is short enough to keep the Actuarial Value of Assets within a decent range of the Market Value. The employer has not placed a specific corridor around the Market Value of Assets.

ACTUARIAL ASSUMPTIONS

Nature of Actuarial Calculations
Actuarial Assumptions in the Valuation Process
Actuarial Assumptions Utilized

Nature of Actuarial Calculations

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.

Actuarial Assumptions in the Valuation Process

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described in the previous section.

The principal areas of financial risk which require assumptions about future experience are:

- Long-term Rates of Investment Return
- Patterns of Pay Increases for Members
- Rates of Mortality Among Members and Beneficiaries
- Rates of Withdrawal of Active Members
- Rates of Disability Among Members
- Age Patterns of Actual Retirement

Actual experience of the Pension Fund will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution requirement.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

Details behind the selection of the actuarial assumptions can be found in the assumption document provided to the client. The client has reviewed and approved the assumptions as a reasonable expectation of the future anticipated experience under the plan.

Actuarial Assumptions Utilized

Expected Return on Investments 6.75% net of administrative expenses.

CPI-U 2.50%

Total Payroll Increases 3.00%

Individual Pay Increases 4.00% - 21.51%

Individual salary increases include a long-term average increase for inflation, average annual increases for promotions, and any additional increases for a step program. Sample Rates as Follows:

Service	Rate	Service	Rate
0	8.05%	8	4.00%
1	8.39%	9	4.00%
2	8.11%	10	4.00%
3	8.03%	15	4.00%
4	8.23%	20	4.00%
5	8.22%	25	4.00%
6	8.23%	30	4.00%
7	21.51%	35	4.00%

Retirement Rates 100% of the L&A Assumption Study Cap Age 65 for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.117	53	0.139
51	0.124	54	0.147
52	0.131	55	0.156

Withdrawal Rates

100% of the L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.041	40	0.027
30	0.039	45	0.014
35	0.036	50	0.003

Disability Rates

100% of the L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0005	40	0.0028
30	0.0010	45	0.0043
35	0.0018	50	0.0064

Mortality Rates

Active Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Retiree Mortality follows the L&A Assumption Study for Police 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improved Generationally using MP-2016 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study for Disabled Participants, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Married Participants

80% of Active Participants are Assumed to be Married. Female Spouses are Assumed to be 4 Years Younger than Male Spouses.

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Establishment of the Fund
Administration
Employee Contributions
Normal Retirement Pension Benefits
Pension to Survivors
Termination Benefits
Disability Benefits

Establishment of the Fund

The Police Pension Fund is established and administered as prescribed by "Article 3. Police Pension Fund – Municipalities 500,000 and Under" of the Illinois Pension Code.

Administration

The Police Pension Fund is administered by a Board of Trustees located in each municipality maintaining a pension fund for its police officers. Its duties are to control and manage the pension fund, to hear and determine applications for pensions, to authorize payment of pensions, to establish rules, to pay expenses, to invest funds, and to keep records.

Employee Contributions

Employees contribute 9.910% of salary.

Normal Retirement Pension Benefit

Hired Prior to January 1, 2011

Eligibility: Age 50 with at least 20 years of creditable service and no longer a police officer.

Benefit: 50% of final salary is payable commencing at retirement for 20 years of service. An additional 2.5% of final salary is added for each additional year of service in excess of 20 years of service (not to exceed 75% of final salary). "Final salary" is the salary attached to rank held on the last day of services or for 1 year prior to the last day, whichever is greater.

Annual Increase in Benefit: An officer will receive an initial increase of 1/12 of 3% for each month that has elapsed since retirement. The initial increase date will be the later of the first day of the month following the attainment of age 55, or the first anniversary of the date of retirement. Subsequent increases of 3% of the current pension amount (including prior increases) will be provided in each January thereafter.

NORMAL RETIREMENT PENSION BENEFIT - CONTINUED

Hired on or After January 1, 2011

Eligibility: Age 55 with at least 10 years of creditable service and no longer a police officer.

Benefit: 2.5% of final average salary for each year of service is payable at retirement (not to exceed 75% of final average salary). "Final average salary" is determined by dividing the highest total salary over 96 consecutive months of service in the last 120 months of service by the total number of months of service in the period. Annual salary for this purpose will not exceed $106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

Annual Increase in Benefit: The initial increase date will be the January 1st following the later of the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit.

EARLY RETIREMENT PENSION BENEFIT

Hired Prior to January 1, 2011

None

Hired on or After January 1, 2011

Eligibility: Age 50 with at least 10 years of creditable service and no longer a police officer.

Benefit: The normal retirement pension benefit reduced by ½ of 1% for each month that the police officer's age is under age 55.

Annual Increase in Benefit: The initial increase date will be the January 1st following the later of the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit.

PENSION TO SURVIVORS

Hired Prior to January 1, 2011

Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

Death - Non-Duty

Current Pensioners (Including Disabled Pensioners): Surviving spouse to receive continuation of the pension.

Active Employee with 20+ Years of Service: Surviving spouse is entitled to the full pension earned by the police officer at the time of death.

Active Employee with 10-20 Years of service: Surviving spouse is entitled to 50% of the salary attached to the rank of the police officer on the last day of service, payable immediately

Annual Increase in Benefit: None.

Hired on or After January 1, 2011

Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

Death - Non-Duty

Current Pensioners (Including Disabled Pensioners), Active Employee with 20+ Years of Service, and Active Employee with 10-20 Years of service: Surviving spouse to receive 66 ⅔% of the police officer's earned pension at the date of death.

Annual Increase in Benefit: The initial increase date will be the January 1st after the attainment of age 60 by the recipient of the survivor's pension. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original survivor's benefit amount.

TERMINATION BENEFIT

Hired Prior to January 1, 2011

Eligibility: At least 8 years but less than 20 years of creditable service.

Benefit: 2.5% of final salary for each year of service is payable beginning at age 60. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the police officer at termination of employment.

Annual Increase in Benefit: An officer will receive an initial increase of 3% on the first anniversary of the date of start of payments. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

Hired on or After January 1, 2011

Eligibility: At least 10 years but less than 20 years of creditable service.

Benefit: 2.5% of final salary for each year of service is payable beginning at age 60. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the police officer at termination of employment. Annual salary for this purpose will not exceed $106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

Annual Increase in Benefit: The initial increase date will be the January 1st following the first payment. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 mos. ending with the September preceding each November 1, applied to the original benefit amount.

DISABILITY BENEFIT

Hired Prior to January 1, 2011

Eligibility: Disability (duty or non-duty).

Benefit: A police officer who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the police officer is entitled to 50% of final salary. “Final salary” is based on the pay rate for the police officer on the last day of service.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60. Subsequent increases will occur on each subsequent January 1st. The first increase is 3% of the original benefit for each full year that has passed since the pension began. Subsequent increases will be the 3% of the original pension benefit amount.

Hired on or after January 1, 2011

Eligibility: Disability (duty or non-duty).

Benefit: A police officer who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the police officer is entitled to 50% of final salary. “Final salary” is based on the pay rate for the police officer on the last day of service.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit amount.

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Actuarial Accrued Liability –The actuarial present value of future benefits based on employees' service rendered to the measurement date using the selected actuarial cost method. It is that portion of the Actuarial Present Value of plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

Actuarial Cost Method – The method used to allocate the projected obligations of the plan over the working lifetimes of the plan participants.

Actuarial Value of Assets – The value of the assets used in the determination of the Unfunded Actuarial Accrued Liability. The Actuarial Value of Assets is related to Market Value of Assets, with adjustments made to spread unanticipated gains and losses for a given year over a period of several years. Actuarial Value of Assets is generally equally likely to fall above or below the Market Value of Assets, and generally does not experience as much volatility over time as the Market Value of Assets.

Asset Valuation Method **–** A valuation method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of employer contributions.

Funding Policy – A set of procedures for a Pension Fund that outlines the "best practices" for funding the pension benefits based on the goals of the plan sponsor. A Funding Policy discusses items such as assumptions, Actuarial Cost Method, assets, and other parameters that will best help the sponsor meet their goal of working in the best interest of the plan participant.

Market Value of Assets – The value of the cash, bonds, securities and other assets held in the pension trust as of the measurement date.

Normal Cost –The present value of future benefits earned by employees during the current fiscal year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Unfunded Actuarial Accrued Liability **–** The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The Unfunded Actuarial Accrued Liability is amortized over a period either in level dollar amounts or as a level percentage of projected payroll.

VILLAGE OF ALGONQUIN

GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: November 5, 2018

TO: Tim Schloneger, Village Manager

FROM: Michael Kumbera, Assistant Village Manager/Treasurer

SUBJECT: *2018 Property Tax Levy*

The attached resolution establishes the amount the Village is requesting for its 2018 property tax levy. State statutes require that the corporate authorities of the Village pass a resolution estimating the amount of tax to be levied not less than 20 days prior to the adoption of the final levy, which is scheduled to be presented at the December 18 Village Board meeting.

Background

For the 2017 tax levy year, the Village's portion of resident's tax bill was approximately 6.22 percent (with some minor variations depending on exact location of household). In FY 18/19, property taxes comprise 31 percent of the General Fund revenue, which includes the Road and Bridge tax levy, which is levied by the township level of government. The Village, a home-rule unit of government, is not subject to the Property Tax Extension Limitation Law (PTELL), however, the Village is required to comply with the "Truth in Taxation Law." The law places requirements on the Village in the adoption of the 2018 property tax levy if the proposed 2018 gross property tax levy is 105 percent greater than the 2017 net property tax extension. Property tax revenues are not used to support business-like activities that are accounted for in enterprise funds, such as the Village's Water and Sewer Utility.

Recommendation

The recommendation for the 2018 Tax Levy is $5,600,000. This amount is the same as the 2017 tax levy. The details are shown in Exhibit A which is attached. As the proposed levy is 100 percent of last year's extensions, there is no requirement for a public hearing under the Truth in Taxation Statute. The recommendation does take into consideration several factors that will impact the FY 19/20 financial plan including:

- The actuarial contribution recommendation for the Algonquin Police Pension Fund which exceeds the statutory requirement with a 100 percent funding level by 2033.
- The proportion of state-shared revenues and their stability in the long-term.
- Operational and capital needs for the upcoming period.
- Growth in Equalized Assessed Valuation (EAV) from both property value appreciation and new construction.

Projected EAV

Based on preliminary data obtained from Kane and McHenry County, equalized assessed valuation in the Village is expected to increase for the fourth consecutive year. The estimate of EAV for 2018 is $956,000,000 which is 6.1% more than last year which illustrates appreciation of real estate values and new construction. The assessors in each county use a three year history of property values including sales experience in determining the reassessment or current valuation. Assessments generally lag behind current market pricing by 18 months. The estimated tax rate for 2018 would be .586 per $100 of EAV (refer to Exhibit A for details) which is less than 2017. A draft resolution reflecting this data is also attached.

Requested Action

Please forward the proposed tax levy information to the Committee of the Whole for review and possible action.

Attachments

RESOLUTION 2018-R-

DETERMINING THE AMOUNT OF FUNDS TO BE LEVIED FOR THE 2018 TAX YEAR THROUGH REAL ESTATE TAXES FOR THE VILLAGE OF ALGONQUIN, KANE AND McHENRY COUNTIES, ILLINOIS

BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF ALGONQUIN, KANE AND McHENRY COUNTIES, ILLINOIS:

1. That it is determined that the amount of taxes to be levied by the Village of Algonquin, exclusive of election costs, is $5,600,000, which is less than 105 percent of the prior year's extension.
2. That the amount of taxes proposed to be levied is 100.0 percent of the prior year’s extension.
3. That the intent of the Village to levy less than 105 percent does not require an advertisement in the newspaper or a public hearing in accordance with the Truth in Taxation Law (35 ILCS 200/18-55 et seq.).

____
John C. Schmitt, Village President

(SEAL)

Attest: ________________________________
Gerald S. Kautz, Village Clerk

EXHIBIT A

VILLAGE OF ALGONQUIN
PROPOSED REAL ESTATE TAX LEVY
2018 TAX LEVY

EQUALIZED ASSESSED VALUATION *	$956,000,000	(6.2% INCREASE)
PURPOSE	ESTIMATED RATE	PROPOSED LEVY
CORPORATE	0.000	$0
POLICE PENSION	0.208	1,985,000
SOCIAL SECURITY	0.047	450,000
IMRF	0.031	300,000
SCHOOL CROSSING GUARDS	0.000	0
LIABILITY INSURANCE	0.047	450,000
POLICE PROTECTION	0.253	2,415,000
ESDA	0.000	0
	============	==============
TOTAL	0.586	5,600,000

** Estimated*

$5,600,000

VILLAGE OF ALGONQUIN
SCHEDULE OF PROPERTY TAX RATES & EAV

Tax Levy Year	Rate ($/$100)	Levy ($)	EAV ($)	% Change EAV
1988	0.600	$560,450	$110,909,000	-
1989	0.599	$693,900	$135,617,000	22.3%
1990	0.520	$870,250	$166,102,000	22.5%
1991	0.554	$1,099,915	$192,167,000	15.7%
1992	0.566	$1,154,155	$211,172,000	9.9%
1993	0.529	$1,344,234	$232,032,000	9.9%
1994	0.556	$1,439,688	$269,127,000	16.0%
1995	0.477	$1,677,581	$308,854,325	14.8%
1996	0.484	$1,841,828	$356,504,156	15.4%
1997	0.486	$1,873,385	$419,401,278	17.6%
1998	0.483	$2,098,213	$429,661,002	2.4%
1999	0.494	$2,280,130	$463,158,850	7.8%
2000	0.489	$2,350,739	$513,584,881	10.9%
2001	0.502	$2,870,821	$578,127,467	12.6%
2002	0.456	$3,031,293	$658,305,942	13.9%
2003	0.484	$3,613,946	$747,072,297	13.5%
2004	0.477	$3,975,083	$834,437,331	11.7%
2005	0.464	$4,392,662	$947,091,750	13.5%
2006	0.464	$4,829,500	$1,038,991,569	9.7%
2007	0.470	$5,242,000	$1,115,890,792	7.4%
2008	0.485	$5,601,000	$1,155,073,386	3.5%
2009	0.484	$5,601,000	$1,157,591,396	0.2%
2010	0.523	$5,601,000	$1,077,620,673	-6.9%
2011	0.564	$5,575,000	$981,280,749	-8.9%
2012	0.621	$5,481,000	$887,200,696	-9.6%
2013	0.678	$5,481,000	$805,011,458	-9.3%
2014	0.705	$5,481,000	$777,811,422	-3.4%
2015	0.716	$5,731,000	$800,571,395	2.9%
2016	0.657	$5,600,000	$852,365,740	6.5%
2017	0.622	$5,600,000	$900,634,801	5.7%
2018	0.586	$5,600,000	$956,000,000	6.1%

VILLAGE OF ALGONQUIN
GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: October 25, 2018

TO: Tim Schloneger, Village Manager

FROM: Michael Kumbera, Assistant Village Manager

SUBJECT: *2018 Tax Levy Adoption Procedures*

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1. The corporate authorities of the Village of Algonquin must determine the estimated amounts of money necessary to be raised by property taxation. The resolution determining the amount to be levied must be approved not less than 20 days prior to the adoption of the aggregate levy. A draft resolution is attached for consideration of the Committee of the Whole on November 13, 2018 and Village Board approval on November 20, 2018.

2. Since the Village intends to levy an aggregate tax less than 105 percent of the previous years' extension, a public hearing is not required.

3. The Village must adopt a tax levy ordinance in order to direct each county (Kane and McHenry) to collect the property taxes. It is recommended that the levy ordinance be considered for approval at the regular Village Board meeting on December 18, 2018.

4. A certified copy of the tax levy must be delivered to each County Clerk before the last Tuesday of December 2018, which falls on December 25, 2018. Due to the holidays, it is recommended that the filing be performed prior to December 21.

c: File

VILLAGE OF ALGONQUIN
GENERAL SERVICES ADMINISTRATION

– M E M O R A N D U M –

DATE: November 6, 2018

TO: Tim Schloneger, Village Manager

FROM: Michael Kumbera, Assistant Village Manager
Susan Skillman, Comptroller

SUBJECT: Popular Annual Financial Report Presentation

Aligning with the Village's guiding principle of fiscal management and transparency, finance staff has completed the Village's first Popular Annual Financial Report (PAFR) for the fiscal year ending April 30, 2018.

The goal of a PAFR is for governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

The report has been submitted to the Government Finance Officers Association (GFOA) for feedback and recognition through their Popular Annual Financial Reporting Award Program.

No action is necessary for this agenda item. It is being presented for informational purposes and to incorporate any feedback for future reports. We thank management and the Village Board for its continued support of the highest financial standards and stewardship to the community.

VILLAGE OF ALGONQUIN, ILLINOIS

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED APRIL 30, 2018

A MESSAGE FROM THE VILLAGE PRESIDENT

The Village of Algonquin is pleased to present our Popular Annual Financial Report (PAFR) to give you a snapshot of the Village's financial condition and our strategic priorities. A PAFR summarizes information from the Village's Comprehensive Annual Financial Report (audit) into a short document that is readily accessible and easily understandable to our residents and other interested parties without necessarily needing a background in public finance to read it.

The fiduciary responsibilities that we have as a Village Board are taken very seriously. We work tirelessly to set policy that is fiscally-disciplined and that provides our community with great value to meet the service needs of today, while making sound investments in our operations and infrastructure for a successful tomorrow.

If you haven't already, I encourage you to visit our Transparency Portal online at www.algonquin.org/transparency to review the specific information about the Village's finances, including our budgets, comprehensive annual financial reports, expense transactions, Treasurer's reports, and much more. If you have specific questions regarding these reports, please contact our Finance staff online at www.algonquin.org/finance or by phone at 847-658-2700.

Sincerely,

John C. Schmitt
Village President

Did You Know the Village of Algonquin…

- Was incorporated in 1890.
- Operates its government with a President, Clerk and six Trustees elected at-large by voters of the community and appoints a Village Manager to direct day-to-day operations.
- Provides a full range of local government services, including police protection; construction and maintenance of streets and traditional municipal infrastructure; planning and zoning; park and recreational activities; and special events.
- Has a population of 30,046.
- Is the second largest community in McHenry County (Crystal Lake) and sixth largest community in Kane County (Aurora, Elgin, Bartlett, Carpentersville, St. Charles).
- Encompasses 12.4 square miles.

Contents

ALGONQUIN GOVERNMENT

From left to right: Trustee Janis Jasper, Trustee Debby Sosine (seated), Village Clerk Jerry Kautz, Village President John Schmitt (seated), Trustee John Spella, Trustee Jerry Glogowski (seated), Trustee Jim Steigert, Trustee Laura Brehmer.

STATEMENT OF NET POSITION

This Statement of Net Position is presented in much more detail in the Village's Comprehensive Annual Financial Report. This is a very high-level summary that captures total assets and liabilities and compares them to prior years. This may serve as a useful overall indicator of the Village's financial position and trends over the last two years.

The Village's activities are presented in two categories. Governmental activities include most of the Village's core services, such as general government (administration, building, and zoning), public safety (police), and public works (street, parks and forestry maintenance). Property taxes and state shared revenues (including sales tax) finance most of these activities. Business-type activities are the Water and Sewer utility, which is primarily financed through user fees and charges.

The largest portion of the Village's net position reflects its investment in capital assets such as land, buildings and improvements, vehicles, machinery and equipment, and construction, less any outstanding debt used to acquire those assets. The Village uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

There are several significant transactions that have had an impact on the Statement of Net Position for the year ended April 30, 2018. **The increase in current and other assets is attributable to an increase in cash and investments held by the Village due to increased revenues and decreased expenses.** When compared to 2017, general government expenses decreased by 16 percent ($0.8 million), public safety expenses decreased by 6 percent ($0.5 million), and public works expenses decreased by 19 percent ($2.4 million). Most notably, fewer capital improvement projects in 2018 account for a significant amount of the decrease in expenses. The Village's "pay-as-you-go" capital funding strategy accumulates cash reserves to fund projects in future years.

Long-term liabilities decreased by approximately $4.7 million from 2017. Of this amount $1.3 million was attributable to the retirement of principal for the Village's two outstanding general obligation bonds. An additional $3.4 million represent **reductions in unfunded liabilities** for the Village's two pension programs: Algonquin Police Pension Fund and Illinois Municipal Retirement Fund (IMRF).

Statement of Net Position for the year ended April 30, 2018

	2018	2017
Assets		
Current and other assets	$57,292,644	$54,508,810
Capital assets, net	$236,172,396	$236,642,944
Total assets	$293,465,040	$291,151,754
Deferred outflows	$736,608	$2,346,391
Liabilities		
Current and other liabilities	$5,350,401	$5,726,792
Long-term liabilities	$23,490,855	28,180,773
Total liabilities	$28,841,256	$33,907,565
Deferred inflows	$10,741,635	$9,314,105
Net Position	$254,618,757	$250,276,475

STATEMENT OF ACTIVITIES

Statement of Activities, often referred to as the Village's income statement, reflects all of the financial activity for the Village during the fiscal year ended April 30, 2018. This statement presents information to show how the Village's net position changed during the year as a result of the financial activity (i.e., revenues and expenses). Over time, increases or decreases in net position may serve as a useful indicator of whether the Village's financial position is improving or deteriorating. Below is a summarized version of the detailed statement of activities found in the Village's Comprehensive Annual Financial Report.

Statement of Activities for the year ended April 30, 2018

	2018	2017
Revenues	$37,698,693	$34,654,616
Expenses	$33,356,411	$36,493,264
Changes in net position	$4,342,282	$(1,838,648)
Net position (beginning of year)	$250,276,475	$252,115,123
Net position (end of year)	**$254,618,757**	**$250,276,475**

The Statement of Activities shows that the Village's total net position has improved over the beginning net position. Recent revenue trends reflect an increase of $3.0 million in total revenues, largely due to an increase in the water and sewer rates/fees that became effective in November 2017 ($1.4 million), as well as an increase in building permit revenue ($0.2 million) due to an increase in new housing starts in Algonquin.

The revenues from the water and sewer rate increase are dedicated to funding capital infrastructure replacement as identified in the Water and Sewer Rate and Fee Study performed in January 2016.

Other sources of revenue, such as capital grants and contributions, account for an increase of $1.3 million, most notably the contribution of funding from the State of Illinois for the construction of Highland Avenue through the Federal Aid Urban (FAU) program.

Total expenses decreased $3.1 million, or 9 percent, primarily due to the completion of various capital projects such as the road construction of Highland Avenue, Copper Oaks Subdivision (Cumberland Parkway), Stonegate Road, Countryside Drive, Huntington Drive, and Par Drive. Notable capital improvement project expenses in 2018 include road construction in the Glenmoor Subdivision ($1.5 million) and Old Town streetscape improvements ($2.0 million).

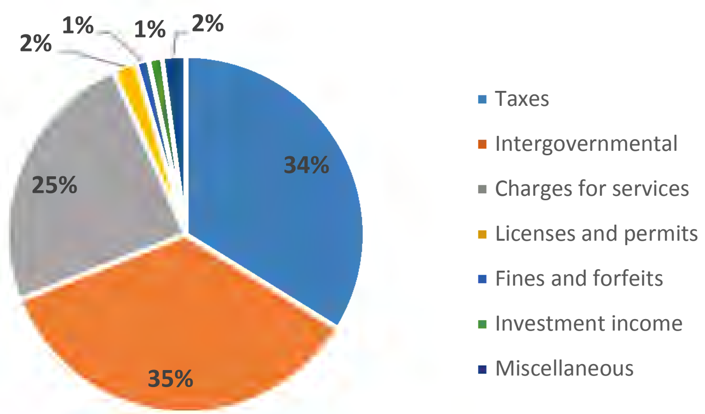
Major Business-type activities expenses including capital projects such as Wastewater Treatment Facility phase 6B improvements ($0.4 million) and an emergency water system interconnect ($0.1 million) with the Village of Carpentersville. Additionally, water system distribution improvements ($0.7 million) were performed in the Gaslight Subdivision area. This work includes the installation of pressure reducing valves to maintain system integrity and reduce energy costs.

The Village's overall financial condition is strong and stable and current financial policies have provided opportunities for continued investment in programs and services that make Algonquin great.

REVENUES

The Village Board and management are focused on efforts to maintain long-term financial health through diversified revenue sources while strategically investing in community initiatives. These decisions range from increasing efficiencies to using valuable intergovernmental partnerships to maintain municipal service value to residents.

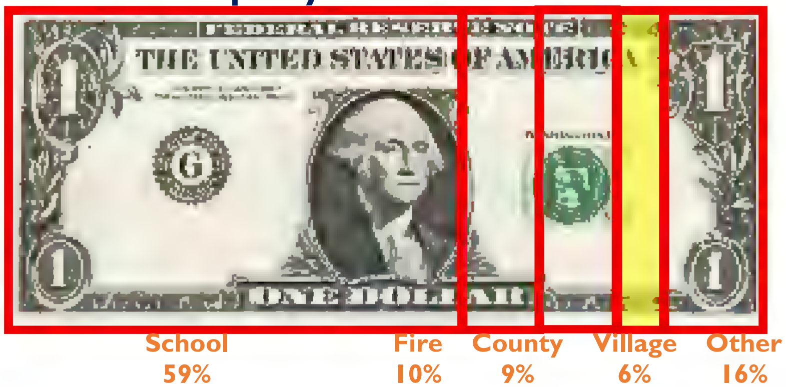
Total Primary Government Revenue by Source



Over 90 percent of Village revenues are comprised of the following categories: intergovernmental, taxes, and charges for services. Intergovernmental revenues are distributed by the State of Illinois and include sales and use tax and income tax. Locally assessed taxes include property tax and home rule sales tax. The charges for services category is made up of primarily water and sewer utility user fees. **Overall, the Village benefits from large concentrations of sales tax and home rule sales tax revenue, as a significant portion of this revenue stream is paid by non-residents.**

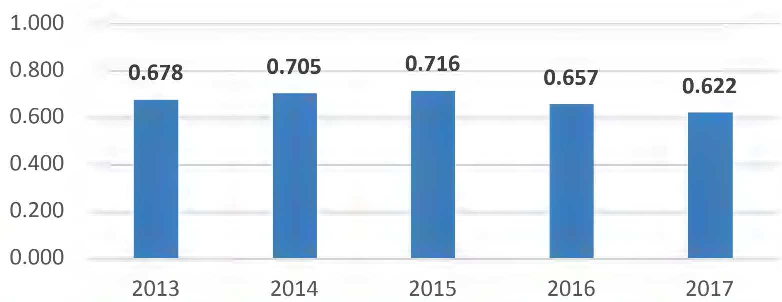
Several taxing bodies comprise local property tax bills in Algonquin. **The Village portion of the property tax is approximately 6 percent.** In other words, for every dollar that is paid by residents in property tax, the Village receives six cents. Schools, fire protection, county, and other taxing bodies (library, township, conservation, community college, etc.) comprise the remainder of the property tax bill.

Property Tax Breakdown



The Village's property tax is at the lowest rate in the past five years. Recent property tax levy freezes, combined with new construction growth and increases in equalized assessed valuation, have led to lower property tax rates.

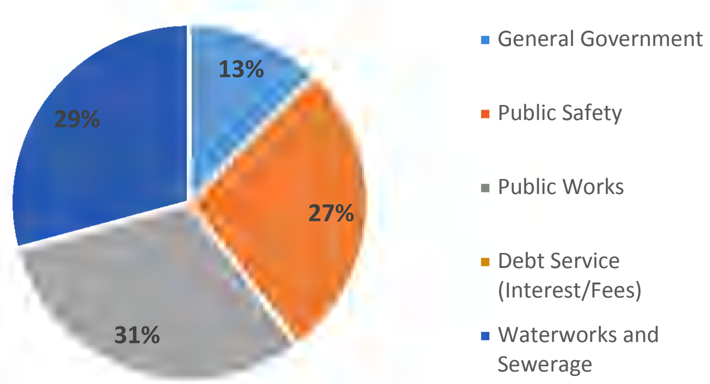
Property Tax Rate History



EXPENSES

This chart illustrates the uses and percentages of the Village's expenses across all funds totaling $33.3 million for the fiscal year ending 2018. The majority of expenses relate to Public Works (operations, maintenance, and construction), waterworks and sewerage, and public safety (police).

Total Primary Government Expense by Source



General Government expenses are incurred by the Village's administrative departments, including the Village Manager's Office, Finance, Human Resources, Innovation & Technology, Recreation, Community Development and other non-departmental costs.

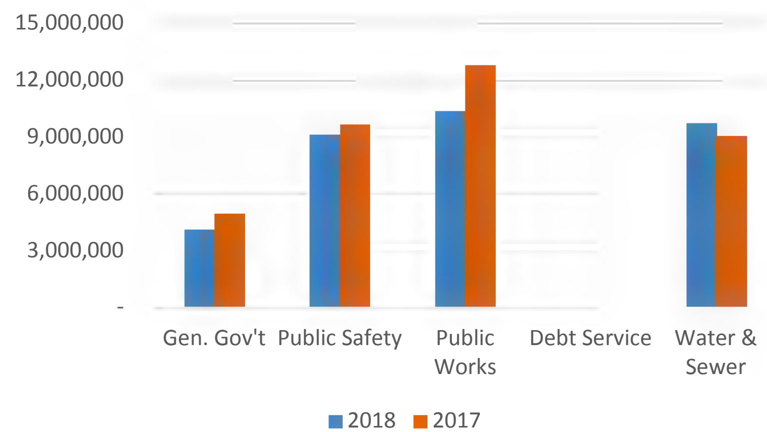
Public Safety expenses are those incurred by the Village to provide police services to the public.

Public Works expenses are related to the design, construction, maintenance and operation of all roadways, sidewalks, trails, parks, forestry, drainage and related infrastructure within the Village.

Debt Service (Interest/Fees) reflects the interest costs for long-term debt, such as bonds and loans. This does not include any interest costs on water/sewer-related debt.

Water and Sewer expenses are those incurred by the Village to provide 1.) water pumping, treatment, distribution and 2.) sanitary sewer conveyance and treatment services to the public.

Total Primary Government Expenses Year-to-Year Comparison

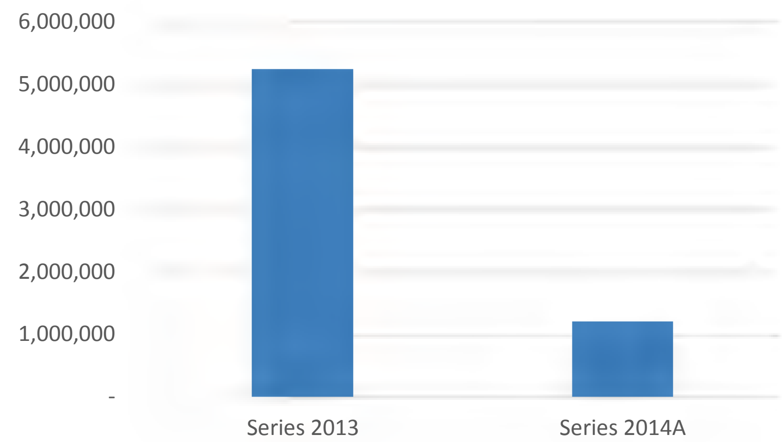


A year-to-year comparison of expenses show across the board decreases in expenses for all governmental activities (general government, public safety, public works, debt service interest) categories and an increase in expenses for business-type activities. The decrease in governmental can be attributed to several one-time projects that occurred in 2017 that are now complete. Increased expenses for water and sewer include engineering and capital improvements pursuant to water and sewer master plans.

LONG-TERM DEBT

As of April 30, 2018, the Village had $6.5 million in long-term debt outstanding with $1.5 million due within one year. The majority of the outstanding debt relates to the expansion of the Wastewater Treatment Facility (Series 2013). The date of maturity for this debt is April 1, 2025. The remainder of the debt relates to the construction of the Public Works Facility, which matures April 1, 2020 (Series 2014A). The chart below depicts the Town's outstanding debt for the fiscal year ended April 30, 2018.

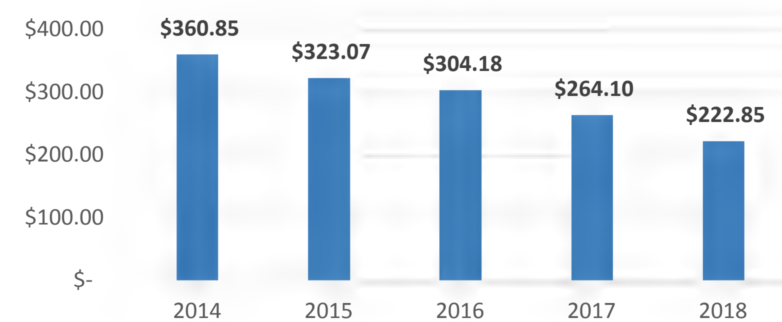
Total General Obligation Debt by Bond Issue



General obligation bonds are direct obligations and pledge the full faith and credit of the Village and are payable from both governmental funds and business-type funds. These bonds are used to finance long-lived capital improvements, including the construction and improvement of Village facilities. State sales tax is pledged as repayment for the Public Works Facility construction debt. Water and sewer utility revenues are pledged as repayment for the Wastewater Treatment Facility expansion debt. **The Village will have fulfilled all of its debt obligations in the next seven years**, provided any new debt is not incurred.

The Village continues to maintain excellent investment grade ratings on its outstanding general obligation bonds, rated "AAA" by Standard & Poor's rating service. **The AAA rating is the highest possible rating the agency provides,** and indicates a minimal risk to investors and achieves cost-savings to the Village via lower interest rates. This is largely achieved by the Village Board's goal of strong financial management by continuing to diversify the Village's revenue base and maintaining strong fund balance reserves in the General Fund.

Bonded Debt Per Capita



The graphic above displays the Village's bonded debt per capita. The level of debt per capita is a good measure of a government's ability to pay its debt service costs through its current levels of tax revenue. The lower the level, the greater capacity the government has. **The Village's bonded debt per capita has decreased 38 percent in the five-year period shown** and will continue this trend as the Village continues to pay off its debt service.

ABOUT PAFR

We are proud to present the Village of Algonquin Popular Annual Financial Report (PAFR) for the fiscal year ended April 30, 2018. The purpose of the PAFR is to provide a user-friendly summary of the financial position of the Village of Algonquin and other interesting information for citizens who want a better understanding of the Village's finances. The financial information in the PAFR is taken from the Village's Comprehensive Annual Financial Report (CAFR). The CAFR outlines the Village's financial position and operating activities each fiscal year presented in conformity with generally accepted accounting principles (GAAP) and includes financial statements audited by Sikich, LLP, an independent firm of certified public accountants. The auditors' report concluded that the financial statements fairly reflect the financial condition of the Village in all material respects.

While the numbers in the PAFR come from an audited source, they are presented in a summarized, unaudited non-GAAP format that is more accessible to the public. Citizens who wish to review the audited, GAAP-based, full disclosure financial statements can refer to the Village's CAFR available on the Village's website at www.algonquin.org/transparency or contact the Village at 2200 Harnish Drive, Algonquin, IL 60102. For more information, please contact Michael Kumbera, Assistant Village Manager, at michaelkumbera@algonquin.org or Susan Skillman, Comptroller, at susanskillman@algonquin.org.

VILLAGE OF ALGONQUIN
PUBLIC WORKS DEPARTMENT

– M E M O R A N D U M –

DATE: *08/23/2018*

TO: Tim Schloneger, Village Manager

CC: Bob Mitchard, Public Works Director

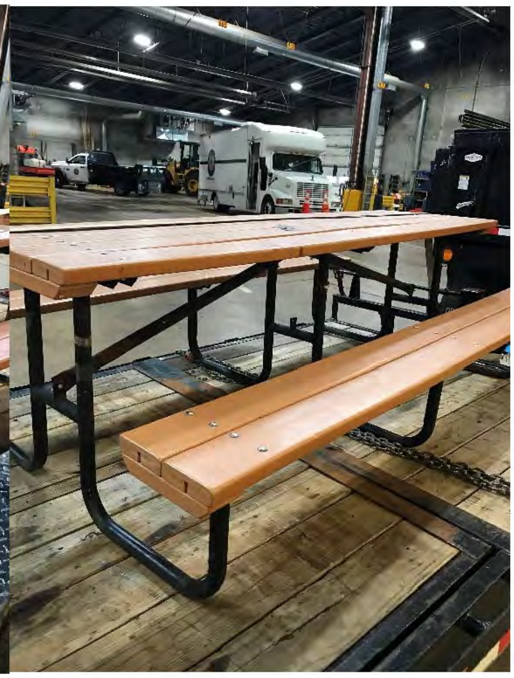
FROM: Steven R. Ludwig, General Services Superintendent
Mike Reif, Internal Services Supervisor

SUBJECT: Equipment to Be Deemed Surplus

As part of our normal operating processes, we submit to you our semi-regular submission of items to be deemed surplus via board action. The list first denotes the description of the item and the reason it is to be deemed, followed by images of each item for reference.

Please let us know if you have any questions.

Unit #: N/A
Year: N/A
Make: N/A
Model: Picnic Tables
ID/VIN: N/A
Description: two picnic tables replaced with new no longer needed.
Parks department replaced with 20 new wood tables boards on wood tables can be replaced individually. Much cheaper to replace wood boards after vandalism than plastic boards. Frames are also rusty.

Unit #: N/A
Year: 1998
Make: Thermaflo
Model: 2090
ID/VIN: 9804654
Description: Refrigerant recovery equipment replaced with new more compact combination machine that can do the job of multiple machines.


Unit #: N/A
Year:1998
Make: Thermaflo
Model: 4000
ID/VIN: 9805444
Description: Refrigerant recovery equipment replaced with new more compact combination machine that can do the job of multiple machines. (See 2090 and thermistor vacuum gauges)

Unit #: N/A
Year: N/A
Make: Griswold Controls
Model: N/A
ID/VIN: N/A
Description: refrigeration equipment. replaced with new combination machine that can do the job of multiple machines.

Unit #: N/A
Year: N/A
Make: ROBINAIR
Model: 14830A
ID/VIN: N/A
Description: Thermistor vacuum gauge set not needed anymore. replaced with new combination machine that can do the job of multiple machines.

Unit #: N/A
Year: N/A
Make: Holaday
Model: HI-1801
ID/VIN: N/A
Description: Microwave Survey Meter. Used to detect microwaves. Given off by microwave ovens. Purchased many years ago to dispel myth that a microwave was emitting microwaves in to the air.

Unit #: N/A
Year: N/A

Make: TIF Instruments
Model: TIF 8800
ID/VIN:
Description: Combustible Gas Detector. Used to detect combustible gasses. past useful life date needs to be recertified. not economical to recertify used very infrequently. Water dept. has newer units readily available for use.

Unit #: N/A
Year: N/A
Make: N/A
Model: N/A
ID/VIN:
Description: Gas Calibration Kit, used to calibrate the TIF 8800.


Unit #: N/A
Year: N/A
Make: N/A

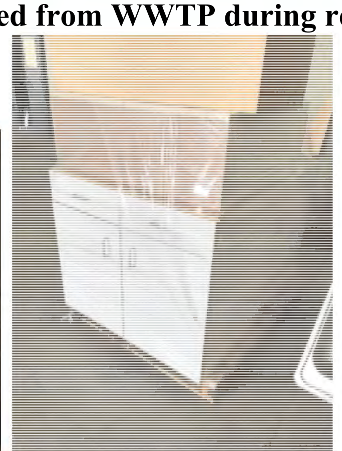
Model: N/A
ID/VIN:
Description: Gas Calibration Kit. Used to calibrate TIF 8800.

Unit #: 5HHB4
Year: 2007
Make: STIHL
Model: BG65C
ID/VIN: 269444855
Description: Hand held blower needs repairs beyond cost of new blower.


Unit #: 5BP02
Year: 2007
Make: Echo
Model: PB-413T
ID/VIN: 09016872
Description: Backpack blower needs repairs beyond cost of new blower.

Unit #: 5WP01
Year: 1995
Make: Honda
Model: 4.0HP
ID/VIN: GC01-3426933
Description: Engine removed from seized water pump

Unit #: N/A
Year: N/A
Make: N/A
Model: N/A
ID/VIN: N/A
Description: sink and cabinets removed from WWTP during remodel

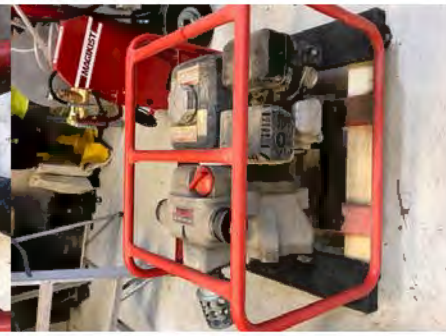



Unit #: N/A
Year: N/A
Make: N/A

Model: N/A
ID/VIN: N/A
Description: 6 door hinges, came with kit for Styrofoam recycle structure. Used different type of door hinge.

Unit #: 6HHB2
Year: 2011
Make: STIHL
Model: BG86
ID/VIN: 28752738
Description: Hand held blower needs repairs beyond cost of new blower.

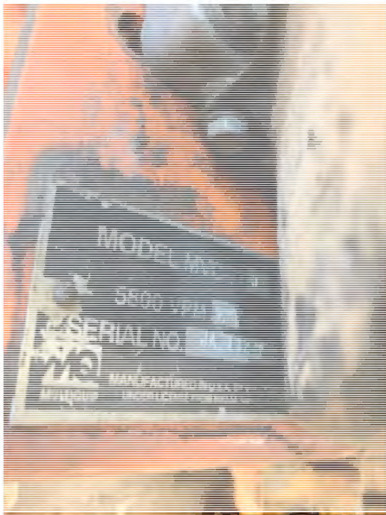
Unit #: 75MP1
Year: 2013
Make: Multiquip
Model: QP-2TH
ID/VIN: 2TH-11428
Description: old trash pump RUNS, does not pump very well.



Unit #: N/A
Year: N/A
Make: Dayton
Model: 100,000 BTU
ID/VIN: 5002211
Description: propane bullet heater, WORKS, replaced with new more reliable and efficient unit.


Unit #: N/A
Year: N/A
Make: Dayton
Model: 110,000BTU
ID/VIN: 2804456
Description: Kerosene bullet heater, WORKS, replaced with new more reliable and efficient unit.

Unit #: 75PT1
Year: 1995
Make: Mikasa
Model: Plate tamper
ID/VIN: JA13282
Description: Plate Tamper RUNS but needs repairs. Not cost effective to repair. Purchased one new unit to replace both 5PT03 & 75PT1.



Unit #: 5PT03
Year: 1995
Make: Wacker
Model: VPA1750
ID/VIN: 650703050
Description: Plate Tamper RUNS, but needs repairs. Not cost effective to repair. Purchased one new unit to replace both 5PT03 & 75PT1.

Unit #: N/A
Year: N/A
Make: SPEEDAIRE
Model: 1VN93
ID/VIN: 01-04-20022039
Description: portable air compressor Needs repairs won't start


Unit #: 75GN4
Year: 2000
Make: NORTHSTAR
Model: SR4
ID/VIN: 0993093
Description: Portable generator runs poorly,

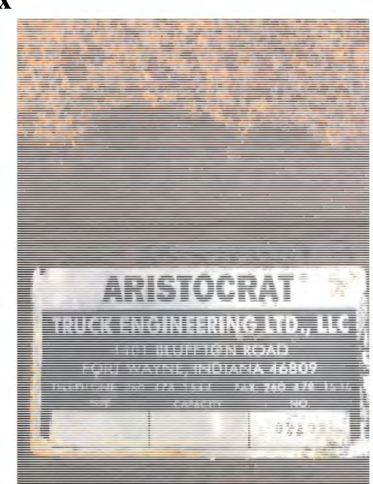


Unit #: 75MP2
Year: 2000
Make: Multiquip
Model: QP-2TH
ID/VIN: 202TH-1401

Description: Trash Pump runs, needs pump work

Unit #: N/A
Year: N/A
Make: Black Blast
Model:
ID/VIN:
Description: 60, 50lbs bags of media for sandblasting of fire hydrants. This work has been contracted out.

Unit #: Removed from truck 525
Year:
Make: Aristocrat
Model:
ID/VIN: 02108
Description: dump box hoist frame removed from truck 525 during install of new box



Unit #: 6SB10
Year: 2015
Make: ETEERA Raptor

Model: RT-20
ID/VIN: SBA-10013
Description: sickle bar attachment for skid steer, purchased by Parks department. Unit has had multiple failures of the sickle attaching knuckle. Not working for their intended purpose. Needs repair.

Unit #:
Year:
Make:
Model:
ID/VIN:
Description: 1 Pallet various used street lights replace with LED

Year:
Make:
Model:
ID/VIN:
Description: 25 used lounge chairs from pool replaced with new

Unit #: removed from 813
Year:
Make: Fill-Rite
Model:
ID/VIN:
Description: truck mount fuel tank and hose reel removed from service tank has small leak.

Unit #: 76
Year: 2007
Make: Dodge
Model: Charger
ID/VIN: 2B3KA43G27H877862
Description: Retired squad car 140,000 miles

Unit #: 77
Year: 2007
Make: Dodge
Model: Charger
ID/VIN: 2B3KA43H67H736771
Description: Retired DARE car 126,200 miles

Unit #:
Year:
Make:
Model: 454 Liters
ID/VIN:

Description: Chemical tanks from Water Treatment Plant

Unit #: N/A
Year: N/A
Make: GRACO
Model: L02A
ID/VIN: A8984

Description: old 55-gallon drum grease pump, fleet department had to switch to smaller unit to avoid wasting grease

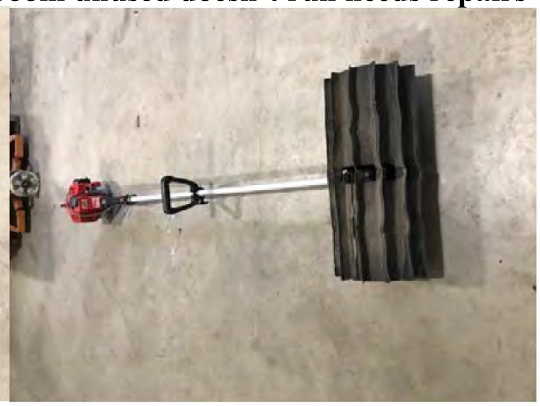
Unit #: N/A
Year: N/A
Make: N/A

Model: N/A
ID/VIN: N/A
Description: old conference table removed from CDD conference room.

Unit #: 6SWP3
Year: 1999
Make: Shindaiwa
Model: SPB270-EPA
ID/VIN: 1102615
Description: old power broom unused and needs repairs

Unit #: 6SWP2
Year: 1999
Make: Shindaiwa
Model: SPB270-EPA
ID/VIN: 6007403

Description: old power broom unused doesn't run needs repairs



Unit #: 6GEN5
Year: 2001
Make: Northstar
Model: 5500PPG
ID/VIN: 04018595
Description: Generator needs repair above replacement cost


Unit #: PW .AD001
Year: 2005
Make: Sullair
Model: SRHT-75 02250143-294
ID/VIN: 3409230002
Description: Air drier for old air compressor no longer needed. New air compressor has built in drier. Removes water from compressed air.

Unit #: PW.AC001
Year: 2004
Make: Belaire
Model: 5320D
ID/VIN: 80726
Description: Old Public Works Air Compressor. Replaced with new unit. Needs repair.

Unit #: N/A
Year: N/A
Make: Oregon
Model: 511A
ID/VIN: 193852
Description: Chain saw chain sharpener. Chain holding vice bad.

Unit #: N/A
Year: N/A
Make: N/A
Model: N/A
ID/VIN: N/A
Description: waste and recycling container and 10 boxes of bags for unit. Unit given to the Village Of Algonquin by Waste Management. Used in the parks

Unit #:
Year: 2006
Make: Muncie
Model:
ID/VIN: N/A
Description: Hydraulic tank, valves and, PTO removed from trk.525 during rehab.