

**The City of Lake Forest**  
**FINANCE COMMITTEE**  
**Proceedings of the March 11, 2019 Meeting**  
**5:00 p. m. – Municipal Services Building – Training Room**

**I. Call to Order and Roll Call**

The meeting was called to order at 5:00 p.m. Present: Mayor Lansing, Chairman Morris, Aldermen Newman, Rummel, Preschlack, Moreno and Buschmann. Absent: Aldermen Beidler and Reisenberg. Quorum present. There were approximately 22 present in the audience.

Staff present: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Cathy Czerniak, Community Development Director; Mike Thomas, Director of Public Works; Karl Walldorf, Chief of Police; Pete Seibert, Fire Chief; Sally Swarhout, Director of Parks and Recreation and DeSha Kalmar, Director of Human Resources.

Others present: There were approximately 13 people in the audience.

Chairman Morris requested a motion to allow Alderman Beidler to participate via phone. Aldermen Preschlack made a motion to allow Alderman Beidler to participate via phone. The motion was seconded by Alderman Rummel. The motion carried unanimously by voice vote.

**II. Consideration of Minutes from the Finance Committee Meeting Held on January 22, 2019**

Alderman Moreno made a motion to approve the minutes from the Finance Committee meeting held on January 22, 2019. The motion was seconded by Alderman Buschmann. The motion carried unanimously by voice vote.

**III. Overview of FY2020 Budget**

**A. Opening Comments by City Manager – Budget Message**

Mr. Jason Wicha, City Manager thanked City staff for the preparation of the FY2020 budget and acknowledged former City Manager Bob Kiely's work prior to his retirement. He stated he has a unique perspective on the budget process this year as it was mostly completed prior to him arriving at the City. He reviewed the priorities outlined in the budget message.

He stated the May 6, 2019 City Council meeting has been cancelled. He stated staff is requesting all final decisions to be made to bring the final FY2020 budget to the April 15, 2019 City Council meeting for approval.

**B. FY19 Monthly Flash Report**

Ms. Elizabeth Holleb, Finance Director reviewed variances for the Cemetery, Police Pension and Fire Pension Funds for investment returns. She stated this month's report now includes variances to estimates. She reviewed income tax and building permit revenues.

The Committee discussed pension investments. The Committee requested the pension consultants to present their perspective on how they expect the portfolios to perform. Currently the pensions and Cemetery are not expected to reach the 7.5% return on investment. IMRF ended calendar year 2018 at a loss.

**C. Review of FY20 vs. FY19 Forecast – Revenues and Expenses**

**i. Fund Balance Summary**

Ms. Holleb reviewed estimates for FY2019, preliminary budget figures for FY2020 and ending estimated fund balances. She stated two funds are projecting negative fund balances at the end of FY2020. She stated TIF increment is tied to the pace of development of the property at Western and Laurel.

Ms. Cathy Czerniak, Director of Community Development provided an overview of the occupancy of the Laurel/Western development.

Finance Committee Meeting  
Minutes – March 11, 2019

The Committee discussed the reserve requirements by fund. FY2019 expenses are estimated to exceed revenues. This is the result of bond proceeds received in FY2018 to fund the water plant improvement project that was completed in FY2019.

ii. Key FY20 Budget Assumptions

Ms. Holleb reviewed key revenue projections for significant revenues. She reviewed key payroll and benefit projections. She stated Income Tax revenues are budgeted at 90% due to state reductions.

iii. Payroll Projections

Ms. Holleb reviewed payroll estimates for FY2019 and compared to FY2020 budget requests. She stated reduced estimates in salaries in FY2019 are the result of open position savings, which a portion of the savings is offset by increased overtime to cover the open positions.

The Committee discussed how the City compares to other communities as it relates to salaries.

D. Ten-Year Fund Balance Forecast (General Fund)

Ms. Holleb reviewed General Fund revenues for FY2019 and FY2020. She stated for FY2020 the sanitation fee in the Capital Fund will be moved to the General Fund and corresponding property taxes will move to the Capital Fund. She stated an accounting change will be made to remove the revenue and corresponding expense in the General Fund for the non-home rule sales tax and to record the revenue directly in the .5% Sales Tax Bond Fund. The second .5% sales tax effective July 1, 2019 will be deposited to the Capital Fund.

Ms. Holleb reviewed significant changes to expenses in the General Fund.

Ms. Holleb reviewed the General Fund 10-year fund balance forecast. She stated FY2018 and FY2019 have been very good. She stated \$1.6 million is estimated to be transferred to the Capital Fund. She stated the City has a fund balance target for each type of fund. The ten-year forecast highlights the amount over the target. She stated previous discussions have reviewed options available for the excess funds. Previously the reserves have been used for one-time expenses.

i. Discussion of State Impacts

Ms. Holleb reviewed potential scenarios based on reduced funding from the state.

The Committee discussed the City's reserve policy to maintain Aaa bond rating. The City previously maintained a 25% reserve, but moved to 35% when state began discussions to reduce revenues to local governments.

The Committee requested adding additional philosophy behind the decisions to increase the reserve requirements. The Committee requested previous stress test scenarios based on the state be updated and presented at a future Finance Committee meeting.

Ms. Holleb reviewed an alternate ten-year forecast proposing an additional transfer to the Capital Fund in FY2019 based on projected increases to reserves. An additional transfer for FY2020 was proposed and can be made at the end of the fiscal year.

Finance Committee Meeting  
Minutes – March 11, 2019

- ii. Revenue and Expense Trends  
Ms. Holleb reviewed charts showing the General Fund revenues and expenses over history. She reviewed the estimated impact on a resident with an \$800,000 home for changes in fees in FY2020.
- iii. Public Safety Pension Subcommittee Update  
Ms. Holleb stated the subcommittee met with both pension funds and reviewed changes to the assumptions used to calculate the funding requirements. She reviewed potential changes for FY2019 calculations.

The Committee requested language be added to the City's Pension Funding policy to memorialize the steps the City has taken to address the pension funding, including its intent to phase in an open amortization period in future years.

**IV. Operating Department Summaries**

A. Department Summaries

Ms. Holleb stated included in the packet were graphs showing personnel history by department. She stated the budget includes one increase to full time staff in Public Works for a Water Plant Operator. This position is funded primarily by Highwood.

- i. Strategic Plan Update  
Mr. Mike Strong, Assistant to the City Manager provided an update on the City's Strategic Plan. He stated departments have included references in their department narratives to reflect initiatives outlined in the Strategic Plan.

Committee members discussed the links on the website were not working.

- ii. Department Organization Charts and Narratives  
Ms. Holleb stated included in the packet are department summaries. She noted the General Fund summaries do not include compensation adjustments, at this time.

The Committee discussed the amount budgeted for salt and what alternatives are available to reduce costs.

B. FY20 Budget Issues

- i. Capital Improvement Plan and Five Year Forecast Update  
Ms. Holleb reviewed revised Capital Improvement Plan (CIP) targets based on the increased funding from Non-Home Rules Sales tax and Sanitation Fee. She stated a new category for Ravines has been included. She stated the additional funding will be allocated to designated projects for FY2020 – FY2022. She reviewed recommended projects to allocate the additional funding.

The Committee discussed the projects added to the FY2020 budget. The Committee requested the Universal Crossover project moved to grant dependent.

Ms. Holleb reviewed the changes to Capital Projects. She stated South Park improvements will move from unfunded to funded after receiving notification of receiving the grant. She reviewed changes to the five-year forecast.

The Committee requested the proposed additional transfer from the General Fund to the Capital Fund be increased from \$400,000 to \$1,000,000 for a total of \$2.6m in FY19 and increased to \$1.5m in FY2020. The Committee discussed unfunded projects.

- ii. Re-establishment of Canine Program  
Mr. Karl Walldorf, Chief of Police reviewed the history of the canine program in the City and the process used to re-establish the program. He stated donations have been

Finance Committee Meeting  
Minutes – March 11, 2019

received from the DAS Charitable Fund and the City's Police Foundation. These donations will cover the purchase and training of the dog and purchase of a vehicle and required equipment.

The Committee discussed the benefits of a canine program.

iii. Overview and Update on Affordable Housing

Ms. Czerniak provided an overview of the process the City has used to provide affordable housing in Lake Forest. She reviewed the approach the City has used and the accomplishments that have taken place. She reviewed potential funding requests for additional home acquisitions and a partnership to build senior cottages on the Grove School campus.

iv. Park Master Plan and Facilities Update

Ms. Sally Swarthout, Director of Parks and Recreation reviewed the steps used to develop the 10-year strategic parks master plan. She stated the plan has been approved by the Friends of Lake Forest Parks and Recreation Foundation and Parks and Recreation Board. She stated the plan would be brought to the City Council for approval. She reviewed highlights from the areas identified by the Community.

The Committee discussed costs associated with the identified projects and potential funding sources.

- v. Request for Increased Financial Support/Friends of Lake Forest Parks and Recreation  
Rick Amos, Friends of Lake Forest Parks and Recreation Foundation highlighted events coordinated by the Foundation to raise funds for the Parks and Recreation department. He stated a three year commitment was approved with the City for funding. He stated the Foundation is requesting in advance of the expiration of the agreement increased cash funding of \$10,000 and a reduction of in-kind services by \$3,000. The early request is due to the necessity to order fireworks one year in advance.

**V. Other Operating Funds**

A. Water Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb reviewed the Water Operating Fund. She stated funds are transferred annually to the Water Capital Fund. She stated the fund is self-sufficient based on water rates. She reviewed the fund balance requirements.

The Committee discussed the debt schedule for the fund. They discussed the additional capacity of the water plant and if there were opportunities to sell to other communities. They discussed reducing some of the watering restrictions with the increased capacity.

ii. Water Consumption Statistics

Ms. Holleb reviewed decreased consumption over the past few months. She stated the data is generated from the City's meter monitoring program. Staff will continue to monitor.

The Committee discussed golf rounds correspond to the data.

B. Parks and Recreation Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb reviewed the Parks and Recreation Operating Fund Five-Year Forecast. She reviewed the Golf Course transfers and a current loan to the Golf Course, which will be repaid by a Special Tax Levy amount of \$125,00 per year. The projected year-end transfer to cover debt coverage is \$280,000.

Finance Committee Meeting  
Minutes – March 11, 2019

C. Golf Fund

- i. Deerpath Golf Course FY19 Recap and FY20 Overview  
Mr. Vince Juarez, Kemper Sports reviewed the industry state on golf rounds. He reviewed the utilization of the course and amenities. He reviewed the FY19 financials and provided an overview of the FY20 budget.

The Committee discussed the outstanding debt.

- ii. Five-Year Fund Balance Forecast  
Ms. Holleb reviewed the differences between the City's and Kemper's forecast for the Golf Fund. She reviewed the final debt payment will be in FY2024. She reviewed the transfers from the Parks and Recreation Fund.

D. Emergency Telephone Fund

- i. Five-Year Fund Balance Forecast  
Ms. Holleb reviewed costs that would be included in the General Fund, but are paid from the Emergency Telephone Fund to cover dispatch costs. She stated the City is currently collecting higher fees, but we have been told by Glenview this will not last.

**VI. Other Matters**

- A. Approval of Core/Elective Service Analysis  
Mr. Strong highlighted changes to the Core/Electives.

Alderman Rummel made a motion to approve the Core/Elective Service Analysis. The motion was seconded by Alderman Buschmann. The motion carried unanimously by voice vote.

**VII. Opportunity for the Public to Address the Finance Committee:** No comments were made

Ms. Holleb stated based on the input from the meeting, staff will bring the FY20 budget to the April 15, 2019 City Council meeting for approval.

**VIII. Adjourn into Executive Session**

Alderman Newman moved, seconded by Alderman Preschlack to adjourn into Executive Session at 8:52. The motion carried unanimously by voice vote.

**IX. Executive Session**

Alderman Rummel moved, seconded by Alderman Moreno to adjourn into Regular Session at 9:11. The motion carried unanimously by voice vote.

**X. Adjournment**

There being no further business, Alderman Rummel moved, seconded by Alderman Buschmann, to adjourn the meeting at 9:12 p.m. The motion carried unanimously by voice vote.

Respectfully Submitted,

Diane Hall  
Assistant Finance Director