

**The City of Lake Forest  
FINANCE COMMITTEE  
Proceedings of the March 12, 2020 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. by Chairman Morris. Present: Chairman Morris, Aldermen Beidler, Preschlack, Goshgarian, Moreno and Buschmann were present. Absent: Mayor Pandaleon, Aldermen Rummel and Notz. Quorum present. There were approximately 21 present in the audience.

Staff present: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Pete Siebert, Fire Chief; Cathy Czerniak, Director of Community Development; Karl Walldorf, Police Chief; Sally Swarhout, Parks and Recreation Director; Mike Strong, Assistant City Manager; DeSha Kalmar, Human Resources Director; Jim Shaw, Director of Information Technology; Chuck Myers, Superintendent of Parks and Recreation; Joe Mobile, Superintendent of Parks and Recreation and Dan Martin, Superintendent of Public Works.

Others present: There were approximately 8 people in the audience.

**II. Consideration of Minutes from the Finance Committee Meeting Held on January 21, 2020**

Alderman Preschlack made a motion to approve the minutes from the Finance Committee meeting held on January 21, 2020. The motion was seconded by Alderman Moreno. The motion carried unanimously by voice vote.

**III. Overview of FY2021 Budget**

**A. Opening Comments by City Manager**

Mr. Jason Wicha, City Manager provided an update on steps staff was taking in communicating with Local, State, Federal agencies and other communities regarding the COVID-19 virus. He stated an Executive Staff meeting would be held the following morning.

Alderman Notz entered the meeting at 5:05 p.m.

Mr. Wicha acknowledged staff for compiling the information provided for the night's meeting. He stated the proposed budget reflects priorities of the City Council and residents. He reviewed initiatives included in the budget. He stated a new sustainability committee would be forming

**B. FY20 Monthly Flash Report**

Ms. Elizabeth Holleb, Finance Director stated the report included in the packet was the same as the report received in February. She stated an updated report would be provided the following week.

**C. Review of FY20 Estimates vs. FY21 Budget – Revenue and Expenses**

**i. Fund Balance Summary**

Ms. Holleb reviewed changes to classifications of revenues that previously have been double counted between the General Fund and Police and Fire Pension Funds. She stated the tax levy and pension fees have been reclassified as inter-fund transfers between funds. She reviewed the overall expenses by classifications and stated personnel costs were 38%, while in the General Fund this percentage is much higher. She reviewed summary revenues and expenses for the General Fund. She reviewed expenses that were not included in the FY2021 proposed budget.

Alderman Rummel entered the meeting at 5:27 p.m.

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Ms. Holleb reviewed revenues that have not been included in the budget including cannabis taxes and online sales taxes, as the City does not have reliable data to provide an estimate. She reviewed the projected ending fund balance for FY2020 and FY2021 for the General Fund. She reviewed the projected ending fund balances for all funds and stated the MS Site Project fund would be closed at fiscal year end to the Capital Fund. She reviewed the different fund types.

The Committee discussed the fund balance for the Laurel/Western Ave. TIF District. The Committee requested a full report to compare to projections for the project.

Ms. Holleb stated the City intervened on the developer's request to have the EAV lowered on the site to have the property taxes reduced. She stated the City was successful resulting in a denial to the developer by the assessor's office. She stated the developer has requested the first phase completion approved payment in the amount of \$500,000.

ii. Key FY21 Budget Assumptions

Ms. Holleb reviewed key budget assumptions used to prepare the proposed budget. She reviewed the negative 3.8% for FY2021 Income Tax assumption detailing the State's remittance percentages to the City. She reviewed the water rate increase assumes an increase of revenue generated from the rate versus a rate increase of 2.5%. She reviewed the payroll projections used for the budget calculations. She stated the City has maintained the lowest property tax rate in Lake County.

The Committee requested Police and Fire pension scenarios be completed using a lower interest rate assumption.

iii. Payroll Projections

Ms. Holleb reviewed the payroll projections utilized in the General Fund. She reviewed the vacancy savings calculation.

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

Ms. Holleb reviewed the General Fund fifteen-year fund balance history. She stated historically excess fund balance has been transferred to the Capital Fund. She reviewed the ten-year fund balance forecast. She stated in October 2019, the City Council amended the fiscal policy to state "the City may allocate future General Fund operating surpluses at fiscal year-end to one-time funding needs as determined annually by the City Council". She stated the Committee had previously discussed the excess could be transferred to the Capital Fund, Police and Fire Pension Funds or the Affordable Housing Fund.

The Committee discussed the concept of budgeting the transfer in the General Fund and additional projects in the Capital Fund.

i. Discussion of State Impacts

Ms. Holleb stated the state has released a preliminary budget to begin July 1, 2020. She reviewed the budget incorporates the approval of the graduated income via referendum. She reviewed the states impact on Income Tax and Sales Tax. She reviewed the states pension funding obligation history.

ii. Revenue and Expense Trends

Ms. Holleb reviewed the City's revenue and expense trends by category for the 10 previous years and proposed FY2021 budget.

iii. Public Safety Pension Subcommittee Update

Ms. Holleb provided an update on the subcommittee. She stated the interest rate assumption had been reduce to 6.75%. She stated the committee met with both the Police and Fire pension boards to review what actions had taken place by the City. She

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reviewed the effects of PA 101-2610 increasing costs. She stated both pensions had been doing very well on investment returns until the recent market trends.

The Committee recommend the full excess fund balance in the General Fund be transferred to the Capital Fund at the end of FY2020 and the FY2021 budgeted transfer increased to \$2,000,000.

The Committee discussed the funding of the Affordable Housing fund is comprised of revenue from developers and demolition tax to fund purchasing on average two affordable homes each year.

**IV. Operating Department Summaries**

A. Department Summaries

Ms. Holleb reviewed the previous budget documents did not provide a clear link to each other. She provided an overview of the goal of linking Long Term Planning to Goals to Service Levels to the Annual Budget. She reviewed other recommended changes including creating budget classification in lieu of line item budget detail and future initiatives including revising CIP evaluation scoring sheets.

i. Strategic Plan Update and Organization Performance Measures

Mr. Mike Strong, Assistant City Manager reviewed strategic plan priority goal areas. He reviewed the FY2020 Strategic Plan highlights for each of the six priority areas. He reviewed the Strategic Plan initiatives included in the FY2021 proposed budget.

The Committee requested slides be prepared outlining the strategic goals for the annual Ward meetings.

Ms. Holleb reviewed the organization performance measures and stated the City may not have complete control over these areas and may have budget impacts.

The Committee discussed how the department goals measure how the departments are performing.

ii. Departmental Organization Charts, Narratives, Performance Measures and Financial Summaries

Ms. Holleb stated the General Fund summaries do not include salary increases at this time. She reviewed budget enhancements including budget highlight references to strategic plan goals and new budget classifications. She reviewed the last three years budget documents to highlight the new enhancements. She reviewed the changes to the department presentations.

iii. Budget Classifications – Proposed Change in Presentation of Budget Data  
Committee members to email Ms. Holleb with any questions.

B. FY21 Budget Presentations

i. Capital Improvement Plan and Five Year Forecasts Update

Ms. Holleb stated a presentation would be provided at the next City Council meeting regarding the Burr Oak Storm Sewer project. She reviewed changes to the proposed capital budget to fund overages to the Burr Oak project. She stated the pavement resurfacing project has moved to the MFT fund due to increased revenues from MFT taxes. She stated at the November Capital Budget meeting, the design had not been completed for the Burr Oak Storm Sewer project resulting in the cost variance. She stated staff has discussed the variance and determined projects should be split between fiscal years with design in one year and the project budgeted in the subsequent fiscal year. She reviewed the MFT and PPL funds and stated the PPL Fund has moved projects to balance the fund. She reviewed the .5% Sales Tax Fund.

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ii. Recycling Program

Mr. Dan Martin, Superintendent of Public Works reviewed articles included in the packet. He reviewed the history of recycling revenues and expenses. He stated in fiscal years 2011 to 2015 an expense budget was not needed, but now expenses are increasing each year. He reviewed what other communities are doing to offset the increased costs. He stated the City received an \$110,000 grant from the Lake Forest Garden Club to promote recycling education. He stated if the campaign is successful, \$50,000 could be realized each year. He stated the campaign is scheduled to launch in May 2020.

iii. Athletic Field Feasibility Study

Mr. Joe Mobile, Superintendent of Parks and Recreation stated the parks comprehensive plan identified the number one priority was the condition of the athletic fields. He stated the next step is to conduct an assessment of all the athletic fields. He stated staff will work with an architect to ensure the Recreation Center will not be effected by any improvements. He stated the assessment will identify which sports should be at each park and the cost of each project. He stated fields will be looked at for potential changes to synthetic turf. He reviewed the next steps to undertake prior to the November 2020 capital budget meeting.

The Committee discussed the Parks and Recreation Foundation assisting with fund raising to assist with the park improvements. They discussed the athletic fields are a great asset for the City and can be used in the marketing campaign. They discussed other options in place of synthetic fields.

The Committee requested a benefit analysis of those using the fields and revenue generated.

iv. Comprehensive Plan Update

Ms. Cathy Czerniak, Director of Community Development reviewed the activity to date including the Waukegan Rd Business District and pending changes to the Route 60 entrance corridor to be presented to the City Council. She reviewed the next area for review is the Central Business District. She reviewed the areas to be discussed with individual groups. She stated the housing chapter would be the next area reviewed. She reviewed the goal of bringing all of the areas of the comprehensive plan together.

The Committee discussed utilizing the realtor community to assist with the housing chapter. They discussed Western Avenue streetscape will be discussed within the Central Business District. They discussed the Northwest quadrant of the City.

v. Web Site

Mr. Strong provided a status of the City's website project and tentative schedule. He reviewed the goals of the project.

The Committee discussed how to keep the website fresh.

vi. Grant Administration

Ms. Holleb stated included in the proposed budget is funding to support staff in seeking grants and to implement a City-wide grant tracking system for grants received. She stated monthly reports would be provided to the City Manager and Finance Chairman.

The Committee discussed there are opportunities available.

vii. Consideration of Funding Rosemary Ravine Project in FY21.

Ms. Holleb stated the Rosemary Ravine project has been moved to 1nf to allow the funding of Burr Oak Storm Sewer project. She stated bids had been received for the Rosemary Ravine project and were higher than engineering estimates. She stated one

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line item in all of the bids has resulted in the higher costs. She stated Engineering is working with bidders to complete qualifications.

The Committee agreed to increase the transfer from the General Fund to the Capital Fund to move the project to FY21.

**V. Other Operating Funds**

A. Water Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb stated water rates cover operating costs, debt and capital. She stated FY20 fund balance is projected to fall resulting from reduced revenues. She stated the original water plant debt will terminate in FY24 and the new water plant improvements principal will begin in FY25. She stated beginning in FY25, capital projects can be escalated with the reduced debt payments.

B. Parks and Recreation Fund

i. Five-Year Fund Balance

Ms. Holleb stated the Parks and Recreation fund receive both property taxes and program revenues. She stated the fund has supplemented the golf fund. She reviewed the loans and operating transfers to the Golf Fund to assist with significant capital projects to improve the golf course. She reviewed the fund balance falls below the targeted fund balance level mainly due to loans to the golf course. She reviewed a new report generated from the new financial software showing revenues over expenses by budget classification.

C. Golf Fund

i. Five-Year Fund Balance

Ms. Holleb reviewed the golf course financials. She stated significant improvements have been made at the course. She stated the final debt payment is in FY24.

The Committee discussed the Deerpath/Rt 41 project and how it will impact the course.

**VI. Other Business**

A. Look back Audits

Ms. Holleb stated this process was started to review how significant changes to operations have performed and to see if the initial projections are still true.

i. Golf Course Contracting effective 1/1/15 – no discussion

ii. Recreation Software Implementation 2015 – no discussion

**VII. Opportunity for the Public to Address the Finance Committee**

No one from the audience desired to address the Finance Committee.

**VIII. Adjourn into Executive Session**

Alderman Rummel moved, seconded by Alderman Beidler to adjourn into Executive Session at 8:55. The motion carried unanimously by voice vote.

**IX. Executive Session**

Alderman Beidler moved, seconded by Alderman Buschmann to adjourn into Regular Session at 9:31. The motion carried unanimously by voice vote.

**X. Consideration of Executive Session Minutes From the Finance Committee Meeting Held March 11, 2019**

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Alderman Moreno made a motion to approve the minutes from the Executive Session Finance Committee meeting held on March 11, 2019. The motion was seconded by Alderman Buschmann. The motion carried unanimously by voice vote.

**XI. Adjournment**

There being no further business, Alderman Rummel moved, seconded by Alderman Beidler, to adjourn the meeting at 9:32 p.m. The motion carried unanimously by voice vote.

Respectfully Submitted,

Diane Hall  
Assistant Finance Director