

**THE CITY OF LAKE FOREST**  
**CITY COUNCIL WORKSHOP AGENDA**  
Monday, September 17, 2018 – 6:30 pm

**Municipal Services Building**  
800 N. Field Ct.  
Lake Forest, IL 60045

Honorable Mayor, Robert Lansing	
Prudence R. Beidler, Alderman First Ward	Jack Reisenberg, Alderman Third Ward
James E. Morris, Alderman First Ward	Jim Preschlack, Alderman Third Ward
Timothy Newman, Alderman Second Ward	Michelle Moreno, Alderman Fourth Ward
Melanie Rummel, Alderman Second Ward	Raymond Buschmann, Alderman Fourth Ward

**CALL TO ORDER AND ROLL CALL**

**6:30 pm**

**1. DISCUSSION ON LONG-TERM CAPITAL FUNDING OPTIONS AND PENDING CAPITAL PROJECTS**

- a. Financial Policies, limitations, and "Rules of the Game" **page 4**
  - i. Capital Budget **page 7**
  - ii. Reserve Policies **page 9**
  - iii. Debt Policies **page 10**
- b. Financing Options **page 17**
- c. Forest Park Bluff Restoration Options **page 37**
- d. Other Capital Projects and Funding Pressures **page 46**

Background material for these items are noted in bold above.

**2. UPDATE ON SMOKE-TESTING PROGRAM**

Background material for this item can be found on **page 41**

**3. UPDATE ON GASLIGHT CONVERSION PROGRAM**

Background material for this item can be found on **page 42**

**4. UPDATE ON METRA UNIVERSAL CROSSOVER AND SCHEDULE CHANGES – PILOT PROGRAM**

**5. OPPORTUNITY FOR PUBLIC COMMENT**

**6. ADJOURNMENT**

A copy of the decision-making parameters can be found on **page 3**

Office of the City Manager

September 13, 2018

The City of Lake Forest is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the meeting or the facilities, are required to contact City Manager Robert R. Kiely, Jr., at (847) 234-2600 promptly to allow the City to make reasonable accommodations for those persons.



## THE CITY OF LAKE FOREST

### DECISION-MAKING PARAMETERS FOR CITY COUNCIL, AND APPOINTED BOARDS & COMMISSIONS

*Adopted June 18, 2018*

The City of Lake Forest Mission Statement:

*"Be the best-managed, fiscally-responsible and appealing community and promote a community spirit of trust, respect and citizen involvement."*

The Lake Forest City Council, with the advice and recommendations of its appointed advisory Boards and Commissions, Lake Forest Citizens, and City Staff, is responsible for policy formulation and approval. Implementation of adopted strategy, policy, budgets, and other directives of Council is the responsibility of City Staff, led by the City Manager and Senior Staff. The Mayor and Aldermen, and appointed members of Boards and Commissions should address matters in a timely, deliberate, objective and process-driven manner, making decisions guided by the City of Lake Forest Strategic and Comprehensive Plans, the City's Codes, policies and procedures, and the following parameters:

- Motions and votes should comprise what is in the best long-term interests of all Lake Forest citizens, measured in decades, being mindful of proven precedents and new precedents that may be created.
- All points of view should be listened to and considered in making decisions with the long-term benefit to Lake Forest's general public welfare being the highest priority.
- Funding decisions should support effectiveness and economy in providing services and programs, while mindful of the number of citizens benefitting from such expenditures.
- New initiatives should be quantified, qualified, and evaluated for their long-term merit and overall fiscal impact and other consequences to the community.
- Decision makers should be proactive and timely in addressing strategic planning initiatives, external forces not under control of the City, and other opportunities and challenges to the community.

Community trust in, and support of, government is fostered by maintaining the integrity of these decision-making parameters.

*The City of Lake Forest's Decision-Making Parameters shall be reviewed by the City Council on an annual basis and shall be included on all agendas of the City Council and Boards and Commissions.*



# **City Council Fiscal Policy**

## **FISCAL YEAR 2019**

### **Statement Of Policy Purpose**

The City of Lake Forest, (the "City"), and its governing body, the City Council, (the "Council"), is responsible to the City's citizens to carefully account for all public funds, to manage City finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of facilities. These policies of the Council are designed to establish guidelines for the fiscal stability of the City and to provide guidelines for the City's chief executive officer, the City Manager.

These policies will be reviewed annually.

### **Policy Goals**

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practices of the City. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes significantly to the City's ability to insulate itself from fiscal crisis,
- Enhances short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the City rather than single issue areas,
- Promotes the view of linking long-term financial planning with day-to-day operations, and
- Provides the Council and the citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following fiscal policy goal statements are presented.

## **I. Overall Budget Guidelines**

1. Abide by the target based budgeting process. Target based budgeting ties expenses to projected resources at the beginning of the budget process, rather than cutting expenses after budgets are developed. This methodology reaffirms the relationship between revenues and services, taxes and spending, and involves departments in the process from the beginning.
2. Seek and encourage resident input in budget planning issues and service level decisions.
3. Review all services residents receive and strive to maintain the services at existing levels, unless specific variances are granted by the City Council. Each service should be examined thoroughly to determine if it is still necessary or can be provided in a more cost-effective way. New program initiatives must be measured in terms of their overall fiscal impact and capabilities.
4. Pay for all recurring expenses with recurring revenues, and use non-recurring revenues for non-recurring expenses. Proceeds from land sales shall be deposited into the Capital Fund unless intended for other legislative initiatives as directed by the City Council.
5. Maintain positive fund balances for all funds.
6. Annually review the cash flow reserves in all City operating funds to ensure adequacy given the volatility and risk of revenues attributable to each fund.
7. Monitor actual revenues and expenditures compared to budget throughout the year so that spending may be reduced as needed to offset revenue shortfalls or unanticipated expenditures.
8. Protect the City's assets by maintaining adequate insurance coverage through either commercial insurance or risk pooling arrangements with other governmental entities.
9. Abide by the 1991 Property Tax Extension Limitation Act, which limits the annual increase in property tax extensions to the lesser of 5 percent, or the increase in the consumer price index, plus allowances for new construction and voter approved increases, unless the City Council determines that an exception is necessary to preserve the long term financial health of the City.
10. Work actively with legislators and Councils of Government in passing legislation that promotes effective government, reduces unfunded mandates, controls

pension and other personnel related costs or otherwise creates unsustainable operating costs for local governments.

## **II. Expense Guidelines**

### **Personnel**

1. Limit staff increases to areas where approved program growth and support require additional staff. The Council will also seek to maintain authorized personnel at the lowest levels possible consistent with the service plan authorized.
2. Adjust the personnel pay plan consistent with market rates for positions with comparable responsibilities.
3. Fully fund annual obligations for all employee pension plans pursuant to the City's Pension Funding Policy (as may be amended by City Council) and the State of Illinois Compiled Statutes, as determined annually by an independent actuary. Continue efforts to seek action by the Illinois General Assembly for pension reform to ensure fiscal sustainability.
4. Fund other post-employment benefit (OPEB) costs on a pay-as-you-go basis, while also setting aside reserves in the Self Insurance Fund to meet future obligations. Reserves shall be set aside annually using a fifteen-year amortization period beginning May 1, 2015, based upon the most recent actuarial valuation.
5. Be a leader among Illinois municipalities in maintaining fiscally prudent compensation policies and identifying alternative methods for attracting and retaining quality employees.

### **Operating Costs**

1. Fully budget anticipated expense for an average operating year.
2. Maintain a contingency budget for unanticipated expenses.
3. Review all contract services and other charges for cost effectiveness and to determine if there are alternative methods to perform these services at less cost.
4. Review the potential for outsourcing/contracting services for each City operating department.

5. Follow funding priorities that emphasize efficiencies and economy with established criteria including the number of residents benefiting from specific services or programs.
6. A 2014 cost allocation study has been completed to demonstrate the allocation of administrative costs budgeted in the General Fund and their benefit to budget programs across the organization. The City utilizes the cost allocation study results to assess administrative charges to other City funds to recover administrative costs provided by General Fund administrative departments. Where feasible, the cost allocation study is also used to factor in the administrative cost burden to departments in agreements to provide services to outside entities.

### **Program Expansions**

1. Proposed program expansions above existing service levels must be submitted as budgetary enhancements requiring detailed justification. Every proposed program expansion will be scrutinized on the basis of its relationship to the health, safety, and welfare of the community to include analysis of long-term fiscal impacts.

### **New Programs**

1. Proposed new programs must also be submitted as budgetary enhancements requiring detailed justification. New programs will be evaluated on the same basis as program expansion to include analysis of long-term fiscal impacts.

### **Capital Budget**

1. Make all capital improvements in accordance with an adopted Capital Improvements Program.
2. Conduct a detailed analysis of the capital improvement proposals for the current year, review projects identified for future years, and establish a five year capital improvement plan. Review the funding methods for all projects proposed to reflect financial implications and to determine whether the project is essential at this time.
3. Conduct a detailed review of all capital equipment requests to determine current needs, cost effectiveness, and ramifications if deferred or eliminated.
4. Coordinate development of the capital budget with development of the operating budget. Future operating costs associated with new capital projects will be

projected and included in operating budget forecasts. Following completion of any project, conduct a post project review.

5. Identify the "full-life" estimated cost and potential funding source for each capital project proposal before it is submitted to the Council for approval.
6. Maintain level and complete budgeting for building and capital equipment to avoid erratic changes from year to year for on-going maintenance and replacement of City facilities and equipment.
7. Abide by the following financing parameters for the establishment of a special service area:
  - Amortization period: not to exceed 20 years or the estimated useful life of the improvements, whichever is less;
  - Interest rate: market rate at date of bond sale, or
    - City financed projects: not less than the Municipal Market Data rate for uninsured Aaa rated bonds + 2%. Rate will be set on the construction start date;
  - All financing, legal and other related costs shall be included in the cost of the project;
  - The City will typically finance a maximum residents' share of \$500,000 annually. For projects greater than \$500,000, a bond sale may be conducted.
  - If the City is required to provide related capital project funding earlier than planned due to the establishment of the SSA, the funding shall be from General Fund fund balance. At no time shall the establishment of the SSA cause the General Fund fund balance to fall below its established minimum benchmark.

### **III. Revenue Guidelines**

1. Maintain a diversified and stable revenue structure to shelter the City from short-term fluctuations in any one revenue source. Minimize reliance on State and/or Federal revenues to fund core services.
2. The City Council will determine tax levy allocation amounts to the General Fund, Police and Fire Pension Fund, IMRF/Social Security, Park and Recreation Fund, Special Recreation and the Library.
3. Conservatively but realistically review and estimate projected revenues.
4. Institute user fees and charges for specialized programs and services in the City, as well as conduct an annual detailed analysis of all user fees, charges, and fines to assure proper charges for services and recommend appropriate changes.



5. Conduct the annual detailed review of all Enterprise Fund charges, (i.e., water and sewer, golf) and recommend cost effective changes in line with operating expenses and capital needs.
6. Routinely identify intergovernmental aid funding possibilities. However, before applying for or accepting intergovernmental aid, the City will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment. Therefore:
  - ◆ All grant applications, prior to submission, must be approved by the City Manager.
  - ◆ No grant will be accepted that will incur management and reporting costs greater than the grant amount.
  - ◆ All grant requirements will be reviewed and understood prior to entering into the grant agreement.
7. In 2002, Lake Forest voters approved a referendum authorizing a .5% sales tax for expenditure on public infrastructure located in the City. Recognizing an immediate need for storm water system improvements, the City issued bonds in 2003 and 2004. The revenue generated by the .5% sales tax is utilized to make the debt service payments on this debt. A minimum reserve of one years' principal and interest payments is maintained in the Sales Tax .5% funds. Surplus revenues exceeding the minimum reserve may be considered for other public infrastructure improvements annually by the City Council.

#### **IV. Reserve Policies**

1. The City will maintain a fund balance for fiscal cash liquidity purposes, (i.e., fiscal reserve), that will provide sufficient cash flow to minimize the potential of short-term tax anticipation borrowing.
2. Unassigned fund balances should be equal to no less than 35% of non-pass through operating revenues for the General Fund plus accrued sick and vacation leave.
3. The City will maintain sufficient self-insurance reserves as established by professional judgment based on the funding techniques utilized, loss records, and required retentions.
4. The City will seek to maintain minimum fund balance targets (unrestricted net position for proprietary funds) in each fund which reflect considerations such as revenue volatility and necessary contingencies. It is noted that certain funds are

subject to five year financial forecasts, debt service coverage requirements and/or may be accumulating fund balance to address future capital needs, warranting a fund balance in excess of the minimum target. In the event fund balance falls below the established target for a particular fund, the City shall establish a plan to return the fund balance to its target. The fund balance targets by fund or category of funds is as follows:

- General Fund – see Section IV.2
- Parks and Recreation Funds (combined) – 25% of operating revenue
- Other Non-major Special Revenue Funds – 10% of operating revenue
- Debt Service Funds – N/A
- Capital Project Funds – N/A
- Water and Sewer Enterprise Fund/Operating – 33% of operating revenue plus one years' debt service + \$500,000
- Water and Sewer Enterprise Fund/Capital – 0%
- Deerpath Golf Course Fund – 15% of operating revenue
- Fleet Fund – 15% of operating revenue
- Self Insurance Fund – 25% of operating revenue + OPEB reserve
- Liability Insurance Fund – 50% of operating revenue
- Police and Fire Pension Funds – N/A; subject to statutory and actuarial requirements
- Cemetery Trust Fund – N/A; subject to bequest requirements and Cemetery Commission policy

## **V. Investment Policies**

1. The City will follow the investment policy approved by the City Council on February 6, 2017, or a subsequently approved revision to the investment policy.
2. The City will conduct an analysis of cash flow needs on an on-going basis. Disbursements, collections, and deposits of all funds will be scheduled to insure maximum cash availability and investment potential.
3. The City will, where permitted by law, pool cash from its various funds for investment purposes.
4. The City will invest City revenue to maximize the rate of return while maintaining a low level of risk.
5. The City will review contractual consolidated banking services every three years.

## **VI. Debt Policies**

1. The City will not fund current operations from the proceeds of borrowed funds.

2. The City will confine long-term borrowing to capital improvements, projects, or equipment that cannot be financed from current financial resources.
3. The City will analyze market conditions, and long-term capital needs assessments, prior to debt issuance to determine the most advantageous average life. The debt structure may be lengthened during low interest rates and shortened during high rates.
4. The City will look for both current and advance refunding opportunities in order to save interest expense.
5. The City's debt capacity shall be maintained at a level consistent with available Moody's Guidelines to maintain our Aaa rating.
6. The City recognizes the importance of underlying and overlapping debt in analyzing financial condition and will regularly analyze total indebtedness including underlying and overlapping debt.
7. The City will maintain good communications about its financial condition with bond and credit rating institutions.
8. The City will follow a policy of full disclosure in every annual financial report and official statement/offering document.

## **VII. Accounting, Auditing, And Financial Reporting Policies**

1. The City will establish and maintain a high standard of accounting practices in conformance with uniform financial reporting in Illinois, and Generally Accepted Accounting Principles (GAAP), for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).
2. The City's financial accounting system will maintain records on a basis consistent with accepted standards for local government accounting (according to GASB).
3. The City will strive to collect the majority of its receivables within thirty days.
4. The City will retain the right to perform financial, compliance, and performance audits on any entity receiving funds or grants from the City.
5. The City will engage an independent firm of certified public accountants to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS), and will have these accountants publicly issue an opinion which will be incorporated in the Comprehensive Annual Financial Report.

## *City Council Fiscal Policy*

6. The Audit Committee is responsible for recommending the selection of the independent firm of certified public accountants (the Council's external auditor) to perform an annual financial and compliance audit, defining the audit scope and receiving the report of the auditor.
7. The City will annually seek the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
8. The City will follow the below fund balance classification policies and procedures.
  - A. Committed Fund Balance shall be established, modified or rescinded through a City Council resolution.
  - B. Assigned Fund Balance will generally follow the approved budget and may be assigned to a specific purpose by the Finance Director.
  - C. In the General Fund, the City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, followed by committed amounts then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized.
  - D. In governmental funds other than the General Fund, the City considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City will first utilize assigned amounts, followed by committed amounts then restricted amounts.

### **Other Applicable Financial Policies:**

- **Pension Funding Policy**
- **Investment Policy**

Amended: October 2017



# CITY COUNCIL WORKSHOP

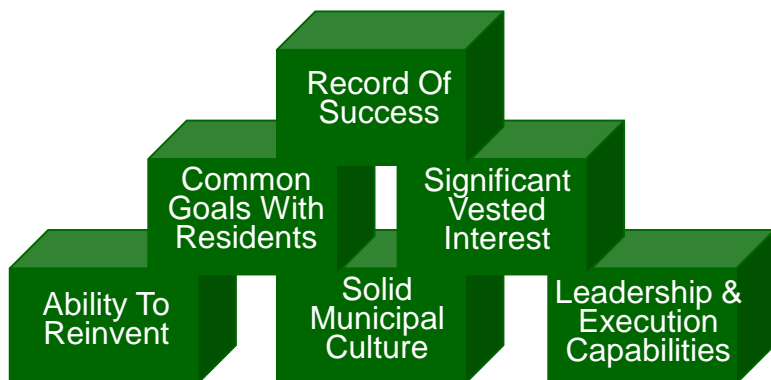
September 17, 2018

# An Enduring City

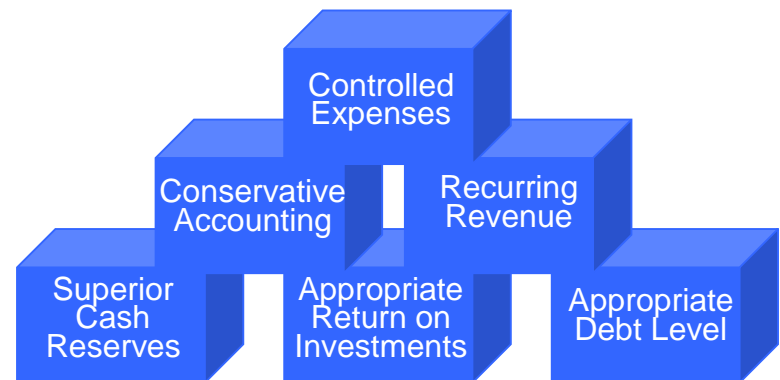
## Sustainable Business Model



## Strong Management



## Solid Financials



# AGENDA

- Capital Funding Options
- Discussion of Forest Park Bluff Restoration Options
- Other Pending Capital and Funding Needs
- Update on Smoke Testing Program
- Update on Gas Light Conversion Program
- Update on Metra Universal Crossover and Schedule Changes – Pilot Program

FIVE YEAR CIP  
CAPITAL IMPROVEMENTS FUND



# THE CITY OF LAKE FOREST

## FIVE YEAR FUND BALANCE FORECAST

### CAPITAL IMPROVEMENT FUND

	ACTUAL FY 2018	PROJECTED FY 2019	PROJECTED FY 2020	PROJECTED FY 2021	PROJECTED FY 2022	PROJECTED FY 2023	PROJECTED FY 2024
<b>Fund Balance 5/1</b>	\$ 4,575,512	\$ 5,938,047	\$ 2,700,388	\$ 1,832,429	\$ 1,412,320	\$ 1,007,861	\$ 1,118,342
		<b>BUDGET plus</b>					
<b>Revenue</b>							
Real Estate Transfer Tax	\$ 1,622,900	\$ 1,575,638	\$ 1,599,273	\$ 1,623,262	\$ 1,647,611	\$ 1,672,325	\$ 1,697,410
Capital Improvements Levy	817,962	816,750	815,225	623,000	626,725	624,144	626,019
Demolition Tax	24,000	48,000	48,000	48,000	48,000	48,000	48,000
Close Fund 301							
Sanitation Fee	614,263	610,000	610,000	610,000	610,000	610,000	610,000
Proceeds from Land Sale							
Misc/Recycling	209,973	67,974	67,974	73,041	73,041	73,041	73,041
Interest	82,955	48,356	47,257	36,649	28,246	25,197	27,959
Total Taxes and Other	\$3,372,053	\$3,166,718	\$3,187,728	\$3,013,951	\$3,033,623	\$3,052,706	\$3,082,428
Grants/Contributions	\$ 274,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Grants	\$ 274,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Bond Revenue	\$ 3,646,461	\$ 3,166,718	\$ 3,187,728	\$ 3,013,951	\$ 3,033,623	\$ 3,052,706	\$ 3,082,428
CIP Bonds		-	-	-	-	-	-
Total Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Fund Transfer	\$ 1,250,000	\$ 1,000,000	-	-	-	-	-
Gen Fund Transfer - Regency Lane SSA							
Transfer from Other Funds	1,784,882	299,482					
Gen Fund/.5% sales tax transfer: Balance above policy	41,880	-	-	-	-	500,000	500,000
Grand Total Revenue	6,723,223	4,466,200	3,187,728	3,013,951	3,033,623	3,552,706	3,582,428
Less: Operating Expense	28,918	126,365	130,156	134,061	138,082	142,225	146,492
<b>Net before CIP</b>	\$ 6,694,305	\$ 4,339,835	\$ 3,057,572	\$ 2,879,891	\$ 2,895,541	\$ 3,410,481	\$ 3,435,936
Transfer to Redeem Outstanding GO Bonds							
Unanticipated Expenses		902,939	625,531				
Capital Projects #1 ONLY	5,331,770	6,674,555	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
<b>Total Capital Expenditures</b>	\$ 5,331,770	\$ 7,577,494	\$ 3,925,531	\$ 3,300,000	\$ 3,300,000	\$ 3,300,000	\$ 3,300,000
<b>Fund Balance 4/30</b>	\$ 5,938,047	\$ 2,700,388	\$ 1,832,429	\$ 1,412,320	\$ 1,007,861	\$ 1,118,342	\$ 1,254,278

## CAPITAL IMPROVEMENTS FUND TARGETS

	CIP Targets				
	FY20	FY21	FY22	FY23	FY24
Road/Bridge	1,700,000	400,000	1,700,000	1,700,000	400,000
Storm Sewer	250,000	1,550,000	250,000	250,000	1,550,000
Facilities	300,000	300,000	300,000	300,000	300,000
Parks/Rec	100,000	100,000	100,000	100,000	100,000 EAB/Tree
Police	50,000	50,000	50,000	50,000	50,000
Fire	50,000	50,000	50,000	50,000	50,000
Technology	250,000	250,000	250,000	250,000	250,000
Cap Equip	450,000	450,000	450,000	450,000	450,000
Other	150,000	150,000	150,000	150,000	150,000 City Mgr
Sub-Total	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000

## FIVE YEAR CIP OTHER FUNDS

- Motor Fuel Tax Fund – street resurfacing every 3<sup>rd</sup> year
- Park and Public Land Fund – park improvements
- Cemetery Fund – Cemetery improvements
- Emergency Telephone Fund – public safety
- Golf Course Fund – golf course improvements; capital equipment
- Water Capital Fund – Water and sanitary sewer

Proposed CIP projects limited to funds available – five year forecasts

# CAPITAL FUNDING PROPERTY TAX LEVY

## ADVANTAGES

- Stable and reliable revenue
- Home rule - not subject to PTELL
- Pay as you go funding avoids interest cost of debt
- **Lowest tax rate in Lake County\***

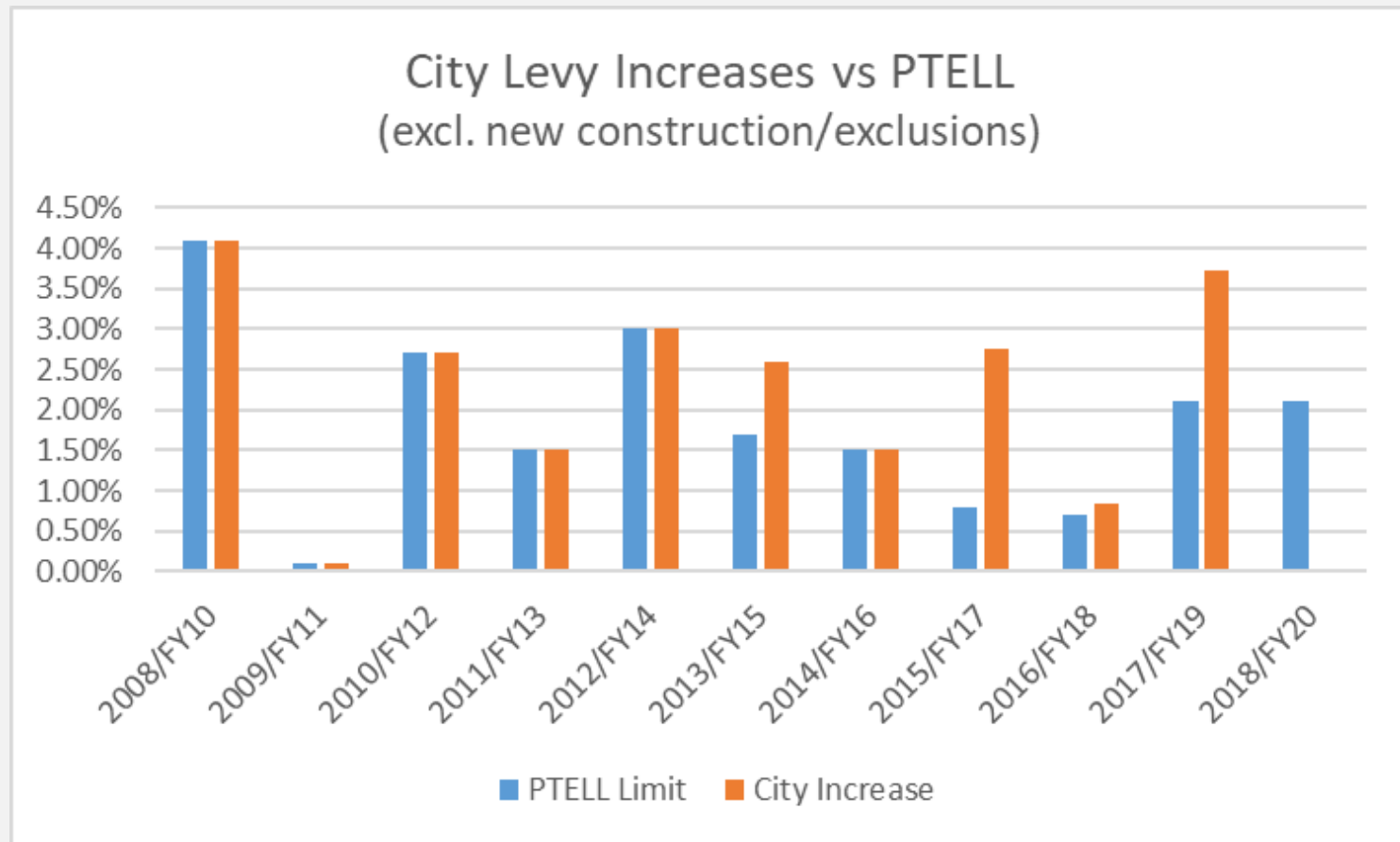
## DISADVANTAGES

- Self-imposed limitations
- Legislature could impose freeze or further limitations

# PROPERTY TAX LIMITATIONS

- Home Rule – City not subject to PTELL (tax cap) Limits
- Truth in Taxation Statute
  - If aggregate or debt levy exceeds prior year by 5.0% or more, requires notice in paper of public hearing.
- Self Imposed Limitations
  - Ord 2004-47 – if home rule, intent of City to abide by PTELL and limit debt levy to 2004 debt service extended levy (\$2,589,806), unless bona fide emergency or legal requirement dictates said increase or an advisory referendum has determined support for said increase
  - Ord 2008-8 – Ordinance Restating and Reaffirming Ordinance 2004-47
  - Ord 2013-70 – Ordinance Restating and Affirming Ordinance 2008-8, with some modifications:
    - Shall not exceed 2004 Debt Level, **as adjusted by the CPI from 2004 to present**
    - Shall abide by property tax cap, **unless by  $\frac{3}{4}$  vote of City Council, elects to exceed cap for:**
      - **Supplementing the Capital Improvement Fund of the City, or**
      - **Replacing revenues lost because of changes in State Revenue Sharing Moneys**

# COMPARISON OF CITY LEVY TO PTELL LIMIT



# CAPITAL FUNDING DEBT

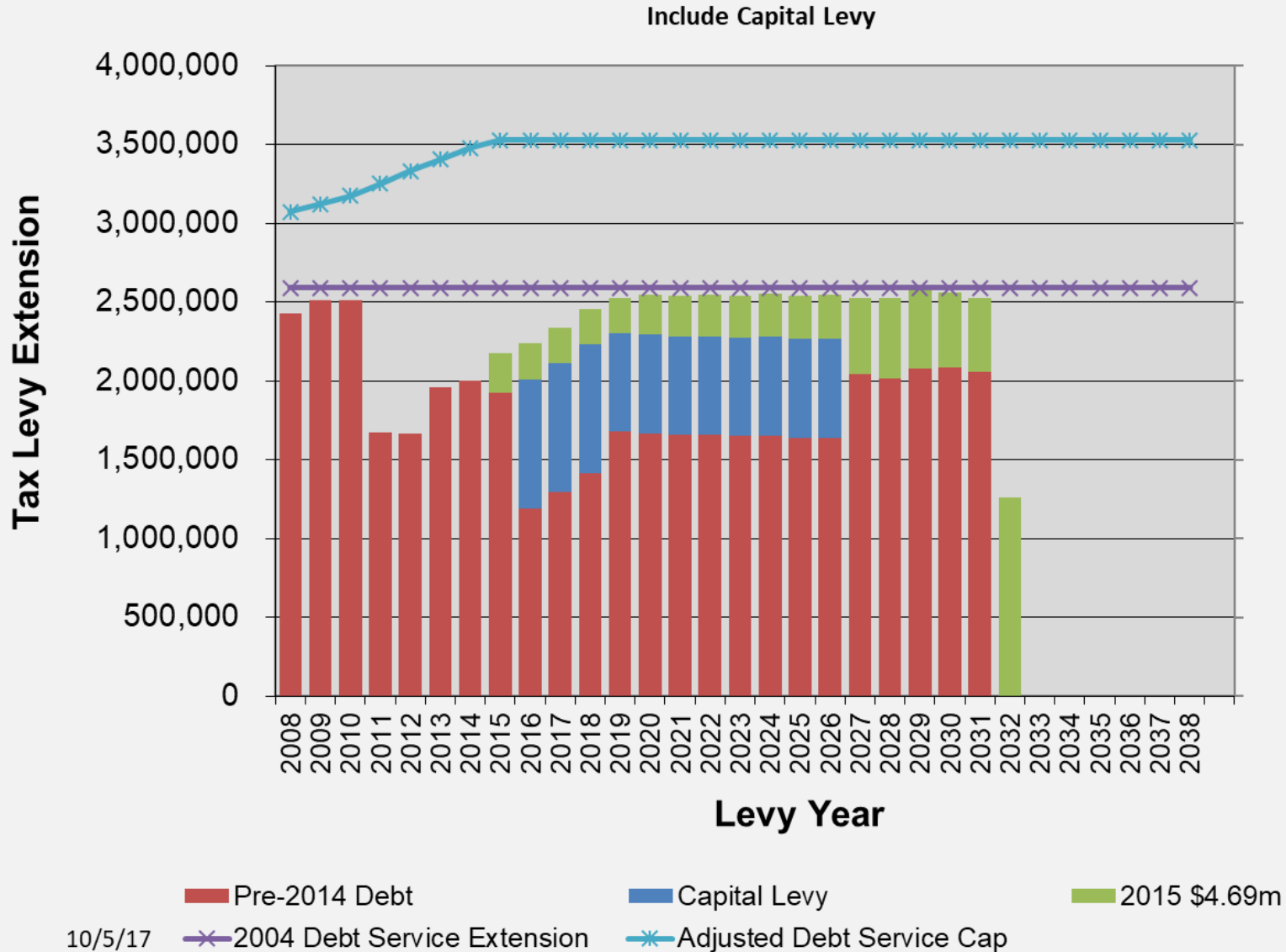
## ADVANTAGES

- Stable and reliable revenue with property tax supported debt
- Home rule - not subject to PTELL
- Current low interest rate environment
- **Lowest tax rate in Lake County\***
- **Aaa bond rating - City debt attractive and lower interest rate\***

## DISADVANTAGES

- Self-imposed limitations
- Legislature could impose freeze or further limitations
- Impact on bond rating
- Interest costs reduce purchasing power

# The City of Lake Forest LEVIED Debt Service Capacity





# CAPITAL FUNDING RESERVES

## ADVANTAGES

- General Fund reserves exceed target
- Avoid interest costs of debt

## DISADVANTAGES

- State impacts could necessitate use of reserves
- **Aaa bond rating – City's reserve levels positively impact rating \***

# GENERAL FUND FORECAST FY19 BUDGET

## THE CITY OF LAKE FOREST FUND BALANCE FORECAST GENERAL FUND

	ACTUAL FY 2017	PROJECTED FY 2018	PROJECTED FY 2019	PROJECTED FY 2020	PROJECTED FY 2021	PROJECTED FY 2022	PROJECTED FY 2023	PROJECTED FY 2024	PROJECTED FY 2025	PROJECTED FY 2026	PROJECTED FY 2027	PROJECTED FY 2028
<b>Fund Balance 5/1</b>	21,598,693	25,056,431	25,834,523	26,639,364	27,975,561	28,842,748	29,268,595	29,372,130	28,872,219	27,958,883	26,641,647	24,893,021
Revenue	34,398,162	34,488,678	35,375,409	36,208,751	37,052,575	37,876,010	38,849,451	39,510,656	40,388,266	41,322,684	42,282,529	43,310,838
Operating Expenses	30,618,558	32,460,586	33,570,568	34,872,554	36,185,388	37,450,163	38,745,915	40,010,567	41,301,603	42,639,919	44,031,156	45,469,703
<b>Net before CIP</b>	<b>3,779,604</b>	<b>2,028,092</b>	<b>1,804,841</b>	<b>1,336,197</b>	<b>867,187</b>	<b>425,847</b>	<b>103,536</b>	<b>(499,911)</b>	<b>(913,337)</b>	<b>(1,317,235)</b>	<b>(1,748,627)</b>	<b>(2,158,865)</b>
Capital or One Time Expenditures	321,866	1,250,000	1,000,000									
Use of Paid Parking Reserves		-										
Regency Lane SSA Financing		-										
ERI Payoff from Reserves												
<b>Fund Balance 4/30</b>	<b>25,056,431</b>	<b>25,834,523</b>	<b>26,639,364</b>	<b>27,975,561</b>	<b>28,842,748</b>	<b>29,268,595</b>	<b>29,372,130</b>	<b>28,872,219</b>	<b>27,958,883</b>	<b>26,641,647</b>	<b>24,893,021</b>	<b>22,734,155</b>
Nonspendable Fund Balance 4/30	778,160	778,160	778,160	778,160	778,160	778,160	778,160	778,160	778,160	778,160	778,160	778,160
Assigned FB - Financial System	1,200,000											
Less: 35% Req Resv+ Sick/Vaca+\$957k Parking*	13,511,309	13,542,989	13,853,345	14,145,015	14,440,353	14,728,556	15,069,260	15,300,682	15,607,845	15,934,891	16,270,837	16,630,745
<b>- change to 35% for FY15</b>												
<b>Available Funds</b>	<b>10,766,962</b>	<b>11,513,374</b>	<b>12,007,859</b>	<b>13,052,386</b>	<b>13,624,235</b>	<b>13,761,879</b>	<b>13,524,710</b>	<b>12,793,378</b>	<b>11,572,878</b>	<b>9,928,596</b>	<b>7,844,023</b>	<b>5,325,250</b>
<b>Op Revenue increase%</b>	-0.4%	0.3%	2.6%	2.4%	2.3%	2.2%	2.6%	1.7%	2.2%	2.3%	2.3%	2.4%
<b>Op Expense increase %</b>	-1.5%	6.0%	3.4%	3.9%	3.8%	3.5%	3.5%	3.3%	3.2%	3.2%	3.3%	3.3%
<b>FB as % of revenue</b>	72.8%	74.9%	75.3%	77.3%	77.8%	77.3%	75.6%	73.1%	69.2%	64.5%	58.9%	52.5%

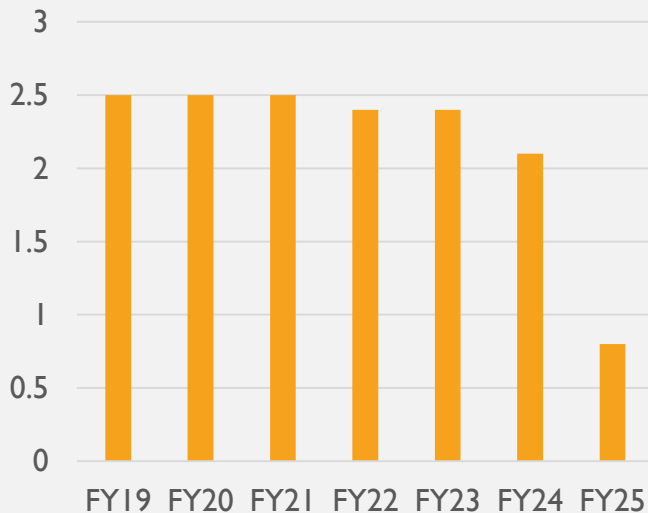
\* Parking reserve expended in FY2016 and no longer part of minimum fund balance.

Note: Fund balance schedule in budget includes fund 101 and fund 120 in General Fund line - excluded here.

## DEBT CAPACITY OR RESERVES OTHER FUNDS

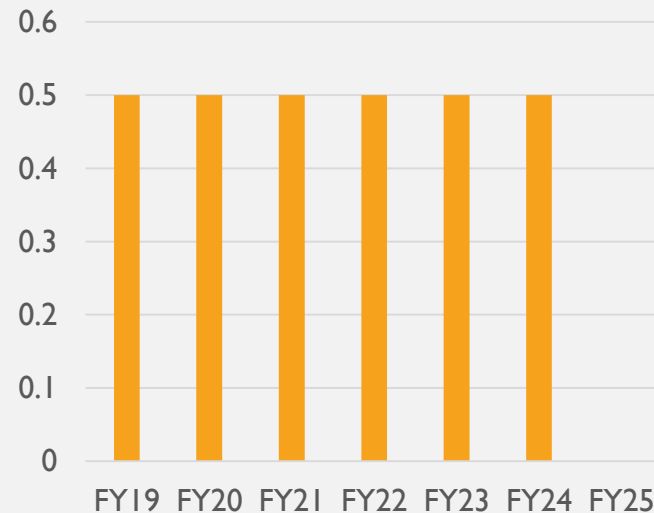
### WATER CAPITAL FUND

(IN MILLIONS)



### HOME RULE SALES TAX

(IN MILLIONS)



# BOND RATING CONSIDERATIONS

	City 2/18	Aaa	Aa
<b>Economy/Tax Base (30%)</b> <ul style="list-style-type: none"> <li>- Full Value</li> <li>- Full Value per Capita</li> <li>- Socioeconomic Indices – MFI (%US Med)</li> </ul>	<b>\$7.3B</b> \$378,661 282%	>\$12B >\$150,000 >150%	\$1.4-12B \$65k-150k 90-150%
<b>Finance (30%)</b> <ul style="list-style-type: none"> <li>- Fund Balance as % of Revenues</li> <li>- 5-Year \$ Change in FB as %/Rev</li> <li>- Cash Balance as % of Revenues</li> <li>- 5-Year \$ Change in Cash as %/Rev</li> </ul>	62.5% Improved 65.9% Improved	>30% >25% >25% >25%	15-30% 10-25% 10-25% 10-25%
<b>Management (20%)</b> <ul style="list-style-type: none"> <li>- Ability to match resources &amp; spending</li> <li>- 5-Year average Oper Rev/Oper Exp</li> </ul>	Not Available	Very Strong >25%	Strong 10-25%
<b>Debt and Pensions (20%)</b> <ul style="list-style-type: none"> <li>- Net Direct Debt/Full Value</li> <li>- Net Direct Debt/Operating Revenue</li> <li>- 3-Yr Avg Adj Net Pension Liab/Full Value</li> <li>- 3-Yr Avg Adj Net Pension Liab/Oper Rev</li> </ul>	.7% <b>.93x</b> <b>1.9%</b> <b>2.62x</b>	<.75% <.33x <.90% <.40x	.75-1.75% .33-.67x .90-2.10% .40-.80x

## IMPACT OF ADDITIONAL DEBT ON CITY BOND RATING

- Current interest rates – 20 year issue
  - Aaa rating – 2.91%
  - Aa rating – 3.11%
  - Equates to \$126,000 in additional interest costs on a \$5m, 20-year bond issue
- Debt Capacity
  - Aaa rating – Approximately \$5 million
  - Aa rating – Considerably increases capacity from rating perspective alone

## IMPACT OF ADDITIONAL DEBT ON CITY TAX LEVY

<b>\$5 million issue, 20 years</b>	<b>Aaa Issue</b>	<b>Aa Issue</b>
Interest Rate Assumption	2.91%	3.11%
Annual Debt Service	\$337,000	\$343,300
2017 Levy Extension - \$31,313,228		
% Increase over 2017 Levy Extension	1.1%	1.1%
\$ Increase to Average Household (\$800k)	\$36	\$37

Issuance of \$5 million in bonds with 20-year maturity would result in a 1.1% increase to the City's property tax levy (in addition to 2.10% property tax cap increase).

# CAPITAL FUNDING NEW OR INCREASED FEES

## ADVANTAGES

- Ongoing revenue source for capital needs
- Avoid interest costs of debt

## DISADVANTAGES

- Administration of new fees

# TAX AND FEE COMPARISON

## Revenue Source Comparison September 2018

	<u>Property Tax Driven Communities</u>				<u>Sales Tax Driven Communities</u>		
	Lake Forest	Wilmette	Winnetka	Hinsdale	Highland Park	Libertyville	Northbrook
Home Rule (Yes/No)	Yes	Yes	Yes	No	Yes	No	Yes
Bond Rating	Aaa	AAA	Aaa	AAA	Aaa	Aa2	Aaa/AAA
% of General Fund Revenue - Property Tax	54.30%	29.00%	53.38%	34.10%	10.19%	22.45%	18.75%
% of General Fund Revenue - Sales Tax	7.75%	18.00%	4.61%	16.01%	34.44%	25.69%	34.39%
Ambulance Transport Fee - Average	894	567	704	983	678	875	917
Vehicle License Fee - Passenger Vehicle	85	80	40	40	55	30	30
Public Safety Pension Fee - Annual/SF	80						
Sanitation Fee - Annual	96	285	300	Private	Private	Private	Private
Stormwater Utility Fee - Annual		Exploring	262		102		Yes
<b><u>Local Taxes:</u></b>							
Food and Beverage Tax				1%	1%	1%	
Home Rule Sales Tax	.50%	1%		1% NHR	1%		1%
Hotel/Motel Tax	5%	9.75%			5%	5%	5.5%
Local Gasoline Tax (per Gallon)		\$.04			\$.02		
Package Liquor Tax					1%		
Real Estate Transfer Tax	\$4/\$1000	\$3/\$1000			\$5/\$1000		
Telecommunications Tax	6%	6%	6%	6%	6%	6%	6%
Utility Tax - Electric	Yes	Yes		Yes	Yes	Yes	Yes
Utility Tax - Gas	Yes	Yes		Yes	Yes		Yes
Utility Tax - Water	Yes			Yes			Yes



## CAPITAL FUNDING DEFER OTHER CAPITAL IMPROVEMENTS

### ADVANTAGES

- Avoid interest costs of debt

### DISADVANTAGES

- Increased maintenance costs

## CAPITAL FUNDING TIF NOTE

- Redevelopment Agreement deferred \$6.375 million in sale proceeds
- Interest accrues at 6% per year
- Payment of note contingent on TIF increment

**PRELIMINARY**  
**2018 PROPERTY TAX LEVY**  
 (SPECIAL REC AND NEW GROWTH EXCLUDED)

	2018 Prelim	2017 Ext	% increase
General Fund	\$14,669,277	14,367,558	2.10%
IMRF/Social Security	1,223,222	1,198,062	2.10%
Police Pension	2,194,845	2,105,909	4.22%
Fire Pension	1,646,568	1,541,998	6.78%
Other Funds (P&R/Lib/Capital)	10,288,596	10,097,842	1.89%
Debt Service (current debt only)	<u>1,653,115</u>	<u>1,536,807</u>	7.57%
Prelim Total (before Special Recreation and New Growth)	31,675,623	30,848,176	2.68%

## POLICY QUESTIONS

- Should City seek to maintain Aaa bond rating?
- Should City seek to maintain lowest Property Tax Rate in Lake County?
- How much of a 2018 property tax increase is acceptable?
- Should City issue debt to fund current capital needs?
  - If yes, how much?
- Should City make additional drawdowns of reserves for current capital needs?
  - If yes, how much?

# Forest Park Bluff Improvements – Review of Options

Feasibility Factor	Restoration Option				
	1 Regrade	1A Regrade Extended	2 Retaining Wall	3 Reconstruct Road	3A Reconstruct Road Extended
<b>Tableland Impact</b>					
*Tableland Loss	30'	20'	5'	0'	0'
<b>Tree Impact</b>					
*Tableland Tree Loss	12	17	6	0	0
*Bluff Tree Loss	49	69	49	49	69
*Transplants	24	31	0	0	49
<b>Cost and Schedule</b>					
Est. Cost (\$)	\$685k	\$970k	\$1,500k	\$1,810k	\$1,985k
Completion Date					
*Design / Build	Apr-19	May-19	Apr-19	May-19	May-19
*Design / Bid / Build	Nov-19	Nov-19	Nov-19	Nov-19	Nov-19

## OTHER CAPITAL AND FUNDING NEEDS

- Refer to memo in packet

# Identified Storm Sewer Projects – 2014 Study

Area	Cost Estimate	Fiscal Year Scheduled
1. Old Elm (Timber – Green Bay)	\$920,000	FY21
2. Burr Oak Phase I	\$781,000	FY24
3. Telegraph & White Oak Phase I	\$385,000	FY24
4. Burr Oak Phase II	\$891,000	FY27
5. Western and Onwentsia	\$330,000	FY27
6. King Muir	\$1,045,000	FY30
7. Telegraph & White Oak Phase II	\$1,001,000	FY33
8. Edgewood & Spruce	\$770,000	FY36
9. Timber & Beverly	\$616,000	FY39
10. Ahwahnee (N. of Ahwahnee Lane)	TBD	FY42
11. North Ridge & Ahwahnee Phase 1	\$1,980,000	FY45
12. North Ridge & Ahwahnee Phase 2	\$1,650,000	FY48
13. West Westminster Phase I	\$968,000	FY51
14. West Westminster Phase II	\$990,000	FY54
15. North Ridge & Ahwahnee Phase 3 (Part 1)	\$1,650,000	FY57
16. North Ridge & Ahwahnee Phase 3 (Part 2)	\$1,650,000	FY60
17. Hunter, Saddle & Bridle	\$880,000	FY63
<b>Total</b>	<b>\$16,507,000</b>	

\*All projects identified in the 2014 Storm Sewer Drainage Study

\*Water & Sewer Section updated priorities in September 2018

\*Project cost estimates include a 10% design fee

# Ravines

## FY19 Budgeted Minor Ravine Projects\*

1. Water Plant Ravine – reconstruct inlet & overland flow route
2. Ferry Hall Bridge Ravine – washouts adjacent to Spring Ln. curb
3. Lake & Woodbine Bridge Ravine – reconstruct bridge inlet

\* Projects funded with FY19 Ditch & Ravine Funds (\$130,000)

Emergency Repair – Ravine near Thorne Lane and Sheridan Road (\$110,000)

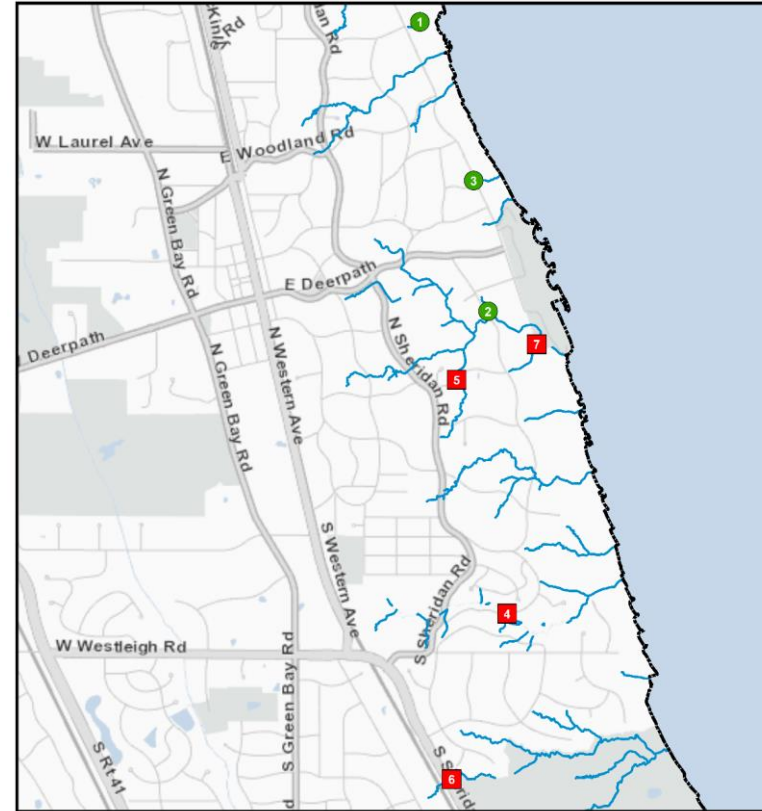
## FY20 Ravine Projects

4. Ringwood Ravine – headwall washout adjacent to road
5. Rosemary Ravine – headwall failure repair
6. McCormick Ravine\* – outfall repair
7. Mayflower Ravine\* – washout adjacent to retaining wall

\* Projects may be funded with FY20 Ditch & Ravine Funds (\$130,000)

## Ravine Log & Debris Jams

- Approximately 60 areas identified, 95% on private property
- Staff to work with Public Works Committee to develop a Ravine Management Policy
  - Outlines both City and resident responsibilities





# Update on Smoke Testing

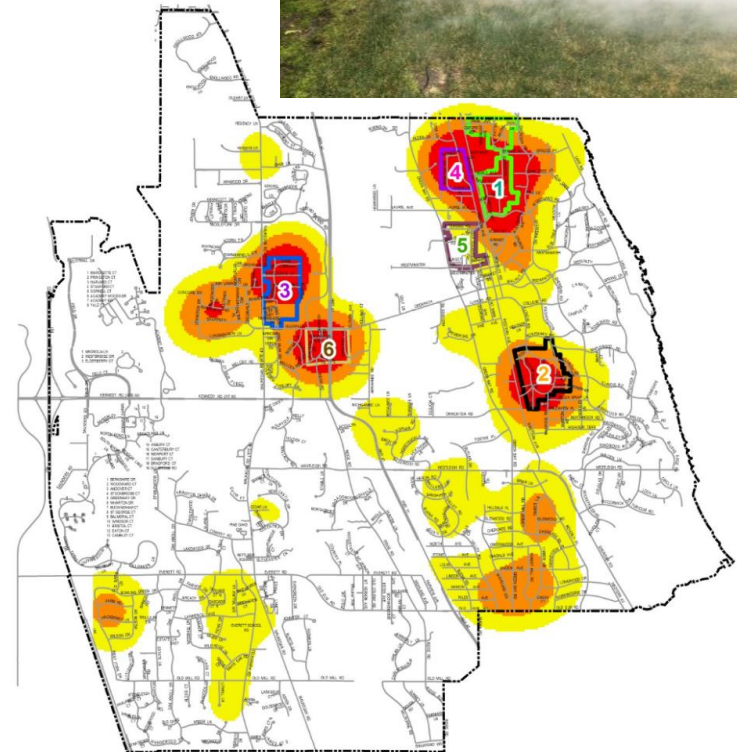
## Preliminary Report Findings Total Buildings

<b>Total Buildings within the Tested Areas</b>	<b>970</b>
<b>Private Defects Found*</b>	<b>206</b>
<b>Public Defects Found*</b>	<b>207</b>
<b>Total Defects Found*</b>	<b>413</b>

\*Multiple defects can occur at one building or in one area

## Notes

- RJN Engineering Group will conduct dye testing to further investigate six catch basins for possible interconnect into sanitary sewer
- Public defects primarily include unlined sanitary manholes and non-sealed sanitary manhole lids
- September 30, 2018 – listing of all defects
- February 1, 2019 – final report



# Update on Gas Light Conversion Program

## Background

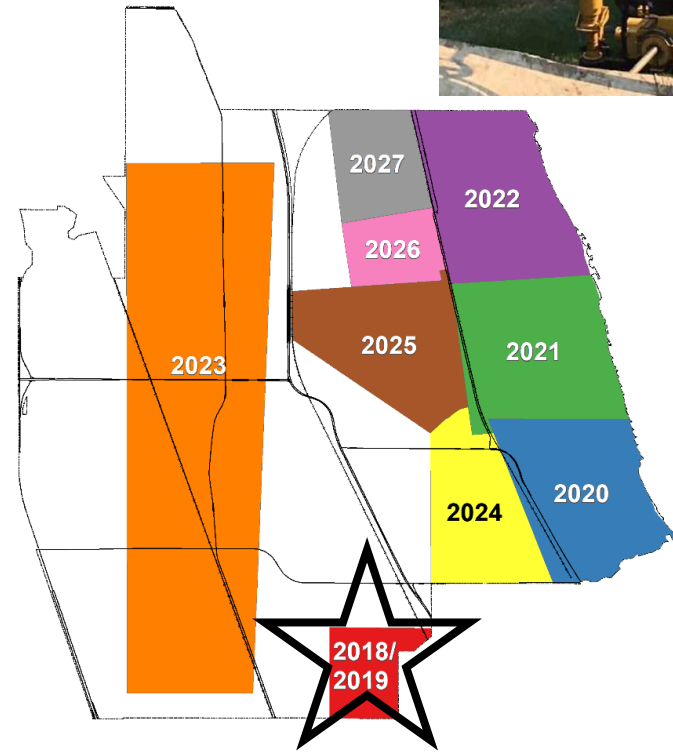
- 431 street lights powered by natural gas
- FY18, Gas Light Conversion Program reviewed and first year approved
- Fully funded program = \$550,000
  - FY19 = \$70,000
  - FY20 – FY24 = \$96,000 per year – Priority 1, not funded

## Current Status

- Horizontal Boring Equipment Procured & Staff Trained
- Began Conversion Program in Neighborhood by Old Mill Rd./ Ridge Rd./ Shawford Way (34 Lamps)
- To Date, Installed Approximately 7,200 Linear Feet of Poly-Conduit
- Fully Converted 4 Gas Lights to Existing Street Lighting Near Old Mill Rd.

## Next Steps

- Continue “Pulling” Poly-Conduit as Long as Weather Permits
- Install Electric Wiring & Retrofit Gas Lamps to Electric over the Winter Months
- Program will be reviewed and updated on a frequent basis
  - Any efficiencies realized in streamlining the conversion process will be reflected in the project schedule and cost



# UPDATE ON METRA UNIVERSAL CROSSOVER AND SCHEDULE CHANGES – PILOT PROGRAM

OTHER/QUESTIONS

August 21, 2018

To: Mr. Michael Thomas  
Mr. Timothy Newman  
Ms. Melanie Rummel

We, a group of neighbors who reside on Forest Hill Road south of Linden, last wrote to the City of Lake Forest on August 7, 2014, expressing our concern about the repeated flooding on Forest Hill Road in front of our homes, and the damage to our property which results from that flooding. A copy of that letter is included.



It is now August 15, 2018, and we continue to experience repeated flooding on Forest Hill Road, and are very concerned about the city's evident inability to ameliorate the situation.



In 2015, on July 18 and September 25, we experienced significant flooding; on July 12, 2017, as well as on October 14, 2017, there was massive property damage due to flooding and sewer back-up; on June 26, 2018, once again, several of us experienced serious flood-related property damage.



We know that the City of Lake Forest is well aware of our situation. We understand that plans exist which would address and correct the problems which cause the flooding and sewer back-ups in our basements. We strongly request that you proceed with the remediation in the spring of 2019.

Please contact us for additional information. We look forward to hearing from you and to a satisfactory resolution of this years-long problem.

Sincerely,

  
  
Susanna and Andy Bunta  
1115 Forest Hill Road

  
  
Pat and Bob Ryan  
1127 Forest Hill Road

  
  
Pat and Dennis Meyer  
1134 Forest Hill Road

  
  
Vicki and Mark Stach  
1108 Forest Hill Road

  
  
Kate and Jay Soave  
1098 Forest Hill Road

  
  
Joanne and Vito Zanni  
1120 Forest Hill Road

## **The City of Lake Forest**

### **PENDING MAJOR CAPITAL PROJECTS**

*(Not included in \$3.3 Annual CIP Program)*

1. Forest Park Bluff Improvements – (\$1.0 - \$1.9 Million) Scope – TBD. Does not include other potential bluff failures or removal/rehabilitation of boardwalk and other pedestrian path options.
2. Stormwater Improvement Projects – (\$16,507,000) 16 identified projects from 2014 Baxter & Woodman Report. Timber/Old Elm Project (\$920,000) scheduled for FY21. (Attached)
3. Ravine Improvement Projects - (\$ ? ) Master Ravine Plan in process of being developed. 7 know trouble spots adjacent to City ROW identified but not yet costed out. (Attached)
4. Library Renovations – (\$) Four alternative plans under review by Library Board. Assessing fund-raising capacity within community. City would need to issue debt.
5. Cemetery Columbarium – (\$1.3 million) Phase II of improvement project. City would need to issue debt for project.
6. Deerpath Streetscape Improvements – (\$1.0 million?) Implement improvements to Deerpath Streetscape from Green Bay to Western. Preliminary concepts being prepared in FY19.
7. Everett/Waukegan Intersection – (\$700,000) Approved Phase II Engineering, City's 20% share of total project cost (\$3.0 million). Awaiting final agreements and funding commitment from IDOT before approving final project.
8. Commuter Rail Service – (\$500,000?) Metra and Amtrak service/schedule enhancements including universal crossover and proposed pedestrian underpass project (\$?). Consideration for inclusion in 2019 State Capital Bill?
9. Fire Vehicle Replacements – One vehicle is in the budget (\$500,000). Another engine and ladder truck are scheduled in the near future, currently 1NF.
10. Waukegan/Westleigh Intersection Improvement – (\$2.0 million) Engineering is completed and the utilities have been relocated. Pending grant funding for project.

11. Lake-Woodbine Bridge Reconstruction – (\$2.7 million) Scheduled for FY20 pending grant funding.
12. Ringwood Bridge Reconstruction – (\$2.0 million) Scheduled for FY23 pending grant funding.
13. Gaslight Conversion Program – (\$480,000) The Conversion Program underway is listed as 1NF in next five budget years (\$96,000/year).
14. Infiltration/Inflow Repairs (Water Fund) – (\$?) The recent smoke-testing program identified a number of potential infiltration points where storm water is entering the sanitary sewer system. An on-going smoke-testing and repair program (similar to what we currently do for our roads) must be developed and funded in future years.

**Other:**

1. Public Safety Pension Funding – Impact on property tax bill for changes to interest return assumptions. (2019?)
2. Hiawatha Amtrak EA - request by ACTION Group (\$400,000);
3. State Budget Impacts – What actions will the State take after the November elections? Their financial picture has not improved. Property tax freeze? Diversion of more local funds? Progressive income tax?
4. Economy – Is a recession going to occur any time soon? Is a market correction likely in 2019?