

**The City of Lake Forest  
FINANCE COMMITTEE  
Proceedings of the March 5, 2018  
5:00 p. m. – Municipal Services Building – Training Room**

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

The meeting was called to order at 5:01 p.m. Present: Mayor Lansing, Chairman Morris, Aldermen Beidler, Newman, Reisenberg, Moreno and Buschmann. Absent: Aldermen Rummel and Tack. Quorum present. There were approximately 23 present in the audience.

Staff present: Robert Kiely, Jr., City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Pete Siebert, Fire Chief; Cathy Czerniak; Community Development Director; Karl Walldorf, Police Chief; Sally Swarthout, Parks and Recreation Director; Michel Thomas, Public Works Director and DeSha Kalmar, Human Resources Director.

Others present: There were fourteen people in the audience.

**II. Consideration of Minutes from the Finance Committee Meeting Held on January 16, 2018**

Alderman Beidler made a motion to approve the minutes from the Finance Committee meeting held on January 16, 2018. The motion was seconded by Alderman Newman. The motion carried unanimously by voice vote.

**III. Overview of FY2019 Budget**

Alderman Tack entered the meeting at 5:03

Mr. James Morris, Finance Chairman provided opening comments on Moody's annual report regarding the City. He thanked City staff and past council members that made the favorable report possible. He stated a new advisory role has been established for the Finance Director, while direct reporting will remain with the City Manager. He stated a closer review will be made for expenditures over \$20,000 and all legal invoices will be reviewed prior to payment.

Alderman Rummel entered the meeting at 5:07

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

Mr. Robert Kiely, City Manager stated the City is in good financial position by making important decisions. He reviewed priorities outlined in the budget message.

Committee members discussed the difference between City priorities and Initiatives. They discussed the Committee's ability to participate in the decisions on initiatives, which are included in the budget provided.

Mr. Kiely reviewed projects and expenses that are currently not in the budget. He reviewed three possible funding sources to fund projects the Committee would like to move forward. These include the City Council contingency account, discretionary funds that are available in the General Fund and reserves.

Committee members discussed the lack of ranking of the projects. The projects are not budgeted, but could evolve over time to be brought before the Committee for consideration. They discussed the third rail Environmental Assessment (EA) report will be released soon and should the City put funding aside for an environmental consultant to assist with reviewing the report.

**B. FY18 Monthly Flash Report**

Ms. Elizabeth Holleb, Finance Director stated the report is the same that was just sent out. She stated February will be sent out the following week.

**C. Review of FY19 vs. FY18 Forecast – Revenue and Expenses**

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- i. Fund Balance Summary  
Ms. Holleb reviewed estimates for FY2018, preliminary budget figures for FY2019 and ending estimated fund balances. She stated two funds are projecting negative fund balances at the end of FY2019. She stated the main reason for the reduction of the budget compared to FY2018, were reductions in capital improvement projects. She stated the Lake Forest Hospital Fund and MS Site could be transferred to the General Fund or Capital Fund when closed.
- ii. Primary Revenue 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 100% in FY2018, but reduced to 90% in FY2019.

Committee members discussed the assumptions used to generate the revenue forecasts.

- iii. Payroll Projections  
Ms. Holleb reviewed payroll projections are based on full time salaries budgeted for an entire year. She reviewed the percentage changes between budgets and estimates. She stated the Police and Fire Pension expenses increase for FY2019 due to actuarial assumption changes approved for 4/30/17. The long term projected annual increase was reduced from 8-9% to 5% due to the FY2019 changes.

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

- i. Discussion of State Impacts  
Ms. Holleb reviewed the General Fund preliminary FY19 budget. She reviewed the 10 year fund balance projections for the General Fund. She stated the ending balance is available funds. She stated the point at which expenses exceed revenues has moved to FY2023. Ms. Holleb noted the assumptions made in the 10-year forecast.

Ms. Holleb reviewed potential state impacts on revenues by imposing a two year Property Tax freeze, Income Tax reductions to 80% and a 20% further reduction of personal property replacement tax. This scenario has expenses exceeding revenues in FY2020. She reviewed the impact on the General funds available Fund Balance.

- ii. Revenue and Expense Trends  
Ms. Holleb stated the OpenGov transparency reports have been added to the City's website Quick Links. She reviewed charts showing the General Funds revenues and expenses over history. She stated the City calculates revenues first in the budget process and then develops the expenditure budgets.

The Committee discussed changing the titles of the transparency reports, by removing "transparency".

- iii. Public Safety Pension Subcommittee Update  
Ms. Holleb stated the subcommittee met on February 22<sup>nd</sup> to discuss current assumptions, Open 15-year amortization and What If contributions through 2020 are based on current policy; then held constant each year. She reviewed the projections using the "What if" scenario.

The Committee discussed the different options and recommended examining using the "What if" scenario, but cap at 80% funding and gradually reduce interest rate assumptions to 6%.

Ms. Holleb stated the revised Pension Funding Policy will be on the April 16<sup>th</sup> City Council agenda. Long term assumptions can be changed at a later time.

**IV. Operating Department Summaries**

- A. Department Summaries

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Mr. Kiely stated department summaries were included in the packet. He stated the departments were to work with their liaison to review the summaries.

The Committee discussed the Farmers Market discontinuation. They discussed different ways to bring people downtown. This would include working with the current businesses.

B. FY19 Budget Issues

i. Everett/Waukegan Intersection Improvements/Unfunded Grant Match

Mr. Bob Ells, Public Works Superintendent reviewed the timeline from the beginning of discussions in 2009. He stated designs for the project have been approved by IDOT and paperwork had been filed in December 2017. He stated staff anticipates final design and construction approvals in two to three months. He stated the grant is an 80/20 grant, with the estimated FY19 City portion of \$65,745. He stated the project is currently in the Lake County major projects. The City's 20% match is not currently budgeted.

The Committee discussed the proposed configuration of the intersection and what it would look like. Sidewalks with increased width would be a required portion of the project. They discussed City owned property adjacent to the area, with the prime use of additional parking.

The Committee provided the recommendation to continue pursuing the project, while confirming all approvals and budgetary appropriation would need to be brought to the City Council for formal action.

ii. North Beach Access Road Update

Mr. Mike Thomas, Public Works Director provided an update on the project. The project involves the ravines and requires permits from Army Corps of Engineers. He reviewed the ravine restoration concept plan. He stated one of the City's recommendations is to line the sanitary sewer pipe that runs through the ravine. He stated final design work cannot be started until after approval by Army Corps of Engineers. The project is not anticipated to start until after Labor Day. He reviewed potential savings from the Ferry Hall Bridge and South Beach Access road to fund estimated deficit on the project. He stated any saving on this project could then be applied to smoke testing.

The Committee discussed applying for Storm Water Management grants with the delay in the project.

iii. Smoke Testing

Mr. Thomas stated the largest problem with sanitary sewer water backing into basements are illegal connections to the storm sewers. He reviewed what smoke testing entails. He reviewed the process for the project, including an RFP for an Engineering firm, resident mailings and hang tags. He reviewed the areas that have had testing in previous years and the proposed areas for the project. He reviewed City policy regarding cross-connections to the sanitary sewer system. He stated \$162,000 is being requested to fund the project in FY2019.

The Committee discussed providing a list of plumbers to residents to assist with repairs if a house is identified as having a cross-connection.

iv. Comprehensive Plan Updates

Cathy Czerniak, Director of Community Development reviewed how the comprehensive plan regulates land use and historically has been the best for the City. She reviewed the estimated timeline of 18 months. The project will be divided into four phases, with some phases overlapping. She reviewed each proposed phase, to be overseen by the Planning Commission. She reviewed how the project will be implemented, which would include amendments to code and policies. A resolution will be brought to the City Council in April to begin the project.

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The Committee discussed bringing landlords into the conversation at the beginning of the process. Special use permits would need to be looked at one on one and not hold up requests. The City Council will need to approve any changes. The Committee noted the importance of selecting participants on each committee.

v. Request for Financial Support/Historical Society

Mr. Kiely stated the Historical Society is nearing the end of their new building project and initially requested \$125,000 in funding, The City requested individual projects be identified that the City could potentially assist with. He reviewed two potential projects totaling \$50,000. Community Development utilizes the Historical Society for property research. He stated the request could be funded from available discretionary funds.

The Committee discussed what processes are in place for organizations to request funding from the City. The Committee requested a copy of the policy at the next City Council meeting. The Committee requested a tracking method for approved and denied requests. Initial approval was received, with approval of the payment to be brought to a future City Council meeting.

**V. Other Funds**

A. Water Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb stated there are two Water Funds, noting the capital fund was looked at in November. The Water Operating Fund currently supports transferring \$1.4 million annually to the Water Capital Fund. She stated because of weather volatility, the Water Operating Fund requires a higher fund balance. No additional revenue has been added to the forecast for any potential water sales from the renovated water plant.

B. Parks and Recreation Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb stated there are three additional smaller Recreation Funds. She reviewed the five-year forecast. She explained a loan to the Golf Course for the capital improvements and the repayment over the next four years utilizing the special tax levy amount of \$125,000 per year.

C. Golf Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb reviewed the five-year forecast. She stated a negative fund balance is projected at the end of FY2018. She stated the current outstanding debt expires in 2024. She stated a portion of the tax levy has been approved for recreational purposes and is currently allocated to the Golf Course. This could be reallocated to another recreation project at any time.

Alderman Newman discussed fund raising efforts to provide funding for capital improvements, golf carts and potentially paying the outstanding debt off early. An alternate five-year forecast was discussed eliminating the golf carts and debt service should fund-raising be successful.

ii. Deerpath Golf Course Year in Review and FY19 Outlook

Mr. Vince Juarez, Kemper Sports stated in FY2018 expenses have been reduced to reflect the impact of reduced revenues from the flooding last summer. He stated the course is already open for the season. He stated 4,000 additional rounds are forecasted for FY2019. He stated the marketing campaign has been adjusted to reflect the closing of Highland Parks golf course.

**VI. Other Matters**

A. Grants and Donations report

Mr. Mike Strong, Assistant to the City Manager reviewed categories of funding, where many projects throughout the City are completed through Public/Private partnerships. He stated moving forward, this will be looked at annually. He reviewed multiple projects valued at over \$1 million.

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- B. FY2019 Capital Improvement Program (CIP) revisions  
Ms. Holleb reviewed changes to the capital projects, which will be included in the budget book presented for approval in May. She reviewed the projects not funded in FY2019 and the different numbering categories.
- C. Tax Incremental Financing (TIF) Fund Update  
Ms. Holleb reviewed an expense summary for the TIF district and gave a project update. She stated revised cash flow forecasts need to be updated. She stated this will be the first year the school district and library can request funding after showing proof of qualified residents. She reviewed the fund balance forecast for FY2019 noting the fund balance is projected to go negative in FY2019 to be covered by an inter-fund loan.
- D. Emergency Telephone Fund Five Year Fund Balance Forecast  
Ms. Holleb stated previously the City had its own ETSB board and with the dispatch consolidation, the City is part of a joint ETSB. She stated all of the revenues and expenses are tracked through a separate fund, which funds a portion of the dispatch contract and capital. She stated the City is concerned with potential allocations of E911 funds in the future.

The Committee reviewed Lake Forest Hospital is looking to teach EMS classes, which would enable our staff to utilize this training versus going to Condell for training.

- E. IT Data Security Audit  
Mr. Joe Gabanski, Assistant Director of IT reviewed the results of an IT security audit performed by outside consultants, He stated three areas were looked at. He stated all critical areas have already been addressed. He stated in the future patch management will be completed on a more frequent cycle. He stated further recommendations will be addressed in FY2019.

**VII. Other Business**

The Committee discussed FY2020 would be the earliest for construction of an underpass at the Telegraph Road train station. The goal for FY2019 is to secure funding for the project. The original intent of safety was discussed regarding the underpass.

The Committee discussed the League of Women's Voters sponsoring a forum to discuss the third rail. The recommendation was to wait until after the EA was released before organizing the event.

**VIII. Opportunity for the Public to Address the Finance Committee: None**

**IX. Adjournment into Executive Session**

The Committee convened into executive session at 9:25 p.m. to discuss matters of Personnel.

**X. Adjournment**

There being no further business, Alderman Rummel moved, seconded by Alderman Newman, to adjourn the meeting at 10:22 p.m. The motion carried unanimously by voice vote.

Respectfully Submitted,

Diane Hall  
Assistant Finance Director