

The City of Lake Forest
FINANCE COMMITTEE
Proceedings of the November 26, 2018 Meeting
5:00 p. m. – Municipal Services 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, Preschlack, Moreno and Buschmann. Absent: Aldermen Beidler, Rummel and Reisenberg. Quorum present. There were approximately 21 present in the audience.

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

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

II. Consideration of Minutes from the Finance Committee Meeting Held on October 15, 2018

Alderman Buschmann made a motion to approve the minutes from the Finance Committee meeting held on October 15, 2018. The motion was seconded by Alderman Preschlack. The motion carried unanimously by voice vote.

III. Revenues

Mr. Robert Kiely, City Manager stated this was his final budget meeting. He stated a portion of the items on the agenda were discussed at the previous City Council meeting. He stated staff would be looking for direction for future years.

1. 2018 Property Tax Levy and Bond Abatement Ordinances

Ms. Elizabeth Holleb, Finance Director stated first reading of the tax levy was approved at the November 5, 2018 City Council meeting.

Alderman Beidler entered the meeting at 5:04 p.m.

Ms. Holleb reviewed the impact of the tax levy increase on a homeowner. She stated the tax levy will be brought to the City Council on December 3, 2018 for final approval. She reviewed the debt service cap in relation to the tax levy.

Alderman Rummel entered the meeting at 5:06.

The Committee discussed the debt schedule for the tax levy and how the levy is allocated.

Ms. Holleb reviewed the bond abatement ordinances, which will be included on the December 3, 2018 agenda for final approval.

2. Proposed Changes in Fee Schedule

Ms. Holleb reviewed proposed changes to fees for fiscal year 2020. She stated water rates will be included on the January 22, 2019 City Council agenda for first reading.

The Committee discussed matching fees to expenses. The revised chart of accounts have mapped specific revenues to departments allowing reports to be run showing revenues over expenses by department.

3. Water Rates

Ms. Holleb reviewed a rolling five year average of consumption used to develop revenue forecasts. She stated a 2.5% increase to revenue is used to develop the five year forecast. She stated multiple discussions have transpired regarding the revenue goals fixed versus variable.

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She reviewed the FY2019 budget, FY2019 estimates and FY2020 budget. She stated proposed fee increases are estimated to generate a 2.23% increase to revenue.

The Committee discussed the goal of capturing usage over 60,000. A chart showing usage by month used to develop the five year average was reviewed.

Ms. Holleb reviewed the impact on different categories of users for changes to the fixed and variable rates. The low usage rate was discounted when the customer charge was increased.

4. FY2020 Key Revenue Assumptions

Ms. Holleb stated two revenues are impacted by the state. The City elected to enact a 1.5% home-rule sales tax that is collected by the State. The City also receives shared sales tax from the Lake Forest Oasis and Mariano's. She stated the State instituted a 2% administrative fee two years ago. She stated the state is currently three months delayed in remitting revenue to the City. She reviewed the shared sales tax is remitted to the City quarterly. Ms. Holleb reviewed a 2% increase over FY2019 estimates is proposed for FY2020.

Ms. Holleb stated the state no longer is experiencing delays in remitting Income Tax to the City. She stated the City had originally budgeted 90% distributions to Municipalities for FY2019, consistent with FY18, but the State adopted a budget allocation of 95% for 2018. Staff recommends budgeting at 90% for FY20 to remain conservative.

The Committee discussed the impact of a 5% change for all municipalities and how it would impact State revenue.

IV. Five Year Financial Forecasts

Ms. Holleb presented the five year forecasts for the Capital Fund, Sales Tax .5% Fund, Water Capital Fund, Motor Fuel Tax Fund and Park and Public Land Fund. She reviewed the major revenues for the different funds and the expenses that can be maintained on an annual basis.

Ms. Holleb reviewed transfers from the General Fund to the Capital Fund as well as the outstanding TIF note for the Laurel/Western Redevelopment project. She reviewed the outstanding debt paid from the .5% Sales Tax Fund will be completed in FY2024 allowing for additional funding for capital. She reviewed savings generated from the ERP project that will be available in the Capital Fund.

V. 5 Year Capital Improvement Program

Mr. Kiely stated priority 1 projects were included for funding in FY2020.

Ms. Holleb reviewed targets set for the Capital Fund for each department and changes between years. She stated individual projects were included in the packet.

The Committee discussed how to move the Whispering Oaks sewer project from FY2021 to FY2020. The Committee requested staff bring alternatives to the FY2020 capital budget for the Committee to review.

CIP Project Presentations:

- **Waukegan/Everett Intersection Improvements**

Mr. Bob Ells, Superintendent of Engineering provided an overview of the project including timeline of the project and City Council commitment to Phase I and Phase II. Phase III will be brought back at a later time.

- **Ravines**

Mr. Mike Thomas, Public Works Director reviewed how each ravine is in the process of being evaluated. He stated staff is working on identifying ownership of each ravine. He reviewed the FY2019 budgeted projects and the status of each project.

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- Smoke Testing/Manhole Lining/I&I Repairs
Mr. Thomas reviewed the FY2019 program. He reviewed processes in place to identify sanitary problems through Community Development. He stated staff would be requesting an additional \$100,000 in the Water Capital Fund for additional manhole lining and I&I repairs.
- Fire Equipment Replacement
Mr. Pete Siebert, Fire Chief reviewed the City's current fire equipment fleet. He reviewed available equipment from Knollwood. He reviewed grants received and cost savings by purchasing equipment from Knollwood. Projected savings total \$1.2 million.
- Tax Increment Financing (TIF) Update
Ms. Holleb stated included in the packet was a summary of expenses to date for the TIF District. She compared current revenues and expenses to estimates prepared by Teska and Associates. She stated the School District and Library were eligible to request funding this year and had elected not to request funding at this time. Staff identified the Library was not statutorily eligible to receive funding and will bring an Intergovernmental Agreement to the City Council for approval allowing 2% payments. She stated staff has discussed with the Assessor's office the valuation of the development.
- Golf Course Improvements
Ms. Sally Swarhout, Director of Parks and Recreation stated the City has entered into an agreement with the Lake Forest Parks and Recreation Foundation to assist with golf course improvements. She reviewed projects completed by the City and projects the Foundation will complete.
- Open Lands Park
Ms. Swarhout stated the City acquired the park in 2016. She reviewed proposed plans to restore the park. Funding will be provided from the Park and Public Land Fund.
- Priority 1 NF
Ms. Holleb reviewed projects that had been identified as priority 1 without funding that were now included as funded projects.
- Potential Funding Sources for Committee Consideration
Ms. Holleb reviewed fund balance reserves and potential funding available. She reviewed potential changes to property taxes and the effect of an increase on a resident, real estate transfer tax history, increasing the home-rule sales tax from .5% to 1%, increasing the sanitation fee, implementing a storm water utility fee and changes to the water rates to finance I&I repairs.

The Committee discussed the different options. The Committee recommended increasing the home-rule sales tax to 1% and increasing the sanitation fee from \$8 to \$12 per month. Additional recommendations included moving the sanitation fee to the General Fund and moving additional tax levy funds offsetting the sanitation fee to the Capital Fund. A change to the sales tax ordinance would be brought back to the City Council for approval.

VI. Core and Elective Service Analysis

Mr. Kiely stated this year's goal was to integrate Core and Elective with the Strategic Plan. He stated staff would be reaching out to Council members.

The Committee discussed potentially adding the Library as part of the analysis.

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

Ms. Joanne Desmond 1681 Yale Ct. discussed ravine bids received and TIF district payments to the schools.

Susana Bunta 1115 Forest Hill discussed sanitary backups in basements

Pat Ryan 1127 Forest Hill discussed flooding problems.

VIII. Adjournment

There being no further business, Alderman Beidler moved, seconded by Alderman Newman, to adjourn the meeting at 9:15 p.m. The motion carried unanimously by voice vote.

Respectfully Submitted,

Diane Hall
Assistant Finance Director