

**The City of Lake Forest  
FINANCE COMMITTEE  
Proceedings of the November 12, 2019 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. Chairman Morris, Aldermen Rummel, Preschlack, Moreno and Buschmann. Absent: Mayor Pandaleon, Alderman Beidler, Notz and Goshgarian. 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; Michael Thomas, Public Works Director; Pete Siebert, Fire Chief; Cathy Czerniak, Director of Community Development; Karl Walldorf, Police Chief; Sally Swarthout, Parks and Recreation Director; 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 21, 2019**

Alderman Rummel made a motion to approve the minutes from the Finance Committee meeting held on October 21, 2019. The motion was seconded by Alderman Preschlack. The motion carried unanimously by voice vote.

**III. Revenue**

Chairman Morris provided opening comments outlining each item on the agenda included time recommendations. He recommended moving the tax levy discussion to the end of the agenda.

Mr. Jason Wicha, City Manager provided opening comments thanking staff for preparing the information for the night's meeting.

Mayor Pandaleon entered the meeting at 5:05

Mr. Wicha stated staff was requesting comments on proposed projects so that staff can answer any questions, as staff begins the process early to allow sufficient time for bidding.

Alderman Goshgarian entered the meeting at 5:06

Mr. Wicha stated an overview of proposed projects would be reviewed later in the meeting.

1) 2019 Property Tax Levy and Bond Abatement Ordinances  
This item was moved to the end of the agenda

2) Proposed Changes in Fee Schedule  
Ms. Elizabeth Holleb, Finance Director provided a summary of all requested changes. She stated formal approval would be requested from the City Council for first and second readings. She reviewed proposed new fees. She stated the parking fee for conferences would be pulled prior to bringing to the City Council for approval.

The Committee discussed parking is a concern for residents and businesses and requested an update be brought to the Committee for discussion.

3) Water Rate Discussion

Ms. Holleb stated water rates were included on the fee schedule to be discussed with the Committee. She stated the Water Fund is an Enterprise Fund and related fees should provide for the Fund to be self-sufficient. She stated a five year rolling average of consumption is used for budget forecasting. She stated the Committee has previously discussed the balance of

Finance Committee Meeting  
Minutes – November 12, 2019

fixed rates and variable rates to cover costs and decided on 20% fixed and 80% variable ratio. She stated tiered rates were added to provide equity for lower usage residents. She stated the current year's consumption is trending lower resulting in a forecast of \$650,000 under budget. She reviewed two options for consideration. The first option changes the fixed/variable ratio to 25/75 and eliminates sprinkler free Mondays. She stated water rates for the first two tiers would be reduced to lower the impact of increasing the fixed charge. She reviewed the impact on the different classes of users. She reviewed the second option of keeping the original ratio of 20/80.

Alderman Notz entered the meeting at 5:20

She reviewed the impact on the different classes of users for maintaining the 20/80 ratio.

The Committee discussed ways of assisting the lower users. The Committee discussed ways of reducing costs. The Committee discussed the ability to track how many residents are low consumption users. The Committee requested additional data to be presented at the January Finance Committee with additional options.

4) FY2021 Key Revenue Assumptions

Ms. Holleb stated the State has released a five year projection based on its FY20 Adopted Budget. She stated the proposed graduated income tax will be on a referendum in 2020. She reviewed a proposed 2% increase to Sales Tax revenue. This estimate does not include potential online taxes. She reviewed Home Rule Sales tax projections of 2% increase and the allocation between the .5% Sales Tax Fund and the Capital Fund.

The Committee discussed any concerns received from residents or businesses regarding the increase to sales taxes July 1, 2019.

Ms. Holleb reviewed the Income Tax history with the State and the City election to budget at 90% of revenue based on potential additional reductions by the State.

The Committee discussed maintaining the 90% budget for FY2021 and to reevaluate for FY2022.

5) Bond Refunding

Ms. Holleb stated the City has worked with Speer Financial and Chapman and Cutler to refund a portion of the City's current debt. She reviewed projected savings and the current bond issues that would be included. She stated a ratings call was held with Moody's. She reviewed questions asked during the call. She stated based on the call, the City would likely maintain the Aaa rating and would receive an official notice at a later date. She stated current maturity dates would remain the same to maintain the estimated savings.

The Committee discussed the required reserves to maintain an Aaa rating.

Ms. Holleb stated the City received the Moody's score card prior to the ratings call and would receive a final score card after completion of the process.

**IV. Five Year Financial Forecasts**

- Five-Year Capital, Sales Tax .5%, Water Capital Fund, Motor Fuel Tax and Park and Public Land Fund Analysis

Capital Fund – Ms. Holleb reviewed the funding sources of the fund and reviewed the transfer in from the General Fund at the end of FY2019. She stated the Real Estate Transfer Tax (RETT) is projected under budget for FY2020. She stated in FY2024 the .5% Sales Tax fund will be closed and any remaining balances would be transferred to the Capital Fund. She

Finance Committee Meeting  
Minutes – November 12, 2019

stated the estimated fund balance of \$2.3million could be split between multiple fiscal years.

.5% Sales Tax Fund – Ms. Holleb reviewed the 5-year forecast and outlined the remaining bond payments. She stated the final bond payment is in FY2024 and the remaining balance would be transferred to the Capital Fund.

Water Capital Fund – Ms. Holleb reviewed the Water and Sewer Operating Fund supports the Water Capital Fund by transferring \$1.4million each year.

Motor Fuel Tax Fund – Ms. Holleb reviewed the 5-year forecast. She discussed new MFT tax revenue based on the states increased gas tax. She reviewed what projects are funded from this fund.

Park and Public Land Fund – Ms. Holleb reviewed the funding sources and projects that are approved through this fund.

**V. Five Year Capital Improvement Program**

- Program Overview

Mr. Wicha stated the presentations were based on information from the City Council capital workshop. He stated the FY2019 General Fund transfer would assist with the Burr Oak storm water project. He stated staff is requesting feedback on projects, including confirmation of staff's recommended priority 1 projects. He noted that included in the Capital Fund recommendations is a review of all City facilities over a 2-year period.

- CIP Project Presentations

1. Capital Asset Inventory and Analysis

Ms. Holleb reviewed the process staff utilized to develop the capital plan. She stated the score sheets used to rank projects was revised in 2014 and will be reviewed for next year. She reviewed the targets assigned to categories and additional projects that have been identified for approval.

The Committee discussed the process used for contingency added to projects and what projects should or should not have contingency included. The Committee recommended the Public Works Committee develop a process to provide to the Finance Committee for review. Staff is currently working to revise the Purchasing Directive where the new procedure could be included.

Ms. Holleb reviewed the City's capital asset management analysis that was developed in early 2019 to identify categories of assets and based on estimated lifespan and replacement cost to estimate how much the City should be expending each year on maintenance. She stated a meeting was held with staff to identify all projects needed, even if not funded. She stated City facilities was identified in the process, which a facilities assessment has been included in the proposed capital budget to identify what needs to be done in each of the City buildings. She reviewed the different categories and what is included in each area.

2. IMS Study Results

Mr. Bob Ells, Superintendent of Engineering reviewed the results of the City's 2019 road evaluation. He stated the overall rating increased from 77 to 80. He reviewed the tentative streets identified for resurfacing in 2020.

The Committee discussed the reason higher rated streets were included on the resurfacing list for next year.

3. Burr Oak Storm Sewer

Mr. Michael Thomas, Director of Public Works stated staff updated a previous study on storm water problem areas. He stated staff requested a more in depth look at the top 6 areas. He reviewed a map of the proposed project areas. He stated staff will be talking

Finance Committee Meeting  
Minutes – November 12, 2019

to the residents in the Burr Oak project area and emphasizing the project will not solve backyard flooding.

The Committee discussed pipes under the railroad and pipes in the ravines.

4. Waukegan/Everett Intersection Improvements

Mr. Ells reviewed the existing layout and proposed improvements. He reviewed the project history. He stated the City will require an additional \$350,000 to purchase right-of-ways that will not be covered by the Federal grant. He stated a portion of the project will be completed by Metra, which they are unable to complete until 2021. He stated Metra has identified other signal improvements at an estimated cost of \$1.1million to be completed with an additional grant. He stated the City would be required to pay for 10% of the additional signal improvements. He reviewed the project funding details.

5. Ravine Program

Mr. Dan Martin, Superintendent of Public Works reviewed the ravine evaluation program staff utilized to rank ravines. He stated staff is recommending ravines be evaluated every three years. He stated staff used a legal intern to identify which ravines were public or private. He stated six high priority ravines were identified. He stated these were reviewed by Bleck Engineering and forwarded to the City's attorney for legal opinion of responsibility. He reviewed the highest ranked projects for FY2021.

The Committee discussed staff should seek grant funding to further provide funding for these projects.

6. Smoke Testing/Manhole Lining/I&I Repairs

Mr. Thomas reviewed what smoke testing is and what is identified during the process. He reviewed areas that have been tested and which areas are the responsibility of the City. He stated Public Works is in the process of developing a policy on addressing the repairs to identified problems.

The Committee discussed the importance of the projects and to complete the initial public repairs of \$800,000, but to scale back on testing the following years. They discussed the need to educate residents to fix their identified problem areas and to address the storm water issue at next year's ward meetings.

7. City Web Site Redesign

Mr. Mike Strong, Assistant to the City Manager and Susan Banks, Communications Manager stated the City's website is important to current residents as well as future residents. They reviewed factors to consider in a new website. They stated a staff visioning session was held to identify needs for each stakeholder. They reviewed the project will include design and implementation. They reviewed the timeline for the project.

• 2019 Property Tax Levy and Bond Abatement Ordinances

Item moved from earlier in the agenda

Ms. Holleb stated the City had received an estimated total EAV from the County and would be receiving the individual townships at a later date. She stated the allowable new growth had also been received and was included in the proposed calculation. She stated with the addition of the new growth the estimated tax levy increased by 5.33%. She stated the Capital and Debt portion exceed City Council approved ordinance cap.

Finance Committee Meeting  
Minutes – November 12, 2019

The Committee discussed how the capital portion of the levy was derived. They discussed the pension increases are from the actuary report and include the interest rate assumption change.

Ms. Holleb reviewed a schedule summarizing the levy and showing the impact of a home valued at \$800,000. She stated the average increase for a home based on the City and Library increases would be approximately 4.52%.

The Committee discussed and recommended changing the capital improvements levy line item to the amount identified in the five-year fund balance for the Capital Fund. This change would bring the total capital and debt below the City Council approved ordinance cap.

**VI. Opportunity for the Public to Address the Finance Committee:**

- Heidi Kirar 1280 N Burr Oak discussed Burr Oak flooding concerns
- Dennis Meulemans 1100 S Sir Williams Ln discussed the IMS study and capital scoring

**VII. Adjournment**

There being no further business, Alderman Moreno moved, seconded by Alderman Goshgarian, to adjourn the meeting at 9:14 p.m. The motion carried unanimously by voice vote.

Respectfully Submitted,

Diane Hall  
Assistant Finance Director