

**The City of Lake Forest
FINANCE COMMITTEE
Proceedings of the October 19, 2020 Meeting
6:30 p. m. – Remote Access Meeting**

I. Call to Order and Roll Call

The meeting was called to order at 6:31 p.m. by Chairman Morris. Present: Chairman Morris, Aldermen Karras, Rummel, Notz, Preschlack, Goshgarian, Buschmann and Weber. Absent: Mayor Pandaleon. Quorum present. There were approximately 36 present in the audience.

Staff present: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Julie Tappendorf, City Attorney; Cathy Czerniak, Director of Community Development; Karl Walldorf, Police Chief; Jim Shaw, Director of Innovation Technology; Peter Siebert, Fire Chief; DeSha Kalmar, Director of Human Resources and Sally Swarhout, Parks and Recreation.

Others present: There were approximately 26 people in the audience.

Mayor Pandaleon entered the meeting at 6:32.

II. Consideration of Minutes from the Finance Committee Meeting Held on July 20, 2020

Alderman Weber made a motion to approve the minutes from the Finance Committee meeting held on July 20, 2020. The motion was seconded by Alderman Preschlack. The motion carried unanimously by roll call vote.

III. City Mission Statement and FY2022 Fiscal Policy

The Committee discussed deferring the vote to a future meeting based on suggested changes to the Fiscal Policy received from Alderman Buschmann earlier in the day to allow time for review.

Ms. Elizabeth Holleb, Finance Director stated based on the evenings agenda and the November 9th budget workshop to postpone the approval until the January 19th Finance Committee meeting. She stated the delay will not affect the budget process and will allow time for the Committee to review and provide additional comments.

IV. 2020 Property Tax Levy Estimate

Ms. Holleb reviewed the dates the tax levy will be brought to the City Council for discussion. She stated the review on November 2, 2020 would provide an opportunity for the City Council to discuss and approve a non-binding estimate of the property tax levy as required by state statute. She stated the tax levy would be an item on the November 9th budget workshop for discussion and would be brought for City Council approval on November 16th and December 7th.

Ms. Holleb reviewed the estimated tax levy based on estimates from the County for assessed valuations and new growth. She stated new construction growth is exempt from the property tax cap the first year. She stated the tax levy truth and taxation estimate is 2.67% including the tax cap of 2.3%. She reviewed an estimated detailed tax levy allocated to General Fund, pensions, bonds and other funds. She reviewed areas considered outside the tax cap, including new growth, a portion of the Fire Pension levy and Special Recreation. She reviewed the Police and Fire contributions as calculated by the 2020 actuary report. She reviewed the calculation based on City Council adopted ordinance in 2013 for capital improvements and debt service. The calculated levy falls within the ordinance provisions.

The Committee discussed the reasoning of why the bond levy was not reduced based on the bond refunding in 2019. The bonds were abated in January, reducing the 2019 levy provided in the schedule.

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Ms. Holleb reviewed based on the discussion at the September City Council workshop moving ongoing capital expenses to operating budgets. She stated there will be a one year reallocation of the tax levy to implement the change for the move of Parks and Recreation capital expenses from the Capital Fund. She reviewed the percentage the tax levy covers expenses in the General Fund. She stated proposed for FY2022 is to move \$900,000 expenses from the Capital Fund to operating budgets.

Ms. Holleb reviewed the police and fire funding and the plan to move to open amortization. She reviewed the Police Pension model and reviewed the current funding policy and the proposed funding policy that results in flat lining contributions in future years. She reviewed the large increase between 2019 and 2020 that resulted from the reduced investment return assumption.

Ms. Holleb reviewed the impact on an average household based on an \$800,000 home would increase their City property tax bill by \$132.

The Committee discussed if there were any detailed questions, to contact Ms. Holleb to review.

Alderman Preschlack made a motion to approve a non-binding 2020 tax levy estimate to be presented at the November 2, 2020 City Council meeting. The motion was seconded by Alderman Rummel. The motion carried unanimously by roll call vote.

V. Laurel and Western Tax Increment Financing (TIF) District Update

Ms. Holleb reviewed what Tax Increment Financing (TIF) is and how tax revenue generated in the District is calculated and how the revenue is distributed. She reviewed how a TIF District has oversight by multiple entities. She reviewed the boundaries of the TIF District and explained that all the tax parcels were owned by the City. A small base started the assessed valuation resulting in any increase in value to add to the property tax allocation going to the special tax fund. She reviewed the timeline of the project area and the site plan for the development and the status of each area. She stated the apartment buildings were sold by Focus earlier in the year and the construction of the second condo building has not started.

Ms. Holleb reviewed projected annual TIF revenue and expenses. She reviewed the eligible expenses, including payments to School Districts 67 and 115 of up to 40% combined of received property tax revenues. She stated the Library was included in the original projections, but was later found not to be eligible. Additional expenses include repayment of bonds issued to prepare the site for sale and a TIF note that deferred proceeds for the sale of the property that was assigned by the developer. She reviewed a cash flow chart to show how money flows through the TIF Fund, Developer and the City. When cash is available in the TIF Fund, this will be transferred to the City Capital Fund to pay off the assigned note by the developer for the purchase of the property.

Ms. Holleb stated included in the agreement with the developer, if phased completions were met the developer would be eligible for payments from the TIF Fund. The developer met the first completion date and received \$500,000. The second phase for completion to be eligible for \$1.2 million was March 2020. The developer did not meet this deadline, as the second condo has not started construction.

Ms. Holleb reviewed the status of the project as of October 1, 2020. She stated the apartment buildings were sold for \$53.7 million and the average sale of the single family homes and condos are above the forecast. The developer has not begun construction on the second condo building.

Ms. Holleb reviewed the projected revenues and expenses as of April 30, 2021 compared to original forecasts, excluding the forecast payment of \$1.2 million. She stated the reduced property tax increment is mainly due to the second condo building not being completed. She

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reviewed the remaining revenues including bond proceeds and expenses. She stated the TIF Fund was not forecasted to have a positive fund balance until Fiscal Year 2024.

The Committee discussed the Administration expenses included, that were not part of the initial forecast but were a part of the budget. They discussed the delay in constructing the second condo building, as not all of the first condo building units have sold. The developer has started preliminary discussions with the City on steps both parties can take to begin construction. Updates will be brought to the City Council.

VI. Other Business

September 2020 Flash Report – No discussion
FY2020 Treasurer's Report – No discussion

VII. Opportunity for the Public to Address the Finance Committee

Chairman Morris provided instructions to the Public to provide comment.

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

VIII. Adjournment

There being no further business, Alderman Rummel moved, seconded by Alderman Weber, to adjourn the meeting at 7:40 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall
Assistant Finance Director