

**The City of Lake Forest**  
**FINANCE COMMITTEE**  
**Proceedings of the November 9, 2020 Meeting**  
**6:00 p. m. – Remote Access Meeting**

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

The meeting was called to order at 6:02 p.m. by Chairman Morris. Present: Chairman Morris, Mayor Pandaleon, Aldermen Karras, Rummel, Notz, Preschlack, Goshgarian, Buschmann and Weber. Absent: None. Quorum present. There were approximately 29 present in the audience.

Staff present: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Cathy Czerniak, Director of Community Development; Karl Walldorf, Police Chief; Jim Shaw, Director of Innovation Technology; Peter Siebert, Fire Chief; Michael Thomas, Director of Public Works and Sally Swarthout, Director of Parks and Recreation.

Others present: There were approximately 20 people in the audience.

**II. Consideration of Minutes from the Finance Committee Meeting Held on October 19, 2020**

Alderman Weber made a motion to approve the minutes from the Finance Committee meeting held on October 19, 2020. The motion was seconded by Alderman Preschlack. The motion carried unanimously by roll call vote.

**III. Revenues**

1) 2020 Property Tax Levy and Bond Abatement Ordinances

Ms. Elizabeth Holleb, Finance Director provided an overview of the estimated tax levy limitations including estimated equalized assessed valuation (EAV) and new growth. She reviewed detailed line items of the total levy. She reviewed a onetime adjustment moving \$435,000 from the General Fund Tax Levy to Parks and Recreation for capital funding. She reviewed line items that are exempt from the tax cap. She stated most line item increases are based on the CPI rate of 2.3%. She stated Police and Fire pensions are higher due to increased funding to support the City's plan to phase in open amortization. She 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 the police and fire pension contributions with a higher increase until 2025 when it is anticipated open amortization will begin. This will provide the City Council greater flexibility in determining the property tax levy for both pensions. This can be impacted based on investment returns and when pension assets are consolidated statewide. Ms. Holleb will be on the Police Pension Investment Board.

Ms. Holleb reviewed the current transfer from the General Fund for capital expenses and the proposed change to the tax levy allocation.

Ms. Holleb reviewed debt service levies and abatements to be included on the next City Council agenda.

Ms. Holleb reviewed debt service requirements by fiscal year noting a large amount of debt will be coming off in FY24. The final payment on the water plant construction and golf course improvements will be completed in FY24.

The Committee discussed an increase in the annual debt payments in FY29, due to an increase in the TIF payment based on original cash flow estimates. Debt capacity will be available should the need arise for a larger project.

Ms. Holleb reviewed the debt service capacity chart and provided a history on the calculation of the available capacity.

2) Proposed Changes in Fee Schedule

Ms. Diane Hall, Assistant Finance Director reviewed a summary of proposed changes to the annual fee schedule. She stated formal approval would be requested from the City Council.

The Committee discussed how fees are generated and the utilization of bench marking to align fees with other communities. They discussed the water rates and how these are developed. The rate for the low consumption user will remain the same for FY22. The Committee requested charts used in prior presentations be provided at the next City Council meeting. They discussed the addition of the sanitation fee and public safety pension fee to the utility bill, which has generated higher average quarterly invoices. They discussed creative ways of encouraging the consumption of water to enhance water revenues.

Ms. Holleb reviewed a reduction in permit fees for sustainable energy projects.

3) FY2022 Key Revenue Assumptions

Ms. Holleb reviewed the States FY21 budget approved in June 2020. She reviewed the States inclusion of revenue to be generated from graduated income taxes if approved via referendum. Because the referendum did not pass, the City will need to see what the State does to offset the revenues not received.

Ms. Holleb reviewed sales tax revenues as well as Local Use taxes. She reviewed the additional 1% home rule sales tax is distributed to the Capital Fund and .5% Sales Tax Fund. She stated FY21 budgets were revised in April in anticipation of reduced revenues due to Covid-19. She reviewed year-to-date revenues as compared to budget. She stated revenues have rebounded faster than anticipated. She stated effective January 1, 2021 retailers without a physical location in Illinois, will be required to collect sales tax to be submitted to the state. These additional taxes will be allocated to the City. This will result in a shift from local use tax to sales tax. She reviewed proposed budgets for FY22 including a projected 2% increase in revenue.

Ms. Holleb reviewed the history of distribution of income taxes collected by the State and allocated to the City. As income tax rates have changed, the State has change the formula to maintain the City's current allocation of revenue. She reviewed the States reductions in allocations and how the City has budgeted for these reductions. The State has provided 100% of the City's allocation in FY21, while the City budgeted at 90%. The City has seen increased revenue due to the 100% funding and additional income from taxes on unemployment. She reviewed revenues as compared to budget, showing revenues exceeding projections. She stated with the graduated income tax failure, the State could potentially reduce the LGDF allocations in FY22. She reviewed alternate estimated revenues for FY22 based on 100%, 90% and 75% allocations from the State.

The Committee discussed if the graduated income tax not passing would it affect funding for Burr Oak project. It is not anticipated at this time to reduce capital project funding. They discussed unemployment payments and how this has increased income tax receipts. The Committee recommended using 75% of income taxes for FY22.

#### **IV. Five Year Financial Forecasts**

- Five-Year Forecasts for Sales Tax .5%, Capital Improvements, Motor Fuel Tax, Parks and Public Land, and Water Capital Funds

Ms. Holleb stated the .5% Sales Tax Fund is dedicated to support storm sewer bonds. She stated the bonds will be fully paid in FY24. Sales tax revenue will move to the Capital Fund in FY25. She stated staff is recommending transferring excess fund balance to the Capital Fund in FY22, FY23 and the remaining balance in FY24.

Ms. Holleb reviewed the Capital Improvement Fund. She stated the main funding source is Real Estate Transfer Taxes (RETT). She stated current RETT revenues are exceeding the FY21 budget by \$1.3 million. She reviewed the sales tax revenue and the capital improvement tax levy. She stated the City Council has approved moving excess General Fund fund balance to the Capital Fund. She stated an estimate would be brought to the City Council in March and finalized in July. She stated these transfers can be used in future years for projects.

Ms. Holleb reviewed the Motor Fuel Tax Fund. She stated the City started receiving additional allocations from the State due to increased gas taxes. She stated annual street resurfacing projects are funded every three years from this fund. She stated the City is to receive six payments of \$212,000 for Rebuild Illinois. The City has received the first two payments. Remaining payments are contingent on state bonding. Staff is recommending recording revenue when received. She stated projects to be completed from this funding will have additional requirements to be eligible.

Ms. Holleb reviewed the Park and Public Land Fund. She stated the main source of revenues are impact fees. She reviewed a chart showing the history of impact fees. She stated alternate sources of funding will need to be discussed in the next couple of years.

Ms. Holleb reviewed the Water Capital Fund. She stated the Water Operating Fund must generate enough revenue to cover operating and capital costs. She stated currently \$1.4 million is transferred to the Capital Fund annually. She stated after the water plant debt is completed in FY24, additional transfers can be made.

#### **V. 5 Year Capital Improvement Program**

- Program overview  
Mr. Jason Wicha, City Manager provided an overview of changes to the capital budget process. These included adding parking lot assessments, segregating design and construction to separate fiscal years and moving \$900,000 of operating capital to operating budgets.

Ms. Holleb reviewed a history of projects by category. She reviewed funding sources and larger projects. She reviewed proposed capital targets by category based on moving operating capital expenses to other funds. She stated all unfunded projects have been included in the packet with the priority rating included.

The Committee discussed priority 5 projects and how these individual projects would be rated. Staff to provide a list of priority projects and how they would rate if included with other projects listed.

- CIP Project Presentations
  1. Ravine Update  
Mr. Dan Martin, Superintendent of Public Works provided an overview of the City's process for evaluating ravines within the City. These include City owned and those on private property. He

reviewed recommended projects and the fiscal year each project is scheduled. He reviewed the Ringwood Ravine and provided details of the project and stated the scope has increased due to increased erosion and the need to line the culvert under the road. He stated staff would be requesting from City Council additional funding for design work. He reviewed remaining projects.

The Committee discussed how long the City has conducted studies on ravines to determine priorities. They discussed how long it is anticipated that these repairs will last.

2. Bridge Assessment

Mr. Bob Ells, Superintendent of Engineering stated an assessment of all City bridges was conducted to compile a priority list of all bridges and recommended repairs. He reviewed recommended projects and proposed fiscal years for completion. He stated Illinois and Woodland have been submitted for grant funding and Woodbine has been approved for grant funding. He provided a review of each project and the repairs needed.

The Committee discussed how the State determines what projects are grant eligible. Grant applications are accepted every two years and are awarded based on meeting criteria provided for each category and dollars available. They discussed the useful life of bridges and the steps the City has undertaken to extend the life of each bridge. They discussed alternate products to use for deicing to reduce corrosion. Costs have been updated from previous years to reflect current pricing and repairs needed.

3. Water Distribution Study and Water Main Replacement Prioritization Plan

Mr. Jim Lockfeer, Management Analyst reviewed the result of a water distribution study with no significant deficiencies identified. He stated added to the study was the development of a water main replacement schedule. He reviewed proposed water mains identified for replacement. He stated two Deerpath Road projects have been identified as priorities to coincide with other capital projects and would result in cost savings. These projects are funded through the Water Capital Fund. He stated staff has applied for grant funding for the Deerpath projects. He stated three other projects do not include design costs, as they can be completed in house by City staff. He reviewed additional recommended projects including valve repairs and water distribution system pressure sensors.

The Committee discussed the map included in the packet showing high priority projects. The main break on Gage Lane did not score high in all areas to be elevated to high priority. One of the areas looked at to determine priorities is the number of residents impacted.

4. Forest Park Beach

Mr. Chuck Myers, Superintendent of Parks and Forestry reviewed current beach conditions and contributing factors affecting the beach including lake levels and storm damage. He reviewed steps staff has undertaken to protect the beach. He reviewed the beach profile study to be completed in FY22 to develop a plan to restore the beach system and to develop a long-term monitoring and maintenance plan. He stated waves need to break further out in the lake to reduce damage to the beach.

The Committee discussed the sand originally used on the beach and if the same course sand would be used in the current project. They discussed previous studies conducted on the beach. A study this extensive has not been completed since the initial beach project in the 1980's. Previous studies did not look at the profile of the beach, which was due to the low water levels.

5. Forest Park Bluff Analysis

Mr. Thomas reviewed a bluff analysis conducted in FY21 to evaluate bluff movement. He reviewed projects completed to stabilize the north and south ends of the bluff. He reviewed proposed recommendations to stabilize the slope that would be below the top of the bluff. The project would involve installing retaining walls. He stated the project would be designed in FY22 and constructed in FY23. An RFP will be issued for the design work to begin May 1, 2021. Staff continues to work on natural solutions to reduce erosion through plantings.

6. Incorporation of Sustainability in the CIP

Mr. Mike Strong, Assistant City Manager stated at the September City Council meeting the inclusion of sustainability in projects was discussed. He stated categories of capital projects were reviewed to see where funding could be added. He reviewed current projects where additional funding could be provided to add enhancements to promote sustainability objectives.

The Committee requested additional information on the water quality structure at the Old Elm and Sheridan parking lot.

- Priority 1NF – Review of Priority 1 FY22 projects that cannot currently be funded

1. Athletic Fields

Mr. Joe Mobile, Superintendent Parks and Recreation reviewed the background of developing a strategic master plan including input from residents. He stated residents, outside organizations and teams consider athletic fields a high priority. He reviewed the result of heavy rainfall on the fields necessitating the need to cancel programs multiple times a year. He reviewed recommended options and benefits of turf fields, including advancements that have made turf fields softer and safer. He reviewed parks that have been identified to convert to sport complexes, including estimated cost ranges. He reviewed alternates for park improvements to increase utilization of open spaces

The Committee discussed estimated increases in revenue for expanded use of fields. A public hearing would be required at Townline Park prior to moving forward with the addition of lighting. They discussed other natural alternatives to turf fields. They discussed the importance of providing recreation programs and the need to have reliable fields to use.

Ms. Cathy Czerniak, Director of Community Development reviewed the history of the annexation of Townline Park into Lake Forest and the requirement included in the agreement regarding the addition of lighting.

2. Water Meter Replacement Study

Mr. Martin reviewed a study conducted in FY21 to replace the City's water meters currently install at all locations connected to the City's water system. He reviewed the current meter system was installed in 2004. He reviewed three options received and the technology and benefits involved with each option. He reviewed the timeline of the project, design FY22 with implementation in FY25 and FY26 after the water plant bonds have been completed.

The Committee discussed the inclusion of sustainable measures included in the capital project planning. They requested staff contact the garden clubs and Forest Park Group to provide aesthetics to the bluff retaining walls. They discussed Waukegan/Everett intersection to take another look at the project.

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

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

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**VII. Adjournment**

There being no further business, Alderman Rummel moved, seconded by Alderman Buschman, to adjourn the meeting at 10:25 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall  
Assistant Finance Director