

**The City of Lake Forest
FINANCE COMMITTEE
Proceedings of the March 14, 2022 Meeting
5:00 p. m. – Dickinson Hall**

I. Call to Order and Roll Call

The meeting was called to order at 5:00 p.m. by Chairman Morris. Present: Chairman Morris, Mayor Pandaleon (via phone), Aldermen Rummel (via phone), Notz, Preschlack, Goshgarian, Buschmann and Weber. Absent: Alderman Karras. Quorum present. There were approximately 19 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; Jim Shaw, Director of Innovation Technology; Michael Thomas, Director of Public Works; Karl Walldorf, Police Chief; Sally Swarhout, Director of Parks and Recreation and Amber Campbell, Director of Human Resources.

Others present: There were approximately 10 people in the audience.

II. Consideration of Minutes from the Finance Committee Meeting Held on January 18, 2022

Alderman Weber made a motion to approve the minutes from the Finance Committee meeting held on January 18, 2022. The motion was seconded by Alderman Buschmann. The motion carried unanimously by voice vote.

Alderman Karras entered the meeting at 5:01.

III. Overview of FY2023 Budget

A. Opening Comments by City Manager – Budget Message

Mr. Jason Wicha, City Manager thanked City staff for the preparation of the budget documents. The City remains in a strong financial position. He reviewed highlights from the proposed FY23 budget including capital, pensions, city wide survey and strategic planning. He provided an overview of presentations to be provided from staff.

B. FY22 Monthly Flash Report

Ms. Elizabeth Holleb, Finance Director reviewed the February Flash Report including the addition of variance to estimates. Revenues are forecasting positive. Income tax is doing very well and the budget for FY23 will be increased to reflect the increases but will remain conservative. Real Estate Transfer Tax is on pace for another record year. Water revenues are forecasting a surplus due to the dry summer in 2021.

The Committee discussed income tax increases are reflective of increases to corporate businesses. Due to the surplus revenue in FY22 and with the debt reduction in FY25 no increases to water rates were recommended for FY23.

C. Review of FY22 Estimates vs. FY23 Budget

Ms. Holleb reviewed General Fund projections compared to budget. Expenses include normal personnel vacancy savings. Revenues exceeding budgets and expenditure savings will allow transfers to other funds to provide additional funding.

The Committee discussed hotel tax received from The Forester Hotel. Taxes received are within staff projections. The full tax has been budgeted as a revenue and the tax incentive is budgeted in the Community Development budget as an expense. Parking revenues remain down due to commuters not returning to the office.

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- i. Fund Balance Summary
Ms. Holleb reviewed projected ending fund balances on April 30, 2023 for significant funds. The City's TIF Fund is projected to be positive for the first time on April 30, 2022.
 - ii. Key FY23 Budget Assumptions
Ms. Holleb provided an overview of assumptions used in the development of the FY23 budget. The General Fund includes an increase of 3% for property taxes. Additional revenue has been included in Sales Tax for the new restaurant Le Colonial. Income Tax includes an increase of 1.5% and returning to 100% allocation by the State. Personnel assumptions include salary increases of 2.5% and a reduced IMRF rate of 10%.
 - iii. Payroll Projections – General Fund
Ms. Holleb reviewed payroll projections for the General Fund. Positions are budgeted at 100% for the full year. If a position becomes vacant, overtime may be used to cover staffing levels. Salary savings is used to fund the additional overtime costs. Payroll costs represent 73.35% of the General Fund expenses.
- D. Ten-Year Fund Balance Forecast (General Fund)
Ms. Holleb stated a ten-year forecast is used for the General Fund to forecast when expenses are projected to exceed revenues. The General Fund forecast is used to determine available funds to transfer to other funds.

The Committee discussed the percentage increases used for revenues and expenses when calculating future years.

IV. Operating Department Summaries

- A. Department Summaries
 - i. Strategic Plan Update and Organization Performance Measures
 - ii. Department Organization Charts, Narratives, Performance Measures and Financial Summaries.
 - iii. 2022 Service Listings – Revisions to Prior Core/Elective Listing
Ms. Holleb stated information regarding these items were included in the packet provided to Committee members. The Core/Elective schedules have been reimagined to provide a budget impact schedule. The information provided represents the FY22 budget information. These numbers will be updated when the FY23 budget is finalized.

The Committee discussed the new Service Listing schedule and how it shows more meaningful information for the budget. Based on the service listing, recycling does not show a favorable budget impact.

- B. FY23 Budget Presentations
 - i. Capital Improvement Plan and Five-Year Forecasts Update
Ms. Holleb reviewed the capital improvement plan includes priority 1 projects. Minor adjustments have been made and are highlighted on the project list included in the packet. Included in the packet is a memo detailing the requested increase to the roof replacement of the Public Safety building based on bids received. The five-year forecast has been updated to include an increased transfer from the General Fund and a transfer from the TIF fund. A list of FY23 notable projects were reviewed, including design expenses included for significant FY24 projects.

The Committee discussed the status of grant funding for Burr Oak storm water project. Staff continues to request updates on the funding status. The City's attorney has reviewed the initial agreements to have the project ready to proceed. Staff has received bids for the project, which the granting agency has agreed with this process.

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ii. Forest Park Beach Improvements

Mr. Chuck Myers, Superintendent of Parks and Recreation stated lake levels are lower compared to 2020 and less damage has been incurred over the winter. Staff is currently working on permits to move forward with the project. If permits are not received soon, the project will be delayed until fall. He compared current lake levels to 1998 and the differences in beach conditions. He reviewed options of sand fill including 100% bird's eye sand, 100% torpedo sand or a combination of both.

The Committee discussed the cost differential between the options. The cost difference is estimated at \$10,000 between 100% bird's eye sand and the combination of bird's eye and torpedo sand. Staff is recommending the combination of sands to provide a better experience for residents. Utilizing barges to bring in the sand has been looked at, but the depth of the lake is not sufficient.

iii. Comprehensive Plan Updates

Ms. Cathy Czerniak, Community Development Director provided an overview of sections completed to date and sections to be completed in FY23, which include the Central Business District (CBD) and Housing. A working group will be formed to generate ideas for review. The Comprehensive Plan is used as a tool to look at existing conditions and to review for the future. The neighborhoods surrounding the CBD will be looked at. Business owners will be engaged in the process.

The Committee discussed the success of using a diverse group in the task force in previous revisions.

iv. Seasonal Maintenance Workers

Ms. Amber Campbell, Human Resources Director provided an overview of the City's seasonal maintenance worker positions. A comparison of City hourly rates to the state's minimum wage was provided. External factors are affecting hiring, which include low unemployment rates, a change in demographics and the increasing minimum wage level. The City is falling behind in comparison to other communities. Staff is recommending increasing the minimum and maximum hourly rates and increasing paid time off from 16 hours to 40 hours to assist with hiring.

The Committee discussed the differences between seasonal maintenance workers and recreation staff. Seasonal maintenance workers are entry level skilled positions for our fulltime maintenance worker position. Hiring of seasonal workers is 95% outside of Lake Forest, whereas parttime recreation staff is 80% inside Lake Forest.

Staff is recommending providing 1 or 2 days PTO when starting and accruing the remaining balance on a per payroll basis. With the changing of demographics, seasonal positions will need to be looked at over the organization.

v. Friends of Lake Forest Parks and Recreation

Mr. Rick Amos of the Friends of Lake Forest Parks and Recreation Foundation stated the Foundation raises funds through four events to support the Parks and Recreation department. The events include a golf outing, 4th of July celebration, music festival and holiday lighting. The Foundation requested to renew a three-year commitment from the City to support the foundation through cash and in-kind services.

V. Other Operating Funds

A. Water Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb reviewed the Water Fund, which includes operating revenues and expenses. Included in the fund is an annual transfer to the Water Capital Fund. The fund has a healthy fund balance due to higher water usage in 2021. Debt service for the water plant

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decreases in FY25, resulting in the ability to transfer additional funds to the Water Capital Fund. No water rate increases were recommended for FY23 due to the healthy reserve.

The Committee discussed the increased capacity for the water plant as a result of improvements and discussed potentials for selling water to other communities.

B. Parks and Recreation Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb stated the Parks and Recreation Fund is funded through fees and property tax levy. During the budget process it was discussed how the property tax levy is funding parks and forestry. Staff will review this funding and will provide the results to the Finance Committee later in the year. Three years of actuals were provided to show pre-covid levels. The forecast includes a subsidy transfer to the golf course. A special tax levy was established and was used to provide a loan to the golf course. This loan will be extended for two years to provide funding for parking lot improvements at the golf course.

The Committee discussed the forestry pruning program.

C. Golf Fund

i. Five-Year Fund Balance Forecast

Ms. Holleb stated the Golf Fund is an enterprise fund and is to be self-funding. The final debt payment is in FY2024. IDOT revenues and expenditures are included in FY22. The golf lawn is scheduled to open July 6th.

D. TIF Fund Update

Ms. Holleb reviewed initial forecasts for the TIF District compared to estimated FY22. The City was not required to make a \$1.2 million development fee payment due to an expired requirement for completion. School District impacts are reduced based on the number of students living in the district. The reduced school district payments will allow the reimbursement to the Capital Fund for purchase of land in the TIF District in FY22 and in FY23, payments of the deferred purchase agreement are to begin.

The Committee discussed if the second condo building will start construction soon. Staff has been working with the assessor's office regarding the sale of the apartment building to ensure the correct valuation is used for the calculation of property taxes.

E. Discussion – Additional Transfers out of the General Fund for FY2022

Ms. Holleb reviewed the previous few fiscal years; excess fund balance has been transferred to other funds needing additional funding sources. Staff is recommending transferring \$500k to both the Park and Public Land fund and Housing Trust fund. Both of these funds do not have a sustainable funding source. In addition, transfer \$650k to the Self Insurance Fund and \$2.05m to the Capital Fund. The Self Insurance Fund is for the City's medical and dental claims. There have been a number of larger claims this year. Staff is recommending only transferring the amount needed at fiscal year-end to maintain reserves.

The Committee discussed the Self Insurance Fund. The City's consultant that assists with calculating premiums has seen increased post pandemic procedures at other clients. Retirees are allowed to stay on the City's insurance up to the age of 65 and they pay 100% of the premium.

VI. Other Business

No discussion

VII. Opportunity for the Public to Address the Finance Committee - No comments were made

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VIII. Adjourn into Executive Session

Alderman Notz moved, seconded by Alderman Karras to adjourn into Executive Session at 7:44 p.m. The motion carried unanimously by voice vote.

IX. Executive Session

Alderman Buschmann moved, seconded by Alderman Preschlack to adjourn into Regular Session at 8:37 p.m. The motion carried unanimously by voice vote.

X. Consideration of Executive Session Minutes from the Finance Committee Meeting Held March 8, 2021

Alderman Karras made a motion to approve the minutes from the Executive Session Finance Committee meeting held March 8, 2021. The motion was seconded by Alderman Weber. The motion carried unanimously by voice vote.

XI. Adjournment

There being no further business, Alderman Notz moved, seconded by Alderman Preschlack, to adjourn the meeting at 8:39 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall
Assistant Finance Director