

**The City of Lake Forest
FINANCE COMMITTEE
Proceedings of October 17, 2022 Meeting
6:30 p. m. – City Hall**

I. Call to Order and Roll Call

The meeting was called to order at 6:30 p.m. by Chairman Morris. Present: Chairman Morris, Mayor Pandaleon, Aldermen Karras, Rummel, Preschlack, Goshgarian, Buschmann and Weber. Absent: Alderman Notz. Quorum present. There were approximately 28 present in the audience.

Staff present: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Cathy Czerniak, Director of Community Development; Sally Swarthout, Director of Parks and Recreation and Kurt Asprooth, City Attorney.

Others present: There were approximately 23 people in the audience.

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

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

III. City Mission Statement and FY2024 Fiscal Policy

Ms. Elizabeth Holleb, Finance Director stated affirming the City's mission statement and reviewing the Fiscal Policy begins the budget process. The mission statement was approved by the Finance Committee starting in 2013 and is affirmed each year.

Ms. Holleb reviewed updating the City's Fiscal Policy for changes made to the investment policy in May 2022.

Alderman Weber made a motion to affirm the City Mission Statement and to approve the FY2024 Fiscal policy. The motion was seconded by Alderman Preschlack. The motion carried unanimously by voice vote.

IV. Police and Fire Pension Funding Update

Ms. Holleb stated the Police and Fire pension funds are required to have an actuary valuation each year to determine statutory required contributions. The City has a new actuary, Nyhart who completed the calculations. Charts were reviewed depicting the percentage of assets to cover future pension payments and the FY22 investment returns. The actuary uses a five year smoothing of investment returns to calculate the actuary determined contribution for the fiscal year.

Currently, state statutes require a closed amortization period of forty years with a current funding deadline of 2040. The City has worked with our actuary to increase City contributions to work toward an open amortization approach amortizing the liability over fifteen years continuously and contributions may be reduced each year, but the plan will not reach 100% funded. The pension subcommittee has recommended when the contributions reach the same using open amortization to flat line contributions thereby moving the funded ratio towards 100%. In 2025 it is currently anticipated that the City will be able to move to the open amortization model. To date, the City has contributed \$3.2m over required state contributions and the City Council approved a \$500k contribution to each pension fund in FY20. The Police Pension projections estimate \$25.5m in savings as a result.

Nyhart provided a presentation to the pension subcommittee outlining four options. The subcommittee elected to maintain the same assumptions used the previous year. The committee is recommending increasing the tax levy by 3%, which is higher than state mandated contributions.

The Committee discussed the City's funding of pension obligations. The City made the one-time contributions of \$500k, but also has provided additional contributions above the mandatory contributions through the tax levy. The goal is to get to the crossover point and then flatten contributions. The recommended additional contributions on the 2022 levy are in part to offset negative investment returns. IMRF is based on calendar year and was not affected by investment losses January – April 2022. The consolidated fire pension board issued a report reviewing the economies of scale for investment manager fees. The City conducts a request for proposal every five years for actuary services.

V. 2022 Property Tax Levy Estimate

Ms. Holleb reviewed the dates the tax levy will be brought to the City Council for discussion. The review on November 7, 2022 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. The tax levy would be an item on the November 14th budget workshop for discussion and would be brought for City Council approval on November 21st and December 5th.

Ms. Holleb reviewed the current year's PTELL is 5.0%. Cumulative PTELL from tax year 2014 to 2021 was compared to the general levy, Parks and Recreation, Library, and compensation adjustments. A chart was reviewed showing the allocation of the levy, where Police and Fire pensions and capital received a larger percentage than Parks and Recreation and the Library. Staff is recommending Parks and Recreation and Library levy's increase by 5% to offset the increases in compensation the previous years. Police and Fire are recommended to increase by the actuary calculations and capital to increase by 3% plus an additional \$350k. The additional funding is to phase in potential debt service if the athletic field project moves forward. If the athletic fields project does not move forward, the funding can be used for a non-funded capital project. Other line items in general will increase at 3%. The overall tax levy is estimated to increase by 3.86%.

The Committee confirmed the additional \$350k for capital would not affect any decisions on the athletic fields. This is a way to phase in funding if the project moves forward. Additional increases would be determined after the project cost is determined and financing options reviewed.

VI. Investment Program Update and Reporting

Ms. Holleb stated because of the changes to the investment policy, staff has begun the process of purchasing investments through eConnectDirect. The City has started with certificates of deposit. Per the policy, quarterly reports are required to be presented to the Finance Committee. Staff is recommending the report be included in the monthly flash report. The report does not include police and fire pensions and cemetery, as these investments are outside of the City's control. The report includes the cash balances and the current interest rate. The current rate on the City's bank account is tied to the Federal rate. As this rate goes up our rate increases as well.

VII. Other Business

- 1) September 2022 Flash Report – The number of Real Estate Transfer Tax sales have decreased, but the value of home sales has increased.
- 2) FY2022 Treasurer's Report – No Discussion

VIII. Opportunity for the Public to Address the Finance Committee

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No comments were made

IX. Adjournment

There being no further business, Alderman Rummel moved, seconded by Alderman Preschlack, to adjourn the meeting at 7:20 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall
Assistant Finance Director