

**The City of Lake Forest
FINANCE COMMITTEE
Proceedings of March 13, 2023 Meeting
5:00 p. m. – Dickinson Hall**

I. Call to Order and Roll Call

The meeting was called to order at 5:07 p.m. by Chairman Morris. Present: Chairman Morris, Mayor Pandaleon, Aldermen Novit, Rummel, Notz, Goshgarian, Buschmann and Weber. Absent: Alderman Preschlack. Quorum present. There were approximately 31 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; Sally Swarthout, Director of Parks and Recreation; Jim Shaw, Director of Innovation and Technology; Mike Thomas, Director of Public Works; Pete Seibert, Fire Chief; Karl Walldorf, Police Chief and Amber Campbell, Human Resources Director.

Others present: There were approximately 21 people in the audience.

Chairman Morris provided a statement thanking the Finance Committee and staff for all of their hard work, as this was his final budget meeting.

II. Consideration of Minutes from the Finance Committee Meeting Held on January 17, 2023

Alderman Weber made a motion to approve the minutes from the Finance Committee meeting held on January 17, 2023. The motion was seconded by Alderman Goshgarian. The motion carried unanimously by voice vote.

III. Overview of FY2024 Budget

A. Opening Comments by City Manager – Budget Message

Mr. Jason Wicha, City Manager thanked City staff for their work on the budget documents and the Finance Committee for the strong financial position the City maintains. He provided highlights from the proposed FY24 budget including Capital Projects, Apprentice Program, Special Census, Workload Analysis, Strategic Plan and Medical/Dental benefit analysis.

B. FY23 Monthly Flash Report

Ms. Elizabeth Holleb, Finance Director provided an overview of revenues included in the monthly Flash Report. A comparison of state reports comparing state revenues from FY2022 to FY2023 highlights increases in state revenues, which correspond to increases in City revenues. Illinois Municipal League reports confirmed the increases in stated shared revenues.

C. Review of FY23 Estimates vs. FY24 Budget

Ms. Holleb reviewed General Fund revenues with variances in excess of \$50k, resulting in projected revenues \$3.5m over budget. Total expenses for FY24 are projected to be under budget by \$200k. Surplus of \$4m from the General Fund will be transferred to the Capital Fund to assist with the funding of the synthetic turf project to reduce the amount needed to fund the project through debt.

The Committee discussed the recycling program and how the amount over budget has been reduced based on communication to the residents.

Finance Committee Meeting
Minutes – March 13, 2023

The Committee discussed the City's deposits at Lake Forest Bank & Trust and how the City's investment policy requires amounts over FDIC coverage to be collateralized at 110% of the balance.

The Committee discussed the differences in the City's fiscal year of April 30 compared to the States fiscal year of June 30. Municipalities have generally moved to a calendar year to align with property taxes.

Ms. Holleb reviewed revenue budget increases are based on increases to the previous year budget versus the current projections. Current year increases can be the result of one-time revenues and may not be sustainable. A 5.43% revenue increase is budgeted in the General Fund for FY24. Expenses in the General Fund are budgeted at a 5.04% increase. Salaries and benefits account for 4.72%. This increase does not include salary increases, which is included in the non-department budget. The increase does include three new full-time positions. One position is a change from contractual to full-time staff. Included in the budget are transfers to the Capital Fund and Self Insurance Fund. The transfer to Self Insurance Fund is to increase reserves after higher claims the last two years.

i. Fund Balance Summary

Ms. Holleb reviewed projected ending fund balances on April 30, 2024 for significant funds. LF Hospital Project Fund will be used to track permit fees and expenses related to significant projects at the hospital. Remaining funds after the projects are complete will be brought to the City Council for approval of allocations to other funds.

The Committee discussed the hospital projects and potential expenses to be incurred by the City.

The Committee discussed the Police and Fire Pension Funds decreases in fund balance based on low investment returns in FY2023. The City budgets based on the actuary assumption of a 6.5% return. Investment returns are smoothed over a five-year period to reduce impacts of high and low returns. The City remains on track to implement open amortization.

Ms. Holleb reviewed the Laurel/Western TIF is projected to have a positive fund balance at the end of FY23. Staff is recommending the \$900k TIF Note payment from FY2023 be transferred to the 2023 GO Bond Issue fund to provide the funding for the first principal payment due December 2023. The Fleet Fund balance reduction is based on high fuel prices and the Self Insurance fund is due to high claims.

ii. Key FY24 Budget Assumptions

Ms. Holleb stated revenue assumptions used in the development of the FY24 budget remain unchanged and were used in the development of the long-term forecast.

iii. Payroll Projections – General Fund

Ms. Holleb reviewed the General Fund payroll projections. Payroll expenses in the General Fund account for 72.5% of the budget.

D. Ten-Year Fund Balance Forecast (General Fund)

Ms. Holleb reviewed the General Fund forecast, which shows the impact of decisions made by the City Council. The City had increased reserves to address state budget shortfalls. In October 2019, the City Council amended the fiscal policy to provide the allocation of operating surpluses at fiscal year-end for one-time funding needs approved by City Council.

Finance Committee Meeting
Minutes – March 13, 2023

E. City Council Fiscal Policy

Ms. Holleb reviewed a recommended change to the City's fiscal policy to clarify the target fund balance to remove accrued sick and vacation leave from the calculation. The General Fund reserve is recommended to be 70% of revenues.

Alderman Rummel made a motion to approve the revised City Council Fiscal Policy. The motion was seconded by Alderman Weber. The motion carried unanimously by voice vote.

IV. Operating Department Summaries

A. Department Summaries

- i. Strategic Plan Update and Organization Performance Measures
- ii. Departmental Organization Charts, Narratives, Performance Measures and Financial Summaries

Ms. Holleb stated information was included in the packet for department operating budgets. The City Council budget includes a proposed contribution to the History Center Garden initiative.

The Committee discussed the ease of reviewing the department budgets with the current format. Future department budgets will be updated after the strategic plan is completed. Capital funds are included to make repairs to the Wildlife Discovery Center (WDC).

B. FY24 Budget Presentations

- i. Capital Improvement Plan and Five Year Forecast Update

Ms. Holleb reviewed changes since the November Capital Workshop, which include the addition of Deerpath Park Improvement Project, Elawa WDC space renovations and Police squad car computer replacements. Included in the packet is a list of funded and non-funded project.

The Committee discussed the status of the Whispering Oaks sidewalk connection project and RT. 60 Bike Path Construction. Both projects are in progress.

Ms. Holleb provided an overview of anticipated capital projects by fund for the next five years totaling \$73.37m, with \$11.068m funded through grants. In addition, \$45.93m in projects are unfunded, including water meter replacements, Seminary Ravine and Deerpath Streetscape. The Capital Project fund continues to have a healthy fund balance.

The Committee discussed other infrastructure projects completed by other entities.

- ii. Apprentice Program

Ms. Amber Campbell, Human Resources Director reviewed the current seasonal program including hours budgeted and average number of hours worked. The City is facing hiring challenges as well as training burnout. She reviewed the proposed apprentice program and the differences between a seasonal employee and an apprentice. An apprentice would be able to complete more skilled job duties and would be budgeted for 2080 hours versus 1600 hours. The program would entail a detailed training program with a set end date for each employee of approximately 3 – 5 years. Eight current seasonal positions would be converted to apprentice positions and three additional positions added in Streets, Fleet and Water & Sewer.

The Committee discussed the City is not alone in the problem of hiring difficulties and this is a creative solution. The program is anticipated to reduce overtime and will be

Finance Committee Meeting
Minutes – March 13, 2023

analyzed to confirm. These employees will be offered the same insurance benefits as seasonals. The City is offering training opportunities to these positions with the hope of providing opportunities in full-time positions as they become available. Supervisors will be tasked with developing training programs for the new program.

iii. Special Census

Ms. Cathy Czerniak, Director of Community Development reviewed \$75k has been included in the FY24 budget for a special census. She provided an overview of the 2020 census results and what a special census entails. The 2020 census shows the City's population decreasing, while the number of home sales has increased each year since the census. She reviewed the benefits and downside of conducting a special census. Benefits include potential additional state shared revenue and support for ward boundary adjustments. Potential downsides include disappointing results, timing and cost of conducting the census. The census will be accepting requests for cost estimates March 2023 – May 2027 and will be collecting data and releasing information January 2024 – September 2028.

The Committee discussed the 2010 census and the challenges associated with the 2020 census. The City has a good house count, but not the population. The City will need additional information from the census to determine the full cost.

V. Other Operating Funds

A. Water Fund Five-Year Fund Balance Forecast

Ms. Holleb reviewed the Water Fund is an Enterprise Fund where charges for services need to cover operating and capital expenses. Weather has an affect on revenues as demonstrated by comparing FY22 to FY23. Debt Service will be reduced in FY25, allowing for a greater number of capital projects.

The Committee discussed if the additional available funding after the debt is reduced should be put aside in the event drinking water regulations are updated requiring modifications to the water plant. The City should know more by the time the debt is reduced.

B. Parks and Recreation Five-Year Fund Balance Forecast

Ms. Holleb reviewed the forecast for the Parks and Recreation Fund. Additional years of history were added to show the affects of Covid on programing. Starting in FY24, capital for Parks and Forestry has been moved to the Capital Fund. Operating transfer to the Golf Course have been reduced. The Special Purpose levy will be transferred to the Golf Course through FY26 to fund parking lot improvements.

The Committee discussed projected additional revenue from the turf fields has not been included in the forecast. This revenue will be reserved for future replacement of the fields.

C. Golf Fund Five-Year Fund Balance Forecast

Ms. Holleb reviewed highlights from the forecast. The Rt41/Deerpath project has been included as revenue and expenses and offset each other. The final debt service payment is in FY24. The loan from the Parks and Recreation fund will be completed in FY24. The Recreation Special Purpose tax levy will be transferred to the Golf Course in FY25 and FY26 for the replacement of the parking lot.

D. Friends of Lake Forest Parks and Recreation Funding Request

Mr. Rick Amos of the Parks and Recreation Foundation provided an overview of 2022 and the purpose of the Foundation. The City provided \$60k for the 2022 events, plus an additional \$232k for the cancellation of the 4th of July event. Changes are in process for the 2023 events to reduce costs and to attract more residents. The Foundation requested

Finance Committee Meeting
Minutes – March 13, 2023

an increase in the City contribution from \$60k in 2022 to \$100k in 2023 to cover rising costs and provide cash flow to pay vendors prior to the events.

The Committee discussed the Tree Lighting ceremony was much more extravagant than in years past and took away from the small-town feel. The event needs to evolve with the younger generations and provide more food vendors. The Fall Festival needs to be focused more on Lake Forest residents and the timing is two weeks after Lake Forest Day.

The Committee requested Mr. Amos meet with Mr. Wicha and Ms. Holleb to review the budgets for each event.

VI. Other Business

Committee members thanked Chairman Morris for his service on the Finance Committee and providing guidance as new members joined the Committee.

VII. Opportunity for the Public to Address the Finance Committee

No comments were made.

VIII. Adjourn into Executive Session

Alderman Weber moved, seconded by Alderman Novit to adjourn into Executive Session at 8:13 p.m. The motion carried unanimously by roll call vote.

The open meeting resumed at 9:28 p.m.

IX. Consideration of Executive Session Minutes From the Finance Committee Meeting Held March 14, 2022

Alderman Rummel made a motion to approve the minutes from the Executive Session Finance Committee meeting held March 14, 2022. The motion was seconded by Alderman Notz. The motion carried unanimously by voice vote.

X. Adjournment

There being no further business, Alderman Buschmann moved, seconded by Alderman Rummel, to adjourn the meeting at 9:30 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall
Assistant Finance Director