

The City of Lake Forest
FINANCE COMMITTEE
Proceedings of October 16, 2023 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 Preschlack. Present: Chairman Preschlack, Mayor Tack, Aldermen Novit, Notz, Powers, Goshgarian, Weber and Walther. Absent: Aldermen Waldeck. Quorum present. There were approximately 18 present in the audience.

Staff present: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Pete Siebert, Fire Chief; Jim Shaw, Director of Innovation and Technology; and Kurt Asprooth, City Attorney.

Others present: There were approximately 12 people in the audience.

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

Alderman Goshgarian made a motion to approve the minutes from the Finance Committee meeting held on July 17, 2023. The motion was seconded by Alderman Novit. The motion carried unanimously by roll call vote.

III. City Mission Statement and FY2025 Fiscal Policy

Ms. Elizabeth Holleb, Finance Director stated affirming the City's Mission Statement and reviewing the Fiscal Policy begins the budget process. One change was recommended for the Fiscal Policy to remove the .5% sales tax restriction for debt service payments for City issued 2003 and 2004 bonds and to add 1.0% Home Rule Sales Tax will be deposited to the Capital Improvement Fund to fund public infrastructure projects.

Alderman Webber made a motion to affirm the City's Mission Statement and Approve the FY2025 Fiscal Policy. The motion was seconded by Alderman Powers. The motion carried unanimously by roll call vote.

IV. Police and Fire Pension Funding Update: Review of Pension Funding Policy

Ms. Holleb reviewed the results of the annual actuary reports for both Police and Fire Pensions. The reports provide the required funding for the next fiscal year. The four past years funding ratios and investment returns utilizing 5-year smoothing were reviewed. The history of the City's changes to assumptions to address funding challenges was reviewed. The additional funding provided 2017 – 2021 of \$3.2m is anticipated to save the taxpayers \$25.5m through 2040. The City Pension Subcommittee recommendation was to utilize the 2022 assumptions with the exception of the Fire mortality improvement and maintain funding at 2022 Levy.

The Committee discussed the state statute requirements and the point in time when the 15-year open amortization funding recommendations would equal the current funding policy (100% by 2040) and at that time contributions would become flat. The pension funds are projected to be 90% funded in 2040.

Ms. Holleb reviewed the state mandated pension consolidation requirement PA 101-0610. As anticipated, annual investment returns as of June 30, 2023 are favorable and consolidation has resulted in reduced investment management fees.

Ms. Holleb reviewed the Pension Fund Policy, which is to be reviewed at least every three years. No changes are recommended.

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The Committee discussed how proactive the City has been to address pension funding challenges and are in a favorable position moving forward. The consolidated funds have hired investment advisors and executive directors to manage the portfolios.

Alderman Goshgarian made a motion to acknowledge review of and affirm City's Pension Funding Policy. The motion was seconded by Alderman Walther. The motion carried unanimously by roll call vote.

V. 2023 Property Tax Levy Estimate

Ms. Holleb provided an overview of the Truth in Taxation Statute which includes the requirement of a public hearing if the levy increase will be greater than 5%. The timeline for the tax levy process was reviewed, including final approval on December 4, 2023. Property Tax Extension Limitation Law (PTELL) is the maximum levy increase allowed for non-home rule communities. While the City is a home rule community, the City follows the PTELL limitations unless directed by the City Council. The history of the City tax levy compared to PTELL was reviewed. The 2022 levy increase for Parks and Recreation and Library had been recommended to follow the PTELL limit of 5%. The same recommendation is proposed for 2023 to follow the PTELL limit of 5%. The total 2023 estimated levy was reviewed with a total projected levy increase of 4.35%. Excluding the 2023 bonds, the levy increase is 1.85%. The debt portion of the levy is to be considered separate for the Truth in Taxation Statute requirement for a public hearing. Because the debt levy increase exceeds 5% a public hearing will be required.

The Committee discussed the CPI used for the calculation of the PTELL limit.

Alderman Weber made a motion to recommend a non-binding 2023 tax levy estimate for presentation at the November 6, 2023 City Council. The motion was seconded by Alderman Powers. The motion carried unanimously by roll call vote.

VI. Other Business

- 1) Flash Report – Staff are cleaning up old outstanding invoices, resulting in additional fee waiver requests listed on the report.
- 2) FY2023 Treasurer's Report – No discussion

VII. Opportunity for the Public to Address the Finance Committee

No comments were made.

VIII. Adjournment

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

Respectfully Submitted,

Diane Hall
Assistant Finance Director