

**The City of Lake Forest  
FINANCE COMMITTEE  
Proceedings of January 16, 2024 Meeting  
6:30 p. m. – City Hall**

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

The meeting was called to order at 6:31 p.m. by Chairman Preschlack. Present: Chairman Preschlack, Mayor Tack, Aldermen Waldeck, Notz, Powers, Goshgarian, Weber, and Walther. Absent: Aldermen Novit. 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; Pete Siebert, Fire Chief; Jim Shaw, Director of Innovation and Technology; Mike Thomas, Director of Public Works; Cathy Czerniak, Director of Community Development, Karl Walldorf, Police Chief and Sally Swarthout, Director of Parks and Recreation.

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

**II. Consideration of Minutes from the Finance Committee Meeting Held on November 13, 2023**

Alderman Notz made a motion to approve the minutes from the Finance Committee meeting held on November 13, 2023. The motion was seconded by Alderman Weber. The motion carried unanimously by voice vote.

**III. Grant Program Update and Recommendations**

Ms. Diane Hall, Assistant Finance Director provided an overview of the 2023 grant program. The review included updates on grants awarded for 2023, applications submitted and highlighted projects funded by grant awards. In the last five years, the City has been awarded \$19.5m in grant funding. The City's 5-year Capital Improvement Plan (CIP) of \$86.9m in proposed projects is 19% funded by grant revenue totaling \$16.5m. Priority projects were provided for 2024 to be emphasized for grant funding research.

The Committee discussed the importance of having shovel ready projects to be more competitive with our grant applications. The services provided by The Ferguson Group were reviewed, to include monthly meetings, forwarding of grant notices and reviewing grant applications. Grant funds have been received through Federal, State, Local and Foundations.

Mr. Mike Thomas, Director of Public Works provided an update on the types of grants the City has been applying for and the different types of awards. These include ravines, storm water, bridges, intersections, and major roads.

Mr. Jason Wicha, City Manager stated the City had conducted a review of storm water problems and identified the most important areas to address. The City has made progress in the areas previously identified. Included in the CIP is to conduct a new review to update the list to prioritize storm sewer projects.

**IV. Investment Program Update and Recommendations**

Ms. Elizabeth Holleb, Finance Director provided an overview of the City's investment policy. The policy does not cover Police and Fire pensions or the Cemetery investments. The City has limited authorized investment types available, which does not include equities. Per the investment policy, the Finance Director is required to provide an annual investment overview to the Finance Committee. A history of interest rates was provided. The City's investment policy was approved in 2017 and eConnectDirect was approved in 2019 to facilitate the

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process of purchasing investments. The initial purchase of Certificates of Deposits was instituted in 2022 to lock in higher interest rates anticipating declines in future rates. The City's current cash and investment balances were reviewed. The proposed segmentation of liquid assets to core assets for different fund classifications was reviewed. The Library could be included in the City's investment purchases but would need Library Board approval. Based on the current segmentation recommendations and current cash balances, \$34.6m is available for investments.

The Committee discussed the need to review what to invest in to remain liquid. The City will need to be ready for when rates start to fall. It will take up to a year to fully implement. The City would work with eConnectDirect to assist with modeling different scenarios.

Ms. Holleb reviewed the five current benchmarks. Staff is recommending no changes. Recommendations were reviewed for the Committee's consideration.

The Committee discussed if the investment policy addresses the investment in corporate bonds. The policy does address this investment type. A follow-up will be distributed to committee members regarding requirements associated with City investments of this type.

Alderman Powers made a motion to approve staff recommendations for segmentation, benchmarks, and investment strategy for 2024. The motion was seconded by Alderman Notz. The motion carried unanimously by voice vote.

**V. FY25 Water Rates and Water Fund Modeling Project**

Ms. Holleb stated FY25 water rates were deferred at the November budget workshop. Staff is now seeking direction from the Committee for the FY25 rates. A review was provided on the water rate methodology, including the basis of adjusting rates to increase revenues by 2.5% annually. A review of the historical allocation between fixed and variable rates was provided. Rate impacts are calculated using a 5-year rolling average of water consumption. Staff is recommending a change to the quarterly fixed rate only. The average increase to a customer was provided. A majority of the costs for the Water Fund are fixed. The City has been implementing changes to water rates to provide a higher percentage of fixed rates to cover fixed costs. A comparison of the City's water and sewer rates to other communities was provided for residential and non-residential customers. An update was provided on the Finance Department initiative of implementing a Water Fund modeling project. The software is able to forecast revenues based on fixed or percentage changes. The expense modeling included debt and capital projects. The schedule allows for the inclusion of the City's current fund balance policy levels. A comparison of revenues to expense was provided.

The Committee discussed adding previous years information to the software to show more history. Staff continues to review the water meter replacement project. This project changes the graph. Currently the graph does not include an option to borrow for this project, but the modeling can look at multiple scenarios.

Alderman Weber made a motion to recommend FY25 water rates for City Council consideration. The motion was seconded by Alderman Goshgarian. The motion carried unanimously by voice vote.

**VI. Other Business**

- 1) Flash Report – The monthly Flash Report is released in e\*news and is included on the City's website on the Transparency portal.
- 2) Organizational Performance Measures (FY25 Budget Item) – As the City's strategic plan begins, this may change with the FY26 budget.

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- 3) Five Year Capital Improvement Plan Update (FY25 Budget Item) – no discussion
- 4) Draft Innovation and Technology Five-Year Plan (FY25 Budget Item) – Mr. Jim Shaw, IT Director provided an overview of projects included in the five-year plan.

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

No comments were made.

**VIII. Adjournment**

There being no further business, Alderman Weber moved, seconded by Alderman Walther, to adjourn the meeting at 7:31 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall  
Assistant Finance Director