

**The City of Lake Forest
FINANCE COMMITTEE
Proceedings of March 11, 2024 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 Preschlack. Present: Chairman Preschlack, Mayor Tack, Aldermen Novit, Notz, Powers, Weber, and Walther. Absent: Aldermen Waldeck and Goshgarian. Quorum present. There were approximately 31 present in the audience during open session.

Staff present during open session: Jason Wicha, City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Cathy Czerniak, Director of Community Development; 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 during open session: There were approximately 22 people in the audience.

II. Consideration of Minutes from the Finance Committee Meeting Held on January 16, 2024

Alderman Weber made a motion to approve the minutes from the Finance Committee meeting held on January 16, 2024. The motion was seconded by Alderman Notz. The motion carried unanimously by voice vote.

III. Adjourn into Executive Session

Alderman Weber moved, seconded by Alderman Notz to adjourn into Executive Session at 5:09 p.m. The motion carried unanimously by voice vote.

Alderman Goshgarian entered the meeting at 5:31.

The open meeting resumed at 6:45 p.m.

IV. Overview of FY2025 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 their direction and policies. He provided highlights from the proposed FY25 budget including Personnel Initiatives to be competitive, Strategic Plan and Medical/Dental benefit analysis.

B. Review of FY24 Estimates vs. FY25 Budget

Ms. Elizabeth Holleb, Finance Director reviewed, staff estimate FY24 revenue and expenses for the end of the fiscal year. Current projections estimate revenues will exceed budget by \$3.9m. This is mainly due to increased revenue for building permits and interest revenue. Expenses are estimated to be under budget by \$1.2k. The expense projections are conservative and could be lower. Staff is recommending the excess surplus be transferred to the Capital Fund for future projects.

i. Fund Balance Summary

Ms. Holleb reviewed projected ending fund balances as of April 30, 2025 for all funds. The SSA29 and 2004B/2011B Storm Funds will be closing in FY24, due to final debt payments in December 2023. A chart showing total revenues and expenses per fund was reviewed. The chart confirms the emphasis on a small number of funds for review.

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- ii. Key FY25 Budget Assumptions
Ms. Holleb stated revenue assumptions used in the development of the FY25 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 73% of the budget. The percentage increase per year was reviewed.

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

Ms. Holleb reviewed the General Fund forecast, which shows available funding going negative in year 3. The operating deficit in year 3 is forecasted each year and with changes made during the year, this is pushed out to future years. Included in the FY25 budget is a transfer of \$1.2m to the Capital Fund. After the recession in 2008 – 2009, 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.

The Committee discussed the change in 2019 provided flexibility to allocate surpluses to one-time projects. While it is proposed in FY24 to transfer 100% to the Capital Fund, in previous years surpluses have been transferred to other funds based on staff recommendations.

V. 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 reviewed the materials included in the packet including strategic plan updates, organization performance measures and department summaries.

The Committee discussed Cemetery revenues generated by the new memorial and how this will extend the number of niches available for future years.

The Committee discussed the new fee structure for the Recreation turf fields. The new fees have been implemented and a portion is being set aside for future turf replacements.

Ms. Holleb explained that compensation adjustments for the General Fund are currently located in the non-department budget and will be reallocated to the departments for the April 15 Finance Committee meeting. Also included in the final budget are updated service listings showing the cost of individual programs.

B. FY25 Budget Presentations

- i. Capital Improvement Plan and Five-Year Forecast Update
Ms. Holleb reviewed changes since the November Capital Workshop, which include removal of the EV Station from the Elawa Parking Lot project, addition of Police Facility Needs Assessment, the removal of projects beginning in FY24 and changing the water meter replacement project to 5 years versus 3 years.

The Committee discussed changing the water meter replacement project to 5 years will smooth future replacement projects and the process for the police facility review. Initial review will be with a contractor and City staff. If a new station is recommended, an advisory committee would be created.

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Ms. Holleb provided an overview of an updated five-year forecast for the Capital Fund. An overview was provided comparing FY24 to FY25. Revenue for the turf project was received in FY23, while the expenses were in FY24. The projected additional transfer from the General Fund has been included in the forecast.

ii. Seasonal, Apprentice and Recreation Part-Time Adjustments

Ms. Amber Campbell, Human Resources Director provided an overview of current rates for part-time employees. A salary survey was conducted to compare Recreation rates. The state has steadily increased minimum wages. Staff has identified \$55k as proposed funding to increase hourly rates for Recreation staff to provide competitive wages. Public Works has apprentice and seasonal employees. A comparison of comparable communities was conducted to review current hourly rates. Staff is recommending increasing seasonal hourly rates by \$2 and apprentice rates by \$1. The estimated budget impact is \$76,756.

iii. Paid Leave Recommendations

Ms. Campbell reviewed the City Council approved opting out of state mandated paid leave for part-time staff with the understanding staff would bring recommendations that would have less impacts on departments. Staff is recommending two different paid time off (PTO) programs. For temporary part-time, PTO accruals will follow the state program of earning one hour for every 40 hours worked. The second program for year-round part-time, employees would accrue vacation and sick time based on years of service and will follow the City's full-time accruals. These PTO benefits would be earned based on a percentage of hours worked. The estimated budget impact is \$84,207.

The Committee discussed opting out of the state mandate allowed more flexibility to develop our own plan that allows the City to be more competitive and the plans work better for the departments.

VI. Other Operating Funds

A. Water Fund Five-Year Fund Balance Forecast

Ms. Holleb reviewed the Water Fund where operating expenses are charged as well as personnel. Capital expenses are funded through the operating fund with a transfer to the Water Capital Fund. The five-year forecast has been updated to reflect the water meter replacement project moving to a five-year project. Previously, the project required a loan from the General Fund. This funding has been removed. The fund balance requirement is more significant in the Water Fund due to revenues may fluctuate significantly with changes in weather.

B. Parks and Recreation Five-Year Fund Balance Forecast

Ms. Holleb reviewed the forecast for the Parks and Recreation Fund. The fund includes Recreation, Parks and Forestry and is funded through the tax levy and program fees. In previous years transfers to the golf course were needed. With the enhancements at the golf course, transfers are not budgeted for FY25.

The Committee discussed the reasoning of leaving Parks and Forestry in the Recreation Fund. Public Works has departments in multiple funds and staff feels that this better represents the functions of the departments. Staff have allocated revenues and expenses between the departments to allow reporting for each department, consistent with the General Fund.

C. Golf Fund Five-Year Fund Balance Forecast

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Ms. Holleb reviewed the five-year forecast. With the final debt payment in FY24 and improved revenues, transfers from the Recreation Fund are no longer needed. FY27 shows a negative revenues over expense. This is mainly due to the resurfacing of the parking lot. A short-term loan may be needed at that time. A loan from the Recreation Fund to fund course enhancements was completed in FY24.

D. Friends of Lake Forest Parks and Recreation Funding Request

Ms. Holleb provided a history of City contributions to the Foundation for special events. In FY23, the Foundation requested additional funding and was approved with additional requirements.

The Committee discussed the Foundation needing to focus more on fund raising for specific projects. The Committee requested a full overview of the revenues and expenses, with a presentation to City Council. The Foundation does report to the Audit Committee on an annual basis. The Foundation has requested to use Deerpath Park for the 4th of July event. Staff is not comfortable at this time to host such an event at the newly completed Deerpath Park.

Mr. Rick Amos of the Parks and Recreation Foundation stated the Foundation is in a good position with new members. The Foundation is returning to fund raising versus event planning. A new fund-raising software is in the process of being implemented to assist with marketing. The 2023 4th of July event had the lowest attendance in years. The Foundation is pulling back on the Music Festival. The Foundation provided reasoning for requesting the use of the Deerpath Park for the 4th of July event.

Mr. Wicha stated staff would further research concerns of using Deerpath Park for the event.

The Committee affirmed the request for \$70,000 in FY25 for City contributions to the Foundation for the 4th of July and tree lighting events, with the cancellation of the Music Festival.

VII. Other Business

No discussion

VIII. Opportunity for the Public to Address the Finance Committee

No comments were made.

IX. Consideration of Executive Session Minutes From the Finance Committee Meeting Held March 13, 2023

Alderman Notz made a motion to approve the minutes from the Executive Session Finance Committee meeting held March 13, 2023. The motion was seconded by Alderman Novit. The motion carried unanimously by voice vote.

X. Adjournment

There being no further business, Alderman Notz moved, seconded by Alderman Powers, to adjourn the meeting at 8:26 p.m. The motion carried unanimously.

Respectfully Submitted,

Diane Hall
Assistant Finance Director