

The City of Lake Forest
Cemetery Commission Meeting
Proceedings of Wednesday October 25, 2023
Lake Forest Cemetery Gatehouse
520 E. Spruce Ave., Lake Forest, IL

I. CALL TO ORDER AND ROLL CALL

Chairman John Anderson called the meeting to order at 5:01pm.

Commissioners' Present: Chairman Anderson with Commissioners Lowell Dixon, Robert Thornburgh, and Robert Worobow

Staff Present: Phil Alderks, Cemetery Sexton

Others Present: Tony Hoban and Cory Minturn, Investment Managers from Wm. Blair

Absent (Excused): Commissioner Robert Wayne, Assistant City Manager George Issakoo

II. APPROVAL OF JULY 26, 2023 MINUTES– JOHN ANDERSON

Chairman Anderson presented the July 26, 2023 Meeting Minutes for approval. Following a brief discussion and no changes, Commissioner Worobow motioned to approve the October minutes as presented, seconded by Commissioner Thornburgh. The following voted "Aye": Commissioners' Chairman Anderson, Thornburgh, Dixon, and Worobow. Motion carried unanimously.

III. THIRD QUARTER INVESTMENT REPORT – TONY HOBAN

Tony Hoban and Cory Minturn from Wm. Blair presented the Third Quarter (2023) Investment Report. Hoban reported that the Cemetery's portfolio investment results were weak during the third quarter with the total portfolio down -4.7%, and he noted that overall market performance had been weak during the quarter. He reported that domestic equities in the portfolio were down -5.9% compared to the S&P 500 which was down -3.3%. Portfolio results generally lagged most benchmarks during the quarter; however, year-to-date 2023 performance results were stronger with the total portfolio up +11% (with domestic equities up +20% compared to the S&P 500 index up +13%, largely powered by seven major stocks).

Hoban noted that in the Cemetery's investment policy, the target allocation for US Equities in the portfolio ranges from 40 to 60%, and currently the weighting is near the upper end of that range at 57%. He added that the portfolio is underweight in international equities at 12% (lower end of the target range of 10% to 30%). Further, Hoban noted that the target for the combination of fixed income and cash is a range of 20% to 40% with the current value at around 37% of the portfolio, and he stated that Wm. Blair would like to see that be lower.

Hoban said they are likely to trim back the proportion of equities in large cap stocks and re-allocate to equity sectors of the market that may be more attractive going forward, including under-owned and small cap stock as they likely are undervalued relative to their long-term growth prospects. Minturn then explained how small cap stocks typically perform going in and coming out of a recession (different than large cap stocks). Hoban said that they consequently have started to add new small cap stocks to the portfolio and emphasized that the portfolio is still underweight in this area.

Minturn reviewed new purchases and sales, and concluded the presentation by stating that the macro-economic data has been surprisingly strong even with the spike in interest rates and many unexpected world events. Minturn said because Wm Blair believes that that interest rates do not have much higher to go and could actually start

to drop in the next 18 to 24 months, they continue to extend the bond durations from 12 to 18 months to a duration of roughly 36 to 48 months.

Chairman Anderson asked if there were any questions regarding Wm. Blair's report. Commissioner Dixon asked if interest rates are going to start going down, should we sell bonds or put cash in the bank earning a 4% or 5% interest return? Hoban explained that when interest rates go down, bond values move higher so we might see a 4%, 5%, or 6% total return on the investment. Currently, bank interest is similar, but bank interest rates can change daily.

A motion was made by Commissioner Thornburgh for Wm. Blair to continue with the current investment strategy, seconded by Commissioner Worobow. Motion passed unanimously.

IV. REVENUE/EXPENSE REPORT – PHIL ALDERKS

A. FY2024 YTD Revenue/Expense Report

Chairman Anderson reported that overall revenues year-to-date are +20% above budget, with lot/niche sales plus service charges at +12.9% versus budget. He explained that staffing costs are higher than budget, but equipment maintenance is currently running below budget.

Anderson pointed out the buyback of unused lots is currently impacting year-to-date expenses. He said this is an unbudgeted expense since we never know when families might sell back unused graves. He said we had incurred a \$95,000 expense for this in 2023 to-date. Yet, Sexton Alderks pointed out that there are some sizable potential sales in the works that are not yet reflected in these financial reports.

B. Distribution of City Loan Proceeds

Chairman Anderson shared that the Cemetery received the proceeds of the \$905,000 loan from the City on August 15, 2023 and the Commission can now draw money from that loan for purposes of paying the expenses for the Memorial Garden Phase II project. He stated expenses for the Project to-date had been paid from cash reserves. Sexton Alderks said that currently we have paid invoices of approximately \$650,000 to Semper Fi and that he just received an invoice for another \$100,000.

Chairman Anderson explained that because some expenses have already been paid from reserves, when the project has been completed, the Commission can look back and decide if they would like to pay down the loan amount or use those monies for other projects.

Chairman Anderson then shared the loan payment schedule and when payments are due the City.

C. Cash Reserves

Sexton Alderks shared his memo from the last Commission meeting and explained that at the end of each fiscal year, the City Finance department calculates the cash reserve amount necessary to fund the next year's budget which is to be retained in the Cemetery's City bank account. Alderks said that anything more than this calculated amount is a surplus that can be transferred to the Cemetery's investment portfolio and/or used for capital projects. Due to strong sales during the past fiscal year, Finance determined the Cemetery had an excess of \$311,652.

Chairman Anderson asked Tony Hoban from Wm. Blair how they would invest this money if it were transferred to their oversight. Hoban explained they would look to invest in domestic equities, particularly ramping up existing small cap holdings and adding some new ones. Hoban also said they would look to start building back

international equity investments since they are at the low end of the targeted allocation range.

Following a brief discussion of other options, Chairman Anderson asked for a motion. Commissioner Worobow motioned that the Commission “directs the City of Lake Forest Finance Department to transfer \$311,652.12 from the Cemetery’s Cash Account to Wm. Blair for investment purposes.” This motion was seconded by Commissioner Dixon. The motion carried unanimously.

V. CEMETERY UPDATES – VARIOUS MEMBERS

A. Memorial Garden Phase II Project Progress

Sexton Alderks stated that he had just sent out an email updating the Commission on the Memorial Garden Phase II project progress and that there were no further updates unless the Commissioners had questions regarding the Project.

B. Staffing Update

Sexton Alderks reviewed some staffing issues the Cemetery has been having with their 2 seasonal positions. He explained that it has been difficult to fill these positions this year, there have been performance challenges with the Cemetery’s seasonal employees.

C. Other Improvements – Asphalt Patching

Sexton Alderks shared that an additional \$15,000 worth of paving was recently completed consisting of two large patches. Alderks said he hoped to continue addressing problem areas in the roadway for the next couple of years before a complete resurfacing of the roadway in 5 years.

VI. CONSIDERATION OF CEMETERY FEES AND CHARGES FOR FY2025 – JOHN ANDERSON AND PHIL ALDERKS

Chairman Anderson presented the proposed FY2025 Cemetery Fees and Charges for approval. Anderson explained that given anticipated expenses and inflation, the proposed fees include a median increase of roughly +2.6-2.7% for lots, approximately +2.6% for niches in the Memorial Garden, a +2.6% increase for interment fees.

A question came up whether the Commission can adjust pricing *during* the fiscal year, specifically if the pricing of the new niches in the Memorial Garden could be changed *during* the upcoming fiscal year. Sexton Alderks said that because fees needed approval by City Council, he did not think this was something the City typically would allow. Alderks was recommending that the new niches in the Memorial Garden be priced the same as the niches in the Low Curved Wall since they are similar spaces.

Alderks also reviewed the proposed pricing for foundations (markers and monuments) and winter decoration, stating that prices have not gone up mainly because he believes they are at their upper limit and any increase would result in a decrease in sales. He noted that even though the prices would not be increasing, we are more than covering costs and it does help the Cemetery maintain good relationships with the families.

Commissioner Dixon motioned to approve the proposed fee increases, seconded by Commissioner Worobow. The motion carried unanimously.

VII. CONSIDERATION OF CEMETERY CAPITAL BUDGET – PHIL ALDERKS

Sexton Alderks presented the Capital Improvement Program Budget for approval. Alderks stated that over the last 10 years, the Cemetery has invested a lot in capital improvements between the ravine repairs and the Memorial Garden renovation project. He indicated that he had anticipated that this would be a light year for capital expenses but had just been informed by the City that it would be necessary to address some

repairs needed for one of the Cemetery ravines. Alderks said that because the Cemetery is now part of the City's Ravine Program, ravines are being regularly inspected and a recent inspection showed an area of concern in the main ravine at the east end of the Cemetery. Because of this, the project was moved up in the City's priority list. Engineering has informed us that the Cemetery needed to include \$75,000 in next fiscal year's budget for the project plan, and then the estimated project cost for FY2026 would be approximately \$750,000. Sexton Alderks gave a brief overview of what was done in the past and why there may have been rapid erosion.

Sexton Alderks then explained that the \$100,000 for Capital Equipment should not really be included as a capital expense as it is part of the Operating Budget. This \$100,000 is for the replacement of the Cemetery dump truck (now 20 years old).

Chairman Anderson reminded the Commissioners that in the current fiscal year's budget there is \$100,000 for the design of a cold storage facility. Anderson said that after conferring with Community Development, we believe the Cemetery can design and build the storage garage within that amount budgeted this year for design. Sexton Alderks said that he is currently working with the City Engineer on the location of the building and how the Ravine Setback Ordinance affects that location.

Commissioner Dixon motioned to approve the FY2025 Cemetery Capital Improvement Program Budget, which was seconded by Commissioner Worobow. The motion carried unanimously.

VIII. OTHER MATTERS

Chairman Anderson reminded the Commission that this is the time of year for mailing the Cemetery's Annual Donation letter. Anderson said letters typically are mailed to families shortly after Thanksgiving.

Sexton Alderks then provided an update on a family's request for a second marker on a single grave (which is against Cemetery Rules and Regulations) that was described at the last Commission meeting. Alderks stated he has not heard back from that family and is assuming no further action is needed at this point.

Alderks informed the Commission of a lot sale to the family of Peter Rukavina who was employed as a lifeguard for the City and had passed away after an accident. He explained that at the direction of the City Manager Jason Wicha, the Cemetery waived \$5,000 in lot and interment fees.

IX. CITIZENS OPPORTUNITY TO ADDRESS CEMETERY COMMISSION

No Citizens present.

X. NEXT MEETING: Wednesday January 25, 2024, at 5:00pm

Chairman Anderson noted that the next Cemetery Commission meeting will be at 5:00pm, Wednesday, January 25, 2024, at the Cemetery Gatehouse.

XI. ADJOURNMENT

There being no further business, Chairman Anderson asked for a motion to adjourn. Commissioner Thornburgh motioned, seconded by Commissioner Dixon. Motion carried unanimously by voice at 6:50pm.

Respectively Submitted by

Alyssa Williams