

The City of Lake Forest
Cemetery Commission Meeting
Proceedings of Wednesday July 26, 2023
Lake Forest Cemetery Gatehouse
520 E. Spruce Ave., Lake Forest, IL

I. CALL TO ORDER AND ROLL CALL

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

Commissioners' Present: Chairman John Anderson, Commissioners Robert Thornburgh, Robert Wayne, and Robert Worobow

Staff Present: George Issakoo, Assistant City Manager, and Elizabeth Holleb, Director of Finance, Phil Alderks, Cemetery Sexton

Others Present: Investment Managers Tony Hoban and Tim Gleason from William Blair & Company (Wm. Blair)

Absent: Commissioner Lowell Dixon

II. APPROVAL OF APRIL 12, 2023 MINUTES – JOHN ANDERSON

Chairman Anderson asked the members of the Commission if there are adjustments or corrections needed for the April 12, 2023 Meeting Minutes. Seeing none, he called for a motion to approve.

Commissioner Thornburgh motioned to approve minutes. Seconded by Commissioner Worobow. The following voted "Aye": Chairman John Anderson, Commissioners Thornburgh, Wayne, and Worobow. Motion passed unanimously.

III. SECOND QUARTER INVESTMENT REPORT – TONY HOBAN

Tony Hoban and Tim Gleason from Wm. Blair presented their second quarter investment report for the Cemetery. Hoban introduced the presentation and reported that year-to-date markets have seen gains in the teens, with particularly strong gains for the S&P 500. Tim Gleason then presented an overview of the market with more specific details about what is driving those gains. Regarding the Cemetery Investments, Gleason noted that Wm. Blair has made a few changes in the bond portfolio, including moving away from short maturity bonds (as discussed in the last meeting), has trimmed back our position, and has moved to intermediate-term bonds for yield protection to mitigate impact of future interest rate volatility. Gleason continued saying the Federal Reserve appears to be near finishing tightening interest rates, and when that happens the next step is cutting rates which will likely make bond prices rise and yields fall. Gleason explained that we want to take advantage of this by extending bond terms now, picking up higher interest rates and some capital appreciation.

Gleason continued by reviewing portfolio performance versus the blended benchmark. Tony Hoban noted that 7 to 10 large company stocks are driving overall equity market values, and that the Cemetery is well-positioned given our holdings in the large cap index fund. Hoban said that if we were not in that fund, we likely would not own any of those stocks given the focus of our current investment strategy.

Hoban pointed out that the total portfolio for the Cemetery is up +7.8% compared to the blended benchmark of +6.2%. He said that our investments have generally outperformed our benchmarks during the most recent quarter. Going forward he said Wm. Blair feels that US equities will continue to perform well, and international equities should catch up over time.

Hoban then moved on to asset allocation, stating that we have a significant cash position that Wm. Blair is currently managing down and investing. Fixed income is

consistent at 20% of the allocation although values are currently down slightly. US equities are slightly higher than our target allocation, while international equities are below our target allocation. Hoban stated we continue to be well within our policy ranges across all investment categories.

Chairman Anderson noted that the Cemetery's cash reserves are up significantly and shared a handout he had created showing a lookback at our total assets since June of 2020. Anderson stated that if you look at where we were then and where we are now, it is encouraging to see that due to strong sales, conservative investing, and careful use of our resources, we weathered the downturn in the economy during the pandemic, and today we are in a very good position financially.

Commissioner Thornburgh inquired about how cash is being invested by both the bank (City accounts) and Wm. Blair. Mr. Hoban answered that at Wm. Blair our cash is earning a little over 5%. Finance Director Elizabeth Holleb said the Lake Forest Bank cash is currently earning roughly 5% per annum.

Gleason then concluded the quarterly reporting by describing the new purchases in the equity portfolio, having four new investments.

Commissioner Worobow motioned to direct Wm. Blair to continue with the current investment strategy. Seconded by Commissioner Wayne. Motion passed unanimously.

IV. REVENUE/EXPENSE REPORT – JOHN ANDERSON AND PHIL ALDERKS

A. FY2023 EXPENSE REPORT – YEAR END

Chairman Anderson stated that FY2023 overall was an exceptionally good year from a financial perspective. He reported that total operating revenues for the fiscal year were strong with \$1.4 million compared to our budgeted revenue of \$860,000. He noted that this was mainly due to exceptional lot and niche sales with a greater number of interment services than had been projected. In addition, operating expenses for the twelve-month period were under budget. This was due to staffing issues and not being fully staffed at different times during the fiscal year.

Regarding capital expenses, Anderson said that even though the Memorial Garden Phase II Project has been approved and the loan conceptually accepted by the City Council, the loan itself will be reflected in FY2024 as it will be finalized and approved in tonight's Commission meeting. Anderson explained that up until this point, capital expenses for the Memorial Garden Phase II Project generally have been paid from existing Cemetery revenues and cash reserves.

B. FY2024 REVENUE/EXPENSE REPORT

Chairman Anderson shared the FY2024 YTD Revenue-Expense report with the Commission. He said that the timing of lot and niche sales can be uneven which is why revenues look weak for the start of the fiscal year. Sexton Alderks added that the current report is for a brief period that only reflects the first 2 months of the first quarter. Alderks added that July's revenue, which has not been reflected in the report but is part of the quarter, is currently over \$93,000, which puts our revenues on track for the full quarter. Alderks also stated there is a \$60,000 lot buy back in process, but those graves will go back into inventory to be sold to another Lake Forest family.

Chairman Anderson concluded the discussion by reporting on the Capital Revenue and Expenses. Anderson said that while there is currently not much to report, that will soon change once the Memorial Garden Phase II Projects is fully underway.

C. DISCUSSION OF CEMETERY CASH RESERVE USE

Chairman Anderson shared a memo from Sexton Alderks regarding the Cemetery's cash reserve. Anderson noted that as of April 30, 2023 the Cemetery's cash balance is approximately \$1.3 million less \$100,000 budgeted for the building planning costs for the Cemetery's cold storage building, which Sexton Alderks said the Commission approved last fiscal year and that money was rolled over into the current fiscal years budget.

Anderson said that City Finance requires the Cemetery to start each fiscal year with cash reserves fully covering the budget for that year. He said that because of the strong Cemetery revenues last year, we have a surplus of funds available beyond the required cash reserve. Consequently, Anderson explained that the Commission has a couple options regarding the surplus cash for FY2024. The Commission could direct City Finance to transfer surplus cash to Wm. Blair for investment purposes, or the Commission could use the surplus cash for upcoming capital expenses (i.e., for the Memorial Garden Phase II Project).

Following discussion regarding interest rates, return on investment, and debt reduction, the Commission tabled the subject until the October meeting.

V. APPROVAL OF LOAN FOR CITY LOAN FOR MEMORIAL GARDEN PROJECT

Chairman Anderson requested a reordering of agenda items and introduced Finance Director Elizabeth Holleb. Anderson then reviewed the key points of the City's loan agreement stating that the amount being borrowed would be \$905,000 with an interest rate of 3.5% for a ten-year term.

Finance Director Elizabeth Holeb explained that the City left the issue date open and is seeking direction from the Commission as to when they would like to begin drawing funds from the loan. She also said that the City left the loan amount open to a maximum amount of \$905,000 should the Commission desire to use surplus cash to reduce the amount of the loan. Holleb then explained that the schedule of the principal payments would begin yearly on May 15th, starting on May 15, 2024, so that the Project could be completed prior to the first payment being due. Holleb was asked if there was a penalty for paying off the loan early and she stated that there would be no penalty for early/advance payment of the loan amount.

Following some discussion, the Commission directed Holleb that they would like the loan amount to be the full \$905,000 and the issue date to be August 15, 2023.

Chairman Anderson requested a motion to approve the loan agreement proposed by the City of Lake Forest. Commissioner Thornburgh motioned which was seconded by Commissioner Wayne. Motion passed unanimously.

VI. CHAIRMAN'S COMMENTS

Chairman Anderson shared that he is feeling positive in many ways regarding the work going on in the Cemetery. He noted that there have been an extraordinary number of interment services in the past 4 to 6 weeks and commended the staff for their hard work, handling and managing the large volume of services, and their day-to-day work, even with staff shortages. He said, that while this is all part of the business of the Cemetery, he is encouraged and appreciative that we are getting through it. Anderson also said that Semper Fi has been very responsive to our needs and doing great work on the Memorial Garden Phase II Project.

VII. CEMETERY UPDATES – VARIOUS MEMBERS

A. MEMORIAL GARDEN PHASE II UPDATE

Sexton Alderks shared that the Project is moving along well, and he is very pleased with the work that our contractor (Semper Fi Land Services) is doing. Chairman Anderson explained to the Commissioners that there have been some issues with plans and dimensions for the bluestone walkway, and due to some philosophical differences regarding how the work should progress, the design firm removed themselves from the project work.

Chairman Anderson said that the project is on schedule so far. Sexton Alderks added that there have been some complications with the positioning of the niches that we are trying to resolve and are waiting for an install date for the niches while Eichoff makes required adjustments.

Alderks said that we encountered some problems from the initial project completed 20 years ago. Alderks said the because the base under the bluestone was installed incorrectly it has required additional base work of slightly under \$30,000 which will be paid from project contingency amount.

Alderks invited any of the Commissioners that would like to tour the project that they should contact the Cemetery office and he would be glad to show them around.

B. SEMERSKY MAUSOLEUM

Sexton Alderks updated the Commission regarding the Semersky Mausoleum. He stated that of the 2 design options that were approved at the July Cemetery Commission meeting, the family decided to go with the pedestals at the forward location, even with the mausoleum steps.

Alderks said that Rock of Ages, the mausoleum contractor, has told him that projected date for installation looks to be either May or June of 2024. Alderks further stated that the family is very pleased and things are moving forward. The foundation is scheduled to be poured in April of 2024.

C. CEMETERY SPACE PROJECTIONS REPORT

Chairman Anderson reviewed the Cemetery Space Projections with the Commission stating the Cemetery has approximately 15,000 total burial spaces, and of those 2200 remain available for sale. Anderson said there is also the possibility of an additional 149 graves using platted space that is currently being held in reserve.

Looking at our columbarium spaces, Anderson reported that there are currently 850 niches available for sale, and when Phase II is completed there will be an additional 414 columbarium niches for a total of 1260 available niches for sale.

Based on our inventory and historical lot sale data, Anderson stated that the Cemetery has an estimated 56 more years of grave space available and approximately 50 years of niches. In addition, Anderson noted that we have space in reserve that has not been platted that could be used as inground, grave space or it could be used for the construction of an additional columbarium which would extend the Cemetery's availability out to 70 + years.

Anderson concluded by stating that he thinks this is a good exercise to look at annually and to share with City Council. He said that it not only presents a sense of our availability but also helps us better understand how availability relates to future revenues and cash flow.

VIII. CEMETERY ANNUAL REPORT PRESENTATION TO CITY COUNCIL FINANCE COMMITTEE

Chairman Anderson then shared his recent presentation on Cemetery Investments to the City Council Finance Committee with the Commissioners. This presentation is required on a yearly basis per the Cemetery's Investment Policy.

Anderson explained the numbers may look a little different than what the Commission reviews quarterly because they are based on the fiscal year and not calendar year. He pointed out that the investment assets have seen modest growth over the past fiscal year from FY2022 to FY2023 as well as considerable growth since Wm. Blair took over our investment account management.

Anderson stated that he thought it important to reinforce with the Finance Committee that the Cemetery has strong investment policies and procedures in place. He said he reviewed the current investment strategy, current and expected capital expenditures, and spending. He also said that there were not a lot of questions following the presentation.

IX. OTHER MATTERS

Sexton Alderks shared the Cemetery is working with a family regarding their insistence of placing an additional marker on a grave when Lake Forest Cemetery Rules and Regulations allow only one marker per grave which had been explained to them on multiple occasions prior to selecting the interment location. Alderks said that even though multiple interments are allowed in each full-sized, single grave, only one grave marker is allowed with multiple names for aesthetics and maintenance purposes. Chairman Anderson said if the Commission needs to help, they will. Alderks said he will keep the Commission informed with any updates.

X. CITIZENS OPPORTUNITY TO ADDRESS CEMETERY COMMISSION

No Citizens present with questions or comments.

XI. NEXT MEETING

Chairman Anderson noted that the next Cemetery Commission meeting will be at 5:00pm, Wednesday, October 25, 2023, at the Cemetery Gatehouse.

XII. ADJOURNMENT

There being no further business, Chairman Anderson asked for a motion to adjourn. Commissioner Wayne motioned to adjourn, seconded by Commissioner Worobow. Motion passed unanimously at 6:40pm.

Respectively Submitted by
Alyssa Williams