

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE  
MINUTES OF MEETING – **September 19, 2016**

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Monday, September 19, 2016 at 6:00 PM in the Village Hall Board Room, 40 E. Center Ave., Lake Bluff, Illinois.

Members Present: Trustee Steve Christensen, Chairman  
Trustee Mark Dewart, Member  
Trustee Barbara Ankenman, Member

Others Present: Kathleen O'Hara, Village Board President  
R. Drew Irvin, Village Administrator  
Susan Griffin, Finance Director  
Marlene Scheibl, Assistant Finance Director  
Jeff Hansen, Village Engineer  
Kathy Meierhoff, Library Board President (departed at 6:50 PM)  
Carole Stroh, Library Board Vice-President (departed at 6:50 PM)  
Scot Butler, Library Board Treasurer (departed at 6:50 PM)  
Eric Bailey, Library Director (departed at 6:50 PM)

II. Approval of Minutes

*Member Dewart made a motion to approve the minutes of the June 27, 2016 meeting as presented; seconded by Member Ankenman and approved unanimously on a voice vote.*

III. Business Items

1. Library Report Regarding Building Expansion Plans and Fundraising Campaign  
Library President Meierhoff said a press release will be made soon announcing the plans of the library expansion and fundraising. The Lake Bluff Library Board is planning the construction of improved and expanded facilities in order to continue to meet the Library's mission. Growing facility usage, patron input, and a thorough space usage study support the need for this project. The proposed expansion and improvement has an estimated cost of \$5M and will add 3,100 square feet of usable space. This would represent a 33% increase in library space. It includes the addition of group meeting rooms, space for teens, increased seating, a quiet reading area, improved accessibility, an improved staff workroom, better acoustics, and improved comfort and appearance. Library President Meierhoff said the Library has been considering a project of this scope since 2010 when many improvements were made but never resolved space utilization and modernization issues. Library Director Bailey noted that libraries are evaluated on the scope of their collection which requires space to accommodate the books and other media. After a great deal of study the issue of how to raise funds was addressed. The Library Board decided to engage a professional fundraising consultant to prepare a feasibility study to determine the potential for a fundraising campaign since all or most of the money will come

from donations for this project. Member Dewart asked if the Library planned to maintain or increase its collection size. Director Bailey said the collection size should stay the same at a minimum. Discussion ensued regarding the use of the library space for homework, tutoring and meetings. Member Ankenman asked if there would be the opportunity for smaller donations. Library President Meierhoff said there are ways the project can be staged based on fundraising results. Member Dewart inquired as to how effectively the recent improvements will be integrated into the new plan. Director Bailey responded that at the time those improvements were made expansion was already being considered. President O'Hara said one issue that needs consideration is customer parking. It was noted that at the time of the Wood building addition, the building Architectural Review Board had safety concerns about rear building parking because the ingress and egress both cross a sidewalk and suggested it should be used predominately for staff parking. VA Irvin asked if the operating expenses of the additional space will be covered by the current operating budget. Library President Meierhoff replied that it is not anticipated there will be any increase in the levy to support operating expenses. She said the Library should have information from the fundraising consultant by the end of January.

2. Discussion Regarding Draft FY2016 Auditor Communications to the Board and Draft Comprehensive Annual Financial Report Informational Report

As part of the annual audit the Village auditors, Sikich LLP, is required to communicate internal control matters that they classify as significant deficiencies and material weaknesses to those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis.

Sikich noted that during their testing of the Foreign Fire Insurance Tax Fund (FFIT), the Village was unable to immediately provide support for the expenditures selected for testing. We recommend that the Village request documentation and maintain support for all foreign fire activity throughout the fiscal year in order to maintain and safeguard all Village records in a centralized location.

Director Griffin explained the source of this annual \$23,000 foreign fire insurance tax monies and that state statute requires that the funds are to be used for the "use and benefit" of the fire department. The Treasurer of the FFIT Board will provide invoices for expenses on a regular basis and the invoices will be retained at Village Hall.

Sikich also recommended that the Village continue to monitor the ratio of billed versus pumped water and investigate the water losses. Director Griffin noted that the Village engaged an engineering firm to televise the water system for leaks. Some leaks were found and repaired but this occurred after May 1<sup>st</sup>. The staff will continue to monitor the water purchases compared to billed consumption regularly.

3. Discussion Regarding Automated Water Meter System Implementation and Water Project Funding

The Village's current budget includes \$375,000 for the replacement of water meters and the installation of an automated water meter reading (AMR) system. The goals of this project are to: a) increase the accuracy of meter billings; b) obtain readings more efficiently and more frequently; and c) to improve our knowledge of the meter inventory and lead services in the community. These goals will help to align water consumption with water purchases to detect and mitigate unaccounted for water and to reduce water fund operating costs. In June, Strand Associates was engaged by the Village to assist in design, development of a request for proposals, and implementation oversight of this project. Upon review of information from Strand, the Village invited representatives from Mueller and Sensus to present their systems. The FY17 budget was prepared based on the assumption that only manually read meters would be replaced. However, preliminary pricing obtained by Strand significantly exceeded the Village's budget. Noting the 10-20 year consequence of this decision, staff felt it prudent to evaluate the cost of expanding the scope to replacing all the meters and comparing both vendors' costs by the two reading methods (fixed or drive-by). The engineering cost estimates for the drive-by (AMR) estimated for Mueller and Sensus are \$699,119 and \$983,280, respectively. The cost estimates for the AMI system for Mueller and Sensus are \$843,769 and \$989,715, respectively. Sensus recommends that they host the AMI system because of the volume of data collected which costs \$20,000 per year in addition to the initial costs of the system and installation. The Sensus AMR system is migratable to the Sensus AMI system, but Mueller transmission devices cannot be read by their AMI system. Director Griffin briefly explained the current process noting the potential for inaccurate billings due to manual meter reading. Further, because the Village bills 1/3<sup>rd</sup> of the community each month, the lag between water purchases and readings makes it difficult to detect problems in a timely manner. VA Irvin said after seeing the cost staff considered many factors while deliberating the necessity of the project. Village Engineer Hansen stated the Illinois Environmental Protection Agency wants to know how much water is purchased and how much is being billed and expects an unaccounted for loss of 10% or less. Chairman Christensen asked about financing options. Director Griffin said there were three options for financing. The General Fund could loan money to the Water Fund. This option would look at a 10 year payback, would involve low risk, and interest could be charged to the Water Fund. Another option would be a 10 year bank loan. The third option would be to issue bonds. The Village is still in very good fiscal position with low debt, a strong property value base, and a strong sales tax base. Chairman Christensen said it was a good option to loan money fund to fund noting that the General Fund balance has excess reserves. Member Dewart said since this is such a large project it may be worth considering other large water projects which also may need to be done. Discussion ensued briefly about the retail water rate structure. Chairman Christensen said he does not want to see this project postponed but there is a lot of information to review and the committee needs more time. The members suggested waiting 3-6 months to see the impact on the water losses from the recent repairs and requested staff prioritized this project along with the other capital improvements.

4. Discussion Regarding 2016 Property Tax Levy Estimates and Police Pension Actuarial

Director Griffin presented the estimated levy. The total Village equalized assessed valuation (EAV) was calculated using a 5% increase. The 2015 EAV

increased 8.8% and the value of new construction was \$2.9 million, which included a partial year for Target and the commercial development. The Target development will impact the 2016 new construction figures as the store will be on the tax rolls for a full year. With the CPI-U factor of 0.7% and new construction estimated at \$3 million, the PTELL maximum levy is \$4,130,662 with a blended tax rate of .7539 per \$100 of EAV. This report shows the Library tax levy at the PTELL maximum. The total Village levy is estimated to be an increase of \$40,058 with \$17,846 allocated to Village's General, IMRF and FICA Funds and \$22,212 allocated to the Police Pension Fund. The Library's estimated increase is \$11,115 or 1.254%. The Police Pension Fund recommends a 2016 property tax levy of \$672,315 which increases the tax levy 3.4% from the prior year. The funded ratio increases slightly as of April 30, 2016 to 57.80% from 57.60% in the prior year even as the actuarial accrued liability increases from \$15.378 million to \$16.052 million.

IV. Next Meeting

The next meeting will be on Monday September 26, 2016 at 6:00 PM.

V. Adjournment

Member Dewart made a motion to adjourn the meeting at 8:30 PM; seconded by Member Ankenman and all members voted aye.

Respectfully submitted,

Marlene Scheibl  
Assistant Director of Finance