

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE
MINUTES OF MEETING – **October 31, 2015**

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Saturday, October 31, 2015 at 8:30 AM in the Village Hall Board Room, 40 E. Center Ave., Lake Bluff, Illinois.

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

Others Present: Kathleen O'Hara, Village Board President
Barbara Ankenman, Village Board Trustee
Eric Grenier, Village Board Trustee
William Meyer, Village Board Trustee
R. Drew Irvin, Village Administrator
Susan Griffin, Finance Director
Marlene Scheibl, Assistant Finance Director
Franco Bottalico, Village Intern
Dan Berg, Partner, Sikich LLP (left at 9:10 AM)
Eric Bailey, Library Director (left at 10:20 AM)
Kathy Meierhoff, Library Board President (left at 10:20 AM)
Carole Stroh, Library Board Vice-President (left at 10:20 AM)
Scott Butler, Library Board Treasurer (left at 10:20 AM)

II. Approval of Minutes

Trustee Ankenman moved to approve the minutes of the April 6, 2015 meeting as presented; seconded by Member Dewart and approved unanimously on a voice vote.

III. Business Items

1. Review of FY2015 Draft Comprehensive Annual Financial Report and Auditor Communications to the Board

Mr. Berg said Sikich has issued the Village a clean opinion on the Comprehensive Annual Financial Report (CAFR). The Statement of Net Position focuses on how the Village can spend resources. The capital assets are shown at historical cost less depreciation less debt incurred to purchase or build the assets. The Restricted Net Position are legally restricted. The Unrestricted Net Position has increased by about \$1.1M. The change in net position was \$716,180. The Water fund's change in net position was a decrease of \$86,387 due to declining usage and depreciation expense. The Balance Sheet for the Governmental Funds shows \$5.8M in Unassigned Fund Balance for the General Fund. By comparing the Unassigned Fund Balance of \$7.8M to the expenditures the Village has seven months of expenditures covered in the fund balance. The Village adopted GASB Statement No. 67 during the year ended April 30, 2015 and will be adopting GASB Statement No. 68 for the year ending April 30, 2016 which means the long term liability associated with the IMRF and Police Pensions will now be on the face of the Statement of Net Position. Much of this new information has been in the note disclosures and supplemental information component of the CAFR in the past but these GASB statements will change where and how the information is presented. Net Position will dramatically change for next year as the pension long term liability will reduce the net position. In the past, bond issuers have understand this presentation and taken it into effect in the bond rating analysis so this change should not have dramatic effect on the Village's bond rating. Mr. Berg said he encourages users to read MD&A which compares this year's results with last years and provides financial highlights.

Also, the transmittal letter and statistical section of the CAFR provide a great deal of information.

Trustee Ankenman moved to recommend to the Village Board acceptance of the Comprehensive Annual Financial Report; seconded by Member Dewart and approved unanimously on a voice vote.

2. Discussion Regarding 2015 Property Tax Levy Estimates and Police Pension Actuarial Recommendation

The CPI-U factor is 0.8% down from 1.5% last year, the EAV for 2015 is projected at 107% of the 2014 amount and new construction is estimated at \$2.976 million based on preliminary data from the Lake County Assessor. The new construction represents a portion of the Target development partly because the businesses opened in late July 2015. The estimated maximum amount under the Property Tax Limitation Act (PTELL) that could be levied is \$4,079,460 (including Library portion) representing a 1.388% increase. While the Village is not legally limited by the tax caps since becoming home rule, the Village Board passed a resolution pledging to not increase the aggregate levy in excess of the amount that is allowed under the PTELL. Under the estimated levy, the Village would realize \$43,717 and the Library \$12,130 for a total of \$55,847 new dollars while the blended tax rate would decrease from \$.839 to \$.795 per \$100 of EAV.

The actuary recommends a total Village contribution of \$650,024 or 51.9% of payroll and notes the statutorily required contribution is \$455,599. This 2015 recommended levy amount is 1.5% greater than the \$640,595 recommended last year. Director Griffin remarked that the Village loses the compounding effect when less than the maximum is levied. Chairman Christensen calculated that a reduction in the levy of \$400,000 over a 10 year period would have a minimal effect on individual tax bills. President O'Hara stated most of the increase is due to the police pension funding and the Police Pension Fund is required to be 90% funded by 2040. She stated the Village has the 3rd lowest tax rate in the county and faces uncertainty with the state revenues while having a significant infrastructure costs to finance. Member Dewart said the Village needs to be prudent in contributing to fund the police pension and in maintaining adequate resources to pay for expenses. Trustee Grenier said it is important to continue the Village's strategy to aggressively seek alternative revenue sources.

Library Director Bailey reviewed the Library's preliminary levy request for a levy of \$901,008 which is \$14,960 higher than the PTELL amount and 3.1% higher than 2014. VA Irvin said under Illinois law the Library submits their levy request and the Village passes the request through. Discussion ensued regarding the Library's budget and long-term expenditures. President O'Hara said with the state operating for five months without a budget these are very uncertain times.

3. Consideration of an Amended and Restated Landscape Waste Composting Agreement with DK Organics

Since 1994 the Village has contracted with DK Organics of Lake Bluff, Illinois for the processing of all yard waste delivered to the Public Works Center by Village crews and residents. In November 2013 the Village reviewed and extended the agreement for a period of 2 years. The Village and DK's partnership continues to be mutually beneficial in that the Village reduces its fees for household waste collection, secures quality materials for Village and resident landscape needs and furthers the Village's sustainability efforts. Village Staff has researched alternative service providers and mainly due to logistics and value, is again recommending extending the Village's agreement with DK. Village staff recommends extending the contract with DK Organics for a period of 3 years with the following suggested changes:

- Move to a flat fee of \$29,500 per year with one payment versus paying by cubic yard;
- DK wit provide the Village access to high quality compost materials (super fines) in addition to mulch;

- DK and the Village will share installation fees (not to exceed \$3,000) for a gate to provide added site security;
- DK has agreed to accept food scrap waste at their site in North Chicago for no additional charge to the Village;
- Add a 120-day escape clause for the Village.

Member Dewart moved to recommend to the Village Board to acceptance the agreement; seconded by Trustee Ankenman and approved unanimously on a voice vote.

4. Review of FY2017 and FY2018 Biennial Budget Calendar

Finance Director Griffin reviewed the Biennial Budget Calendar. This will be the first time the Village prepares a Biennial Budget. The Village will still need a Budget Ordinance for each year. Trustee Ankenman asked if the ambiguity with the State's financial situation will make this a difficult year to implement a Biennial Budget. Director Griffin said if needed, the Village does have a contingency fund and also the option to amend the budget. Member Dewart said the Village needs to think strategically and he would like the Village to have another retreat to discuss strategy.

5. FY2016-17 Special Vehicle License

In February 2012, the Village Board approved a resolution establishing a Vehicle Sticker Design and Fundraising Program. Since the approval of this program the Alliance for Education, the Lake Bluff History Museum, and the Lake Bluff-Lake Forest Kiwanis Club have all been approved to issue special stickers at a cost of \$15 above the price of the regular sticker fee. In March 2015, the Lake Bluff Garden Club requested the opportunity to issue the special vehicle sticker for the residents for the fiscal year beginning May 1, 2016 to acknowledge the 100th anniversary of the Club. At this time, the Village has not received any additional requests to participate in the vehicle sticker fundraising program for the upcoming fiscal year.

The committee approved the request.

6. Report Concerning Personnel Manual Safe Harbor Provision

The Village has a Safe Harbor provision in the employee handbook for employees who began service prior to January 1, 2012. The provision states "To the maximum extent authorized by law, for all Pre-2012 Employees, it is the policy of the Village not to include as part of such employee's reported earnings for any of the 12-month periods that may be used to determine such employee's final rate of earnings, any of the earnings, adjustments, payments, benefits, or compensation that are provided for or otherwise allowed pursuant to the terms of this employee handbook for purposes of making accelerated contributions or payments to the Illinois Municipal Retirement Fund in accordance with 40 ILCS 5/7-172(k)." VA Irvin said the timing of employee retirements can trigger higher pension payments. The Village doesn't know when employees will retire but the exposure is small due to the small number of employees the Village employs.

IV. Next Meeting

The next meeting will be scheduled as needed.

V. Adjournment

Member Dewart made a motion to adjourn the meeting at 10:50 AM, seconded by Trustee Ankenman and all members voted aye.

Respectfully submitted,

Marlene Scheibl
Assistant Director of Finance