

**MINUTES  
CITY OF DEKALB  
JOINT CITY COUNCIL & FINANCE  
ADVISORY COMMITTEE MEETING  
MAY 11, 2016**

A joint meeting of the City Council and Finance Advisory Committee of was held on May 11, 2016 in the City Council Chambers of the DeKalb Municipal Building, 200 South Fourth Street, DeKalb, Illinois.

**A. CALL TO ORDER**

Mayor Rey called the meeting to order at 5:31 p.m.

**B. ROLL CALL FOR ATTENDANCE**

City Clerk Jennifer Jeep Johnson called the roll, and the following members of the City Council were present: Alderman Michael Marquardt, Alderman Bob Snow, Alderman Kate Noreiko, Alderman Tony Faivre and Mayor John Rey. Alderman Bill Finucane arrived at 5:45 p.m. Alderman David Jacobson and Alderman Dave Baker were absent.

The following members of the Finance Advisory Committee (FAC) were present: Chairman Mike Peddle, Connie Golden, Tom Teresinski, David Conlin, Mike Verbic, and Lynn Neely. Ronald Partch was absent.

Also present were: Assistant City Manager Patty Hoppenstedt, Finance Director Cathy Haley, Deputy Police Chief Wes Hoadley, Deputy Fire Chief Jeff McMaster, Public Works Director Tim Holdeman, Community Development Director Ellen Divita, Management Analyst Lauren Stott, Management Analyst Jared Heyn, Assistant Finance Director Robert Miller and City Clerk Jennifer Jeep Johnson.

The Mayor made opening remarks, stating the City Manager would not be in attendance in order to tend to family issues. He reminded everyone that the budget is more than just a financial document.

**C. SIX-MONTH BUDGET PROCESS**

Finance Director Haley provided an overview of the six month budget, which is being called FY2016.5. She briefly explained how the budgeting process works, and how the document was prepared.

Finance Director Haley explained that the City's 2025 Strategic Plan has been incorporated into the budget, stating the goals contained therein have been aligned with the budget dollars. She highlighted that the budget had been prepared with technology in mind in order to create efficiencies throughout current City operations.

Finance Director Haley briefly explained that General Fund FY16 revenues are trending slightly below budget and FY16 expenditures are trending in below budgeted parameters by more than \$1.0 million. Graphs were provided showing these trends. She explained that property tax revenue for FY16.5 is shown in full since all dollars will be collected prior to December 31, 2016.

Chairman Peddle provided greater insight into what citizens would be seeing on their property tax bill: the City's portion, the library, pension levy.

Finance Director Haley continued to provide an overview of:

- Revenue assumptions.
- Income tax assumptions.
- The continued transfer in from Water for the EPI study recommendation of payment in lieu of taxes.

Brief discussion ensued as to State versus County wide trends regarding taxing.

Brief discussion ensued as to when the Library budget will be incorporated for discussion.

Finance Director Haley provided a 10 year trend in property tax assumption graph, as well as Home Rule sales tax, and income tax.

Brief discussion ensued as to EAV trends.

Finance Director Haley also highlighted Municipal sales tax, Local Use tax, and Telecom tax.

#### **D. REVENUES**

1. Overview of Comparables
2. Recommended changes for FY 2016.5

Finance Director Haley walked the Council and FAC through the table of various tax revenues compared to other cities.

Deputy Fire Chief McMaster provided information on insurance rates from the Fire Department.

Further discussion ensued as to what savings have been realized under the ACA, if any.

Brief discussion ensued as to the cost of ambulance fees.

Finance Director Haley highlighted changes in both the ambulance revenue charges, and video gaming revenue, which was recommended to be increased to the maximum allowed. Both revenue recommendations would be made for General Fund purposes.

Further discussion ensued as to the fees, and how they work.

Mr. Teresinski thought the revenue projections were exactly what the FAC needed in order to make decisions.

Brief discussion ensued as to liquor licensing fees.

Further discussion ensued as to how insurance billing works regarding ambulance needs.

## **E. FY2016.5 BUDGET PRESENTATION**

Finance Director Haley provided the following overview via a slide presentation:

- General Fund Expenditures: trending below budget by just over \$1.07 million
- Salary Assumptions: Police Union Contract
- Staffing Changes: Increasing Telecommunications part-time hours, which will have a decrease for overtime dollars
- Filling the IT Director position in three months (reflected in the budget)
- Increasing CDAA hours (\$8,400)
- Other Expenditure Assumptions:
  - Transfer of \$636,418 to Fleet and Equipment for new purchases
  - Matchpoint Consultant Phase I
  - Digital Soundboard
  - Fire Department increase in training and membership
  - Intelligent stream recorded system
  - Meggitt Training Firearms simulator and Police Department equipment
  - 50-50 Tree Planting Program reinstated

City staff recommended a language change to the Fund Balance Reserve Policy.

It was further explained that with recommended transfers, the City would have a deficit budget of a little over \$619,000, but the reserve fund balance is still at 25%. Mr. Teresinski wondered whether the Airport would require a subsidy.

Brief discussion ensued as to whether the Airport would receive a loan or a transfer.

Finance Director Haley explained that the goal is for the Airport to be self-sufficient.

Finance Director Haley highlighted the increase in the fund balance from FY2013 to FY2016, stating they're at their highest rate in 10 years.

1. FY16.5 12-month budget comparison: What the 12 month projection would look like.
2. Five-Year Financial Projection: Appendix section of the Budget.

Meant to be a tool for more thorough projections.

Finance Director Haley drew attention to the City's health care expenditure history.

Finance Director Haley walked Council and the FAC through the projections, pointing out that it is a tool to help guide expenditures.

Chairman Peddle stated concern with ending projections at a 20% reserve, with further discussion as to how best to approach the fund balance, and where expenditures will fit into the five year projections.

Police and Fire Pension Funds: Separate Funds with their own boards, with their own accounting.

Mr. Teresinski pointed out that pensions are established at the State level, and are non-negotiable, but asked whether any of the other components are moveable, with Finance Director Haley saying no.

Chairman Peddle stated he wanted to look at the big picture, which is that the City's pension liabilities are underfunded, so looking government wide, there isn't a giant surplus of cash that the City is sitting on.

Further discussion ensued as to retiree benefits.

Brief discussion ensued as to the General Fund transfer.

Chairman Peddle pointed out that one of the points of this process is for citizens to be able to understand the budgeting process. He explained where information can be found on the website.

3. Internal Service Funds

Finance Director Haley walked everyone through these numbers, including workers compensation numbers. She highlighted all of the expenditures.

Brief discussion ensued as to the health care plan offered by the City.

Assistant City Manager Hoppenstedt provided a brief explanation of the deductibles for the family plans, and the insurance coverages of employees.

Discussion ensued as to the Water Fund.

Property and liability insurance was addressed.

Finance Director Haley directed everyone's attention to the summary of the General Fund, and Fund Balance Report (page 27), showing every fund across the City, and where the fund balance is expected to fall in FY16 and FY16.5.

Brief discussion ensued as to the staff phase out projects.

Chairman Peddle inquired into the employee gift card line item, which has been eliminated this year.

**F. OTHER ITEMS**

Mr. Teresinski stated the FAC expectations of the five year plan. The FAC agrees with the mechanics, and would like to see DeKalb compared to other college towns, to understand what the City is doing and why.

Chairman Peddle highlighted the notion of comparables and the need to develop a set of comparable communities that would be used for different purposes: wages, versus menu of services. Expectations on comparables for expense side, median income, etc. in order to make a five year plan that makes sense, and is sustainable.

Assistant City Manager Hoppenstedt stated that comparables can vary so drastically from town to town that it requires a remarkable level of detail in order to sort out the details.

Alderman Noreiko requested a breakdown of full time and part time employee hours, asking for them to be listed in full time equivalent.

Assistant City Manager Hoppenstedt said staff has attempted to simplify the data to total number of people, instead of total number of hours, because there are variances in part time staff. The calculation of all of the variances was skewing the numbers, so it was simplified to number of people.

Chairman Peddle stated that the goal was to be transparent and strategic, highlighting the importance of prioritizing what needs to be known. He wants the numbers broken down in all the ways that are needed, without saying that the data is too complicated. He respectfully acknowledged the difficulty in compiling the data, but said it needs to be understood better. The goal for any organization is to have benchmarks, and it's the FAC's opinion that adequate benchmarks currently do not exist. The FAC is asking for such benchmarks in order to better understand what's being done.

Alderman Snow agreed with the former comments.

#### **G. PUBLIC PARTICIPATION**

Mr. Dwayne Brown inquired as to what percentage of Police and Fire pensions are funded, with Finance Director Haley responding 51.4% Police and 41.4% Fire.

Mr. Brown asked specific questions about his tax bill, with discussion ensuing as to how Illinois state taxes work.

#### **H. CONFIRM NEXT MEETING DATE AND TIME**

The next joint meeting of Council and the FAC will take place on Wednesday, May 25, 2016.

Mayor Rey thanked Finance Director Haley, City staff, the FAC and Council members for their participation.

#### **I. ADJOURNMENT**

##### **MOTION**

Alderman Noreiko motioned to adjourn: seconded by Alderman Marquardt.

##### **VOTE**

Motion carried on a voice vote of all Council and FAC members present. The meeting adjourned at 7:39 p.m.

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**JENNIFER JEEP JOHNSON**, City Clerk

Approved by City Council June 13, 2016.

Approved by Finance Advisory Committee July 12, 2016.