

**MINUTES
JOINT CITY COUNCIL AND FINANCE ADVISORY COMMITTEE
CITY OF DEKALB
JUNE 1, 2016**

The Joint City Council and Finance Advisory Committee meeting of June 1, 2016 was called to order at 5:30 p.m. by Mayor Rey.

Roll Call

City Council members present were: Alderman David Jacobson (arrived at 5:37 p.m.), Alderman Bill Finucane, Alderman Michael Marquardt, Alderman Bob Snow, Alderman Kate Noreiko, Alderman Anthony Faivre (arrived at 5:37 p.m.), and Mayor John Rey.

Finance Advisory Committee members present were: Tom Teresinski, Connie Golden, Lynn Neeley (arrived at 5:32 p.m.), Mike Verbic, David Conlin, Ron Partch (arrived at 5:34 p.m.), and Chairman Mike Peddle.

Others present were: City Manager Anne Marie Gaura, Finance Director Cathy Haley, Fire Chief Eric Hicks, Police Chief Gene Lowery, Assistant City Manager Patty Hoppenstedt, Public Works Director Tim Holdeman, Community Development Director Ellen Divita, and Deputy City Clerk Carri Parker.

Mayor Rey summarized his opening remarks by stating the intent of the meeting is to bring to the public the issues that have surfaced from prior discussions with a goal of moving to a consensus on the FY16.5 budget. With the public hearing and first reading of the budget scheduled for June 13, 2016 and the second reading and final passage of the FY16.5 budget scheduled for June 27, 2016.

Discussion on Long-term Funding Option

City Manager Gaura summarized how beneficial this software demonstration is to assist in financial forecasting and how it could be the key part in the Public Works Capital Improvement Plan. This program will determine what the City's revenue needs are and how it could model the revenue sources. She added that the software is not in the FY16.5 budget.

Public Works Director Holdeman added that this financial tool will be a key part of the Street, Fleet and Facilities master plan. This software will allow staff to balance the priority of the City's needs. He then introduced Kyle Stevens from Hawksley Consulting (MWH Engineering Firm).

Chairman Peddle asked how this software relates to the Enterprise Resource System (ERP). Finance Director Haley stated it would be a separate software program. Mr. Stevens presented the financial software.



After the presentation, a discussion ensued with regard to using the entire budget, who their current customers are, how different scenarios can be used in real-time to project the financial forecast, advantages, cost of the program and if this program would be effective for the City.

The software presented was not approved as no vote was needed. It was suggested to look at it in the future for FY17.

Committee Member Teresinski left the meeting at 6:07 p.m.

Committee Member Teresinski returned to the meeting at 6:08 p.m.

Approval of Recommendations Regarding FY2016.5 Policy Issues

Financial Policy change regarding Transferring of Funds to Capital

MOTION

Chairman Peddle motioned to leave the policy as is and if the Council decided to do a one-time transfer based on the City's needs for FY16.5 they may do so. Motion was second by Committee Member Golden.

The City Council and Finance Advisory Committee discussed the motion on the importance of change.

VOTE

Motion carried on a 14-0 roll call vote.

City Council members: Aye: Jacobson, Finucane, Marquardt, Snow, Noreiko, Faivre and Rey. Nay: none.

Finance Advisory Committee: Aye: Teresinski, Golden, Neeley, Verbic, Conlin, Partch and Peddle.

Mayor Rey declared the motion passed.

Ambulance Fee Increase

MOTION

Chairman Peddle motioned to increase the Ambulance Fees as proposed. Motion was second by Committee Member Neeley.

A discussion ensued between the Council and Committee about the fee and how it will affect residents. Mayor Rey added that the increase in the Ambulance Fees is not in the current purposed FY16.5 budget.



VOTE

Motion carried on a 13-1 roll call vote.

City Council members: Aye: Finucane, Marquardt, Snow, Noreiko, Faivre and Rey. Nay: Jacobson.

Finance Advisory Committee: Aye: Teresinski, Golden, Neeley, Verbic, Conlin, Partch and Peddle.

Mayor Rey declared the motion passed.

Gaming Fee Increase

Finance Director Haley introduced the Gaming License Fee increase. She explained the handout stating that fees could be increased by different scenarios. She added that not-for-profit establishments can have a tiered fee schedule.

The City Council and Finance Advisory Committee discussed the fee increase and how it would affect the non-profit organizations, the increase amount, the individual amounts that the establishments are receiving.

MOTION

Chairman Peddle motioned to revise the Video Gaming license to \$500 per new application and \$250 per machine annually. Motion was seconded by Committee Member Partch.

City Manager Gaura added that all of these fee increases were not in the FY16.5 budget.

VOTE

Motion carried on a 12-0-1 roll call vote.

City Council members: Aye: Finucane, Snow, Noreiko, Faivre and Rey. Nay: Marquardt. Abstained: Jacobson.

Finance Advisory Committee: Aye: Teresinski, Golden, Neeley, Verbic, Conlin, Partch and Peddle.

Mayor Rey declared the motion passed.

Other Items

Budget change in vehicle purchase

Alderman Noreiko stated her concerns with the projection for FY20. She asked for further consideration on the transfer from the General Fund and recommended deferring the



purchase of one police vehicle and one ambulance and placing them on top of the priority list for FY17. She added that she would like to tie the new ERP software into the hiring of the IT Director. Finance Director Haley mentioned that by dropping down to one vehicle each, the fund reserve over the next five years would go from 20.34% to 20.82%.

Handout – Committee Member Teresinski’s Recommendations

Committee Member Teresinski provided a handout stating it was a draft budget recommendation for the Finance Advisory Committee’s consideration.

1. Reduce the \$620K deficit in FY16.5 by \$400K (\$800K full year) to keep the 25% balance in the end of the 5th year.

Finance Director Haley stated that the \$620K is the current transfer to Fleet and Equipment.

Committee Member Teresinski stated this \$400K reduction could be done by reducing operational expenditures in the General Fund.

Alderman Jacobson left the meeting at 7:01 p.m.

2. Freeze hiring at FY15 levels until organic growth exceeds 3% (total compensation eats up at least 1%) per annum basis.

Committee Member Verbic stated that the City needs to look at the budget to acquire a competitive edge against other surrounding cities, but it would be hard to achieve. He used lowering sales tax by 1% as an example. He recommended a 2.5% decrease in expenses for FY16.5 and see what the decreases of expenses would be in the future to establish this competitive edge.

Chairman Peddle doesn’t think reducing the sales tax would increase the competitive edge. He stated that if you look at the budget in the last years, the City is less than previous years. He acknowledges there is a revenue problem. If the City got rid of the Police Department and Fire Department the pension costs will still be going up and eating a substantial amount of money.

Committee Member Teresinski mentioned that the City has been looking for revenue opportunities. He pointed out that there are not much more that have not been used. He stated that there needs to be discussion about ways to increase growth.

Police Chief Lowery left the meeting at 7:06 p.m.

Alderman Jacobson returned to the meeting at 7:06 p.m.

Police Chief Lowery returned to the meeting at 7:09 pm.



Chairman Peddle recommended that the City needs to be taxing for the full pension costs. He suggested that the City cannot continually reduce the amount in the budget that provides services for the residents. He summarized that the City should not spend beyond its means.

Alderman Jacobson stated that he agreed with everything of Chairman Peddle. He mentioned there needs to be cuts made with constructive conversations with staff. He added that some of the frivolous stuff needs to be cut and he has been asking for a meeting and to have discussions and have not received the answers. He added that the items need to be on the agenda for discussion.

Mayor Rey restated his expectations of the meeting he had stated at the beginning for the benefit of Alderman Jacobson.

Alderman Jacobson continued to state that he has requested these meetings and that staff has not been forthright with their answers. He added that if staff put all of the outsourced staff in the numbers there are well over 250 employees.

Alderman Marquardt suggested that it's cheaper to have the services outsourced rather than fill the positions with staff members.

Committee Member Partch left the meeting at 7:23 p.m.

Committee Member Partch returned to the meeting at 7:25 p.m.

Alderman Jacobson stated that the EPI study of 2013 states that staff had increased by 30%.

City Manager Gaura responded that according to the EPI study, City staff was on the low end. She also added that she did not see anywhere in the EPI that the City was overstaffed by 30%. She added that the City has employed professional individuals and is very proud of them. She stated that the technology within the City is lacking significantly. She asked the Mayor and Council to think about the level of service that they want to provide to the community.

Committee Member Neeley stated that the fleet issues have not happened in the last couple of years but within the last 20 years. She mentioned that the Committee needs to help and assist in the budget discussions through constructive suggestions and solutions to help this long term problem that the City are all a part of as a community.

Committee Member Teresinski agreed 100% with Committee Member Neeley. He stated by not dealing with the revenue problem it can cause greater harm. He added there needs to be a five year comprehensive meeting to discuss how to grow the community.



Chairman Peddle stated that the Council or Committee cannot do a motion as it is not on the agenda but we can do a straw poll without formal motions, etc. so the Council does get the feedback from the Finance Advisory Committee. He pointed out that the last recommendation on the handout had previously been voted on.

Chairman Peddle asked for a straw poll to reaffirm the Committee's recommendation of the 25% fund balance.

Finance Advisory Committee straw poll carried on a 7-0 vote. Aye: Teresinski, Golden, Neeley, Verbic, Conlin, Partch and Peddle.

Committee Member Teresinski suggested that staff keep \$1MM in road repairs for TIF areas in place for another year. City Manager Gaura mentioned that staff has not started the FY16 project. She stated because of the timing of the budget, it will be hard to complete it. Finance Director Haley confirmed that the funds can be carried over to the FY16.5 budget.

Committee Member Verbic mentioned that he would like to see the \$500K for the purchase of a building downtown be put into City streets. Chairman Peddle stated that would be a FY17 issue and that the Finance Advisory Committee can discuss it at that time.

Chairman Peddle asked for a straw poll to keep \$1MM in road repairs for TIF areas in place for another year for FY17.

Finance Advisory Committee straw poll carried on a 5-2 vote. Aye: Teresinski, Golden, Neeley, Verbic and Peddle. Nay: Conlin and Partch.

Chairman Peddle asked for a straw poll to reiterate the need for a five year comprehensive financial plan that covers both the revenue and expenditure side with appropriate comparable.

Finance Advisory Committee straw poll carried on a 7-0 vote. Aye: Teresinski, Golden, Neeley, Verbic, Conlin, Partch and Peddle.

Committee Member Verbic requested an estimate of personnel costs per full-time employee (FTE).

Alderman Jacobson requested to add to that estimate an internal calculation of outsourced responsibilities and their related FTEs.

Chairman Peddle asked for a straw poll to reiterate the need for a five year comprehensive financial plan be a precursor to increasing additional taxes the City controls.



Finance Advisory Committee straw poll carried on a 5-2 vote. Aye: Teresinski, Neeley, Verbic, Conlin and Peddle. Nay: Golden and Partch.

Committee Member Teresinski stated for the Airport that until a full year actual is balanced, he supports a transfer of \$200K per fiscal year. He added that if it ends up being a loan that those funds must be restricted to the General Fund.

Finance Director Haley clarified that if FY16 ends up with a negative cash balance and it's shown as a loan it can be shown in the restricted fund balance in the General Fund.

Chairman Peddle asked for a straw poll to support a transfer of \$200K per fiscal year to the Airport, under the assumption that if it becomes a loan that it is restricted to the General Fund.

Finance Advisory Committee straw poll carried on a 7-0 vote. Aye: Teresinski, Golden, Neeley, Verbic, Conlin, Partch and Peddle.

Committee Member Teresinski suggested that there be a hiring freeze at the FY15 level of 199 FTE head count.

Chairman Peddle asked for a straw poll to support a hiring freeze at the FY15 level of 199 FTE head count.

Finance Advisory Committee straw poll carried on a 4-3 vote. Aye: Teresinski, Verbic, Conlin and Peddle. Nay: Golden, Neeley and Partch.

Chairman Peddle clarified that it is the headcount not the dollar amount for the hiring freeze.

Chairman Peddle asked for a straw poll to support that the HR Director and IT Director are part of the 199 FTE count based on the FY15 Budget.

Finance Advisory Committee straw poll carried on a 4-3 vote. Aye: Teresinski, Verbic, Conlin and Partch. Nay: Golden, Neeley and Peddle.

City Manager Gaura added that the HR Director position has been offered and the individual will be starting in a couple weeks.

Chairman Peddle clarified that the positions could be replaced with any other positions needed.

Chairman Peddle summarized the suggestion of the General Fund transfer for Fleet and software that it be reduced by \$400K for half a year and \$800K for a full year.



Chairman Peddle asked for a straw poll to support the General Fund transfer for Fleet and software that it be reduced by \$400K for half a year and \$800K for a full year.

Finance Advisory Committee straw poll carried on a 5-2 vote. Aye: Teresinski, Neeley, Verbic, Conlin and Peddle. Nay: Golden and Partch.

Alderman Faivre left the meeting at 7:54 p.m.

Alderman Faivre returned to the meeting at 7:56 p.m.

Alderman Snow commented on the reference from Alderman Jacobson of needlessly added positions in the past few years. He went through an analysis of the previous Council meetings showing the changes that the Council made in the course of the years outside of the budgeted positions. He added that these changes did not affect the expenses or it was the case of a need for the City. He specified that Alderman from Ward 1 voted in favor for all of these changes.

Alderman Marquardt left the meeting permanently at 7:56 p.m.

Mayor Rey asked Alderman Marquardt if he agreed with Alderman Noreiko's suggestion on the change in the Fleet, and he agreed that he would like to see two vehicles replaced.

Mayor Rey asked for clarification on a couple of items:

1. Mayor Rey clarified with Alderman Noreiko that her motion is to reduce the transfer to Fleet and Equipment to defer the replacement of one ambulance and one squad car. These would become prioritized in FY17. Motion seconded by Alderman Finucane for the sake of discussion.

Motion and seconded was withdrawn based on discussion on what type of vote can take place. Committee Member Neeley confirmed that if one ambulance and one police vehicle were deferred for FY16.5, they would then be at the top of the queue for FY17. City Manager Gaura agreed.

Mayor Rey confirmed that the straw poll was 2 yays, 4 nays.

NOTE: Deputy City Clerk Parker did review the tape of the meeting and the straw poll did not take place.

2. Defer the ERP software until the IT Director is on board.

Alderman Jacobson confirmed that there was a recommendation not to hire the IT Director. Several individuals unanimously stated no.



Chairman Peddle stated it makes sense to have the ERP system and hiring of the IT Director as they go hand in hand.

Alderman Jacobson stated he would like all software expenses on hold until the hiring of the IT Director.

Assistant City Manager Hoppenstedt stated that the HR software does not require the expertise of an IT Director as the software is specifically for HR Departments.

A discussion ensued between Council and staff on the software needs of the City.

Alderman Jacobson clarified his suggestion of the freeze of software expenses to only the ERP software until the IT Director was hired.

Police Chief Lowery communicated that due the OSSI software in calendar year 2015, the Police Department was able to decrease its overall overtime by over 4,000 hours. This was a direct result of the police staff looking at staffing and aligning staffing with demands for services in the street tracked by the OSSI software.

Alderman Noreiko commented that she would support the new software requests in FY16.5 if the IT Director was hired as well.

Chairman Peddle stated he supported the IT Director being hired only before the purchase of the ERP software.

City Manager Gaura requested a five to ten minute break to discuss the changes with Finance Director Haley. Mayor Rey accepted and stated the meeting would reconvene at 8:30 p.m.

Alderman Finucane left the meeting at 8:14 p.m.

Meeting break at 8:15 p.m.

The meeting resumed at 8:32 p.m.

Alderman Finucane left the meeting at 8:32 p.m.

Mayor Rey called the meeting to order and stated there were two modifications to FY16.5.

1. To defer the ERP software until IT Director is onboard (consensus)
2. Clarify the transfer to the Fleet and Equipment Fund from General Fund



1. Alderman Noreiko's recommendation is to only reduce the transfer by one ambulance and one police squad
 - i. Alderman Snow stated that if there is a need for the vehicles for the services the City provides that the Council needs to listen to the professionals and leave things as is.
 - ii. Alderman Finucane mentioned that the \$400K is too aggressive. He added that in line with Alderman Noreiko, the City could reduce the overall expenditures by \$200K.
2. FAC recommends to reduce the purposed transfer by \$400K (Supported by: Faivre, Jacobson)

Finance Director Haley confirmed that on June 13th, she will bring four different scenarios based on the recommendations and discussions from tonight's meeting. Alderman Finucane agreed.

Public Participation

Michael Haji-Sheikh stated he does not like that public participation is at the end of the meeting. He questioned where in the code it states that both sides can vote together. He added to not forget there are savings in the budget. And take the FAC advice as he agrees a lot with what they are wanting to do.

Lynn Fazekas stated it would have been more helpful to comment at the beginning of the meeting instead of the end. She said residents will state that services have been affected. By adding a couple million in staffing cost per year. Staff are wanting the same amount of people and contractors as it was when our population was up and NIU enrollment was high. She questioned why items that were just discussed are on the agenda. She added that two alderman can ask for an item on the agenda and three alderman can ask for a special meeting. She mentioned the EPI report from 2013 was never distributed to the public, if staff is going to be using it then release it.

Dwayne Brown stated he is encouraged by this meeting as the numbers thrown around are a lot more sustainable. He agreed with a hiring freeze. He stated the City is a \$1.5M less in property taxes and the expenditures have not decreased. He mentioned that last week he spoke about the pensions, the state has a new law and the pensions have to be funded by 90% by the Cities. He mentioned that the City is unable to sustain the level of the pension funding without increasing the rates. He added that he liked the sound of spreading out the fleet replacement. He ended with saying that things are sounding good.



Confirm Next Meeting Date and Time

Public Hearing at the next City Council meeting on June 13, 2016 and will entertain the first reading of the FY16.5 budget.

Adjournment

Mayor Rey requested a motion to adjourn, moved by Committee Member Verbic and seconded by Alderman Noreiko. The meeting adjourned at 8:54 p.m.

CARRI PARKER, Deputy City Clerk

Approved by City Council June 27, 2016.

Approved by Finance Advisory Committee July 12, 2016.

