

AGENDA
Committee of the Whole Meeting
January 11, 2016
5:00 p.m.

- A. Roll Call
- B. Items Also on the Regular Agenda
- C. Considerations
 - 1. Cost Savings, Efficiencies and New Revenue.
- D. Public Participation
- E. Recess for Executive Session of the City Council
 - 1. Approval to Hold an Executive Session to Discuss Security Procedures as Provided for in 5 ILCS 120/2(c)(8).
 - 2. Approval to Hold an Executive Session to Discuss Executive Session Minutes as Provided for in 5 ILCS 120/2(c)(21).
- F. Adjournment

DATE: January 6, 2016

TO: Honorable Mayor John Rey
City Council

FROM: Anne Marie Gaura, City Manager
Cathy Haley, Finance Director

SUBJECT: Cost Savings, Efficiencies and New Revenue

During the 2015 property tax levy process, questions were raised as to the steps that the City has taken to save and reduce costs, increase efficiencies and find new or increased revenue streams. The purpose of this memorandum is to outline those steps taken.

Since January 2014, City staff has worked hard to implement “Best Practice” policies and procedures aimed to promote and facilitate positive change rather than merely codifying current accepted past practice. These “Best Practices” being implemented throughout City government are meant to improve on efficiencies and create internal savings while trying to come up with alternate sources of funding to provide the level of services the City of DeKalb residents have become accustomed.

Financial Policies were adopted by the Council in 2014 to assist Council and City management staff in making budgetary decisions based upon sound financial principals. These policies do not have the force of law. They are advisory policies and unlike the actual “budget ordinance” they are meant to provide continuity for staff.

These policies are not intended to be comprehensive or exhaustive. They are intended to establish a solid foundation for the financial management of the City. Staff shall work within the context of these policies while continuing to explore lawful, creative and insightful financial recommendations to present to the Corporate Authorities of the City for their consideration and possible implementation. The cornerstone of these policies and future financial recommendations shall maintain comprehensive and sound fiscal management of all City economic resources.

ON-GOING SAVINGS FOR THE CITY

Items that have been implemented, cut or changed over the past two years that will continue to have a benefit to the City year after year are listed on the following pages by category:

General Efficiencies and Savings

1. A “Best Practice” was the creation of a new Purchasing Manual, centralizing purchasing for the City and having a true purchasing agent. This will save costs on office supplies such as paper, pens, folders etc. by having one central inventory supply of these items rather than several spread across all departments.
2. The Finance Department did all Capital Asset audit entries and all GASB 44 statistical work in-house during the FY15 audit and will no longer pay our third party audit team an hourly rate to complete these functions. This has resulted in annual savings of over **\$3,000**.
3. A phone line audit was done by The Spyglass Group. Spyglass did an audit of all of our bills and line charges and came up with future savings of almost **\$18,500** annually for the City.
4. The City issued a \$2.87 million refunding bond to lower the City’s interest cost by over **\$200,000** for the remainder of the issuance.
5. The Finance Department reviewed the City’s 10 year history of expenditures related to Building operations (permit administration, plan review, inspections and code enforcement). The configuration of building permit, plan review and inspection services has varied over the years with fluctuating staffing configurations and reduced manpower available for code enforcement work. The City went from 10 inspectors in 2006 to two in 2015. Similarly, nine Administrative Assistants which served the Community Development and Public Works Departments were reduced to three. As the number of inspectors has decreased, so has the attention to pro-active code enforcement activity with remaining staff working on redevelopment and new construction projects. Cost savings from FY13 to FY14 and FY15 was over **\$145,000** annually.
6. The City entered into an Agreement with KishHealth System to restock drugs and supplies carried on ambulances at an approximate annual savings of **\$11,028**.
7. City staff worked in conjunction with the DeKalb Sanitary Sewer District on creating a more transparent process for billing services. Monthly invoices would be sent to the District for these services and would no longer be incorporated through the water and sewer rates.

Personnel and Benefit Savings

1. The implementation of the Staffing Plan for the Fire Department, which includes a two-person swing shift that allows personnel to be assigned to any shift as needed, continues to maintain Fire Department overtime at a very low cost compared to previous budget years. With two personnel off shift due to long-term injuries/illnesses, the staffing plan has had a net savings for the department of approximately **\$200,000** in overtime cost savings.
2. Health insurance is being analyzed in depth to incorporate additional savings through wellness programs or the offering of high deductible plans and with the incorporation of a new HR Director position, it will be assured to stay on as a top priority for the City.

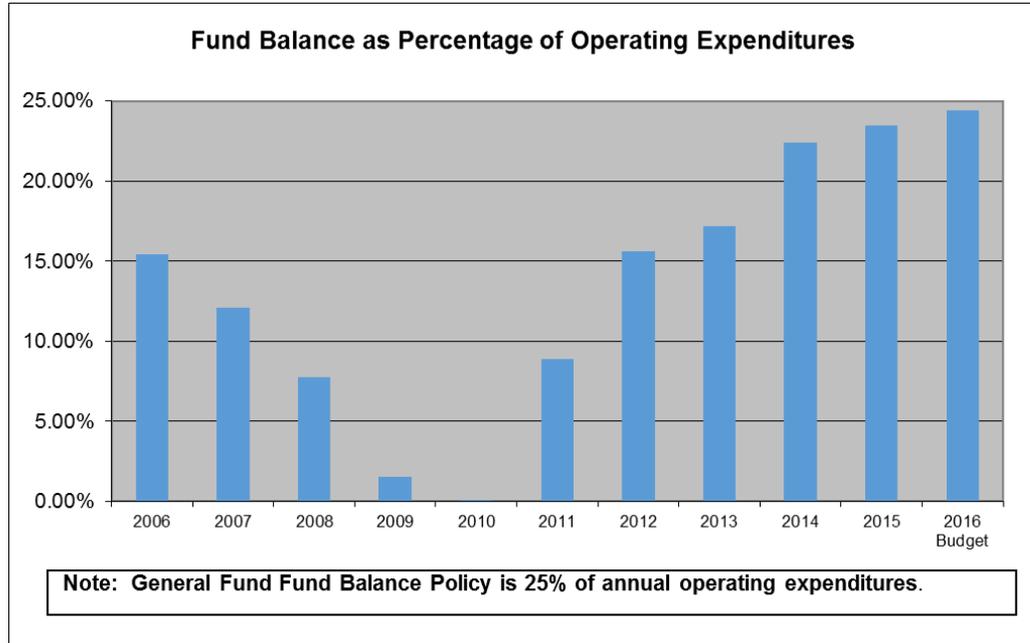


3. The City changed its Workers Compensation program by increasing excess coverage for all employees to \$650,000. The savings total **\$19,947** annually.
4. The change to the Health Insurance structure for the beginning of 2016 had an initial savings projection of less than \$20,000. However, this projection was based on a total of 12 employees switching to the new plans but there were 39 employees that made the switch. This equates to a **\$133,088** savings this year.
5. There has also been past practice of allowing employees to roll over unused vacation time above and beyond City policy. This will no longer be allowed and employees are encouraged to use what they have or lose it.
6. There were some large vacation banks on the City books due to the vacation policy difference between bargaining unit employees and non-bargaining unit employees. This was paid down in FY15 and has lowered the dollar amount of this liability on the City's books.
7. Regular salaries under the General Fund Support department decreased by **\$191,000** from FY15 to FY16. This is primarily due to no longer having large liabilities of benefit time (Comp, Vacation) in employee's banks to be able to cash out when they leave employment with the City.
8. The City implemented a 40 hour work week for non-bargaining unit employees. With converting all exempt employees to a 40 hour week and assuming a weekly increase of 2.5 hours per employee, the City would see an annual increase in 4,290 hours of increased productivity. This is the equivalent of two additional full-time positions. Based upon the average hourly rate for these employees, the annual value of the productivity gain is \$203,174.40. The annual cost to implement a 40 hour work week as of May 1, 2015 by converting employees from 1,950 annual hours to 2,080 with the elimination of compensatory time was \$150,748.71. The value of the productivity gain exceeds the implementation costs by **\$52,425.69** annually.
9. Reoccurring compensatory time was eliminated for non-bargaining unit employees at an estimated annual savings of **\$185,672.41**. Under the prior system, employee accrued compensation was a deferred liability to the City, typically paid out upon separation from employment at a higher rate of pay than it was earned at. The revision to the compensation plan maintained deferred compensation payments that employees were entitled to at current wage rates for eligible exempt employees, and provided for payment of overtime to non-exempt employees.
10. The City reduced the number of staff required to be bonded and insured for an annual savings of **\$4,000**.
11. The City transferred the City's Medicare primary retirees to a group Medicare health program administered through Benistar with an approximate savings of **\$49,328.40** per year.



Budget and General Fund Policies

1. Fund balance reserves continue to grow up to the City's financial policy of 25% of annual operating expenditures. FY15 ended up at 23.44% or \$8,108,755, compared to FY10 which had less than 1% or \$22,169.



2. The City is phasing out the reliance of TIF transfers to the General Fund. The decrease will go down to the same amount that the General Fund will pick up in property tax revenue at the end of each of the TIFs. The chart below shows the General Fund becoming less reliant on TIFs, however holding steady at the level of property tax revenue that will be picked up at in FY19 and FY22.

TIF impact on the General Fund								
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
Transfer to GF TIF #1	\$791,672	\$678,576	\$565,480	\$499,113	\$499,113	\$499,113	\$499,113	\$0
Transfer to GF TIF #2	\$150,931	\$113,198	\$95,754	\$95,754	\$0	\$0	\$0	\$0
TIF Property Tax Surplus	\$192,237	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$0
TIF Sales Tax Surplus	\$365,038	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$0
Pick-up in Property Tax					\$95,754	\$95,754	\$95,754	\$594,867
Revenue to the General Fund	\$1,499,878	\$1,321,774	\$1,191,234	\$1,124,867	\$1,124,868	\$1,124,868	\$1,124,868	\$594,867

3. The FY15 budgeted expenditures compared to FY16 have decreased by 5.78%. The General Fund went down between these two fiscal years by 2.27% or by \$800,173.



FUND	FY 2015 Budget	FY 2016 Budget	% Change
General Fund	35,216,110	34,415,937	-2.27%
Water Funds	6,646,744	5,552,464	-16.46%
Airport Fund	3,353,570	2,328,001	-30.58%
Debt Service Funds	2,973,075	2,961,146	-0.40%
Capital Projects Funds	2,289,052	787,967	-65.58%
Motor Fuel Tax	868,000	1,315,000	51.50%
TIF's	9,123,004	9,510,301	4.25%
Special Revenue Funds	12,655,418	10,977,980	-13.25%
Internal Service Funds	7,424,376	7,035,287	-5.24%
Police and Fire Pension Funds	5,530,301	5,574,943	0.81%
Library	2,060,754	2,584,873	25.43%
TOTALS	88,140,404	83,043,899	-5.78%

4. Implemented a 10-year Capital Infrastructure and Equipment Plan for the Water Fund and passed a water rate increase over the 10 years needed to support this plan.

Technology Efficiencies

1. The Illinois Association of Chiefs of Police endorsed, web based accident report software program called “Appriss” which allows citizens to obtain copies of Police accident reports on line through the system managed by an outside vendor. The accident report revenue is returned to the City with the system provider covering their costs through the customer whether it be an individual, insurance company, law firm or other entity. The internal benefit is the Office Associates within the Police Department no longer have to hand process each individual accident report requested as “Appriss” handles it all. From 2010 through 2014, the Police Department handled on average 1,398 accidents per year. If 15 minutes were allotted to process an accident report per accident and provide a copy to a customer that would be 20,970 minutes or 349.5 hours of time saved. Taking the midrange of an Office Associates hourly rate (Step D) at \$20.42, that would equate to an estimated savings of **\$7,136.79** in wages that are being dedicated to another Police clerical function. Since the start of using the Appriss system, revenue from copies of accident reports have gone up \$2,140, with 2014 revenue at \$3,835. Through November of 2015, the year-to-date revenue is at **\$5,975**.
2. The electronic “APS” ticketing system is a web-based product that has been implemented that allows Police Officers to generate citations in their squad cars that allow for the creation of the actual document to deliver to the traffic violator and also transmits the documentation to the Clerk of the Court. This process is replacing the printed citation that had to be handled by the Officer, processed through the Records Division, and hand delivered to the court. The time saved by the use of this automated system is apparent from the street through the support process. The City has just been approved by the Clerk of the Court to use the system for all citations.
3. Implementing a credit card payment system within the Police Department for paying a variety of fines and fees as well as allowing an individual to bond out of jail without being transported to the DeKalb County Sheriff’s Correctional Facility has made for a more positive relationship with “customers” and has decreased the transportation time for arrestees by Police Officers



who had to escort them to the County jail. In 2014, 145 arrestees posted bond with a credit card, and so far in 2015, 384 have done so. It is estimated that 480 hours of Police Officers' time was saved by allowing arrestees to bond out with a credit card as opposed to transporting them to the County jail, thus producing an estimated **\$17,280** savings in staff hours.

4. Through the use of the Intelligence Driven Policing and Police Planning components of the "OSSI" Police software system, the Police Department has been able to create a needs based staffing model. That model puts Officers on the street and other support personnel on duty at times when they are most needed and has allowed the Police Department to significantly reduce the cost of overtime. In comparing calendar year 2014 to 2015, year to date, the Police Department has reduced overtime by 4,015.5 hours. From FY14 to FY15, actual overtime costs for Patrol services within the Police Department decreased by **\$136,793**.
5. In 2015, the Crime Free Housing and Inspection Bureau implemented the "Firehouse" software module that allows inspectors to use iPads for work in the field. The software enables them to create an inspection report, take photographs, and issue a citation or warning without the need to return to the office to process the paperwork. It also allows the City Attorney access to review and prosecute cases and integrate police operations of this nature with the Fire Department. This web based program is expected to increase the availability of staff to address more of the work load as well as streamline the records process.

Additional and Increased Sources of Revenue

1. The new Fire/EMS Agreement for Services with NIU resulted in a revenue increase of 4% for the first year and by the end of the fourth year, the revenue increase will be 37.5% or cumulatively **\$226,731.63**. Additionally, the contract provided for an additional \$275,000 toward a onetime contribution for an aerial ladder truck, which is also referenced later in this memorandum.

Previous contract	FY2015	\$604,982.38	
New contract	FY2016	\$629,181.68	\$24,199.30 or a 4.0% increase
	FY2017	\$654,348.95	\$25,167.27 or a 4% increase
	FY2018	\$680,522.90	\$26,173.95 or a 4% increase
	FY2019	\$831,714.00	\$151,191.11 or a 22.2% increase

2. A new cell tower lease Agreement with T-Mobile was negotiated that will generate annual revenues of **\$30,000**. The cell tower lease revenue is currently dedicated to the Fleet Fund.
3. Motor vehicle accident billing for Cost Recovery continues to increase. This year, revenue is expected to increase by 3.5%.
4. New Illinois Municipal League (IML) revenue projections came out in December 2015. They are projecting an increase across all LGDF revenue sources (Income Tax, Local Use Tax and Motor Fuel Tax) for FY17 of more than 6% over the City's budgeted amount for FY16. This increase is driven primarily by the fact that Amazon started collecting use tax in Illinois in February 2015.



ONE TIME SAVINGS FOR THE CITY

Items that have been implemented, cut or changed over the past two years that had a one-time impact to the City are listed below:

1. Improvement of health insurance claims has created a savings in the City contributions to Health Insurance for employees. The FY15 budget to FY16 budget dropped by **\$174,575**.
2. The economic adjustment that typically is given to non-bargaining unit employees has been pushed back from July 1, 2015 to January 1, 2016. This was a savings to the City of **\$55,435**.
3. Due to increased development, the City converted to an interim contract with SAFEbuilt to ensure that building permit revenues would be sufficient to complete projects, even under a transition. The amendment converted SAFEbuilt from a percentage-fee basis to an hourly fee basis. It is expected that in the short run moving to an hourly rate will be to the City's benefit several large projects. This will allow the City to pay as needed for services, ensuring the resources needed to complete the project, regardless of whom is selected as the City's vendor, moving forward.
4. The City has secured **\$357,300** in State Apportionment Funds from the Illinois Department of Transportation Airport Improvement Program for FY16. The funds will be used for resurfacing the DeKalb Taylor Municipal Airport parking lot and entrance road.
5. The City was faced with a private property owner who was failing to maintain the Wurlitzer Building, resulting in a hazardous and unsafe structure. Demolition estimates received by the City ranged from \$650,000 to over \$1,000,000 for the demolition of the structure. By employing a litigation strategy focused on compelling the property owner to either demolish or repair the unsafe structure itself or face significant alternative sanctions, the City was able to compel the cleanup of the unsafe structure, without the expenditure of **\$1,000,000** or more of City funds in the remediation.
6. This year, the City received multiple grants. The Fire Department received grants from the Allstate Foundation, 3M, and the Federal Emergency Management Agency (FEMA). The Allstate Foundation grant was **\$1,000** and was used to purchase Fire Prevention materials. The 3M grant was **\$2,500** and will be used to purchase Stat-X First Responder kits. The FEMA grant was for **\$239,000** and is being used to purchase a mobile training tower. The Police Department received the Department of Justice Byrne Grant Award in the amount of **\$15,000** for specialized Police equipment. Public Works received a **\$13,311** Highway Safety Improvement Program Grant for the Annie Glidden Corridor. These grants are made possible, in large part, to the diligence of staff members pursuing, writing and submitting proposals.
7. The purchase of a new aerial ladder truck was made possible by a onetime contribution from NIU in the amount of **\$275,000**. In addition, the City realized further reduced costs by purchasing a used aerial ladder truck instead of a new one at a **\$700,000** savings. The City has purchased used vehicles in the past in order to save costs.



8. The Crime Free Housing and Inspections Bureau deployed a vehicle for daily operations which had been seized from a heroin dealer and forfeited to the Police Department. This vehicle will replace one of their aging squad cars.
9. The City delayed the start of new personnel in FY16 which provided a savings of more than \$50,000 to the General Fund.

In summary, at the end of the first 6-months of FY2016 revenues are slightly above budgeted parameters at 53.2% while expenditures are slightly behind budgeted expenditures at 48.6%. Therefore, after three months revenues appear to be trending up while expenditures are being held tightly in line by City staff.

City staff will continue to using “Best Practices” to assist the City of DeKalb in providing essential services for the continued health, safety, and welfare of the community by identifying specific policies and procedures to contribute to improved government management. “Best Practices” aims to promote and facilitate positive change rather than merely codifying current accepted practice, while maintaining the high level of service residents and businesses expect, and that visitors enjoy, in a fiscally sound manner.

