



## DEKALB CITY COUNCIL AGENDA SEPTEMBER 9, 2019

DeKalb Municipal Building  
City Council Chambers  
Second Floor  
200 S. Fourth Street  
DeKalb, Illinois 60115

### REGULAR CITY COUNCIL MEETING 6:00 P.M.

**A. CALL TO ORDER AND ROLL CALL**

**B. PLEDGE OF ALLEGIANCE**

**C. APPROVAL OF THE AGENDA**

**D. PUBLIC PARTICIPATION**

**E. PRESENTATIONS**

- 1. Adventure Works FY2019 Human Services Funding Report by Executive Director Lynette Spencer.**

City Manager Summary: Adventure works was granted \$10,000 in funding in FY2018 and \$9,200 in funding in FY2019.

**F. APPOINTMENTS**

None.

**G. CONSENT AGENDA**

- [Minutes of the Committee of the Whole Meeting of August 12, 2019.](#)**
- [Minutes of the Regular City Council Meeting of August 12, 2019.](#)**
- [Minutes of the Special Joint Meeting of the City Council Committee of the Whole and Finance Advisory Committee of August 16, 2019.](#)**
- [Minutes of the Regular City Council Meeting of August 26, 2019.](#)**

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5. [Accounts Payable and Payroll through September 9, 2019 in the Amount of \\$1,875,953.15.](#)

H. PUBLIC HEARINGS

None.

I. CONSIDERATIONS

1. **Consideration of a Series 2010 Bond Refunding.**

City Manager Summary: Cities issue debt for many reasons, and the most common purposes are the construction of public facilities and public infrastructure projects. As of December 31, 2018, the City held a total of \$19,710,000 in debt principal with \$3,224,237 in scheduled interest payable on that debt across a number of bond funds.

The City's Series 2010B General Obligation (GO) Refunding Bonds are callable on January 1, 2020. This provides an opportunity for the City to refinance that particular debt at lower interest rates, thus realizing significant savings over the remaining life of the debt. That savings could amount to as much as \$521,579 between now and 2028 depending on market rates at the actual time of the issuance of a refunding bond. The issuance of new Series 2019 General Obligation Refunding Bonds to replace the existing Series 2010B General Obligation Refunding Bonds is thus presented for Council consideration.

**Background**

In December 2010, the City issued \$3,905,000 of GO Refunding Bonds to refinance prior debt at a lower interest cost. The original obligations were issued to finance the expansion of the Public Works facility on Market Street, as well as new traffic signal and road projects. The 2010B GO Refunding Bond issuance established an 18-year debt service amortization schedule with interest ranging from 4.25% to 4.75%. An outstanding principal balance of \$3,905,000 existed as of December 31, 2018, along with an additional \$1,249,175 in interest due through 2028.

Earlier this year, we learned that the 2010B GO Refunding Bonds are callable on January 1, 2020. Once a bond becomes callable, the issuer (the City) may redeem or pay off the bonds prior to the date of maturity. If the issuer does not have the capital to pay off the debt, new GO Refunding Bonds may be issued at present-day interest rates to pay off the callable debt. Given the current low-interest-rate environment, the latter option is financially advantageous for the City.

The City Manager and Assistant City Manager Ray Munch have consulted on a number of occasions with Elizabeth Hennessey, managing director of public finance at Raymond James, Inc., with whom the City has worked on prior debt issuances. Ms. Hennessey recently provided the table below to illustrate the refunding advantage:

City of DeKalb, DeKalb County, IL Series 2010B GO Refunding Bonds - Current Refunding in 2019 Moody's A1 Rated (Negative Outlook)			
<u>Period Ending</u>	<u>Series 2010B Prior Debt Service</u>	<u>Series 2019 Refunding Debt Service</u>	<u>Annual Savings</u>
01/01/20	87,984	87,984	-
01/01/21	175,968	111,863	64,104
01/01/22	175,968	112,668	63,300
01/01/23	325,968	262,012	63,956
01/01/24	1,009,593	943,801	65,792
01/01/25	1,008,053	943,488	64,565
01/01/26	1,009,115	942,290	66,825
01/01/27	1,007,483	940,276	67,207
01/01/28	178,075	112,244	65,831
	<b>\$4,978,204</b>	<b>\$4,456,624</b>	<b>\$521,579</b>

  

Savings Summary	
Total Savings.....	\$ 521,579
Average Annual Savings.....	\$ 57,953
Net PV Savings.....	\$ 484,921
PV as a % of Bonds Refunded.....	12.42%
All in True Interest Cost <b>2019</b> Bonds.....	2.16%
Par Amount of Bonds Refunded.....	\$ 3,905,000
Average Coupon on Prior Bonds.....	4.53%
Refunded Bonds Call Date.....	1/1/2020
Delivery Date.....	10/23/2019
Market Date.....	8/21/2019

\*Rates used are based on current market spreads over AAA-MMD Index as of Aug 21, 2019, with +0.20% cushion for market volatility. Assumes private placement.

The bonds will be refunded through a private placement which is a limited offering to local banks, without a bond rating or official statement, and will be offered in \$100,000 denominations. A private placement will save the City approximately \$35,000 in issuance costs.

**Recommendation**

Council action is needed to secure this debt-saving opportunity. Later in this Agenda, Ordinance 2019-058 is provided for Council action. Ms. Hennessey will be present to answer any questions the Council may have.

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## 2. Consideration of Minor Reorganizations in the Community Development and Public Works Departments.

City Manager Summary: The City Manager is seeking Council support to amend the “organizational chart” in the 2019 Budget to fill some holes and sharpen responsibilities with no net increase in operational spending.

### Community Development

The Council is aware that the Building Division has been understaffed since early June, with the departure of the former chief building official. The current Building staff have generously pulled together and shouldered many of the duties, and the City Manager has performed inspections and plan reviews as necessary. However, the “patch” is untenable. In the interim, local searches and a request for proposals for private inspection and plan review services have been performed.

In early July, interviews were conducted with three private firms who responded to the RFP: B&F Construction Code Services (Elgin); HR Green (McHenry); and Willdan (Chicago). They were asked to quote pricing in two ways:

- To provide the annual cost for a chief building official, full-time building inspector, and part-time plumbing inspector; and
- Alternatively, to provide the annual cost for the replacement of the chief building official only.

The attached Excel spreadsheet compares the market results with the current overall City costs for these positions. It was apparent that the private sector costs were significantly greater on a fee basis. For instance, the lowest annual third-party pricing for a chief building official was \$208,000 versus the all-in price of DeKalb’s former chief building official of \$152,307 (inclusive of benefits and pension).

Accordingly, since mid-July the City has conducted a search for the separate positions of chief building official and code compliance coordinator. The code compliance coordinator would principally inspect new construction but also help with property maintenance inspections. We are pleased to report that offers have been extended to two very good local candidates with extensive experience.

Additional changes are being made in the Building Division to strengthen the property maintenance role. Two part-time code compliance positions will be merged into one full-time position to provide consistent coverage eight hours a day, five days a week, and as needed in off-hours. This position will be filled by a current full-time employee who will continue to work productively with the City’s Fire Prevention Lieutenant in this area.

Finally, the part-time building permit associate and part-time administrative assistant positions will be merged into one full-time administrative assistant position to better serve both the planning and building functions. The persons presently filling these part-time positions will have the opportunity to apply for the full-time position.

The sum difference between what is proposed and the current Building Division costs is about \$30,000 (see the attached spreadsheet), and this difference will be more than offset by the elimination of the management analyst position in the City Manager's office, which is presently unfilled and accounts for about \$95,000 in General Fund obligations. Budget line-item revisions to shift these resources will be made in the proposed fiscal year Budget this fall. After three months of temporary adjustments, the Community Development department will soon have the solid customer service capacity that is required, with the Council's support.

### **Public Works**

The current organizational chart in the City Budget (p. 26) shows a Public Works department that combines administration, street, water utility, engineering, mass transit, and airport operations under one manager. The range of duties in these fields and the pressing public demands in each area require closer hands-on management. Accordingly, after consultation with the managers involved, two compatible lines of authority are proposed. The proposed changes are as follows:

- Andy Raih, current superintendent of the Street department and all facilities except the Airport will become the “**Director of Streets and Facilities.**” This will include the Airport, whose plowing, mowing, and building repairs have diverted the attention of our Airport Manager from the demands of air operations for years. This change will give him the opportunity to focus on the urgent need to complete a number of pressing airport improvements, defined in the five-year airport plan, before TIF #1 expires in 2021. Our Street Superintendent has more than proven himself in recent years as a leader in street operations and facility maintenance on a very trim budget.
- Bryan Faivre, our assistant director of Public Works, will become the “**Director of Utilities and Transportation.**” Bryan currently works alongside Zac Gill, our very able contractual engineer from Fehr-Graham, and the resourceful Marcus Cox, our Transit Manager, on a daily basis. Additionally, Bryan's fine work for decades with our water utility brings an unrivalled expertise to this arrangement.

With the Council's support, the City Manager will proceed to negotiate with each manager to establish fair compensation. Again, no net increase in department spending is needed. The Public Works management analyst position previously held by Patrick DiDiana was frozen after his resignation in

May. This position currently accounts for \$50,171 in the General Fund and will be eliminated in FY2020.

**City Council approval of the City Manager's recommendations is requested.** [\(Click here for further information\)](#)

## J. RESOLUTIONS

### 1. **Resolution 2019-133 Authorizing the Sale of Real Property Located at the Corner of First Street and Locust Street (P.I.N. 08-23-158-034) in the Amount of \$119,500.**

City Manager Summary: The commercially zoned City property at the southeast corner of Locust and N. First Streets (Tax Parcel #08-23-158-034) was listed for sale on August 28 for a wishful price of \$119,500. The parcel was once used as a gasoline service station and a leaking underground fuel storage tank created an environmental hazard that has been monitored by the Illinois Environmental Protection Agency (IEPA) for many years. Under the City's ownership, dutiful efforts have been made to comply with IEPA requirements. There are currently no monitoring wells on the property, or underground tanks or drums, and the IEPA has issued a "No Further Remediation" (NFR) letter after Council action to assure the agency that no potable wells exist or will be allowed on the property.

However, it is understood that any excavation of the site for a structure with footings will require further soil remediation which will make building construction financially infeasible. In this context, the most recent uses have included a skating rink and, in the past few months, the temporary staging of construction vehicles and equipment associated with the Egyptian project to relieve parking pressure on N. Second Street and in adjacent parking lots.

On August 20, the broker – Miller Real Estate – received earnest money and a signed contract from Plaza DeKalb, LLC for the list price of \$119,500. The intent is to construct a small parking lot which will accommodate the residents of Plaza DeKalb. This is an unexpected and welcome alternative to the commitment of spaces in existing City parking lots for overnight permits for future Plaza DeKalb tenants.

**City Council approval of this offer by Plaza DeKalb in the amount of \$119,500 is recommended.** [\(Click here for further information\)](#)

**2. Resolution 2019-134 Authorizing the Third and Final Renewal of the Voluntary Action Center Transit Provider Contract for a One-Year Term from October 1, 2019 through September 30, 2020 with an Allocation of State Fiscal Year 2020 State and Federal Grant Funds Not to Exceed \$3,674,593.**

City Manager Summary: The City contracts for transit service and has done so with the Voluntary Action Center (VAC) for over 35 years. Since 2004, the Federal Transit Administration (FTA), through the Section 5307 Program, and the State of Illinois, through the Downstate Operating Assistance Program (DOAP), have funded public transit in the DeKalb area.

The Public Works staff issued a request for proposals (RFP) for transit services on June 14, 2016. The City Council approved the agreement with VAC on September 26, 2016. The initial agreement period was from October 1, 2016, to September 30, 2017, with options for three one-year renewals through September 30, 2020. On September 25, 2017, the Council approved the first renewal of the agreement, for the period of October 1, 2017 through September 30, 2018. With the approval of the third of three, one-year terms, VAC will continue to provide transit services under the terms of the existing agreement from October 1, 2019, through September 30, 2020.

Through this agreement, VAC will continue to provide Route 21 to Sycamore as well as paratransit and MedVAC service at their existing levels.

Funding for this agreement is provided through the annual Illinois DOAP grant allocation, FTA grant funding, fare revenues, and local match funds provided by VAC. The current grant budget is for state fiscal year 2020, which funds public transit operations from July 1, 2019 through June 30, 2020. The table below identifies the City annual funding sources provided to VAC, and VAC funding sources provided as a local match.

<b>Funding Source</b>	<b>City Grant Funds Allocated to VAC</b>	<b>Local Funds Provided by VAC</b>	<b>Total Funds</b>
DOAP Grant (65% of Total Expenses)	\$2,834,593		\$2,834,593
FTA 5307 Operating Assistance	\$ 840,000		\$ 840,000
Estimated Fares		\$ 62,000	\$ 62,000
Local Special Fare Assistance		\$235,000	\$ 235,000
State Special Fare Assistance		\$275,000	\$ 275,000
Contributed Service (Volunteers)		\$ 80,000	\$ 80,000
<b>VAC Total Estimated Expenses</b>	<b>\$3,674,593</b>	<b>\$652,000</b>	<b>\$4,326,593</b>

The DOAP program requires a 35% local cost share. The City provides \$840,000 in FTA operating assistance grant funds as local match to the DOAP

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grant. VAC has agreed to be responsible for funding the remaining portion of the local match requirement.

**City Council approval is recommended.** ([Click here for further information](#))

**3. Resolution 2019-135 Authorizing a Highway Authority Agreement as Prescribed by the Illinois Environmental Protection Agency with DeKalb Forge Company Regarding Previous Ground Contamination at 1832 Pleasant Street.**

City Manager Summary: The DeKalb Forge Company site at 1832 Pleasant Street previously contained a leaking underground storage tank. As part of the compliance process to address this issue, testing showed some of the contaminants had seeped into portions of the adjacent ROW. Those areas have been considered by the IEPA to be of no further threat if left undisturbed; with the pavement section and underlying roadbed left intact. This agreement allows DeKalb Forge Company to receive a “No Further Remediation” determination from the IEPA, while also acknowledging their culpability for the identified contamination and allowing the City future compensation should the road bed or parkway need to be significantly disturbed for maintenance or development purposes and related remediation costs result.

**City Council approval is recommended.** ([Click here for further information](#))

**K. ORDINANCES – SECOND READING**

**1. Ordinance 2019-057 Authorizing a Zoning Map Amendment from the “LI” Light Industrial District to the “PD-C” Planned Development – Commercial District, and Approving a Planned Development Preliminary and Final Plan Agreement (204 N. Fourth Street and 420 Oak Street – Agora Tower – Mooney Property) (PNG Development, LLC).**

City Manager Summary: On August 26 the City Council approved a zoning petition, plan applications, and a TIF development agreement for the Agora Tower project on first reading. As the extensive background from principal planner Dan Olson describes, the petition from PNG Development, LLC, would allow for the construction of a new 113,000 square feet mixed-use four-story building on the former Mooney property which is located along the east side of N. Fourth Street between Oak Street and Locust Street. This site has been vacant since 2012.

The applicant proposes to raze the former dealership building, the existing collision center along Oak Street, mitigate known environmental problems, and construct a four-story building that will include up to 94 apartment units and approximately 12,000 square feet of commercial space on the ground floor. There will be 11 apartment units on the ground floor with the remaining on the

upper floors. Rezoning the site from the “LI” Light Industrial District to the “PD-C” Planned Development - Commercial District is requested in order to accommodate the proposed uses. Waivers to the Unified Development Ordinance (UDO) have been requested for maximum site coverage, off-street parking and other approvals as required for the subject property to allow for the construction as proposed and indicated on the development plans. Finally, approval of a Planned Development Preliminary and Final Plan is requested. A .35-acre parcel along the far eastern portion of the site along Oak Street is shown on the plan, but currently not under control by the developer. It is labeled “Parcel Not Included” on the plan.

On June 10, 2019, the City Council approved a preliminary Tax Increment Financing (TIF) agreement with the developer. The estimated total project cost remains \$13,875,000 with a TIF request of \$3,000,000 or 21.6% of the project cost. The attached Final Development Agreement has two parts. First, it dedicates \$2,075,000 from TIF #1 funds for the purpose of funding the following TIF-eligible costs: environmental remediation, demolition, footing removal, gas and electrical infrastructure upgrades, the installation of new storm and sanitary sewer piping, engineering and surveying, structural & architectural design, new city sidewalks, and land acquisition.

Second, the Development Agreement identifies a commitment of an additional \$462,500 when the L-shaped facility is 50% completed, and a further disbursement of \$462,500 when the entire facility receives a final occupancy certificate from the City. This additional \$925,000 could be paid from FY2020 and FY2021 TIF #3 funds or ported from TIF #1 in FY2020 and FY2021.

A key consideration in the Council’s support for this Development Agreement is the projected return for all local taxing bodies. The 2018 EAV – land and buildings – of the combined Mooney buildings was \$299,857. Based on that EAV, **a total of \$35,563 in property taxes were generated in 2018 for all taxing bodies combined (@\$11.86/\$100 EAV).**

All of the proposed \$13,875,000 project costs will not fall onto the tax rolls. Some of those expenses are obviously attributable to “soft costs” such as architectural and engineering expenses. Some are for environmental remediation and public infrastructure. In addition, not all of the land acquisition costs will fall into the land EAV if the proposed redevelopment occurs. **Conservatively, the new EAV (one-third market value of \$10,140,000) upon full buildout is estimated to be about \$3,380,000. The projected EAV will conservatively generate a total property tax of about \$400,000 upon full assessment.**

Since the Council meeting of August 26, the City Attorney and the attorney for PNG Development, LLC have agreed to the following minor modifications:

- The 18-month construction timeframe begins with the issuance of a construction permit, and not the approval of the agreement as originally written. Construction cannot begin until after the demolition and environmental mitigation which are tentatively slated for this fall. No new construction will occur until plans are submitted and approved in the spring, at the earliest.
- The estimated dollars for the TIF-eligible tasks were only illustrative and were not bid costs, so they were removed. If they remained, the Council would have had to approve any variation from such estimates over multiple months. The new language mirrors the Egyptian and Plaza DeKalb agreements.
- It is recognized that the developer may need to borrow funds in the future from third-party sources and that a subordination agreement will be entered at a later point. This language mirrors the Egyptian and Plaza DeKalb agreements.

**City Council approval is recommended.** ([Click here for further information](#))

## L. ORDINANCES – FIRST READING

### 1. **Ordinance 2019-058 Authorizing the Issuance of Not to Exceed \$4,000,000 General Obligation Refunding Bonds, Series 2019.**

City Manager Summary: As explained under “Considerations,” above, In December 2010, the City issued \$3,905,000 of GO Refunding Bonds to refinance prior debt at a lower interest cost. The original obligations were issued to finance the expansion of the Public Works facility on Market Street, as well as new traffic signal and road projects. The 2010B GO Refunding Bond issuance established an 18-year debt service amortization schedule with interest ranging from 4.25% to 4.75%. An outstanding principal balance of \$3,905,000 existed as of December 31, 2018, along with an additional \$1,249,175 in interest due through 2028. The potential savings in debt service costs, subject to market conditions at the time of the issuance, is roughly \$520,000.

Earlier this year, we learned that the 2010B GO Refunding Bonds are callable on January 1, 2020. Once a bond becomes callable, the issuer (the City) may redeem or pay off the bonds prior to the date of maturity. If the issuer does not have the capital to pay off the debt, new GO Refunding Bonds may be issued at present-day interest rates to pay off the callable debt. Given the current low-interest-rate environment, the latter option is financially advantageous for the City.

The team that will guide the refunding process will include the following:

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- Municipal Adviser: Elizabeth Hennessey, Raymond James
- Bond Counsel: Lewis Greenbaum, Katten Muchin Rosenman, LLP
- Escrow Agent: Cathey Walls, Amalgamated Bank of Chicago

**The City Manager recommends the waiver of second reading for the attached Ordinance 2019-058 and a motion to approve to expedite this transaction. ([Click here for further information](#))**

**M. REPORTS AND COMMUNICATIONS**

1. **Council Member Reports**
2. **City Clerk Report**
3. **City Manager Report**

**N. EXECUTIVE SESSION**

1. **Approval to Hold an Executive Session to Discuss:**
  - a. **Personnel as Provided for in 5 ILCS 120/2(c)(1).**
  - b. **Executive Session Minutes as Provided for in 5 ILCS 120/2(c)(21).**

**O. ADJOURNMENT**

**[FULL AGENDA PACKET](#)**