



AGENDA

**Finance Advisory Committee
October 19, 2022
6:00 P.M.**

DeKalb Public Library
Yusunas Meeting Room
309 Oak Street
DeKalb, Illinois 60115

- A. Call to Order and Roll Call
- B. Approval of the Agenda
- C. Approval of Minutes
 - 1. Minutes of the Finance Advisory Committee Meeting of October 19, 2020.
 - 2. Minutes of the Joint City Council and Finance Advisory Committee Meeting of November 16, 2020.
 - 3. Minutes of the Joint City Council and Finance Advisory Committee Meeting of August 16, 2021.
 - 4. Minutes of the Joint City Council and Finance Advisory Committee Meeting of November 15, 2021.
 - 5. Minutes of the Joint City Council and Finance Advisory Committee Meeting of March 14, 2022.
 - 6. Minutes of the Joint City Council and Finance Advisory Committee Meeting of August 15, 2022.
- D. Public Participation
- E. Old Business – None
- F. New Business
 - 1. Consideration of the Proposed FY2023 Budget Assumptions.
- G. Adjournment

**MINUTES
CITY OF DEKALB
FINANCE ADVISORY COMMITTEE MEETING
OCTOBER 19, 2020**

The Finance Advisory Committee (FAC) held a meeting on October 19, 2020, at the DeKalb Public Library, 309 Oak Street, DeKalb, Illinois.

A. CALL TO ORDER

Chair Neeley called the meeting to order at 6:00 p.m.

B. ROLL CALL FOR ATTENDANCE

Recording Secretary Ruth Scott called the roll and the following FAC members were present: Bob Higgerson, Lance McGill, Lynn Neeley, Ron Partch, Tom Teresinski, and Dytania Washington. Member Sheela Prahlad was absent.

Others in attendance included: City Manager Bill Nicklas, Alderman Mike Verbic, and Assistant City Manager Josh Boldt.

C. APPROVAL OF MINUTES

MOTION

Mr. Teresinski moved to approve the following minutes; seconded by Mr. McGill:

1. Minutes of the Finance Advisory Committee Meeting of October 21, 2019.
2. Minutes of the Joint City Council and Finance Advisory Committee Meeting of November 18, 2019.
3. Minutes of the Joint City Council and Finance Advisory Committee Meeting of November 20, 2019.
4. Minutes of the Joint City Council and Finance Advisory Committee Meeting of August 17, 2020.

VOTE

Motion carried by a 5-0-2 roll call vote. Aye: Higgerson, McGill, Neeley, Partch, Teresinski. Nay: None. Absent: Prahlad, Washington. Chair Neeley declared the motion passed.

D. PUBLIC PARTICIPATION

There was none.

E. OLD BUSINESS

There was none.

F. NEW BUSINESS

1. Consideration of Preliminary FY2021 Budget Assumptions.

City Manager Nicklas provided an overview of the information provided in the agenda packet, which included a summary of the City's general operating revenues and expenditures, and the City's general capital revenues and expenditures.

City Manager Nicklas also spoke briefly regarding the Cares Act funding, noting that the City has already submitted some qualifying expenses.

Brief discussion ensued.

City Manager Nicklas also spoke regarding another general revenue the City is anticipating, which is the Ground Emergency Medical Transportation (GEMT) program. This program provides supplemental payments to publicly owned or operated organizations, such as the City of DeKalb. An application has been submitted for the reimbursement of almost \$400,000. This will be a reoccurring program.

City Manager Nicklas spoke briefly regarding a recent Moody's interview regarding the City's bond rating, noting it went well.

City Manager Nicklas also spoke briefly about the COVID pandemic and the Governor's recent executive order, noting that the City is stuck in a region with high results. It's unknown at this time how it will affect DeKalb. Hospitality reports to the City Council show that even before the executive order, the hospitality return had gone up slightly, but August numbers show a decline of 22%. On the spending side, conversations with employees about a wage freeze have gone well and the IAFF and AFSCME are not looking at wage increases.

Brief discussion ensued.

City Manager Nicklas then spoke about levy options as summarized in the agenda packet, providing the recommendation of option 4.

Discussion ensued regarding levy options, the Equalized Assessed Value (EAV), and the City's pension issues.

Noting his concern, Alderman Verbic stated that looking at the budget, it's hard to get a good grasp of how the City's services are being delivered, especially during this difficult time, without being stretched too thin.

City Manager Nicklas agreed and stated the City has a fine work force who are willing to do whatever they can at this time, including the fire, police, and public works departments. He noted that commitments have been made to those departments to fill positions as the money comes in.

Discussion re: new division known as community services has been created in the Police Department.

Brief discussion ensued regarding police department overtime during recent times of social unrest.

At this point in the meeting Chair Neeley raised the question regarding the levy options Bill has presented, with the majority of the FAC choosing option 4.

City Manager Nicklas then provided an overview of the capital and special revenue funds.

G. ADJOURNMENT

MOTION

Mr. Higgeson moved to adjourn the meeting; seconded by Ms. Washington.

VOTE

Motion carried by a 6-0-1 roll call vote. Aye: Higgeson, McGill, Neeley, Partch, Teresinski, Washington. Nay: None. Absent: Prahlad. Chair Neeley declared the motion passed and adjourned the meeting at 7:30 p.m.

Respectfully submitted,

Ruth A. Scott, Executive Assistant/Recording Secretary

**MINUTES
CITY OF DEKALB
SPECIAL JOINT MEETING OF THE CITY COUNCIL
AND FINANCE ADVISORY COMMITTEE MEETING
NOVEMBER 16, 2020**

The City Council of DeKalb, Illinois, held a Special Joint Meeting with its Finance Advisory Committee on November 16, 2020, in the Yusunas Room of DeKalb Public Library, 309 Oak Street, DeKalb, Illinois.

A. CALL TO ORDER AND ROLL CALL

Mayor Smith called the meeting to order at 6 p.m.

City Clerk Lynn Fazekas was attending remotely but had audio difficulties and could not take roll call.

Executive Assistant Ruth Scott called the roll of City Council, and the following members were present: Alderman Carolyn Morris, Alderman Bill Finucane, Alderman Tracy Smith, Alderman Greg Perkins, Alderman Scott McAdams, Alderman Mike Verbic, Alderman Tony Faivre, and Mayor Jerry Smith.

Executive Assistant Ruth Scott called the roll of the Finance Advisory Committee (FAC), and the following FAC members were present: Chair Lynn Neeley, Bob Higgerson, Lance McGill, and Tom Teresinski.

FAC members Ron Partch, Sheelah Prahlad, and Dytania Washington were absent.

Others present included: City Manager Bill Nicklas, Assistant City Manager Josh Boldt, and Utilities Director Bryan Faivre.

Audio capabilities were restored to Clerk Fazekas following the opening roll call.

B. PUBLIC PARTICIPATION

There was none.

C. CONSIDERATION OF THE PROPOSED FY2021 BUDGET

City Manager Nicklas presented highlights as presented in the Transmittal Letter, and then by fund.

City Manager Nicklas directed attention to fund balances being placed more prominently in this budget, and to the enterprise and fiduciary funds now showing assets and liabilities as well as operating balances.

The City Manager's comments about the General Fund budget included:

- The property tax levy will be totally dedicated to police and fire pensions, yet will not cover \$1.4 million of those costs, nor nearly \$500,000 in general obligation debt for the DeKalb Public Library. Other general revenues will need to be found for these purposes.
- The City did receive the entire federal CARES Act allocation of \$1.8 million in COVID-19 pandemic-related reimbursements, which was deposited into the General Fund.
- The City has had a significant amount of turnover of personnel and has not been able to fill all the positions authorized this year.

FAC member Higgerson asked about the latest meeting with Moody's. City Manager Nicklas reported the factors weighing heavily in determining DeKalb's latest bond rating include COVID-19 pandemic impacts, the City's heavy reliance on sales and use taxes for revenues, and the ongoing statewide pension crisis. He said Moody's downgraded the bond rating from A1 to A2 but lifted the negative outlook. Despite the lowered bond rating, DeKalb obtained favorable pricing on the refunding bond, about 15 to 20 basis points better than expected, he said.

Discussion then turned to the Police Department's new Community Support Services Division. The City Manager said it is budgeted at \$2.2 million, an increase of \$1.5 million over this year.

City Manager Nicklas brought up staffing issues in public safety positions, including the following points:

- Council decided in 2017 that the optimal number of sworn police officers is 65 but the City currently employs 61.
- Fire Department staffing levels, which are now a focus of current labor negotiations, lie below National Fire Protection Association (NFPA) mandatory minimums. The shortage plus increased demand for services have resulted in doubled overtime costs that could reach \$1 million by the end of this year.

- Public Works workforce has been substantially reduced for fiscal reasons. On top of the reductions, retirements are expected.

Alderman Verbic commented that the high amount of overtime justifies new hires in the Fire Department.

Mayor Smith expressed concern about the impacts of the staff reductions in Public Works. He also said he hopes the fleet leasing program will result in lowered maintenance costs in the next 2-3 years in that department.

City Manager Nicklas explained a change in use of General Fund Support to account for general operating funds that are transferred to police and fire pension funds and the Library Fund. Pension amounts shown in General Fund Support are in addition to property taxes levied for the purpose, he said.

FAC member Teresinski pointed out that accounting for the transfers using General Fund Support instead of the departmental budgets themselves means they no longer are shown in personnel expense totals of departmental budgets and it complicates year-over-year comparisons of the departmental budgets. Likewise, Alderman Perkins asked for and received confirmation that to get the total amounts contributed by the City as employer to the police and fire pensions, the line-item expense in each departmental budget must be added to a transfer line item in General Fund Support.

Additional budget items highlighted or clarified by the City Manager included:

- The city hopes to initiate an update of its comprehensive plan in the coming year.
- State motor fuel taxes (MFT) will be increasingly devoted to bridge work and are also committed to Twombly Road improvements and completion of Afton Road.
- Two new Special Service Areas are being added this year.
- Regarding tax increment financing (TIF), City has agreed to pick up some costs incurred by the school district for its role in drafting the latest intergovernmental agreement.
- Annie Glidden North neighborhood is a primary focus of Community Development Block Grant (CDBG) funding, including demolition, lighting, and Wi-Fi projects.
- DeKalb is benefitting from Illinois Department of Transportation pass-through funds and Rebuild Illinois bonds added to local fuel taxes to fund improvements to the Gurler-Route 23 intersection and 13th, 14th, Taylor, and First streets.

- The Water Capital Fund section of the budget includes charts detailing the portions of water rate hikes that were pledged to be transferred to Water Capital Fund for water infrastructure, and how they have been/are being spent.
- The airport is seeing more jets and large planes, including freighters. Its budget includes federal funding for repaving runways and taxiways, pilot services upgrades for those who must wait for offloading, and marketing of those services.
- Health insurance costs have risen by more than 10%.

FAC member Teresinski joined Council and other FAC members in complimenting staff for their work on the budget. Mr. Teresinski added that the City has also been conscientious in maintaining a General Fund reserve of 25% or more of the GF balance, now projected to be \$11 million and 31% of the balance. He said additionally he would like the audience to understand that \$1.8 million of the reserve are the proceeds from the debt refinancing that was done, meaning that portion of the reserve effectively is debt.

Chair Neeley asked the FAC for a motion on an affirmative recommendation for Council approval of the budget.

MOTION

FAC member Higgerson moved to make the recommendation. FAC member Teresinski seconded.

VOTE

Motion carried 4-0-3 on roll call vote. Aye: Higgerson, McGill, Teresinski, Chair Neeley. Nay: none. Absent: Partch, Prahlad, Washington.

D. ADJOURNMENT

Upon ascertaining no one in either body had additional comments to make, Mayor Smith suggested adjournment. Chair Neeley said she would entertain a motion to adjourn.

MOTION

FAC member McGill moved to close the FAC portion of the meeting. FAC member Higgerson seconded.

VOTE

Motion carried 4-0-3 on roll call vote. Aye: McGill, Teresinski, Higgerson, Chair Neeley. Nay: none. Absent: Partch, Prahlad, Washington.

At 8:03 p.m., Mayor Smith declared the FAC had indicated it was adjourned for the evening. He called for a motion to adjourn the Council meeting.

MOTION

Alderman Finucane moved to adjourn. Alderman Faivre seconded.

VOTE

Motion carried 8-0 on roll call vote. Aye: Finucane, Smith, Perkins, McAdams, Verbic, Faivre, Morris, Mayor Smith. Nay: none. Mayor Smith declared Council adjourned at 8:04 p.m.

LYNN A. FAZEKAS, City Clerk

Approved by City Council on December 14, 2020.

Approved by the Finance Advisory Committee on _____ (approval pending).

**MINUTES
SPECIAL JOINT MEETING
OF THE
CITY COUNCIL
&
FINANCE ADVISORY COMMITTEE
AUGUST 16, 2021**

The City Council of DeKalb, Illinois, and its Finance Advisory Committee (FAC) held a Special joint meeting on August 16, 2021, in the Yusunas Room of the DeKalb Public Library, 309 Oak Street.

A. CALL TO ORDER

1. City Council Committee of the Whole Call to Order and Roll Call.

Mayor Barnes called the City Council meeting to order at 6:00 p.m.

Executive Assistant Ruth Scott called the roll, and the following members of City Council were present: Alderman Carolyn Morris, Alderman Barb Larson, Alderman Tracy Smith, Alderman Greg Perkins, Alderman Scott McAdams, and Mayor Cohen Barnes. Alderman Mike Verbic and Alderman Tony Faivre were absent.

2. Finance Advisory Committee Call to Order and Roll Call.

FAC Chair Neeley asked for roll call of the FAC.

Executive Assistant Scott called the roll and the following members of the FAC were present: Chair Lynn Neeley, Member Tom Teresinski, and Member Lance McGill. Member Ron Partch and Member Dytania Washington were absent. (Note that the FAC did not have a quorum.)

Also present was City Manager Bill Nicklas.

B. APPROVAL OF AGENDA

Mayor Barnes asked if there were any Council or FAC members wishing to make changes to the agenda; there were none.

MOTION: Alderman Perkins moved to approve the agenda; seconded by Alderman Larson.

VOTE: Motion carried by a 6-0-2 roll call vote. Aye: Morris, Larson, Smith, Perkins, McAdams, Barnes. Nay: None. Absent: Verbic, Faivre.

C. PUBLIC PARTICIPATION

Earnell Brown spoke about his concern regarding the City's financial disbursement throughout the community, indicating it should be more diverse.

D. CONSIDERATIONS

1. Consideration of Key Assumptions for the Fiscal Year 2022 City Budget.

City Manager Nicklas stated the focus of this meeting will be to take stock of where DeKalb is now and where he believes it will be in FY2022. He added that he's not only looking over

the next 12 months but out a little bit further because the federal government has given substantial money to cities like DeKalb with certain prescriptive parameters, which he intends to follow. These federal funds will allow the City to some do things it hasn't been able to do in many years.

City Manager Nicklas noted that in the revenue and expenditure assumptions for the general fund, he's assuming there will be no further COVID related restrictions on business and employment. Further, some important tax data is still not available, which would be helpful in making predictions about revenues. He noted that most companies wouldn't begin the budgeting process at this point, but as a public body, it's important to start discussions now, even though we're doing a little "spit balling".

FY2022 General Fund Revenue Assumptions

Property Tax and Pension Obligations.

City Manager Nicklas provided an overview of his suggestions and comments from the information provided in the agenda packet for the upcoming budget year as follows:

- Using all property tax to offset the fire and police pension obligation. He's predicting the City will be short by approximately \$1.3 million, which will be taken out of sales and use tax.
- Not asking taxpayers to pay a proportional share of the library debt the City took on, which is just under \$500,000.
- Some of the new development on the south part of town has materialized, in particular the Ferrara project, which will assist with the equalized assessed value (EAV) on taxes to be paid in 2022, which will affect how the City levies. We won't see anything from Facebook this year because other than a few small buildings, it won't be fully occupied until the end of next year. The total estimated new construction is approximately \$25.5 million. Last year it was just over \$2.25 million.

Sales and Use Taxes.

- Based on early FY2021 trends, there should be a little over a 4% increase in sales tax revenues. Last year we underplayed what revenue would be, so the FY2021 budget was amended in July of this year to show the additional revenue that had not been accounted for.

Gross Receipts Taxes.

- This category includes utility taxes with a 3.4% difference approximately at this point. There may be a little bit more because of the electrical tax to be shared with Ferrara.

Intergovernmental Revenues.

- Based on the recently released 2020 Census information, there was a change in the city's population from 44,030 to 40,290 residents in DeKalb over the last 10 years, which is about an 8.5% drop. That affects our per capita revenues and our share of the state income tax.

- The local use tax captures internet sales, which were up substantially last year, most likely due to people being home due to COVID and it continues to rise.

Licenses and Permits.

- This category has seen an increase in revenues, mostly thanks to Facebook and Ferrara. The soon-to-be named company coming to DeKalb in that same area will assist with further revenues in this category.

Transfers In.

- American Recovery Act dollars allowed the City to make up for the loss of about \$4.2 million. This funding gives us an opportunity to do some things that have been put off for years, specifically related to fire and police.

FY2022 General Fund Expenditure Assumptions

- City Manager Nicklas referred to his summary in the agenda packet regarding personnel.
- There wasn't much of an increase in commodities, contractual services, and equipment.
- With reference to transfers out, in 2020 the City "scooped and tossed" its debt service to the end of the term for the general obligation (G.O.) bonds so that it didn't have to dip into the reserve to keep services going. In 2022 the debt obligation comes back, hence the increase. Ferrara will offset a majority of that.

At this point in the meeting, City Manager Nicklas paused the overview and asked if anyone had questions.

FAC Member Teresinski briefly commented on the role of the FAC. He also commented that the overview provided looks relatively good from a community perspective, much better than it did in early 2020. One of the primary objectives and assumptions the FAC has discussed year after year was how to retain the 25% general fund balance. It was a long-term struggle but now the City is looking at a fund balance above that level and it looks like it's sustainable for a period of time.

Speaking to the pension obligation issue, Mr. Teresinski stated it remains significant and he would hope that at some point a discussion can take place to see if there are dollars available and use that as an opportunity to address what the minimum requirements have been.

Continuing, Mr. Teresinski stated the other long-term liability is roads and construction costs the City has struggled with over the years. He, along with others he's spoken with, would like to try to get that up to \$3 to \$4 million regular annual commitment.

Mr. Teresinski also commented that multiple year budgeting helps with capital cost planning.

As for the property tax aspect of the pension discussion, it will be enhanced not only with Ferrara and Facebook, but also with the roll off of TIF (tax increment financing). The TIF surplus is still generating \$200,070 more or less. The other half will come back at the end of next year. The good part is that it will all come back to property tax income, which reduces

the deficit related to pension obligations from a \$1.3 million deficit and nearer to zero to get to a balanced pension obligation on a go forward basis.

City Manager Nicklas noted that one other problem that bothers him is how much the general fund in DeKalb has been supported by other funds that have other needs, one of those being the water fund. Referencing data provided on page two of the agenda packet regarding transfers in, there will be a drop off in 2023 and 2024 in transfers from the water fund.

Mayor Barnes and City Manager Nicklas discussed the recent census outcome and the City's pension obligation.

Mr. Teresinski expressed his frustration that the library debt became the City's obligation rather than the library's.

Mr. Teresinski commented there is no revenue that the City is using on the library's behalf so it's a pure add on to the City budget. City Manager Nicklas stated it was his understanding that the library needed more money for its expansion and at the time the City said they'd cover it. The library has indicated that its debt service is paid, however, the City has another 10 years left in the amount of approximately \$500,000 per year.

Mr. Teresinski asked about headcount for assumptions and if the 12 frozen positions were in the FY2022 budget. City Manager Nicklas indicated they were.

Discussion ensued between Mr. Teresinski and City Manager Nicklas regarding staffing levels. City Manager Nicklas indicated that some of the frozen positions have been carried over since 2019. He added that services have been the focus, specifically with fire and police. At this time the hiring process for fire and police has been accelerated to assist with the lowering of overtime and providing services.

FY2022 Capital Funds.

City Manager Nicklas indicated that not all of the capital-oriented funds are listed in the summary provided in the agenda packet. He added that the City does not receive property taxes for streets or operations.

City Manager Nicklas continued, stating that three years ago the Council and FAC spent a lot of time thinking about how to attack the slow pace of street maintenance. To remedy that, the City increased its local motor fuel tax (MFT), as did the State of Illinois, which brought in more dollars. In 2018 the City had \$750,000 in annual street maintenance spending. In FY2022, \$2.2 million is proposed. Some of those funds will go towards two major bridge replacements – the Lucinda Street bridge and the N. First Street bridge.

City Manager Nicklas continued with his explanation of MFT funding and spending, stating that next year a more aggressive program will be put in place so the City can work on more alleys, which have been neglected due to the lack of funding. Other projects are coming along, such as the repaving of First Street and next year the State of Illinois is going to pave Route 38, which will benefit the downtown area.

Another project the City wanted to tackle this year was the streetscape of Lincoln Highway. However, there's still some review going on at the state level, therefore the project will not begin until 2022. This project will widen the sidewalks in the downtown area from First Street

to Fourth Street and reduce the number of lanes to three. There will also be more enhancements including lighting, street art, etc.

Mayor Barnes commented that the Route 38 project will include repaving of the asphalt from the Convocation Center through to Cortland, which will improve the beautification structure of the area.

City Manager Nicklas then provided an overview of vehicle replacement. He noted that in 2019 the City made the decision to lease some vehicles for a five-year term, which has helped tremendously. However, it comes with a debt consideration and an audit standard where we are required to record the full value of the costs on the books and spreading that over five years.

Mayor Barnes asked for information on the DeKalb Taylor Municipal Airport (DTMA). City Manager Nicklas indicated there are two ongoing runway paving projects in progress, as well as a lighting project, which have been on transportation improvement program list for years. These projects will assist with developing the DTMA.

DeKalb's TIF Program

City Manager Nicklas noted that TIF 1 will be expiring at the end of 2021. Action will be taken later in the year to terminate the TIF 1 program.

With regard to TIF 3, this is the second full year where some revenue can be spent. The total of TIF 3 projected is \$450,000, which would cover a couple of downtown projects.

FY2022 Budget Schedule

City Manager Nicklas provided a brief overview of the FY2022 budget schedule, explaining that after this meeting, there will be a couple of months of intense department level budget discussions. After that, the meeting schedule is as follows:

- Monday, October 18. An FAC meeting to review proposed, detailed FY2022 Budget highlights, including annual levy assumptions.
- Monday, October 25. Council consideration of property tax levy options.
- Tuesday, November 8. Presentation of a Council resolution establishing a Truth in Taxation Hearing for November 22.
- Monday, November 15 & Wednesday, November 17. Back-to-back Special Council meetings in joint session with the FAC to go over the Proposed FY2022 Budget document. The General Fund departments will be the focus on November 15, and the Capital, Enterprise, and Special Funds will be the focus on November 17.
- Monday, November 22. Truth in Taxation Hearing and FY2022 Budget Hearing. First Reading on the proposed FY2022 City Budget.
- Monday, December 13. Second reading on the proposed FY2022 City Budget.
- December 31, 2021. Last day to file the approved FY2022 Annual Budget and Property Tax Levy with the DeKalb County Clerk.

Mayor Barnes asked if conversations have been had about returning the library debt service obligation back to the library. City Manager Nicklas replied that he doesn't know of any discussions that have taken place, but he would if that was the direction of the Council. He added that we would need to see what the understanding was at the time the deal was struck.

Discussion ensued City's fund balance reserves.

City Manager Nicklas expressed his gratitude to the fire department and their dedication to the community during the hiring freeze. Firefighters were called in on their days off to cover shifts that otherwise would have not been covered.

FAC Member Neeley expressed her gratitude to City employees who worked hard and sacrificed to tow the line over the last year.

Alderman Morris noted the City could find itself in a similar situation it was in last year to afford a bump down in the fund balance reserves to create some positive outcomes for the entire community.

E. ADJOURNMENT

MOTION: Mr. Teresinski moved to adjourn; seconded by FAC Member McGill.

VOTE: Motion carried by a majority voice vote of the FAC members present.

MOTION: Alderman Morris moved adjourn; seconded by Alderman McAdams.

VOTE: Motion carried by a majority voice vote of the Council members present.

Mayor Barnes declared the meeting adjourned at 8:05 p.m.

Respectfully submitted,

Ruth A. Scott, Executive Assistant

Minutes approved by the City Council on August 23,2021.
Minutes pending approval by the Finance Advisory Committee.

**MINUTES
SPECIAL JOINT MEETING
OF THE
CITY COUNCIL
AND
FINANCE ADVISORY COMMITTEE**

The City Council and Finance Advisory Committee of the City of DeKalb, Illinois, held a Special joint meeting on November 15, 2021, in the Yusunas Meeting Room of the DeKalb Public Library, 309 Oak Street, DeKalb, Illinois.

A. CALL TO ORDER

Mayor Barnes called the meeting to order at 6:00 p.m.

B. ROLL CALL

1. City Council

Executive Assistant Ruth Scott called the roll and the following members of the City Council were present: Alderman Carolyn Morris, Alderman Barb Larson, Alderman Tracy Smith, Alderman Greg Perkins, Alderman Scott McAdams, Alderman Mike Verbic, Alderman Tony Faivre, and Mayor Cohen Barnes.

2. Finance Advisory Committee

Executive Assistant Ruth Scott called the roll and the following members of the Finance Advisory Committee (FAC) were present: Lance McGill, Ron Partch, Tom Teresinski, Dytania Washington, and Chair Lynn Neeley.

C. PUBLIC PARTICIPATION

Mark Charvat spoke regarding the DeKalb Public Library's proposed tax levy of 14%, noting his disdain that Council may "rubberstamp" the document. He encouraged Council to request that the library revise the levy and extend the deadline to vote for final approval to December.

D. CONSIDERATION OF THE PROPOSED FY2022 BUDGET.

City Manager Nicklas began his overview of this item by stating that 2021 has been a recovery phase from the 2020 fiscal year.

At this point in the meeting, Mayor Barnes noted that he had two public participants wishing to speak to this item.

Referencing the proposed FY2022 budget, Mark Charvat stated he finds it problematic that Council voted to give the Kishwaukee Water Reclamation District (KWRD) and the DeKalb Park District grants from the American Rescue Plan (ARP), noting that both taxing bodies can levy their own taxes to deal with any shortfalls. He added that money could have been used to lower the tax burden on DeKalb residents, as well as adding streets lights in the First Ward or fixing potholes in the Fourth Ward.

Continuing, Mr. Charvat expressed his opinion regarding the hiring of 16 fulltime employees in 2022, yet there's nothing in the proposed budget that addresses the long-term pension obligations taxpayers will have to pay for the new hires. He also noted that Special Service Area #3 (SSA 3) collects \$1,000 a year but residents of the area only receive \$500 in services while the other \$500 is transferred to the City's general fund. He recommended that SSA 3 be eliminated, or Council should ensure that the residents who live there are refunded the overpayment.

Earnell Brown spoke about funding for crime reduction in DeKalb and asked what efforts are being made to assist those wanting to acclimate themselves to life outside of the criminal justice system. He noted there were 70 individuals on parole that lived in DeKalb but are now living in Chicago because there was no mechanism in place to welcome them back home. He further noted there are currently 156 incarcerated individuals coming back to the community over the next three years and asked what DeKalb is going to do to make sure they'll be okay.

Mr. Brown continued, stating that as a social service rich community, he believes DeKalb can do better. He invited Council, the FAC, and the community to join him in conversation about these issues and how we can be more responsible for our fair share.

MOTION: Alderman Perkins moved to bring the consideration before Council for discussion; seconded by Alderman Verbic.

VOTE: Motion carried by an 8-0 roll call vote of the City Council and a 5-0 roll call vote of the FAC. Aye: Morris, Larson, Smith, Perkins, McAdams, Verbic, Faivre, Barnes, McGill, Neeley, Partch, Teresinski, Washington. Nay: None. Mayor Barnes declared the motion passed.

City Manager Nicklas stated the transmittal letter at the beginning of the budget document is intended to be a quick overview of the general fund. He added he would be highlighting a few items from the budget, including new funds, one of which is the American Rescue Plan (ARP), Fund 110, which are monies provided by the federal government. City Manager Nicklas stated that with this budget document, he's made an effort to present a budget that prudently shows how revenues the City has now thanks to funding from federal and state governments can be utilized over multi-years rather than just one year.

City Manager Nicklas proceeded with his overview of the proposed FY2022 budget document, stating an important part of the City's financial policies addresses fund balances. There has been a very strong Council intention to exceed the 25% minimum balance of the general fund, which has been done. He added that over the next couple of years, by prudently expanding the federal monies we will receive over the next couple of years and investing them wisely, we can continue to see very solid fund balances in the general fund.

City Manager Nicklas then spoke of the proposed staffing plan, noting that in 2018 the City employed approximately 226 fulltime and parttime employees. That staffing got leaner in 2019 as a matter of necessity to deal with a fiscal crisis in terms of general operations. Then last year because of challenges brought on by the COVID pandemic, staffing was lowered to 205, which was untenable. Therefore, this budget includes a plan for replacing frozen positions.

Continuing, City Manager Nicklas provided Council and the FAC with an overview of the budget document as follows:

The Community We Serve. This section includes some general observations about where the City is demographically in terms of some of the strategic goals and strategies that have been

developed in recent years and what's being done to meet them, as well as some new things that have been identified as top priorities.

Sales and Use Taxes. This section includes Home Rule Sales Tax, State Sales Tax, Restaurant and Bar Tax, Local Use Tax, and Hotel/Motel Tax. City Manager Nicklas noted there are projected increases in most of those categories over the next 12 months.

Intergovernmental Revenue. Over the last 12 months, despite the COVID pandemic, the City's state income tax payments have been higher. It's assumed that DeKalb didn't lose as many residents as reported in the 2020 Census report. The decision to request a special Census is premature, but it's an option. Typically, communities will wait about a year following the Census report to see if there's evidence that shows the count is incorrect.

Gross Receipts Taxes. This section includes Municipal Utility Tax, Telecommunications Tax and Franchise Tax. The City has seen modest increases in this area over the past few years.

Property Tax. This portion of the budget is derived from a tax levy on real estate within the corporate limits of DeKalb. Property taxes will account for 15.8% of general revenue FY2022. For FY2022 (tax levy year 2021), the City estimates a 4.95% increase in the tax levy in order to capture new Equalized Assessed Value (EAV) growth. Because of the one-time recovery of Tax Increment Financing (TIF) District #1 and the positive impact of Ferrara's new EAV, this levy increase will still result in a projected City rate decrease of about 8%. It's anticipated that the 2021 levy will generate \$6,845,217 in general fund revenue, all of which will go toward the funding of Fire and Police pensions funds.

City Manager Nicklas commented that a change in the actuarial method of calculating pension obligations needs to be done at the state legislature level.

FAC Chair Neeley stated the pension crisis is a serious problem we've been trying to lobby for years and encouraged citizens to reach out to the state legislature for action. She stated that unless it's addressed soon, it's going to come back in an ugly way. She further stated that not just Fire and Police pension, but all Illinois pensions are in trouble.

City Manager Nicklas continued his overview of the budget document.

Legislative. This portion of the budget includes activities of the City Council, as well as the Municipal Band. It was noted that this is one budget that decreased.

City Manager's Office. This portion of the budget includes not only the City Manager's Office, but also activities of the Human Resources, Finance, Information Technology (IT) Departments. A brief description of the activities and goals from each of these departments was provided and it was noted that the number of staff within the City Manager's Office will remain the same.

Police Department. This is the largest department within the City of DeKalb in terms of funding support. The staffing goal for 2022 is 65 sworn officers. In that process, there will be more strength added for the Community Support Division that will include two imbedded social workers. City Manager Nicklas briefly recognized the proposed Citizen Review Board (CPRB), noting we look forward to serving and working with that board in the future.

Fire Department. City Manager Nicklas provided a brief overview of the Fire Department staff. He stated that the Fire Department is in the process of looking for a replacement for retiring Fire Chief

Jeff McMaster, as well as candidates to fill the vacant firefighter positions. He then explained the process of how the Board of Fire and Police Commissioners (BFPC) selects candidates.

Public Works Department. City Manager Nicklas provided a brief overview of this department, stating the water division and streets division work effectively together on various projects throughout the year, including snow removal, leaf pickup, watermain repair, street patching, etc.

Community Development. City Manager Nicklas provided a brief overview of this department, noting that staffing will remain the same for 2022 with seven staff members. This department plays a big role in the business attraction and retention process, as well as the rehabilitation of older properties, some of which are TIF supported. The Community Development Block Grant (CDBG) program is part of this department and assists families trying to stay in their homes by rehabbing and/or winterizing or order to make the homes habitable. Building and Code Enforcement is also part of this department. There has been an increase in permits in 2021 over 2020, with Project Barb the biggest new entry into the city's development. The Planning and Zoning Commission (PZC) is supported by this department as well

General Fund Support. City Manager Nicklas noted that this portion of the budget is a conglomeration of spending categories that touch all pieces of the City organization, such as health insurance, tax sharing agreements with DeKalb County or local retail development promoted by County and City incentives. It also includes transfers out to various funds, including pensions.

Special Revenue Funds. This section includes various funds. City Manager Nicklas provided a brief overview of each of the following funds:

American Rescue Plan (ARP) Fund (Fund 110). This fund is provided by the federal government in response to COVID public health emergency in 2020. The funds are filtered through City departments to assist with filling positions and providing services. The federal government also wants communities to invest in water, sewer, roads and broadband. Council has already approved the transfer of funds to the water fund for a program to assist homeowners with replacing their lead service lines. A survey was recently mailed to DeKalb citizens in order to identify where those might be located. The ARP money has to be spent in qualified census tracts in terms of household income, etc.

SAFER Grant (Fund 120). SAFER stands for "Staffing for Adequate Fire and Emergency Response". This fund is a federal grant in the amount of \$2,721,256.47 the City was awarded after an application was submitted by the Fire Department, issued to assist with the hiring of Fire Department staffing shortages. Funding will be allocated in three installments in 2021, 2022 and 2023. The City has already hired four new firefighters/paramedics of the nine committed to.

GEMT (Fund 130). GEMT stands for "Ground Emergency Medical Transportation". This program pays the difference of what the City might receive in Medicaid funds for ambulance transports and the actual cost of the service.

Transportation Fund (Fund 200). This is one of the City's biggest funds in terms of annual spending and supports our transit program. It will also help fund the location and building of a new transit center.

Motor Fuel Tax Fund (Fund 210). The City receives per capita based allocations of the Illinois Motor Fuel Tax revenues, not to be confused with the local fuel tax revenues. In the last couple

of years, the state legislature has passed a capital bill that involves their issuance of bonds of which local municipalities can receive revenue. These funds will assist the City with tentative bridge replacement projects in 2022.

Referencing the decrease in the City's population, Mr. Teresinski asked when the state would begin working with the new population percentage of 8.5%. City Manager Nicklas replied it may happen with the December payment. Brief discussion ensued.

Special Service Area (SSA) Funds. These funds are created to pay for various public maintenance and utility items, including mowing, maintenance of cul-de-sac islands, electrical costs of streetlighting, etc. DeKalb SSAs include Heritage Ridge Subdivision SSA#3 (Fund 223), Knolls at Prairie Creek Subdivision SSA#4 (Fund 224), Greek Row SSA #6 (Fund 226), Heartland Fields SSA#14 (Fund 234), Market Square SSA#29 (Fund 229), and Hunter Ridgebrook SSA#30 (Fund 230). It was noted that the 924 Greenbrier SSA#28 (Fund 248), created to assist the location with the installation of a fire sprinkler system, has been repaid and so the fund will be closed.

Central Area TIF #1 Fund (Fund 260). Established in 1986, this fund will be terminating as of December 31, 2021. Remaining uncommitted funds will be transferred to TIF #3 and a residual amount will be held over to cover any pending property tax appeals.

Central Area TIF #3 Fund (Fund 262). This fund was adopted in 2019. In 2022 this fund will provide for private rehab projects such as Agora Tower and Johann DeKalb Suites. It also includes the Architectural Improvement Program (AIP) and the Downtown Route 38 (Lincoln Highway) reconfiguration.

Ms. Washington left the meeting at 7:16 p.m. and did not return.

Community Development Block Grant (CDBG) Fund (Fund 280). This fund is provided by the U.S. Department of Housing and Urban Development (HUD) and provides support for a variety of services, including low income children, daycare, summer meals program, elderly homeless, survivors of domestic violence, etc. Local social service agencies apply for the funding the City receives via guideless set forth by HUD. In 2020 the City received additional funding to respond to the COVID pandemic.

Housing Rehabilitation Fund (Fund 285). This fund is used to assist very low and extremely low-income residents with home repair costs that exceed the \$5,000 CDBG program limit. It's also used to demolish residential structures.

Foreign Fire Insurance Fund (Fund 290). This is a state statute operated fund where a 2% tax is imposed on the gross receipts of the fire insurance premiums provided by insurance companies not located in Illinois. Expenditures from the fund are used for the improvement of the Fire Department, such as station improvements and repairs, furniture, personal protection equipment and physical fitness equipment. Expenditures planned for 2022 include the preservation of historical department memorabilia, the replacement of furniture at station one, the replacement of emergency medical supplies and breathing apparatus, etc.

General Fund Debt Service (Bonds) (Fund 300). City Manager Nicklas provided a brief overview of this section. Bonds include the General Obligation Refunding Bonds of 2010C, General Obligation Bonds of 2012A, General Obligation Bonds of 2013A, General Obligation Bonds of

2013B, General Obligation Refunding Bonds of 2019, and General Obligation Taxable Series 2020.

Capital Projects Fund (Fund 400). For FY2022, a lot of the street maintenance program will be funded out of this fund. The City has a local fuel tax rate of 9.5 cents per gallon, which is split three ways 7 cents goes to streets, 1.5 cents goes to the airport, and 1 cent goes to vehicle replacement. Tentative 2022 projects include not only the annual street maintenance program, but also the IL-23/Gurler Road intersection upgrade, and the Afton Road construction completion.

Capital Equipment Replacement Fund (Fund 420). This fund has existed for some time to cover the cost of new purchase or replacement of major equipment and vehicles for the City. In recent years the City has embraced leasing to solve fleet problems that have occurred over time.

Water Operations Fund (Fund 600). This fund provides for the supply, treatment, storage, and distribution for the City's potable water system. City Manager Nicklas provided an overview of user fee increases and how those funds are being utilized.

Mr. Teresinski commented that overall, the water fund is in excellent condition. The program as was adopted to build the capital fund, allocate it for capital purposes, and ensure it was segregated from operations. With the help of the Water Department and City staff that objective has been accomplished almost to its complete intent.

Mr. Teresinski continued, stating that from an operational standpoint, the policy, when adopted, called for 25% of the reserve balance in the water operations to cover any interruptions or problems that would occur and anything above that 25% balance would be transferred to the capital fund. By the end of 2022, we'll be very close to the 25% balance.

City Manager Nicklas briefly noted that the Joanne Lane watermain project is complete, but the street paving will be done before the end of 2021. It will be maintained for drivability and then completely repaired in the spring of 2022. Watermain replacement will continue in 2022 at a variety of sites.

There was brief discussion between Alderman Smith, City Manager Nicklas, and Director of Utilities and Transportation Bryan Faivre regarding watermain replacement on N. 13th Street and N. 14th Street.

Airport Fund (Fund 650). City Manager Nicklas stated the airport has had some challenges this year, resurfacing of both runways and some of the taxiway areas being one of them. There was a total of 79 days in which there was some construction going on and 16 consecutive days in which both of the runways were closed. Those closures and the resulting loss in fuel money and hangar lease refunds (as required by the hangar lease) cost the City somewhere between \$75,000 to \$100,000, which wasn't budgeted for. The two major sources of revenue for the airport are hangar rent and fuel.

Workers Compensation and Liability Insurance Fund (Fund 700). City Manager Nicklas briefly discussed this fund, stating the Council recently awarded the contract to a new vendor. We've seen an increase in costs in recent years and the price received from the new vendor is less than last year's cost.

Health Insurance Fund (Fund 710). City Manager Nicklas explained that the City works with a third party for health insurance. The City has a committee of employees that meets on a quarterly

basis to track spending, services provided, and contributions. Current policy requires a minimum of two months reserves of the annual cost. Our monthly cost is over \$400,000.

Police Pension Fund (Fund 830) and Fire Pension Fund (Fund 850). Noting this topic was discussed earlier in the meeting, City Manager Nicklas briefly discussed this section, stating both fund balances are large because the City is obligated through actuarial requirements defined by the State of Illinois.

DeKalb Public Library Fund (Fund 900). City Manager Nicklas briefly explained that the City performs financial services for the library. Noting the amount of public conversation regarding the issue of the library's proposed tax levy (14%), City Manager Nicklas stated that he and Mayor Barnes are scheduled to meet with library representatives this week.

City Manager Nicklas then provided a brief overview of the Appendix, which includes the Staffing Plan, Chart of Accounts, Budget Policies, and the Glossary of Terms.

Discussion ensued following City Manager Nicklas' budget document overview.

Alderman Perkins asked why Forestry Services was increased. City Manager Nicklas stated the City maintains trees within DeKalb inhouse to the best of its ability, however, it's sometimes necessary to hire outside firms to assist with trees with higher elevations. This is due in part diseases that have hit the city's trees, such as the Emerald Ash Borer.

Alderman Perkins then asked why Training/Travel expenses increased. City Manager Nicklas explained that some of our sworn services (police/fire) have to attend required continuing education training.

Noting the impact the Census results had on the budget, Alderman Verbic asked what would be required to pursue a special Census because numbers aren't lining up. For instance, in Ward 6 there are no available apartments or homes for sale, there's an increase in the number of calls for public safety and increased school district enrollment. He thinks it would be worthwhile to pursue a special Census sooner rather than later.

City Manager Nicklas stated a special Census would be more of a fall activity in order to capture college student numbers. He further stated that staff can research what's involved for a special Census and bring the information back to Council at a later date. Alderman Verbic asked if money should be set aside for a special Census, and City Manager Nicklas replied that the budget could be amended if necessary or take money from the reserve.

Mayor Barnes stated that he and the City Manager Nicklas have had discussions regarding a special Census, with City Manager Nicklas adding that employees would have to be hired to do the work.

Alderman Smith asked if the money budgeted for forestry services is enough. City Manager Nicklas replied that Andy Raih, Director of Streets and Facilities, is careful with budgeting for those services and they're right about where they should be.

Alderman Smith then asked if the number of training hours for the Police Department had to be increased, with City Manager Nicklas stating they had.

There was brief discussion regarding a special Census that was done following the 2010 Census, possibly in 2012 or 2013.

Regarding the forestry discussion, Alderman Morris asked about the possibility of more deliberate tree replacement planning and possibly engaging the Citizens' Environmental Commission (CEC) for assistance.

Mr. Teresinski provided additional comments regarding the presentation and documentation of the budget, noting it has improved over the last few years. He further noted that the City's financial position has improved substantially with the aid and assistance of the federal government. The growth of the fund balance to 45% is also a positive. Noting concern, he stated that one time money is one time money. If we build an operating budget with increased staffing, a five-year financial plan should be put in place prior to the 2023 budget.

Mr. Teresinski continued, commenting on the water rate study completed regarding the City's water rate and the increases recommended. The water system is in excellent condition, and the community appreciates that. He also stated that from a property tax aspect, Facebook should generate an incremental tax that will cover the police and fire pensions.

Mayor Barnes agreed with Mr. Teresinski's comments, stating there are a lot of moving parts.

Mayor Barnes then thanked City Manager Nicklas and City staff for the informative information provided in the budget document.

E. ADJOURNMENT

MOTION: Mr. McGill moved to adjourn the FAC; seconded by Mr. Patch.

VOTE: Motion carried by a voice vote of the majority of FAC members present – McGill, Neeley, Teresinski. FAC Chair Neeley declared the motion passed.

MOTION: Alderman Morris moved to adjourn the Council; seconded by Alderman Faivre.

VOTE: Motion carried by a voice vote of the majority of Council members present – Morris, Larson, Smith, Perkins, McAdams, Verbic, Faivre. Mayor Barnes declared the motion passed and adjourned the meeting at 8:13 p.m.

Respectfully submitted,

Ruth A. Scott, Executive Assistant

Minutes approved by the City Council on December 13, 2021.
Minutes approved by the Finance Advisory Committee on (pending).

Click [here](#) to view the agenda packet for the November 15, 2021, Joint City Council and Finance Advisory Committee meeting.

Click [here](#) to view the video recording of the November 15, 2021, Joint City Council and Finance Advisory Committee meeting.

**MINUTES
SPECIAL JOINT MEETING
OF THE
CITY COUNCIL
AND
FINANCE ADVISORY COMMITTEE**

The City Council and Finance Advisory Committee of the City of DeKalb, Illinois, held a Special joint meeting on March 14, 2022, in the Yusunas Meeting of the DeKalb Public Library, 309 Oak Street, DeKalb, Illinois.

A. CALL TO ORDER

Mayor Barnes called the meeting to order at 5:00 p.m.

B. ROLL CALL

1. City Council

Recording Secretary Ruth Scott called the roll, and the following members of the City Council were present: Alderman Carolyn Morris, Alderman Barb Larson, Alderman Tracy Smith, Alderman Mike Verbic, and Mayor Cohen Barnes. Alderman Greg Perkins arrived at 5:01 p.m. Alderman Scott McAdams arrived at 5:16 p.m. Absent: Alderman Tony Faivre.

2. Finance Advisory Committee

Recording Secretary Ruth Scott called the roll, and the following members of the Finance Advisory Committee (FAC) were present: Linda Babcock, Jim Briscoe, Lance McGill, Chair Lynn Neeley, Ron Partch, and Tom Teresinski. Absent: Dytania Washington.

C. PUBLIC PARTICIPATION

There was none.

D. CONSIDERATION OF A DRAFT FINANCIAL PLAN FOR THE PERIOD 2022-2024

City Manager Nicklas provided opening remarks.

Finance Director Carrie Dittman then provided an overview of the draft Financial Plan 2022-2024, utilizing a PowerPoint presentation titled [City of DeKalb Financial Plan Review 2022-2024](#), which touched on the following:

Key Revenue Highlights

- General Fund Revenues
- Property Taxes – This is the City’s most stable revenue source, as well as the largest source.
- Sales and Use taxes – This line item is where the City’s share of the 1% state sales tax is budgeted, as well as the City’s Home Rule Sales Tax.

- State Income Tax – This revenue is reported within our intergovernmental revenues line item.
- Other revenue sources include Gross Receipts Taxes, Licenses and Permits, Services Charges, Fines, and Other Income.

Finance Director Dittman then focused on two other revenue sources – The American Rescue Plan Act (ARPA) and the Staffing for Adequate Fire and Emergency Response Grant (SAFER) – which are one-time grants that will cease after 2024.

The ARPA grant is a federal grant was signed into law in March of 2021. The City received \$10,422,954 in funds, which will be paid in advance. The first installment was received in 2021, and the second installment will be received in the early summer of 2022. Funds must be obligated by the end of 2024 and spent by the end of 2026. Since it's a federal grant, there are specific spending requirements. Spending must fall into 66 subcategories, which include public health, negative economic impacts, services to disproportionately impacted communities, premium pay, infrastructure revenue replacement, and administrative. Within the revenue replacement category, up to \$10 million can be spent on almost any governmental purpose, except for lump sum payments to a pension fund, debt service, legal settlements/judgments, and contributions to a "rainy day" fund.

Continuing, Finance Director Dittman stated that when the City was notified of the receipt of this grant, each category was reviewed to see where the money could best be spent. In FY2021, funding was directed to the rehiring public safety personnel, the purchase of the Hunter Hillcrest property for future redevelopment, Hunter Hillcrest tenant relocation, payments to other units of local government that didn't receive ARPA funds (Kishwaukee Water Reclamation District and the DeKalb Park District), and lead service lines. Currently, \$1,427,555 in funding has yet to be allocated.

The other grant the City was awarded this year was the SAFER grant, which is a federal grant through FEMA. The City was awarded \$2,721,256, and unlike the ARPA grant, these funds are paid on a reimbursement basis. Expenditures can be incurred beginning February 27, 2022, and must be spent by February 26, 2025. Expenditures will be reimbursed for the base salary and partial benefits of nine new firefighters that have been hired since the fall of 2021 and February of 2022. Since this is only a three-year grant, beginning in 2025, the City will need approximately \$1,000,000 in additional revenues annually to keep pace with those salaries.

Moving on, Finance Director Dittman provided information on General Fund Revenues to consider, starting with property taxes. Since 2014, the City's property taxes have only been used to pay a partial amount of the Police and Fire pension contributions. No other City services are funded by property taxes. The City is projecting its EAV to grow exponentially over the next several years due to all the new development. With that, the City has been decreasing its tax rate every year. Even though the EAV is going up, the rate is going down, and the levy is slightly increasing each year.

At this point in the meeting, Mayor Barnes asked about additional monies the City must put towards the Fire and Police Pension fund. Finance Director Dittman responded via the information provided in the next portion of her report – Property Tax Collection vs. Pension Expense. Even though the City is putting the entire property tax levy towards pension contributions, there's still a shortage each year between what the Actuarial Required Contribution (ARC) is and what the City is levying. This shortage will continue to grow because we're increasing property taxes by a rate

of about 4.95% with the levies. The pension contributions are growing at a rate of about 10% to 14% for the pension funds.

City Manager Nicklas spoke briefly about the City's pension obligations and the funding difficulty it will face in the next three to four years.

Finance Director Dittman Carrie stated the largest piece of this is benefits, of which the City has no control since it's set by state statute. The second largest is investment returns. Investments were once administered by local pension boards; however, legislation has passed and investments are now centralized by the state. Hopefully the result of that legislation will provide better investment returns.

The next portion of the overview covered General Fund Revenues to Consider - Income Tax. After the 2020 Census was certified, the City's population was reduced from approximately 44,000 to 40,290, which deducted from this revenue source. The good news is that the City's current budget was conservative, so even with the drop in population, the City is still at a level where it can meet or exceed FY2022's expectations.

City Manager Nicklas then provided an overview of the City's infrastructure. He stated that the City is struggling to come up with enough money on an annual basis to keep ahead of street repair costs that mount every year. The City's annual repair costs just to keep pace with seasonal repairs should be around \$3 million, and it's at about \$2.2 million now, but progress is being made. In order to deduce which streets throughout the city need repairs the most, the City will conduct a pavement condition index with some financial assistance from DSATS (DeKalb Sycamore Area Transportation Study).

Continuing, City Manager Nicklas then provided an overview a Future Additional Revenue Needs Summary that included policy considerations in order to acquire additional funding.

Property Tax. The City's tax rate has declined for the past four years. The estimated 2021 rate (0.97235) is a decrease of 9.01% from the 2020 rate (1.06868). If the rate is dropped an additional 5% (0.9237), when applied to next year's higher EAV (estimated at \$8 million), the City would generate approximately \$205,000 more in property taxes than the assumed \$7.1 million levy. If the 2022 rate is maintained at the current tax rate, when applied to next year's higher EAV, the City would generate about \$595,000 more in property taxes than the assumed \$7.1 million. It is recommended that the 2022 tax rate be set somewhere in between.

Cannabis Tax. The City passed a Municipal Cannabis Retailers' Occupation Tax of 3%, however, the City currently doesn't have an operating dispensary in town, but there are interested parties, with two areas within DeKalb being identified as potential sites. It is estimated that one dispensary would generate \$250,000 to \$400,000 from the 3% tax annually.

Gas Tax. The City currently imposes a 9.5 cents per gallon local motor fuel tax, which generates about \$1.2 million annually. An additional 1 cent per gallon tax would generate about \$135,000 annually. This option was not recommended.

Infrastructure Investment and Jobs Act – Infrastructure Grants. This act increased funding levels to many existing infrastructure programs, however, these are all competitive grant opportunities the City will have to apply for. This will ultimately generate the possibility of \$949,000 in funding.

Home Rule Sales Tax. Home rule sales tax applies to all purchases of goods excluding food, drugs, and licensed personal property purchases, such as vehicles. The City's current home rule sales tax rate is 1.75%. This option was not recommended.

City Manager Nicklas continued, stating he thinks progress can be made toward the street maintenance budget, but there's anxiety about what pricing is going to be. Further, the City has been stockpiling for major bridge repair, beginning with the N. First Street bridge and the Lucinda Street bridge. Both will be substantially funded by state and federal sources.

It's unknown what some of the 2021 EAV rates will be, but in the plan as presented, it's projected that over the next two fiscal years a continuation of what was done this year and last year, which was to increase the levy by about 4.95%. With the EAV rising, we can still gain some increase in the levy, which helps but it all goes into the pension costs.

Referencing a handout titled [Flatline City Tax Rate](#) provided to the City Council and FAC, City Manager Nicklas stated another thing to think about would be to flatline the levy rate.

Mayor Barnes asked if the levy is increased by 4.95% as projected, and if the property tax rate is flattened, is there potential to meet the increased pension obligations. City Manager Nicklas replied that we'd still far short but not by as much.

Alderman Verbic thanked City Manager Nicklas and City staff for the report.

Mr. Teresinski also offered thanks, stating this is a major step forward just to be talking about the future. He further stated he's looking forward to discussing the options provided. (Due to audio/mic issues, not all of Mr. Teresinski's comments could be understood.)

City Manager Nicklas briefly touched on information provided on pages 48 and 49 of the Financial Plan.

Mayor Barnes said that he and City Manager Nicklas are planning to visit with each taxing body to figure out how as a community the aggregate tax rate can be driven down.

Alderman Verbic stated that the different taxing bodies have different needs, noting that while the City's population dropped by 9%, the school district's enrollment went up 12%.

Mayor Barnes agreed, stating that hopefully with insane amount of new EAV brought to the community, those additional dollars will be taken into consideration.

Mr. Teresinski provided observation regarding pension obligations over the last 12 years. (Due to audio/mic issues, not all of Mr. Teresinski's comments could be understood.)

Mayor Barnes stated there's no way the City or any other municipality faced with the same sort of deficit will be able to shoulder the pension burden on their own. The state legislature is going to have to make some changes.

Brief discussion ensued.

City Manager Nicklas offered information regarding the need to increase the number of police and fire staff to meet the rising demands of service to the community.

Mayor Barnes asked about final numbers and a finalized Financial Plan. City Manager Nicklas replied that the plan will be refreshed as numbers come in, which will assist with making some policy decisions.

Mayor Barnes stated that if the City can come up with \$800,000 in new revenue, it would cause us to not have to raise taxes.

There was no further discussion.

E. ADJOURNMENT

MOTION: Alderman Larson moved to adjourn the City Council; seconded by Alderman Perkins.

VOTE: Motion carried by a voice vote of the majority of Council members present. Aye: Morris, Larson, Smith, Perkins, McAdams, Verbic, Mayor Barnes. Nay: None. Absent: Faivre. Mayor Barnes declared the motion passed and adjourned the City Council portion of the meeting at 5:55 p.m.

MOTION: Ms. Babcock moved to adjourn the FAC; seconded by Mr. Briscoe.

VOTE: Motion carried by a voice vote of the majority of FAC members present. Aye: Babcock, Briscoe, McGill, Neeley, Partch, Teresinski. Nay: None. Absent: Washington. Chair Neeley declared the motion passed and adjourned the FAC portion of the meeting at 5:55 p.m.

Respectfully submitted,

Ruth A. Scott, Recording Secretary

Minutes approved by the City Council on March 28, 2022.

Minutes approved by the Finance Advisory Committee on (pending).

Click [here](#) to view the agenda packet for the March 14, 2022, Joint City Council and Finance Advisory Committee meeting, which includes a copy of the draft Financial Plan for the Period 2022-2024.

Click [here](#) to view the video recording of the March 14, 2022, Joint City Council and Finance Advisory Committee meeting.

**MINUTES
SPECIAL JOINT MEETING
OF THE
CITY COUNCIL & FINANCE ADVISORY COMMITTEE
AUGUST 15, 2022**

The City Council and the Finance Advisory Committee of the City of DeKalb, Illinois, held a Special joint meeting on August 15, 2022, in the Yusunas Meeting Room of the DeKalb Public Library, 309 Oak Street, DeKalb, Illinois.

A. CALL TO ORDER

Mayor Barnes called the meeting to order at 6:00 p.m.

1. City Council Committee of the Whole Call to Order and Roll Call.

Recording Secretary Ruth Scott called the roll, and the following members of the City Council were present: Alderman Carolyn Morris, Alderman Barb Larson, Alderman Tracy Smith, Alderman Greg Perkins, Alderman Scott McAdams, Alderman Mike Verbic, and Mayor Cohen Barnes. Alderman Tony Faivre was absent.

City Clerk Sasha Cohen was absent.

2. Finance Advisory Committee Call to Order and Roll Call.

Recording Secretary Ruth Scott called the roll, and the following members of the Finance Advisory Committee (FAC) were present: Linda Babcock, Jim Briscoe, Lynn Neeley, Ron Partch, and Tom Teresinski. Dytania Washington arrived at 6:02 p.m. Lance McGill was absent.

Others present included City Manager Bill Nicklas, Finance Director Carrie Dittman, City Engineer Zac Gill, and Police Chief David Byrd.

B. APPROVAL OF AGENDA

MOTION: Alderman Larson moved to approve the agenda; seconded by Alderman Morris.

VOTE: Motion carried by a 7-0-1 roll call vote. Aye: Morris, Larson, Smith, Perkins, McAdams, Verbic, Barnes. Nay: None. Absent: Faivre.

C. PUBLIC PARTICIPATION

There was none.

D. CONSIDERATIONS

City Manager Nicklas advised Council and FAC members that they had been provided with a revised General Fund Summary table to replace the one shown on page 2 of the distributed agenda packet.

1. Consideration of Key Assumptions for the Fiscal Year 2023 City Budget.

General Fund Overview. Finance Director Dittman provided an overview of the revised General Fund Summary table, noting it's a preliminary snapshot of the General Fund.

General Fund Revenue Assumptions. Finance Director Dittman then provided an overview of the following major revenues: Police and Fire Pension Property Tax Levies, State Sales Taxes and Home Rule Sales, Municipal Utility Tax, the American Rescue Plan Act (ARPA) Grant, State Income Tax, and Property Tax.

Mr. Teresinski commented it appears sales and use tax is down approximately \$700,000 year over year and asked what could be impacting that. Finance Director Dittman replied that it's increased over the last four years, but it's a four-year average, with an additional three percent added, based on actual numbers the City has received.

Brief discussion ensued.

General Fund Expenditure Assumptions. Finance Director Dittman provided an overview of the City's American Rescue Plan Act (ARPA) Grant-Funded Expenditures and Fire and Police Pensions based on the information provided in the agenda packet.

City Manager Nicklas provided an explanation of the pension compromise of 2011 that was reached in the state legislature, which established a closed amortization period of all pension funds needing to be funded by 90% by 2040.

Debt Service Expenditures. Finance Director Dittman provided an overview of this portion of the agenda, which includes five outstanding bond issues (2010C, 2012A, 2013B, 2019 and 2020), with an additional issue for the Library (2013A) that the City is paying for.

Mayor Barnes asked when the shared sales tax revenue with DeKalb County expires. Finance Director Dittman stated 2040. City Manager Nicklas stated it was extended by a former City Council in 2019 for another 20 years.

Finance Director Dittman continued, explaining that the City has financed several public safety vehicles in the recent past, which are being paid over multi-year loans via General Fund transfers into the Capital Equipment Replacement Fund. She also explained that the City has leased License Plate Reader (LPR) cameras and 13 additional vehicles, 10 of which are paid from the Capital Equipment Replacement Fund via transfers from the General Fund. The capital items will either be purchased at the end of the lease term or tendered to the lessor. All the debt related items noted above are financed either directly or indirectly from General Fund revenues.

Mr. Teresinski commented on the General Fund Balance, noting that when the City started leasing, interest rates were low, and the City didn't have adequate fund balance. Now that interest rates are higher and the City's financial position is stronger, perhaps there should be some reconsideration on the use of leasing.

Finance Director Dittman replied that recent equipment purchases approved by Council had the option of purchase or finance. Council approved the purchase of the equipment due to the higher interest rates because the City has the fund balance available.

City Manager Nicklas added there are issues getting the delivery of equipment, with some taking six to nine months to be delivered. He noted the City will be looking more at purchasing outright, particularly with fleet purchases.

New Personnel. City Manager Nicklas provided an overview of this portion of the agenda based on the information provided in the agenda packet. The proposed FY2023 Budget includes 10 new full-time hires, five of which will be Police Officers, bringing the total number of sworn officers to

70. In addition, three new Telecommunicators will be hired, as well as one Firefighter/Paramedic, and one Public Works maintenance worker.

The FY2023 budget assumes a 2.5% across-the-board wage and salary increase. The overall increase in wage, benefit and pension costs for these new personnel commitments would be about \$1 million. This total includes annual union step increases (in addition to cost-of-living adjustments), which are significant considering the recent new hires at the lower levels of the City's union pay scales.

Continuing, City Manager Nicklas stated there's been talk for several years about the competitive disadvantage of aggregate property tax rate in the community, noting the proposed Financial Plan focused on that. He added that the City organization would like to get in contact with other taxing bodies to discuss what their plans are particularly as the EAV of the community grows.

Mayor Barnes commented on last year's aggregate tax rate, which was 11.1%, noting the City would need for the tax rate to be around 9% to be competitive.

Discussion ensued.

Mr. Teresinski, noting that the ARPA and SAFER grants will run out at some point, commented that as Council considers the FY2023 budget, they should keep in mind that the proposed new hires are not accounted for in the pension obligations. He also commented on the pension issue and the reduction in rate, suggesting that Council increase the levy to the percent increase in new construction over the existing EAV to generate more revenue than what's assumed and generate a new tax rate.

City Manager Nicklas commented that several scenarios will be revealed at later budgeting meetings. He also commented on natural growth and the services the City needs to provide to its citizens, some of which are hard to plan for during budgeting, such as the high demand for traffic control and ambulance calls. He noted that some citizens use the City's paramedic services for their primary medical service.

Mayor Barnes commented on the investments the City has made to generate more sales tax revenue, as well as investments to make DeKalb a safe living environment and be more business friendly. He further commented on ways to continue generating more sales tax revenue, such as more activities, attracting more people to live here, etc.

Capital Funds. City Manager Nicklas spoke to this item, which included key assumptions as follows:

- The General Fund should pay only for government operations.
- Expenditures should not exceed our revenue capacity.
- Revenue sources should be diversified and not vulnerable to "external" threats.
- Minimum fund balances of 25% or more are desired (but not yet achievable) in capital funds as well as the operating areas.
- The property tax will be dedicated toward pension payments and operating needs for many years to come.

- No increases in the City's home rule sales tax rate or local motor fuel tax are contemplated.
- No "catch-up" general obligation bond is appropriate so long as the City's "full faith and credit" has no property tax stream to enforce it.
- If received, proceeds from the DeKalb share of the Infrastructure Investment and Jobs Act of 2022 that can be used for street repairs might be available in FY2023. The estimated City share may be just under \$500,000.
- Any available revenue from the imposition of a 3% tax on cannabis sales in FY2023 should be shifted to Fund 420 for fleet replacement and other vehicle or equipment purchases.

City Manager Nicklas also spoke to a new Pavement Condition Index (PCI) for the DeKalb area funded by the DeKalb-Sycamore Area Transportation Study (DSATS) is still expected before winter.

City Manager Nicklas then provided an overview of the following:

Motor Fuel Tax (Fund 210). The City's allocation of MFT is used for street maintenance, improvement projects. Defraying the City's electrical charges for streetlights, road salt purchases, and street supplies/commodities. FY2023 projects include engineering and repair of the Lucinda Avenue and N. First Street bridges, as well as street maintenance on the Knolls, Greenbrier Road, and resurfacing of Kimberly Driver, and Edgebrook Drive.

Capital Projects (Fund 400). The City's local MFT is split between road expenditures, airport expenditures, and vehicle replacement. A small portion is also set aside for miscellaneous curb, gutter, sidewalk, and catch basin repairs. It's projected that this fund will be down 2.7% compared to FY2022.

Capital Equipment Replacement (Fund 420). It's projected that this fund will be under the most pressure in FY2023 due to fleet replacement, rising new vehicle and upfitting charges, specifically on Police vehicles. This fund consists of lease payments from telecommunication companies, and DeKalb County emergency service payments, as well as a small percentage of the local MFT. If awarded, cannabis revenue will be deposited into this fund. This fund is primarily used for Police and Public Works, as the Fire Department has the use of funds from GEMT.

DeKalb's TIF Program Fund 262 (TIF #3). The Central Area TIF (TIF #1) expired on December 31, 2021. A small fund balance of \$19,471 remains in the event of future tax protests, but the remainder of the fund's balance was transferred to TIF #3. Within TIF #3, a few major capital projects are ongoing in 2022, but are expected to be complete or nearly complete at the end of 2022. They include Agora Tower, the Illinois Route 38 Reconfiguration, 200 S. Fourth Street - City Hall Suites, and other Private Property Rehabilitation Projects. About \$500,000 will remain available in the fund balance for one or several larger downtown projects that the AIP program does not typically underwrite. The FY2023 incremental property tax revenues will be in the ballpark of \$520,000 and will be devoted to smaller Architectural Improvement Program (AIP) projects, plus the annual required TIF surplus distribution to the local taxing bodies.

FY2023 Budget Schedule. The remaining FY2023 budget schedule was approved by Council on July 11. However, the FAC meeting scheduled for October 17 has been changed to October 19 to allow City administration to be represented at a crucial pension conference in Springfield. The revised budget schedule is as follows:

- August 30 - October 13 – Intense department-level budget discussions around spending targets based on general goals established on August 15.
- Thursday, October 13 – Publication of an agenda for a FAC meeting on October 19.
- Wednesday, October 19 – FAC meeting to review proposed, detailed FY2023 Budget highlights, including annual levy assumptions, 6:00 p.m. to 8:30 p.m.
- Monday, October 24 – Council consideration of property tax levy options.
- Monday, November 14 – Presentation of a Council resolution establishing a Truth in Taxation Hearing for November 28.
- Monday, November 21 and Wednesday, November 23 (if needed) – Back-to-back special Council meetings in joint session with the FAC to go over the proposed FY2023 budget document. The General Fund departments, Capital Funds, Enterprise Funds, and Special Funds will be the focus.
- Monday, November 28 – Truth in Taxation Hearing and FY2023 Budget Hearing. First reading on Proposed FY2023 City Budget.
- Monday, December 12 – Second reading on Proposed FY2023 City Budget.
- December 29 – Last day to file the approved FY2023 Annual Budget and Property Tax Levy with the DeKalb County Clerk.

Alderman McAdams commented on making funds available in the public arts program. City Manager Nicklas replied there are funds available in Fund 400 for the program.

Alderman Verbic commented on the creation of policies to maintain old and new public art. City Manager Nicklas replied that a public mural policy was created a couple of years ago, adding perhaps it could be reviewed at a future meeting.

Alderman Larson asked about an expenditure in the amount of \$50,000 in Fund 400 to resurface Locust Street between Seventh Street and Tenth Street and if it will still happen if it's vacated to Nehring. City Manager Nicklas replied negotiations are still ongoing with Nehring, but the City will be responsible for repairing a catch basin and outlet pipe.

Alderman Verbic commented the City should investigate creating a Special Service Area (SSA) for the Central Business District to keep up with the new work being deployed in the area so that taxpayers aren't impacted.

Brief discussion ensued between Mayor Barnes and Alderman Verbic.

Alderman Verbic also commented that with the City's economic growth, perhaps it's time to consider a higher reserve balance.

Mayor Barnes stated the reserve balance will continue to grow. Brief discussion ensued.

Alderman Smith stated Ward 3 has the largest number of concrete streets. Discussion then ensued between Alderman Smith, City Manager Nicklas, and City Engineer Gill regarding the creation, maintenance, replacement of concrete and other streets.

Alderman Smith stated he's glad the City is increasing the number of law enforcement officers.

Brief discussion ensued regarding traffic enforcement.

Police Chief Byrd commented on developing a discretionary team to help with traffic incidents, etc.

Alderman Morris stated she'd like to see the City work toward prioritizing the lowering of property taxes for residents.

Alderman Perkins asked what the City might see when Meta goes online as far as utility consumption. Mayor Barnes and City Manager Nicklas stated it would be a multi-year ramp up.

Alderman Smith asked if the State of Illinois is behind in reporting the City's sales tax number. Finance Director Dittman replied there's always a three-month delay in reporting.

E. ADJOURNMENT

MOTION: Mr. Briscoe moved to adjourn the FAC; seconded by Ms. Babcock.

VOTE: Motion carried by a voice vote of the majority of FAC members present – Babcock, Briscoe, Neeley, Partch, Teresinski (Washington left the meeting at 7:11 p.m.). FAC Chair Neeley declared the motion passed.

MOTION: Alderman Morris moved to adjourn the Council; seconded by Alderman Perkins.

VOTE: Motion carried by a voice vote of the majority of Council members present – Morris, Larson, Smith, Perkins, McAdams, Verbic, Barnes. Mayor Barnes declared the motion passed and adjourned the meeting at 7:31 p.m.

Respectfully submitted,

Ruth A. Scott, Recording Secretary

Minutes approved by the City Council on September 12, 2022.

Minutes approved by the Finance Advisory Committee on (pending).

Click [here](#) to view the agenda packet for the August 15, 2022, Joint City Council and Finance Advisory Committee meeting.

Click [here](#) to view the video recording of the August 15, 2022, Joint City Council and Finance Advisory Committee meeting.



DATE: October 7, 2022
TO: Finance Advisory Committee
FROM: Bill Nicklas, City Manager
 Carrie Dittman, Finance Director
SUBJECT: Preliminary FY 2023 Budget

I. General Fund Revenue Assumptions (Updated)

Since the joint City Council/FAC meeting on August 15, 2022, each of the preliminary revenue projections within the General Fund has been reviewed again. Each revenue line item has been updated and incorporated into the revised data. The General Fund's proposed 2023 *Revenues and Transfers In* have been updated to \$44.99 million (previously \$43.5 million). The following table describes the major revenue sources, which comprise about \$33.3 million, or 74%, of the total:

MAJOR REVENUES:	COMMENT	FY 2021 ACTUAL	FY 2022 AMENDED BUDGET	FY 2022 PROJECTED ACTUAL	FY 2023 PROPOSED BUDGET	FY 2023 AMOUNT CHANGE	FY 2023 % CHANGE	% of TOTAL G.F. REVENUES
PROPERTY TAXES								
PROPERTY TAX - FIRE PENSION	1	\$3,520,454	\$3,746,088	\$3,720,878	\$ 3,869,713	\$ 123,625	3.30%	8.60%
PROPERTY TAX - POLICE PENSION	1	2,912,595	3,099,229	3,124,439	3,249,417	\$ 150,188	4.85%	7.22%
SALES & USE TAXES								
STATE SALES TAX	2	6,205,962	5,824,413	6,219,604	6,017,000	192,587	3.31%	13.37%
HOME RULE SALES TAX	2	7,675,584	7,063,950	7,785,457	7,282,000	218,050	3.09%	16.19%
RESTAURANT & BAR TAX	2	2,156,649	1,953,382	2,228,074	2,200,000	246,618	12.63%	4.89%
GROSS RECEIPTS TAXES								
MUNICIPAL UTILITY TAX	3	2,528,658	2,735,404	2,459,725	2,535,000	(200,404)	-7.33%	5.63%
INTERGOVERNMENTAL								
FEDERAL GRANTS - ARPA	4	1,511,017	1,837,285	2,057,696	1,837,285	0	0.00%	4.08%
STATE INCOME TAX	5	5,787,319	5,109,569	6,365,820	6,285,240	1,175,671	23.01%	13.97%
TOTAL MAJOR GENERAL FUND REVENUES					\$33,275,655			73.97%
OTHER SOURCES					11,712,003			26.03%
TOTAL GENERAL FUND REVENUES					\$44,987,658			100.00%

Comment #1:

Both Police and Fire Pension property tax levies are predicated on a 4.0% increase; a 4.95% increase was used in 2022. The property tax is used to fund a portion of the annual police and fire pension contribution. At this levy amount, the property tax would fund about 80.6% of the annual FY 2023 required contribution, and the remaining amount (roughly \$1.72 million) would need to come from other General Fund sources.

As will be discussed later, this is one option of several for property tax levies.

Comment #2:

Estimates for the state-shared (1%) and 1.75% home rule sales taxes were based on the last 4-year average revenues (excluding the 2020 "COVID" year), with a 3.0% increase applied. The effect of known major business closures was reviewed and determined not to have a significant impact on the revenues. New businesses that have arisen, including those in the downtown area, are those soon to open have been added to the estimates.

Similarly, restaurant and bar taxes which are directly attributable to these new ventures have been adjusted up from the preliminary estimates. The 2023 budget is \$2.2 million, which is 12.63% higher than the FY 2022 budget but still about \$28,000 less than FY 2022 year-end projections.

The volatile inflationary environment, the highest in 40 years, can be seen throughout Illinois and the country and deserves consideration, as well as the unknown impact this will have on discretionary spending, particularly if we enter a significant recession (and some prognosticators believe we are heading in that direction).

In summary, the FY 2023 budget for these categories has been increased from the FY 2022 budget but remain conservatively less than the FY 2022 projected actual amounts.

Comment #3:

Municipal utility tax includes electric (ComEd) and gas (Nicor) tax receipts. The tax is charged based on kilowatt hours (electric) and therms (gas). The estimated 2023 revenues were based on the monthly averages for the past 5 years, excluding the inflationary increases of 2022. No changes to the 2023 budget have been made since the last joint meeting. It should be noted that extraordinary utility tax receipts from Meta buildings yet to be fully energized will remain uncertain until later in 2023, but an impact is included in the 2024 projections.

Comment #4:

American Rescue Plan Act (ARPA) grant revenue continues to offset the cost of re-hiring previously frozen positions in the General Fund. ARPA monies have also been spent in the ARPA Fund 110 related to the Hunter Hillcrest purchase, tenant relocations, and demolition work, and in the Water Capital Fund 620 on lead service line replacements. Within the General Fund, twenty-one (21) fire, police and public works employees' salaries and benefits are being funded by this grant. This is budgeted to continue into 2023 at about \$1.8 million and 2024 at \$1.0 million, which will be the final year.



Comment #5:

State income tax is allocated on a per capita basis by the State of Illinois. The population used in 2021 was 44,030, which dropped to 40,290 in 2022 and is the basis for the 2022 projected amounts and 2023 preliminary budget. Since the August meeting, the Illinois Municipal League has raised their per capita estimates to \$158.00 (2022 calendar fiscal year) and \$151.00 (2023 calendar fiscal year).

II. General Fund Personnel Assumptions

A. Position Counts

The following table illustrates the personnel changes that have been recommended in the proposed 2023 budget, based on departmental requests. “Net 0” implies *no change in number of employees*, but not necessarily *no change in costs*, as the positions and their requisite skills have changed:

FY2023 Personnel Changes				
Department	2023 FT	Change	2023 PT	Change
City Manager’s Office	5	+1 / -1 = net 0	-	n/a
Human Resources	3	+ 1	1	- 1
Comm Dev – Building/Code	5	- 1	-	n/a
Fire	64	+ 2	-	- 1
Police	91	+8 / -1 = net 7	9	-1
Public Works – Streets	17	+1	1	n/a
Public Works – Support Services	3	n/a	5	+1
Mass Transit*	2	n/a	1	+1 / -1 = net 0
TOTAL CHANGES TO BUDGET		+ 10 FT		- 2 PT

- City Manager’s Office: Deleted “Assistant to the City Manager”, which was budgeted for 2022 but vacant essentially the entire year; added “Director of Crime-Free Housing.”
- Human Resources: Added a new full-time position titled “HR Coordinator;” eliminated the part-time Administrative Associate position.
- Community Development – Building & Code: the FY 2022 budget included 6 full-time positions, which included two (2) Building Inspector II positions. At present, only one is filled and the FY 2023 budget does not provide for another inspector.



- Fire: Added one (1) full-time Firefighter/Paramedic, which brings the total non-administrative force to 59. Added a second full-time Administrative Assistant. Deleted the part-time intern. The 9 SAFER grant Firefighter/Paramedics had already been included in the 2022 budget, and their salaries and benefits will be partially offset by the grant in 2022, 2023 and 2024.
- Police:
 - Added five (5) sworn officer positions: Two officers will be assigned as School Resource Officers (SRO); one will be added to the Tactical Response Unit (TRU); one will be added to Detectives; and one will go into Patrol. This will increase the force to 70 before the change noted below.
 - Added three (3) full-time Telecommunicators to bring the total to 16. Additionally, three existing Telecommunicators will likely be promoted to supervisory roles that may be created in the future.
 - Reduced the number of commander positions from four to three. One commander has retired and will become the City's new Director of Crime-Free Housing. This commander position will not be filled in FY2023. Additionally, one (1) part-time Telecommunicator position that became vacant in 2022 is not going to be filled.
- Public Works:
 - Streets: One (1) full-time Street Maintenance position will be added.
 - Support services: One (1) part-time Seasonal position will be added.
- Mass Transit: Eliminated part-time GIS intern, added part-time Grants Coordinator. The Grants Coordinator salary will be completely funded by the federal and state transit grants at no additional cost to the City. *This is the only personnel change noted that does not affect the General Fund.*

From an operational standpoint, the total FY 2023 City-wide personnel budget, including salaries and benefits, is estimated to be \$39,158,331; the General Fund portion of this is \$36,003,217. The FY 2022 General Fund personnel budget was \$32,791,667. This represents an increase of \$3,211,550, or 9.79%, inclusive of pension increases, 2.5% COLA increases, and a significant increase in Police department staffing to address a measurable rise in unlawful activity in our public schools and rental housing.

B. Pensions

The more ambiguous side of the personnel changes is the impact on the City's pension contributions. About 86 employees participate in the Illinois Municipal Retirement Fund (IMRF), and the City annually contributes a flat percentage of the employee's salary into IMRF. In 2022, the City's contribution rate to IMRF is 12.29% of covered salary. **For 2023, the tentative IMRF rate will drop to 8.71%. The total 2023 City-wide contribution will be about \$612,232.**



On the Police and Fire side, the pension plans work much differently. Annual contribution amounts are calculated by an independent actuary and a flat dollar contribution amount is determined each year, based on a valuation date from a year prior. **For DeKalb's Police officers, the City will contribute a fixed dollar amount of \$3,901,382 in 2023. This is based on demographics of 61 active officers and an uneven investment performance as of 12/31/2021. On a percentage of salary basis, the City's contribution works out to 66.3% of the total wage and salary costs for active sworn officers (including Commanders who contribute to the Police Pension Fund).**

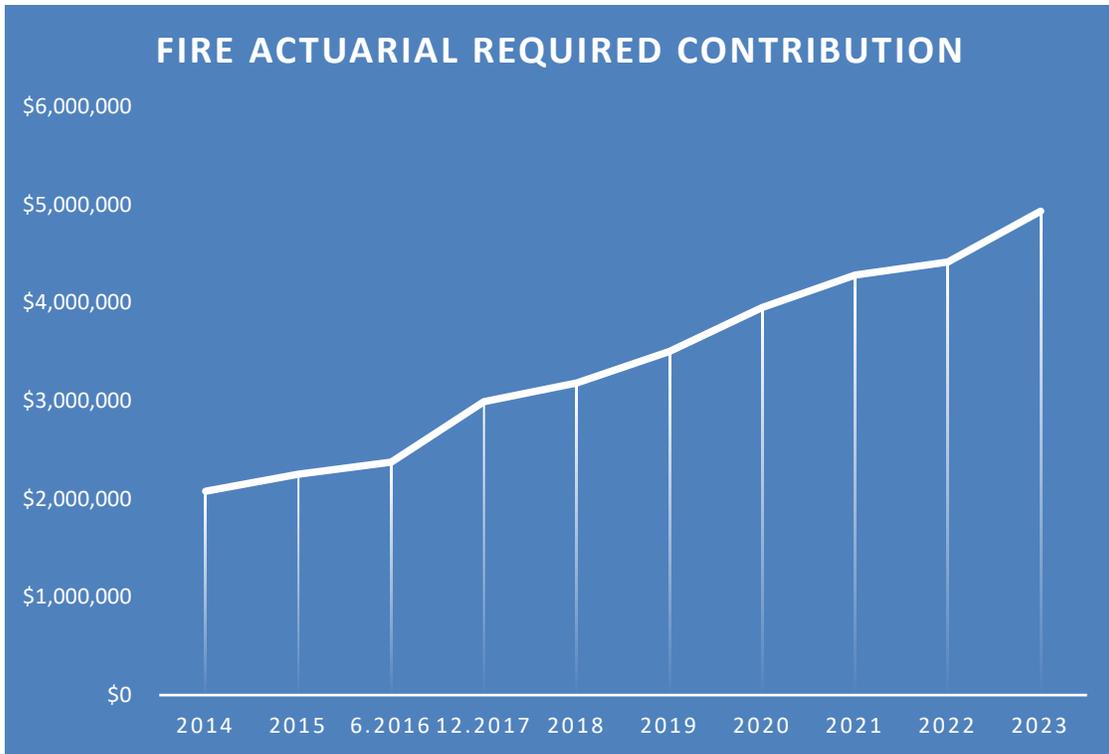
For DeKalb's Firefighters, the City will contribute a fixed dollar amount of \$4,933,015 in 2023. This is based on demographics of 52 active Firefighters and uneven investment performance as of 12/31/2021. On a percentage of salary basis, the City's contribution equates to 96.6% of the total wage and salary costs of active firefighters (including Fire management who contribute to the Fire Pension Fund).

The City's contributions to the Fire Pension and Police Pension Funds continue to rise each year based on the results of the annual actuarial valuation. As previously presented in August, the tables and graphs below show the annual contributions to each fund since 2014.

Fire Pension

Fiscal Year	Actuarial Required Contribution	\$ Increase	% Increase
2014	\$2,078,061		
2015	\$2,250,772	\$172,711	8.31%
6.2016	\$2,373,253	\$122,481	5.44%
12.2017	\$2,990,000	\$616,747	25.99%
2018	\$3,183,910	\$193,910	6.49%
2019	\$3,503,332	\$319,422	10.03%
2020	\$3,951,651	\$448,319	12.80%
2021	\$4,282,230	\$330,579	8.37%
2022	\$4,415,632	\$133,402	3.12%
2023	\$4,933,015	\$517,383	11.72%
		average increase:	10.25%

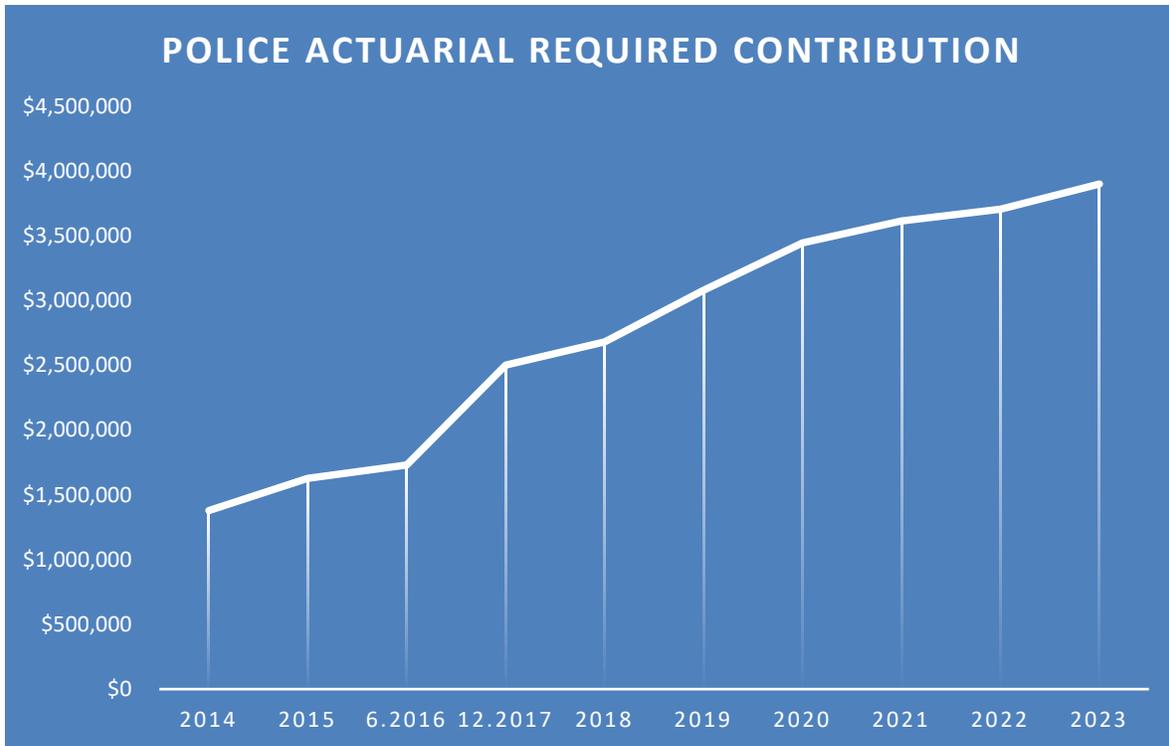




Police Pension

Fiscal Year	Actuarial Required Contribution	\$ Increase	% Increase
2014	\$1,379,234		
2015	\$1,627,268	\$248,034	17.98%
6.2016	\$1,730,712	\$103,444	6.36%
12.2017	\$2,502,904	\$772,192	44.62%
2018	\$2,680,967	\$178,063	7.11%
2019	\$3,079,438	\$398,471	14.86%
2020	\$3,446,287	\$366,849	11.91%
2021	\$3,614,881	\$168,594	4.89%
2022	\$3,707,827	\$92,946	2.57%
2023	\$3,901,382	\$193,555	5.22%
		average increase:	12.84%





Actuaries utilize a range of assumptions and real data when calculating these contribution amounts. Some variables are out of the control of the City, such as: actual investment returns, mortality tables, longevity of the beneficiaries, longevity of surviving spouses, retirement age at which benefits begin, and annual benefit increases (which are determined by state statute).

To some extent, the City can affect other variables, such as the number of disability pensions, by implementing wellness programs, providing high quality insurance benefits, providing education to employees about staying safe and healthy and purchasing equipment to protect them from injury.

Lastly, the factors that are within the City’s control include staffing levels and wages.

If everything else remained equal, the City would see increases in the annual contribution due to the increases in salary and increases in staffing levels. We will not know the effect of the 2022 hiring campaigns until 2024, and the effect of the proposed 2023 budget changes will impact the contribution in 2025.



III. General Fund Summary and Five-Year Forecast

Including the revenues and personnel changes enumerated above, the following charts depict the past, present, and anticipated future of the City's General Fund.

GENERAL FUND ACTUAL RESULTS FY 2017 – FY 2021

	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
Starting Fund Balance	\$ 9,229,120	\$ 9,073,799	\$ 7,402,857	\$ 10,524,704	\$ 12,286,410
Revenues by Category					
Property Taxes	\$ 5,523,532	\$ 5,869,058	\$ 5,897,168	\$ 6,178,386	\$ 6,433,049
Sales & Use Taxes	\$ 15,238,720	\$ 15,475,476	\$ 15,944,998	\$ 14,504,006	\$ 18,090,856
Gross Receipts Taxes	\$ 3,643,995	\$ 3,721,204	\$ 3,601,811	\$ 3,375,859	\$ 3,398,828
Intergovernmental					
CARES Act	\$ -	\$ -	\$ -	\$ 1,800,000	\$ -
ARPA Grant	\$ -	\$ -	\$ -	\$ -	\$ 1,511,017
SAFER Grant	\$ -	\$ -	\$ -	\$ -	\$ -
All Other (Inc. Income Tax)	\$ 4,805,948	\$ 5,054,131	\$ 5,591,020	\$ 5,662,155	\$ 6,920,003
Licenses & Permits	\$ 875,518	\$ 731,200	\$ 960,699	\$ 997,277	\$ 1,248,952
Service Charges	\$ 2,212,674	\$ 2,599,455	\$ 3,834,754	\$ 3,119,088	\$ 4,750,443
Fines	\$ 608,515	\$ 699,309	\$ 629,943	\$ 422,112	\$ 467,451
Other Income	\$ 1,218,294	\$ 1,215,128	\$ 1,637,132	\$ 1,235,589	\$ 905,624
Transfers In	\$ 1,588,852	\$ 652,386	\$ 605,604	\$ 1,295,038	\$ 738,108
Total Revenues	\$ 35,716,048	\$ 36,017,347	\$ 38,703,129	\$ 38,589,510	\$ 44,464,331
Expenditures by Category					
Personnel	\$ 28,106,453	\$ 29,766,715	\$ 29,219,048	\$ 30,566,536	\$ 31,581,240
Commodities	\$ 841,632	\$ 888,567	\$ 928,541	\$ 774,146	\$ 731,690
Contractual Services	\$ 4,642,360	\$ 4,290,540	\$ 4,059,014	\$ 3,635,515	\$ 3,989,474
Equipment	\$ 234,774	\$ 80,649	\$ 72,256	\$ 19,922	\$ 21,555
Debt Service *	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out #	\$ 2,046,150	\$ 2,661,818	\$ 1,913,583	\$ 1,831,685	\$ 538,125
Total Expenditures	\$ 35,871,369	\$ 37,688,289	\$ 36,192,442	\$ 36,827,804	\$ 36,862,084
Net Change	\$ (155,321)	\$ (1,670,942)	\$ 2,510,687	\$ 1,761,706	\$ 7,602,247
Prior Period Adjustment	\$ -	\$ -	\$ 611,160	\$ -	\$ (262,789)
Ending Fund Balance	\$ 9,073,799	\$ 7,402,857	\$ 10,524,704	\$ 12,286,410	\$ 19,625,868
vs. Reserve Policy 25%	25.30%	19.64%	29.08%	33.36%	53.24%

* The debt service payment on Library bonds was budgeted as a Transfer Out



GENERAL FUND ESTIMATED RESULTS FY 2022 – FY 2027

	FY22 Estimate	FY2023 Budget	FY24 Proj	FY25 Proj	FY26 Proj	FY27 Proj
Starting Fund Balance	\$ 19,625,868	\$ 23,570,345	\$ 24,768,625	\$ 24,652,881	\$ 21,745,338	\$ 17,710,674
Revenues by Category						
Property Taxes	\$ 6,845,317	\$ 7,119,130	\$ 7,741,171	\$ 8,302,125	\$ 8,676,058	\$ 9,058,336
Sales & Use Taxes	\$ 18,226,387	\$ 17,433,615	\$ 17,869,455	\$ 18,316,192	\$ 18,774,097	\$ 19,243,449
Gross Receipts Taxes	\$ 3,287,691	\$ 3,321,426	\$ 3,411,879	\$ 3,507,502	\$ 3,608,414	\$ 3,714,741
Intergovernmental						
CARES Act	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ARPA Grant	\$ 2,057,696	\$ 1,837,285	\$ 1,019,023	\$ -	\$ -	\$ -
SAFER Grant	\$ 851,566	\$ 908,602	\$ 961,089	\$ -	\$ -	\$ -
All Other (Inc. Income Tax)	\$ 7,770,345	\$ 7,498,493	\$ 7,650,899	\$ 7,800,943	\$ 7,953,988	\$ 8,110,094
Licenses & Permits	\$ 933,256	\$ 1,050,406	\$ 1,060,866	\$ 1,071,535	\$ 1,082,418	\$ 1,093,518
Service Charges	\$ 3,573,553	\$ 4,303,274	\$ 4,376,905	\$ 4,451,900	\$ 4,528,286	\$ 4,606,089
Fines	\$ 434,498	\$ 470,500	\$ 479,670	\$ 489,023	\$ 498,564	\$ 508,295
Other Income	\$ 517,513	\$ 490,980	\$ 494,987	\$ 499,040	\$ 503,142	\$ 507,292
Transfers In	\$ 559,359	\$ 553,947	\$ 558,826	\$ 563,826	\$ 568,952	\$ 574,206
Total Revenues	\$ 45,057,181	\$ 44,987,658	\$ 45,624,769	\$ 45,002,086	\$ 46,193,918	\$ 47,416,020
Expenditures by Category						
Personnel	\$ 32,208,019	\$ 36,019,483	\$ 37,962,624	\$ 40,024,093	\$ 42,233,260	\$ 44,602,383
Commodities	\$ 891,922	\$ 1,004,994	\$ 1,025,094	\$ 1,045,596	\$ 1,066,508	\$ 1,087,838
Contractual Services	\$ 4,769,883	\$ 4,182,652	\$ 4,265,483	\$ 4,349,971	\$ 4,436,149	\$ 4,524,050
Equipment	\$ 76,850	\$ 162,650	\$ 165,903	\$ 169,221	\$ 172,605	\$ 176,058
Debt Service *	\$ 485,750	\$ 469,599	\$ 471,409	\$ 470,748	\$ 470,060	\$ 469,088
Transfers Out #	\$ 2,680,280	\$ 1,950,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000
Total Expenditures	\$ 41,112,704	\$ 43,789,378	\$ 45,740,513	\$ 47,909,629	\$ 50,228,582	\$ 52,709,417
Net Change	\$ 3,944,477	\$ 1,198,280	\$ (115,744)	\$ (2,907,542)	\$ (4,034,664)	\$ (5,293,396)
Ending Fund Balance	\$ 23,570,345	\$ 24,768,625	\$ 24,652,881	\$ 21,745,338	\$ 17,710,674	\$ 12,417,278
vs. Reserve Policy 25%	57.33%	56.56%	53.90%	45.39%	35.26%	23.56%

* The debt service payment on Library bonds is now budgeted as Debt Service

Future Transfers Out consist of annual payments to the Debt Service Fund, and in 2022 there is a one-time transfer of \$800,000 to the GEMT Fund. 2023 also includes \$200,000 to the Capital Equipment Replacement Fund.

As depicted above, without additional revenues or major operating changes, or significant changes in the downstate pension program, the General Fund will start running an annual deficit beginning in FY 2024, becoming more pronounced in FY 2025 and future years when the ARPA and SAFER grants have been expended.

IV. General Fund Tax Levy Discussion

As the FAC and Council discussed at length when the FY2022-2024 Financial Plan was presented on March 14, and again at the August 15 joint meeting, DeKalb's local taxing bodies are at a precarious economic crossroad: the aggregate property tax burden on local businesses, homeowners, and renters alike diminishes DeKalb's competitive



economic position. In many instances, DeKalb's aggregate property tax rate is 20% higher than that of the City's nearest geographical competitors (e.g. Geneva, St. Charles, Batavia, North Aurora, South Elgin and East Dundee). The 2021 aggregate rate in DeKalb declined from \$11.49927 per \$100 EAV to \$11.06394 per \$100 EAV owing in large part to the recent substantial increases in local equalized assessed valuations tied to industrial development on the Gurler Road corridor:

2021 Comparative Property Tax Rates					
Taxing Body	2019 Rate	2020 Rate	2021 Rate	2021/2020 % Difference	% of Agg Rate
County (blended)	1.07520	1.06293	1.03149	-2.96%	9.32%
Forest Preserve (blended)	0.07481	0.07396	0.07355	-0.55%	0.66%
DeKalb Township	0.16318	0.16002	0.14864	-7.11%	1.34%
DeKalb Road & Bridge	0.18671	0.18485	0.17298	-6.42%	1.56%
City of DeKalb	0.08451	0.00000	0.00000	0.00%	0.00%
DeKalb Pension Funds	1.07042	1.06868	0.98612	-7.73%	8.91%
DeKalb Library	0.38683	0.38772	0.38546	-0.58%	3.48%
DeKalb Park District	0.63957	0.61941	0.62870	1.50%	5.68%
DeKalb Park Pension Funds	0.08088	0.09034	0.06761	-25.16%	0.61%
School District 428 (blended)	7.18383	7.06491	6.80841	-3.63%	61.54%
Kishwaukee College	0.64101	0.64147	0.63000	-1.79%	5.69%
Kishwaukee College Soc. Sec.	0.01176	0.01131	0.01100	-2.74%	0.10%
KWRD	0.11811	0.11596	0.10442	-9.95%	0.94%
KWRD Pension Funds	0.01785	0.01771	0.01556	-12.14%	0.14%
	11.73467	11.49927	11.06394	-3.79%	100.00%

How far can our community's taxing bodies go in the reduction of their annual property tax rates? In its leadership role, the City's tax rate history should be scrutinized. The City's rate has declined for the past four tax years. The 2021 City Tax Rate of 0.98612 (\$6,845,317 divided by \$694,171,673) is 8.91% lower than the 2020 City rate of 1.06868 per \$100 EAV. The following table portrays this trend:



Recent City Property Tax Levies and Rates			
Year	Rate-Setting EAV: City	City Levy	City Rate
2011	582,504,715	4,196,890	0.7205
2012	533,805,903	4,244,718	0.7952
2013	485,923,623	4,270,457	0.9809
2014	464,966,381	4,270,540	1.0245
2015	468,077,742	5,094,730	1.1942
2016	503,861,829	5,565,384	1.2021
2017	529,629,464	6,004,594	1.2268
2018	547,947,687	6,017,140	1.1883
2019	585,726,839	6,269,649	1.1541
2020	610,333,062	6,522,507	1.06868
2021	694,171,673	6,845,317	0.98612

The table below illustrates the trend in actual property tax dollars paid to the City alone by a household living in a home with a market value of approximately \$300,000 over the past three years:

Year	Base EAV	Twp Multiplier	New EAV	Homestead	Final EAV	DeKalb Rate	DeKalb Tax
2019	\$97,906	1.0351	\$101,343	-\$6,000	\$95,343	1.1549	\$1,101.11
2020	\$101,343	1.0409	\$105,488	-\$6,000	\$99,488	1.06868	\$1,063.21
2021	\$105,488	1.0162	\$107,197	-\$6,000	\$101,197	0.98612	\$997.92

A. City Levy Options

Option #1: Identify a City Levy that Promises Little or No Increase in the City's Share of Homeowner Property Taxes, Regardless of What Other Taxing Bodies Do.

This option is baked into the proposed FY2023 Budget described above. The exact levy to achieve such a goal is a worrisome gamble at this time of the year. Township Assessors do not submit their final EAV numbers until November 1, which means any pending occupancy certificates need to be issued by the City's Building Department before that date if a property is to get even a pro-rata assessment in 2022 that is based on final construction values. In this context, occupancies for certain portions of the first data halls on the Meta site are pending. Whether or not these occupancies are issued will have a significant impact on the County's estimate of DeKalb's community-wide rate-setting EAV.

Although uncertainty abounds, local decisions have to be made about levies by December. The following assumptions are behind Option #1:

- City Levy: \$7,119,130 (an increase of \$273,813 or 4%)
- City Rate-Setting EAV (incl. Township multiplier of 1.0662): \$768,500,000
- City Rate: 0.926367



The impact of Option #1 on the theoretical householder with a home carrying a present market value of approximately \$300,000 is illustrated in the table below:

Year	Base EAV	Twp Multiplier	New EAV	Homestead	Final EAV	DeKalb Rate	DeKalb Tax
2019	\$97,906	1.0351	\$101,343	-\$6,000	\$95,343	1.1549	\$1,101.11
2020	\$101,343	1.0409	\$105,488	-\$6,000	\$99,488	1.06868	\$1,063.21
2021	\$105,488	1.0162	\$107,197	-\$6,000	\$101,197	0.98612	\$997.92
2022	\$107,197	1.0662	\$114,293	-\$6,000	\$108,293	0.926367	\$1,003.19

The high DeKalb Township multiplier mirroring a steep spike in local home sale prices is what drives the significant reduction in the City’s rate (-6.06%) in this option. The City portion of the homeowner’s taxes would increase by \$5.27.

Option #2: Identify a Community Aggregate Rate Target in Coming Years.

For discussion purposes, the following table suggests an aggressive timeline for achieving a 9.5% target in the aggregate local property tax rate over the next three years:

Targeted Aggregate Rate Decline: 2022-2024					
Taxing Body	2021 Rate	% of Agg	2022	2023	2024
	Actual	Rate	-5%	-5%	-3.5%
County (blended)	1.03149	9.32%	0.979916	0.93092	0.898338
Forest Preserve (blended)	0.07355	0.66%	0.069873	0.066379	0.064056
DeKalb Township	0.14864	1.34%	0.141208	0.134148	0.129452
DeKalb Road & Bridge	0.17298	1.56%	0.164331	0.156114	0.15065
City of DeKalb	0.00000	0.00%	0	0	0
DeKalb Pension Funds	0.98612	8.91%	0.936814	0.889973	0.858824
DeKalb Library	0.38546	3.48%	0.366187	0.347878	0.335702
DeKalb Park District	0.62870	5.68%	0.597265	0.567402	0.547543
DeKalb Park Pension Funds	0.06761	0.61%	0.06423	0.061018	0.058882
School District 428 (blended)	6.80841	61.54%	6.46799	6.14459	5.929529
Kishwaukee College	0.63000	5.69%	0.5985	0.568575	0.548675
Kishwaukee College Soc. Sec.	0.01100	0.10%	0.01045	0.009928	0.00958
KWRD	0.10442	0.94%	0.099199	0.094239	0.090941
KWRD Pension Funds	0.01556	0.14%	0.014782	0.014043	0.013551
	11.06394	100.00%	10.51074	9.985206	9.635724

Based on this option, the estimated impact on the average DeKalb homeowner would be as follows:



Year	Base EAV	Twp Multiplier	New EAV	Homestead	Final EAV	DeKalb Rate	DeKalb Tax
2019	\$97,906	1.0351	\$101,343	-\$6,000	\$95,343	1.1549	\$1,101.11
2020	\$101,343	1.0409	\$105,488	-\$6,000	\$99,488	1.06868	\$1,063.21
2021	\$105,488	1.0162	\$107,197	-\$6,000	\$101,197	0.98612	\$997.92
2022	\$107,197	1.0662	\$114,293	-\$6,000	\$108,293	0.936814	\$1,014.50

Option #3: Identify a City Levy that Covers the Shortfall in Property Taxes for Downstate Pensions.

Historically, pension fund boards, actuaries, and other fiduciary agents prefer the dedication of property taxes to fund annual pension obligations because of their greater reliability as opposed to sales and use taxes, which are more vulnerable to changes in the business cycle. **For the last several years, all the property tax revenues collected by the City have been used for pension contributions, although for many years the amount levied has not fully funded this annual contribution, as shown below:**

Fiscal Year		Actuarial Required Contribution	City's Adopted Tax Levy	Shortfall \$	Shortfall %
2019	Fire Pension	\$3,503,332	\$3,220,517	\$282,815	8.07%
	Police Pension	\$3,079,438	\$2,796,623	\$282,815	9.18%
	Total	\$6,582,770	\$6,017,140	\$565,630	8.59%
2020	Fire Pension	\$3,951,651	\$3,322,914	\$628,737	15.91%
	Police Pension	\$3,446,287	\$2,946,735	\$499,552	14.50%
	Total	\$7,397,938	\$6,269,649	\$1,128,289	15.25%
	<i>increase over PY</i>	<i>12.38%</i>	<i>4.20%</i>		
2021	Fire Pension	\$4,282,230	\$3,569,403	\$712,827	16.65%
	Police Pension	\$3,614,881	\$2,953,053	\$661,828	18.31%
	Total	\$7,897,111	\$6,522,456	\$1,374,655	17.41%
	<i>increase over PY</i>	<i>6.75%</i>	<i>4.03%</i>		
2022	Fire Pension	\$4,415,632	\$3,720,878	\$694,754	15.73%
	Police Pension	\$3,707,827	\$3,124,439	\$583,388	15.73%
	Total	\$8,123,459	\$6,845,317	\$1,278,142	15.73%
	<i>increase over PY</i>	<i>2.87%</i>	<i>4.95%</i>		
2023	Fire Pension	\$4,933,015	\$3,869,713	\$1,063,302	21.55%
	Police Pension	\$3,901,382	\$3,249,417	\$651,965	16.71%
	Total	\$8,834,397	\$7,119,130	\$1,715,267	19.42%
	<i>increase over PY</i>	<i>8.75%</i>	<i>4.00%</i>		



The annual shortfalls have typically been paid from the General Fund's operating revenues (e.g. sales and use taxes, state income tax proceeds, etc.) and these shortfalls are increasing. In fact, the pension shortfall would make up most of the gap between projected General Fund revenues and expenditures after 2023.

The huge property tax shift to pension funding makes this levy option unfeasible because of the very negative impact on the local property taxpayer. The following assumptions are behind Option #3:

- City Levy: \$8,899,427 (a general increase of 4.95% plus the pension funding shortfall of \$1,715,267)
- City Rate-Setting EAV (incl. Township multiplier of 1.0662): \$768,500,000
- City Rate: 1.15803

The impact of Option #3 on the theoretical householder with a home carrying a present market value of approximately \$300,000 is illustrated in the table below:

Year	Base EAV	Twp Multiplier	New EAV	Homestead	Final EAV	DeKalb Rate	DeKalb Tax
2019	\$97,906	1.0351	\$101,343	-\$6,000	\$95,343	1.1549	\$1,101.11
2020	\$101,343	1.0409	\$105,488	-\$6,000	\$99,488	1.06868	\$1,063.21
2021	\$105,488	1.0162	\$107,197	-\$6,000	\$101,197	0.98612	\$997.92
2022	\$107,197	1.0662	\$114,293	-\$6,000	\$108,293	1.15803	\$1,254.06

Either Option #1 or Option #2 is recommended.

