

**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.