

**MINUTES
CITY OF DEKALB
SPECIAL JOINT MEETING
OF THE CITY COUNCIL
AND FINANCE ADVISORY COMMITTEE
NOVEMBER 20, 2019**

The City Council of DeKalb, Illinois held a Special Meeting jointly with the Finance Advisory Committee on November 20, 2019, in the City Council Chambers of the DeKalb Municipal Building, 200 South Fourth 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 called the roll for 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.

City Clerk Fazekas called the roll for Finance Advisory Committee (FAC), and the following members were present: Chair Mike Peddle, Bob Higgerson, Lynn Neeley, and Sheelah Prahlad.

FAC Member Ron Partch was absent.

FAC Member Tom Teresinski arrived at 6:26 p.m.

Others present included: City Manager Bill Nicklas, Assistant City Manager Ray Munch, and Airport Manager Tom Cleveland.

B. PUBLIC PARTICIPATION

There was none.

C. FURTHER CONSIDERATION OF THE PROPOSED FY2020 BUDGET

The meeting began with a review of proposed spending from the capital projects funds, which include the Capital Projects Fund and the Capital Equipment Replacement Fund. City Manager Nicklas said the general direction given in August was to put more toward streets, with specifics presented in October. There was a question about the state's Lockbox Amendment and whether there was a difference between state and local Motor Fuel Tax (MFT). The city manager clarified that Lockbox restrictions (to street

maintenance/improvement) apply to the use of state MFT (which has a separate fund) while local MFT can be used for any capital purpose.

Chair Peddle questioned the transparency of use of local MFT for expenditures on capital projects at Barb City Manor and on video broadcast equipment at the DeKalb Public Library and how that would look logical to a person who doesn't understand the rules. Assistant Manager Munch explained that Capital Projects revenues are not all MFT and some of it comes from City property sold off this year.

It was noted that revenues going to the Fleet Fund now go into Capital Equipment now that Fleet was discontinued, and an observation made that the City is behind in fleet replacement.

The group then discussed the Water Fund. City Manager Nicklas gave highlights, beginning with the reasons for falling water usage: fewer industrial users; slow pace of housing construction; and falling enrollment at Northern Illinois University (NIU). A planned transfer of \$311,000 from Water Fund to General Fund was explained as a Payment in Lieu of Taxes (PILOT).

There was significant discussion of the staff proposal to retain a 33% reserve in the Water Fund for operations instead of transferring funds above a 25% reserve into the Water Construction Fund for water capital projects. Arguments for a larger transfer from Water Fund to leave a 25% operating reserve were seen as consistent with the City's current policy and its originally stated intention to set aside about two-thirds of annual water rate increases for the water capital plan; another argument addressed the need to segregate funds targeted for capital purposes to ensure they are not used for operations as has happened in the past. The arguments for leaving the 33% reserve in the Water Fund were that it would look better for an upcoming bond rating review, and that the budget numbers are only projections at this point and could change. It was also pointed out that the actual policy language states the 25% Water Fund operating reserve is a minimum. The matter was resolved when City Manager Nicklas said he will calculate a number that commits the proposed percentage to transfer from the operating fund reserve and into the capital fund reserve, though he cautioned the actual number might differ from the calculation by the end of the year.

The group then reviewed the proposed budgets for the remaining enterprise funds, internal funds (Health Insurance Fund), and fiduciary funds (pension funds and DeKalb Public Library. Points of discussion included:

- Airport fuel sales are up; most airport revenue comes from fuel sales and hangar rental.

- Refuse and Recycling: Downtown waste pickup was added, and revenues are on track. A jump in the planned transfer from this fund to the General Fund to cover administrative costs (\$124,000 to \$360,000) came from excess accumulation of fund balance, but going forward the transfer will revert to \$150,000 to \$175,000.
- Property taxes do not cover all the pension contributions. In order to keep the overall tax rate down, other operating funds are used to meet the employer's contributions.

The group also talked about the role of Finance Advisory Committee, in response to Council questions about the budget calendar, including reasons that the FAC doesn't meet earlier in the year and more regularly. It was explained that numbers critical to budgeting often aren't available early; for example, sales taxes from the state can run three or four months behind. However, several FAC members showed support for meeting more often if Council has something specific to assign, such as additional analyses or work on policies and procedures. Work on the five-year forecast was specifically suggested.

Final remarks included expressions of approval of the change of fiscal year to the calendar year and of improvements in linking specific decisions to policies.

D. ADJOURNMENT

MOTION

FAC Member Teresinski moved to adjourn the FAC meeting at 7:42 p.m. FAC Member Prahlad seconded.

VOTE

Motion carried on majority voice vote.

MOTION

Alderman Finucane moved to adjourn the Council meeting at 7:45 p.m. Alderman Faivre seconded.

VOTE

Motion carried on majority voice vote. Mayor Smith declared adjournment at 7:45 p.m.

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LYNN A. FAZEKAS, City Clerk

Approved by City Council: January 13, 2020.