

**MINUTES  
CITY OF ST. CHARLES, IL  
GOVERNMENT OPERATIONS COMMITTEE  
MONDAY, NOVEMBER 7, 2016**

**1. Opening of Meeting**

The meeting was convened by Chairman Stellato at 7:33 p.m.

**2. Roll Call**

**Members Present:** Chairman Stellato, Ald. Silkaitis, Payleitner, Lemke, Turner, Bancroft, Krieger, Gaugel, Bessner, Lewis

**Absent:**

**3. Omnibus Vote**

- a. Budget Revisions – October 2016

Motion by Lemke, second by Silkaitis to approve the omnibus vote.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

**4. Administrative**

- a. **Video Gaming Statistics – Information Only**

**Ald. Payleitner:** I have a semantics question for the Chief. In our executive summary where it says “latest statistics on video gaming of what businesses have been approved by the City of St. Charles”; there was some confusion there because we’re not approving those, so I’m wondering what that means as they are not really approved by the City of St. Charles?

**Chrmn. Stellato:** The point is it’s approved by the State.

**Chief Keegan:** The local process goes through my office.

**Ald. Payleitner:** Right and it isn’t by us and I just wanted to make that clear.

**Ald. Lemke:** We don’t take a vote here.

**Ald. Payleitner:** Right.

**Chrmn. Stellato:** Let the record reflect this.

**5. Finance Department**

**b. Recommendation to accept the Comprehensive Annual Financial Report, Independent Auditor's Report Pursuant to Uniform Guidance, and Management Letter for the fiscal year ended April 30, 2016.**

**Chris Minick:** As the committee is aware of, state statutes require a comprehensive audit of all the financial affairs of the City on an annual basis. That audit must be prepared and performed by an independent CPA within the State of Illinois. The City has contracted with Sikich LLC out of Naperville, IL to perform those audits on an annual basis. We do have a partner from Sikich, Fred Lantz, who perform the audit on behalf of his firm and will give us a brief presentation of the Comprehensive Annual Financial Report (CAFR) and the various other audits they performed on behalf of the City.

**Fred Lantz:** I would like to present the information as the result of our audit for the City as for your fiscal year ended April 30, 2016. As a result of the audit we have issued nine documents which are before you for your approval this evening.

The first being the Comprehensive Annual Financial Report (CAFR) which is the fixed of the documents that we've submitted to you for your review and approval and its always a good sign that is the fixed of the documents, that way we can have a much concise presentation and discussion with the committee as opposed to a lengthy presentation. In addition the City expended greater than \$750K in Federal expenditures this last year so you were required to undergo a single audit of Federal expenditures and the report is now called Uniform Guidance. We also issued a Management Letter that you are required to post on the City's website. The Management Letter notes that there are no material weaknesses in the overall control environment for the City. You should be proud to post that to the website as well for all those who are interested in the overall finances of the City to read.

In addition you were in compliance with Public Act 85-1142 on the five TIF Districts within the City with one of those being 1<sup>st</sup> Street TIF. We also issued a report on the Sales Tax Revenue Bond compliance that was required to be submitted to the trustee by August 31, 2016 and show two separate reports – one of the Police Pension Fund and Fire Pension Fund along with recommendations for their improvements and those were submitted to their respective boards for approval. We also provided a modified opinion on the City's basic financial statements. Our opinion notes that your financial statements do present fairly in accordance to general accounting principles. We also issued a modified examination report on the five TIF Districts, noting that those TIFs and spending within those TIFs are in accordance with government compiled statutes.

Two of these TIFs had not met their spending threshold yet requiring that special audit to be performed so that's why we only did that for the five TIF districts that were required by the state. In regards to our reports on Federal Awards programs, we are pleased to present to you a clean and modified opinion on compliance with major Federal Award programs.

The Federal government will be pleased to read that we had no findings and no question costs in regards to you dispersing almost \$3M in Federal financial assistance. Furthermore there were no

instances of non-compliance that we would be required to report back to the Federal government. The City goes through two audit standards and the City came through with flying colors on both engagements.

Lastly the City voluntarily prepares and published a Comprehensive Annual Financial Report. This report is over 250 pages and is a very detailed report of the overall City's finances which goes well above and beyond of what is required. The City prepares this detailed document in full accountability and transparency. This CAFR has been recognized by the Government Finance Officers Association of the U.S. and Canada and this is the 30<sup>th</sup> year in a row that the City has received this designation for preparing an excellent CAFR.

Mr. Lantz went through selective pages in the CAFR to give further explanation:

**Page 4 – Management's Discussion and Analysis** – important document that explains in lay person's terminology explaining what transpired in the City from a financial standpoint this last fiscal year.

**Page 18 – Statement of Net Position** – Consolidate financial statement for the City as a whole to present a long term perspective on how the City is financed overall. There are two new items added this year: Pension Items IMRF and Pension Items Pension Trust Funds as a result of implementing GASB #68 and accounting of financial reporting of pensions in the state and local government industry. That change was adopted by the City this last fiscal year; so you're now recognizing the cost of providing pensions to the employees as those benefits are earned by the employees under the accrued basis of employees as opposed to the previous method that was funded by the employer which is more consistent with the modified basis of accounting. This changed was required by all state local governments across the country. Overall the City is in much better than most of your neighboring communities and the City of Chicago and State of Illinois.

**Page 21 – Governmental Funds Balance Sheet** – this gives a short perspective of how the City is financed which you are in a good financial position. The City ended up the year as of April 30, 2016 just shy of \$26M in your General Fund balance. The City does have a targeted fund balance of maintaining at a minimum of 25% of your current year expenditures plus your transferred out-for-debt service. So you're above your 25% level but just below 40% which is the upper level of that target.

**Page 26 – Statement of Net position Proprietary Funds** – this focuses on utility funds within a work in capital ratio which takes the total current assets and divides them by your current liabilities and develops a ratio from that. Anything above a 1:1 ratio is considered a good ratio. You have a 2:1 ratio for Electric Fund; Water Fund 1.3:1; Sewer Fund 2:1 capital ratios. Working capital percentages for this fiscal year are Electric Fund – 10.2%; Water Fund – 26%; Sewer Fund – 33%. The City likes to be close to a 25%.

**Page 27 – Statement of Revenue, Expenses and Changes in Net Position Propriety Funds** – again for utilities where this states did the City bring in enough resources to cover not the current

operating costs, but the total operating costs of providing services of utilities to their constituencies. You had positive changes in the Electric and Water funds. The Sewer Fund had a decline.

**Page 28 – Statement of Cash Flows Proprietary Funds** – this shows straight cash-in and cash-out.

**Page 69 – Defined Benefit Pension Plans (cont'd) – IMRF** declined in pension liability this year; as of December 31, 2015 is when IMRF measures this information and it's 85.28% funded with the IMRF plan.

**Page 70 – Defined Benefit Pension Plans (cont'd) – Sheriff's Law Enforcement Personnel Fund** reports a net pension asset and is actually over funded.

**Page 77 – Defined Benefit Pension Plans (cont'd) – Police Pension Plan** took a million dollar lost last year.

**Page 82 - Defined Benefit Pension Plans (cont'd) – Firefighters' Pension Plan** started the year at \$11M and ended the year at \$15M the primary factor being investment income.

Long term perspective is the City is doing very well; from a short term perspective you're adhering to your fund balance policies and you have fund balance. Many of your neighboring communities have no fund balance and would cherish what you have. For the internal control environment – you have good internal controls and the Federal government had no questions or costs on your Uniform Guidance and Single Audit Federal expenditures.

If I were to give the City a report card, I would give the City an A to A- overall for fiscal year end April 30, 2016.

**Ald. Turner:** For the last two years you've warned us about our utility fund of the cash flow coming in and we even increased our rates. You said we improved there, but do you keep recommending that we stay on that path?

**Mr. Lantz:** The Electric Fund has turned the corner and is doing very well. You had a good positive interest in the cash flow on the Electric Fund this year. Water Fund likewise over the last two years we've seen that same increase. Sewer, especially with the IEPA loans, make sure you monitor the long term perspective as well as the short term perspective with the cash flow, it's very important.

**Ald. Turner:** With this new pension, I know it's just a change with accounting numbers; is that going to affect our bond rating?

**Mr. Lantz:** Many of the rating agencies which we've worked with them over the last 4/5 years to get them ready and educate them to this change so that we wouldn't see an immediate impact on state and local governments across the country. Quite honestly the rating agencies have been

pushing for this change. If you did not make this change and you were rated by Moody, they came out with their own pension guidance and said here's how we're going to account for your pensions from a rating standpoint now which is even more challenging than the GASB #68. They're recognizing this is an issue that we all need to grasp at the state and local government level. They look at the City of St. Charles and say that you have a very good plan; you have an outstanding funding policy that was pass by your Council that eliminates that unfunded liability by the year 2040 as long as you follow that funding policy; they'll reward you for that. The governments that would be negatively impacted by this are the ones that don't have the funding policy such as the one you've adopted or have a funding policy similar to the State of Illinois.

Motion by Ald. Silkaitis, second by Payleitner to recommend acceptance of the Comprehensive Annual Financial Report, Independent Auditor's Report Pursuant to Uniform Guidance, and Management Letter for the fiscal year ended April 30, 2016.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

**c. Recommendation to Authorize the Finance Director to Execute the Risk Insurance Program Renewal for the Year Beginning December 1, 2016.**

**Chris Minick:** Included in your packet is the information regarding the Risk Insurance Renewal for the insurance year that begins December 1, 2016. Approximately two years ago the City made a change in the brokerage and advising services for the Risk Insurance package and went with an insurance company out of Schaumburg, IL. Last year for the 2015 renewal, Assurance took the comprehensive risk insurance package out to the market and received bids on that entire package. Typically that's a process you go through every two to three years. The renewal for the 2015 insurance year actually resulted in a substantial savings in premium and we switched from the Illinois County Risk Municipal Trust over to Traveler's Insurance for the bulk of the liability package and Safety National retain the records compensation and Travel retained the property insurance. For the 2016 renewal, we received updated quotes from those carriers to the prices we received when we bid the full package a year ago. The price for the comprehensive package including insurance brokerage fees would be \$620,019 for 2016 year. Please keep in mind that when we were reviewing coverages, we did find that the police department facility at 10 E State had an artificially low flood coverage that we weren't happy with; so we ended up in essence going from \$500K flood coverage up to \$2M coverage. That resulted in additional premium of \$9,500. If you look at the additional premium of coverage enhancement of the cost of the package comparing 2016 to 2015 it's actually \$610,519 or a \$15,677 increase. That's about 2.6% increase from the 2015 package. That increase resulted because our payrolls are a little higher, Worker's Compensation premium is driven by that payroll. We also have a few more property exposures than we had in the prior year. Staff is recommending approval of the package at \$620,019. There is a comparison sheet that was included in your packets and I would be happy to answer any questions.

Motion by Ald. Krieger, second by Bancroft to recommend to authorize the Finance Director to Execute the Risk Insurance Program Renewal for the Year Beginning December 1, 2016.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

**6. Inventory Control Division**

- a. Recommendation to approve a Resolution Authorizing the Mayor and the City Clerk of the City of St. Charles to Approve the Award of a 2017 Ford F550 XL 4X2 Chassis Cab, and Monroe Truck Equipment Body Modifications, to Zimmerman Ford and Sell Replaced 2003 Ford F-550-4X2 Vehicle #1730.**

**Julie Herr:** I'm here tonight representing the Purchasing and Inventory Division and there are several items on the agenda regarding to vehicle purchases and disposal of city property. This first item is to award the purchase of a new 2017 Ford F-550 along with body equipment modifications for use by the Electric Division to Zimmerman Ford and Monroe Truck Equipment. This vehicle was improved for replacement by the Fleet Committee and we're also seeking approval for the disposal of the replaced 2003 Ford, Vehicle #1730.

Motion by Ald. Krieger, second by Bessner to recommend approval of a Resolution Authorizing the Mayor and the City Clerk of the City of St. Charles to Approve the Award of a 2017 Ford F550 XL 4X2 Chassis Cab, and Monroe Truck Equipment Body Modifications, to Zimmerman Ford and Sell Replaced 2003 Ford F-550-4X2 Vehicle #1730.

**Roll Call:** Ayes: Lewis, Payleitner, Lemke, Turner, Bancroft, Krieger, Gaugel, Bessner; Nays: None; Abstain: Silkaitis. Chrmn. Stellato did not vote as Chairman. **Motion Carried.**

- b. Recommendation to approve an Ordinance Authorizing the Sale of Items of Personal Property Owned by the City of St. Charles.**

**Julie Herr:** This item is for disposal of city property to the highest bidder through the public auction website. The property to be disposed is listed on the Executive Summary as well as the draft ordinance. It includes several vehicles as well as other pieces of miscellaneous equipment.

Motion by Ald. Krieger, second by Bancroft to recommend approval of an Ordinance Authorizing the Sale of Items of Personal Property Owned by the City of St. Charles.

**Ald. Lewis:** Do we ever get a summary of what we get from all of this such as a dollar amount?

**Julie:** Yes, I track all of that to make sure we receive the proceeds. I do have a recordkeeping that I can share with all of you.

**Ald. Lemke:** What's the basis on which you replace vehicles? Is it a matter of age or do you track engine hours or something to that effect?

**Julie:** There is a number of criteria that goes into determining whether a vehicle gets replaced. It's a large spreadsheet of categories that a vehicle gets rated on and then it has to meet a certain

threshold in order for it to be brought to the City Fleet Committee for the actual approval of replacement for that vehicle. It also then goes into the budget process for approval.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

**c. Recommendation to approve a Resolution Authorizing the Mayor and the City Clerk of the City of St. Charles to Approve the Award of an International Chassis Cab, with Monroe Truck Equipment Body Modifications, to Rush Truck Centers and Sell Replaced 2006 IHC 4300 Vehicle #1701.**

**Julie Herr:** This is for the purchase of a new International chassis cab with Monroe Body Equipment to be used by the Public Services Division. This purchase is with Rush Truck Centers through the state's Joint Purchasing Fleet Sales program. This was budgeted in the FY16/17 budget and was approved by the City Fleet Committee and we're also requesting approval to sell the replaced 2006 IHC Vehicle #1701 through the City's website.

Motion by Ald. Krieger, second by Bessner to recommend approval of a Resolution Authorizing the Mayor and the City Clerk of the City of St. Charles to Approve the Award of an International Chassis Cab, with Monroe Truck Equipment Body Modifications, to Rush Truck Centers and Sell Replaced 2006 IHC 4300 Vehicle #1701.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

**d. Recommendation to approve a Resolution Authorizing the Mayor and the City Clerk of the City of St. Charles to Approve the Award of a 2017 Ford E350 Cutaway Van Chassis, with Knapheide KUV Body to Zimmerman Ford and Sell Replaced 2003 Ford E-350 SD Van Vehicle #1802.**

**Julie Herr:** This is for a purchase of a 2017 Ford E350 cutaway van chassis with Knapheide body for use by the Water/Meter Division from Zimmerman Ford, local vendor. Our normal process is we obtain quotes from the Suburban Purchasing Cooperative (SPC) which is a competitively bid joint purchasing program, as well as a local vendor. However, in this case, the van that needed to fit the Knapheide body was not on the Suburban Cooperative bid list, so we went to Zimmerman Ford to get a quote. We also received a quote from Curie Motors which is a dealership that has won many of the SPC's bids and their quote was slightly less than Zimmerman's but there were a couple of items that were not included and were included with Zimmerman; so we would like to go with the local vendor in this case and request the bid procedure be waived to allow us to purchase this vehicle through Zimmerman Ford as well as seeking approval to sell the replaced vehicle 2003 Ford – Vehicle #1802.

Motion by Ald. Lemke, second by Krieger to waive the bid process and recommend approval of a Resolution Authorizing the Mayor and the City Clerk of the City of St. Charles to Approve the Award of a 2017 Ford E350 Cutaway Van Chassis, with Knapheide KUV Body to Zimmerman Ford and Sell Replaced 2003 Ford E-350 SD Van Vehicle #1802.

**Roll Call:** Ayes: Lewis, Payleitner, Lemke, Turner, Bancroft, Krieger, Gaugel, Bessner; Nays: None; Abstain: Silkaitis. Chrmn. Stellato did not vote as Chairman. **Motion Carried.**

Motion by Ald. Bancroft, second by Turner to enter Executive Session at 8:00 p.m. to discuss Litigation.

**Roll Call:** Ayes: Lewis, Silkaitis, Payleitner, Lemke, Turner, Bancroft, Krieger, Gaugel, Bessner; Nays: None. Chrmn. Stellato did not vote as Chairman. **Motion Carried.**

**5. Executive Session – None.**

- Personnel 5 ILCS 120/2(c)(2), 5 ILCS 120/2(c)(5)
- Pending Litigation 5 ILCS 120/2(c)(4)
- Probable or Imminent Litigation 5 ILCS 120/2(c)(4)
- Property Acquisition 5 ILCS 120/2(c)(3)
- Collective Bargaining 5 ILCS 120/2(c)(1)
- Review of Minutes of Executive Sessions 5 ILCS 120/2(c)(14)

Motion by Ald. Lemke, second by Lewis to come out of Executive Session and return to regular Government Operations Committee meeting at 8:19 p.m.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

**6. Additional Items from Mayor, Council, Staff or Citizens.**

**7. Adjournment**

Motion by Ald. Bancroft second by Turner to adjourn meeting at 8:19 p.m.

**Voice Vote:** Ayes: Unanimous; Nays: None. Chrmn. Stellato did not vote as Chair. **Motion Carried.**

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