

Minutes
City Council Winter Workshop
February 26, 2022
8:00 am – 12:00 pm
Police Department Community Room

Open Meeting

The meeting was called to order by Mayor Vitek at 8:00am.

Roll Call.

Present: Ald. Silkaitis, Ald. Balla, Ald. Payleitner, Ald. Bongard, Ald. Bancroft, Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner, Ald. Weber

Absent: None

Welcome and Introduction

Mayor Vitek welcomed everyone and reviewed housekeeping items.

1. Census Ward Map

Russell Colby, Community Development Director, presented data from the 2020 Census. Very little population shift since 2010, so proposed maps are similar to the most recent version.

- 2010 population was 32,960, 2020 population was 33,081, increase of 820 after the adjustment was made for 2010 error of 699.
- Increase in housing units is 658, and average number of persons per household has decreased. Low population turnover, people are retiring in place.
- Largest population increases are in Wards 3 and 5, reflecting development. Minor drops in Wards 1 and 2. There were no unexpected changes.
- Prairie Center development was just underway, so there has since been some growth there. Assisted living and nursing home facilities data reporting may be off by type, but overall accurate.

Heather noted that other municipalities are challenging the results of the Census and asking for a recount. This would not be worthwhile for St. Charles.

The City Code establishes five wards, nearly equal in number, compact, and continuous. The 2020 census numbers indicate an average of 6619 persons per ward. Currently wards 1, 2, and 5 are under this target and wards 3 and 4 are over. It is desired to avoid a complicated mapping process and maintain the essential geographic distribution.

Russ presented two options that bring the number of residents within 25 persons (<1%) of the target. The proposed changes are minor, and anticipated development in wards 1 and 2 will add population to those wards.

Option 1 shifts the least residents between wards, from ward 3 to wards 4 and 5.

Option 2 shifts from ward 3 to 4 and ward 4 to 5. This shifts more residents and creates a more uniform boundary between the wards.

Five alderpersons indicated they prefer option 1, and 4 alderpersons prefer option 2, one alderperson is happy with either option. This topic will be presented at a next Planning & Development Committee meeting for additional discussion and recommendation.

2. Budget Review

Bill Hannah, Finance Director, presented the 2022/2023 Budget, which is a work in process.

Highlights include:

- No new debt is being issued for general capital projects. Working towards pay-as-you-go funding.
- On track for capital funding for this year.
- Open positions are budgeted to be filled in Police and Fire Departments.

The budget will be presented at the Government Operations Committee Meeting on March 21, with a Public Hearing as well as City Council budget approval on April 4.

Discussion Topics

- Recommended changes to fund structure, use “minimum number of funds rule.” A large number of funds creates complexity and inefficient financial administration. Proposed changes are:
 - Consolidate sewer and water connection fee funds.
 - Roll the \$.05 capital tax levy fund (pass-through) into the general capital fund.
 - Consolidate functional units across the city.
 - Phase out self-insurance health fund over 2 years due to change over to IPBC.
- Budget document changes:
 - Ordinance approval of budget by fund, with interfund transfers documented as part of the approval.
 - Remove “out” years from the formal budget document, and focus on budget year. Projections are subject to change and numbers become static very quickly. Will continue to do long term projections, and present separately from the budget. Budget book will continue to show long-term capital projects.
- When decisions are made based on long-term forecast, want to memorialize the assumptions/estimates at that time. Currently doing a two-year look-back review on how close were the projections to actual performance. Council would like to see more of this analysis. The transition to new utility billing software, and future upgrade of finance software, will allow better reporting that can be supplied to Council on a regular basis for increased transparency regarding calculations for the projections. The Finance Department will still show the project and plan five years into the future.
- Moving to IPBC group insurance rather than self-insurance to reduce costs and establish more predictable costs.
- Tax revenue has been better than expected. Inflation will impact both sides of the City’s operating statement. The City plans to be more active with investing within state statute restrictions.
- ARPA funds of \$4.47 million will help with water/wastewater projects. These should not be diverted to other projects.

- 2022/2023 had planned withdrawals from reserves of ~3.3 million for General Fund. Currently it looks as if the General Fund will have a \$1 million surplus, and that may grow, so the reserve funds could be reallocated to capital projects.
- Unassigned fund balance as of last year was just over \$19 million, which is a very healthy ratio of 39%, and more than City policy requires.
- Sales tax and cannabis tax revenue projections are 15-20% increases over last year, net of the Costco debt repayment obligations (lasts through 2025). State income tax (based on per capita) increased over the last couple of years. Alcohol and fuel tax receipts have been flat, and hotel tax is not yet returned to pre-Covid level.
- Compensation adjustments for non-union employees include 2.5% market adjustments and 2.75% merit increase pool. The budget includes a staffing increase of four FTE up to a new total of 275. The team is now starting the process to get Police and Fire to the recommended staff levels by May 1. The recommended staff levels come from population, calls of service, and contractual obligations, which are increasing. Want to have staff available to respond to calls and other staff available to patrol. Over time there has been a decrease in employees at the City. All department directors carefully review what is needed for their teams and justify any positions filled or added. The City is well-positioned to retain and attract employees. Pension expenses are part of personnel as a long-term obligation.
- Overall budgets for each department compared to last year reflect minimal changes compared to 2019/2020. Personnel expenses are up \$5 million, and that is mainly due to police and fire pension required annual contributions. Union contracts are negotiated and set for multi-year periods, some of the cost increase is higher salaries.
- There were certain operational and maintenance expenses for Public Works that were put into the capital improvements fund. A significant amount of funds (hundreds of thousands of dollars) was moved from the capital fund into the general fund since that is the correct location for those maintenance-related monies. The adoption of the gas tax was in line with moving expenditures from the Capital Fund into the General Fund where it belongs. These are some of the shifts and clean-up being done.
- In 2021, \$1.4 million was removed from the vehicle replacement budget because extreme measures were taken due to the uncertainty of how Covid would affect the City's budget. Therefore, the vehicle fund was not provided for as is needed.
- Long term planning will continue, and the current focus is on the shorter term.
- Current incentive agreements are: Honda, Costco, Audi, Fox Valley Volkswagen. A request was made to show the off-setting revenue that compensates for the cost of these agreements. This will also demonstrate what is being freed up when they expire.

10-minute break, 9:25 am - 9:35 am

Budget Review, continued

- MFT Fund - Primary dedicated source of funds for City road improvements
 - The 2022 road program is planned to have ~\$2.35 million funding for ~5 miles of roads without issuing general debt.

- A road study will be done in 2022/2023 to update the prior study in 2018, and that information will be used to determine the work schedule for streets. In 2018 the life cycle goal was 20–30 years, and currently we are at 50–55 years.
- Video Gaming Push Tax – the lawsuit at State level is not yet resolved, so the effective date is being pushed back.
- 1st Street Plaza Expansion Project - the funding is not yet in place for Phase 2 planned construction. Grant funding of \$1.2 million is being requested to assist with the shortfall of \$2.3 million, and those decisions will be made in the spring. Looking for direction from council on whether to add funds to the budget for this project.
 - The Initiative has raised ~\$1.5 million so far. The City has contributed \$400,000 for the land purchase, plus additional funds for phase 1 infrastructure (build the wall and fill the hole). Total cost for both phases is estimated at \$5.3 million, and this number is rising due to inflation. It's likely that the Initiative will not be able to raise the balance of needed funds.
 - Does the Council want to do the project in phases? Need to consider what happens if the Initiative isn't able to raise that. Any additional City funding would not impact the plans for road work.
 - The location makes sense as a City amenity. If the Initiative raises funds for the next eight months, public works bids the project in winter when the numbers may be more favorable, the City can do a budget add and this is a legitimate expenditure that can be completed over two fiscal years. This strategy gives the community incentive to participate before the City commits to another contribution amount.
 - Closing of 1st Street as a pedestrian area caused the cost increase. Discussion ensued about which aspects are to be funded by the Initiative vs the City.
 - Various comments were made by alderpersons, both in favor of and not in favor of additional funding being provided by the City. Some suggestions were a) there may be substantial opportunity to raise more donations, b) the project parameters can be adjusted away from implied commitments to the residents, c) phases can be added but that will cause more business disruptions, and d) take advantage of current momentum and provide this riverfront amenity.
 - Of the current \$3.3 million gap, the alderpersons commented on whether they would be willing to have the City fund this (at maximum) over two budget years. Four "half the amount" responses, four "yes", one "no", and one "need more information".
- Capital Projects Fund
 - City Administration office remodel is planned to replace rotten window wood and add a more usable office for the Communications Manager.
 - Council Chamber remodel is to refresh the area, AV technology, tables and chairs. Several options will be provided.
- Debt Service Policy and Practices – the City currently has ~\$142 million debt, which is a higher level than most Cities have. Managing the City's outstanding debt will be a multi-pronged, multi-year approach, with current principal and interest payments being about \$8 million per year, including interest.
 - The issuance of debt in combination with the issuance of IEPA loans in the past eight years has been significant. The City maintains its Aa1 bond rating from

Moody's, however some of the metrics regarding debt to EAV value, debt to operating revenues have worsened, which would potentially erode the Aa1 bond rating.

- The City pension liabilities are also a drag on the City's rating
- Debt is appropriate and a good and sometimes necessary method to finance improvements
- TIF 4 (1st Street) debt is \$25 million.
- Be cautious about generalizations regarding debt. Look at this comprehensively to see where funds may be freed up for future projects.
- Finance will work to propose a revised establish a debt management policy and create a pension funding policy over the next year.
- It's not known at this time what role will the closing of the coal plant have on City finances, and those conversations will happen in the next 3 – 5 years.
- The Lexington TIF will close in 2023.
- Utility Connection Fees and Rates
 - Council agreed that staff should provide analysis on utility connection fees. Question about increasing the fees to be more in line with costs.
 - The \$4.5 million received from ARPA doesn't have a big impact on revenue in terms of financing utility capital improvements.
 - Request for alderpersons to receive talking points to explain any rate increase.
 - Budget will recommend water rate increase of 12% (includes 1.5% "catch-up" of prior recommended rate increases), sewer rate increase of 5% and 0% change for electric
 - Ongoing analysis will be done to determine if rate increase recommendations are sufficient to finance needed capital improvements
- Police and Fire Pension funds city contributions are increasing between 2% to 3% over the current year. There are no discussions regarding the implementation of additional or new revenue opportunities at this time. Possible discussion of those during the next budget discussions next year.

Government Operations Committee approval of the 2022/2023 budget will be on the March 21, 2022 meeting agenda. Budget Public Hearing is planned for April 4, 2022. City Council approval of the 2022/2023 budget will be on the April 4 meeting agenda.

3. Video Gaming Discussion

Mayor Vitek and Chief Keegan covered the background on this item. Video Gaming was approved for St. Charles in September 2016. There is a one-year waiting period after obtaining a liquor license, and recent requests have asked to waive that. There have also been requests to add video gaming to gas stations, and also to add pour licenses to gas stations to allowed video gaming.

Per State statute, gas stations must be classified as a truck stop to qualify for video gaming. Batavia and South Elgin have truck stops. Oswego and New Lenox have allowed restricted pour licenses for gas stations so they may offer video gaming. These municipalities do not require the one-year waiting period.

The cost of gaming terminals and license fees in St. Charles were reviewed for site and distributor licenses. St. Charles can charge as desired since it is a Home Rule entity.

Restrictions in St. Charles video gaming code as compared to other municipalities:

- Advertising is not allowed, which includes visible machines.
- One-year waiting period which was originally instituted to avoid gaming cafes.

In the discussion among the group, several points were mentioned.

- New businesses have a revenue disadvantage as compared to established businesses.
- Consider having Liquor Control Commission and/or City Council consider and approve video gaming licenses.
- The City wants to maximize revenue. There is no proration of fees.
- The City does not have a cap on the number of terminals. Currently there are 107 terminals across 20 establishments.
- The Police Department had its first call for a video gaming incident within the last week.

Chief Keegan is looking for input on how the alderpersons feel about allowing gas stations to have a pour license, allowing video gaming cafes, and allowing flexibility on the one-year waiting period. The group discussed and stated preferences, and the majority were not interested in adding pour licenses to gas stations or permitting video gaming cafes. There was interest in allowing flexibility on the waiting period, with possible additional fees and/or restrictions, and staff will draft an Ordinance to be presented at a council committee meeting.

4. Public Comment at Meetings

Public Comment Policy is a best-practice and many communities have rules in place. Limiting the time allowed gives everyone a fair opportunity to talk. Usually the policy will not be needed and the Council has the ability to waive rules as needed. Policies allow order and fairness to be maintained at meetings. Staff recommends a 3-minute limit, and that can be modified.

In discussion, the meeting attendees provided the following feedback.

- St. Charles has always allowed and welcomed public speaking, and a policy would potentially stifle that.
- A policy is needed approximately one time per year.
- Important to manage the agenda items to garner appropriate feedback.
- Several are in favor, but the majority are not in favor of instituting a policy that limits speaking time or requires sign-up.
- The alderpersons agree that they want to encourage engagement, albeit via different methods.

Staff will draft a conduct-based policy for public speaking at meetings.

5. Strategic Plan Request for Proposal

An update of the Strategic Plan is in the 2022/2023 budget and Ald. Bancroft and Ald. Weber will be on the committee, along with department directors and the Mayor, to select a service provider. The team will start the process at the beginning of the fiscal year. Proposals will be solicited. It was suggested that Sikich is best suited to serve the City as auditor.

6. Mayor and City Administrator Comments

Mayor Vitek expressed appreciation for the participation level, questions, and comments this morning. Would like to see this continue on the dais, along with summarizing main points and making it clear whether the speaker supports an item.

There is a lot going on in the City. Mayor Vitek asks that communications be streamlined, with an email copy being sent to the appropriate department director and Heather.

A suggestion was made, with meetings becoming more casual, to use first names rather than titles. The group agrees and will treat the exchanges as conversation.

Economic Development Director, Derek Conley, starts working for the City on Mon Mar 7.

This is the first time for this team to work through the budget process together, and please alert Heather of any feedback.

A request was made to control parking issues at 1st Street. Still having cars screeching and reckless driving on the top level. A related request was made to add parking to a meeting agenda in the near future.

Proposals for the former police station property are due on March 15, and none have been received yet.

7. Adjournment

Motion by Ald. Bancroft, second by Ald. Weber to adjourn the meeting at 12:04 pm.

Roll Call Vote: Ayes: Ald. Silkaitis, Ald. Balla, Ald. Payleitner, Ald. Bongard, Ald. Bancroft, Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner, Ald. Weber; Nays: None.

Motion Carried

:sb

ADA Compliance

Any individual with a disability requesting a reasonable accommodation in order to participate in a public meeting should contact the ADA Coordinator, Jennifer McMahon, at least 48 hours in advance of the scheduled meeting. The ADA Coordinator can be reached in person at 2 East Main Street, St. Charles, IL, via telephone at (630) 377 4446 or 800 526 0844 (TDD), or via e-mail at jmcmahon@stcharlesil.gov. Every effort will be made to allow for meeting participation. Notices of this meeting were posted consistent with the requirements of 5 ILCS 120/1 et seq. (Open Meetings Act).