Minutes
City Council Retreat
Saturday, February 10, 2018
City of St. Charles Public Works Facility
Second Floor Training Room

1. Call to Order

The meeting was convened by Mayor Rogina at 8:00 am.

2. Roll Call

Members Present: Alderman Dan Stellato, Silkaitis, Payleitner, Lemke, Turner, Bancroft, Gaugel, Vitek, Bessner, Lewis,

Absent: None

Others Present: Mayor Rogina, Mark Koenen, Jenn McMahon, Larry Gunderson, Chris Minick, Peter Suhr, Rita Tungare, Chief Jim Keegan, Chief Joe Schelstreet, Atty. John McGuirk, Julie Herr, and Tracey Conti

Mayor Rogina:

1. You each received in your mailbox the article from *West Suburban Magazine* about St. Charles. It was very well done.

2. As an attempt on our part to communicate as best as we can with our citizens, if you are on Facebook I would ask that you post any and all City news.

3. I would like to ask that you please speak up when addressing the room today so the record will get your comments, and please make a concerted effort to use the microphones when attending meetings in the Chamber.

Ald. Lemke joined meeting at 8:04am.

4. There have been a series of meetings with the school board relating to the closing of schools. Some of you have become involved. We have a meeting coming up on February 20, so does the School Board. I was asked if we would consider switching the date of our meeting. I responded that I would like to keep the meeting as scheduled. I personally have no problem if you would like to attend the School Board meeting that evening. How many of you will be in attendance at the City Council meeting on February 20? Ald. Lemke, Gaugel, Bessner, Turner, Bancroft and Lewis indicated they would attend the City Council Meeting on February 20. The City Council meeting will be held as planned on February 20, 2018.

Ald. Lewis: If we were to change our minds and attend the school board meeting would that send a message?

Mayor Rogina: I would not recommend that a City Council member take a position in the aggregate, however as a citizen, I understand. I would like to do City business on the 20th.

Mayor Rogina: It was presented by the City Council that one of our retreats be focused on the budget as opposed to having the Noah's Ark meetings. Staff is going to present the information; please feel free to speak up at any time.

Mark: I'd like to acknowledge that Julie Herr is here today, welcome.

Chris: Usually around this time we conduct the "Noah's Ark" meetings, which is what we're doing today. This would be followed by an unveiling of the budget to occur at the second Government Operations meeting in March. We're planning on continuing that tradition, and State Statute requires that we have a Public Hearing on the budget before it's formally adopted. This would be done in the first or second week in April. Additionally, the State Statutes do require us to have a budget passed prior to May 1, 2018 before our fiscal year begins.

<u>Highlights of the 18/19 Budget</u>

The General Fund is about $18,000 out of balance. That's not unusual. Right now we have $215,000 of general capital projects (not utility related) that have no funding sources identified. There are no revenue increases proposed in the budget draft. We're at the point where we need to focus on additional revenue sources. I don't know that it's essential for this budget, but in the next 12 -18 months.

There is about $2M in one-time funding sources utilized to balance the budget for FY 18/19. There is also a list of $3.8M dollars in capital projects that we (propose) need to remove or defer from the 18/19 budget draft. You can see some of the things that didn't make the final cut. Additionally, there is a $3M reserve that's contemplated for the Police Station Project. A couple of years ago, we had approximately $2M surplus in the General Fund. With Council's direction we allocated $1M of that surplus over to the Police Station Capital Project Fund. That's there and available for use. This would be an additional $3M use of reserves, making the down payment on the project about $4M in total.

I mentioned the $215,000 in capital projects that don't have funding. We have a capital budget of about $7.4M for FY 18/19. That means we're taking on about $7.4M in capital projects that are not related to utilities for FY 18/19. We have bonded projects identified at about $4.8M. The video gaming revenue has been allocated to the Capital Improvements Fund in the amount of about $120,000 annually.

We have a computer replacement reserve we're utilizing for computer infrastructure related projects that is $625,000.
Other funding sources, $550,000 refers to the work that needs to take place out at Renaux Manor. That contemplates activation of the SSA. We are going to advance that money and pay the General Fund back over time.

Reimbursements from the Active river project; we have identified $400,000 in preliminary engineering expenses for FY 18/19, along with $300,000 each of FY 19/20 and FY 20/21. Per a discussion with Administrator Koenen, it has been indicated that we should look at incorporating a cost sharing agreement. The City will be responsible for 70% of incurring cost and the Park District will take care of the remaining cost.

Transfer to Capital Fund from General Fund ($1M). Each year there is a transfer that occurs from the General Fund into the Capital Projects Fund to fund some of the pay as you go projects.

We have a small transfer over from the Risk Insurance Fund to purchase a traffic continuator safety device. It protects our Public Works employees working in the street by forming a barrier that keeps workers safe.

The utility funds are balanced. We've put them in (rate increases) and incorporated them as discussed last year. Any change has been positive. We were able to lower the amount of the rate increase slightly. There are some small utility rate adjustments proposed, much in the scope talked about last year.

We have minimal staffing changes proposed. The only additional position being contemplated is one electric lineman. That would take place in the electric utility.

We have been talking about the capital crunch for several years. Why are we crunched, what's causing this? There are a couple reasons, and I'll go over them now.

Flat revenue streams. Our General Fund revenues are about the same as they were in 2008.

Mayor Rogina: That's not inflation adjusted is it?

Chris: No. The economic recovery has not been as robust as what we had seen historically as we've come out of periods of economic downturn.

Lifestyle changes. Charlestown Mall used to be a significant sales tax contributor for the City of St. Charles. Lifestyle changes have made that particular property hard to fill. Our sales tax revenue from this is a fraction of what it used to be. We're seeing that trend in other retail areas as we go forward.

One area that has been good for us is automobile dealers and the alcohol tax revenue stream has been a very good performer for us.

The property tax levy has been the same for about 9 years. Keep in mind as we've levied the same dollar amount, we've lost about 13% of our purchasing power. What bought $12,055,000 in goods and services in 2009-2010 is worth about $10,487,000 today. That's having an impact on our revenue and expenditure streams as well.

State budget reduction measures; a 10% reduction in income tax distributions to municipalities for one year. That impacts 10 months of the FY 17/18 and 2 months going forward into FY 18/19. I'm not convinced they won't make that permanent.

A permanent measure the State has taken is a 2% administrative fee on our home rule sales tax. We have a home rule sales tax of 1% of the gross sales price of goods that generates approximately $6M for us on an annual basis. The fee administrated by the state has reduced this by about $120,000 annually.

It's important to keep in mind what the General Fund finances on an annual basis which is general governmental operations. Essentially, all the operations not related to utility are funded by the General Fund. Think about the tax abatement process. Each year I bring forward a listing of several of the bond issues totaling between $7M - $8M that are abated. If you think about the debt service, roughly 10% of the General Fund resources go for debt service on an annual basis. The $43M in the General Fund finances all those things; as items become more fixed it's crunched out the ability for the General Fund to finance the Capital Improvement Program for the more routine capital projects.

We're budgeting $1.3M new debt service payment in FY 18/19 to fund the police department building construction, and 7th Avenue Creek property acquisition which is a new expenditure. We have some future debt issues and projects we're contemplating; Arcada/George's improvements, significant roadway improvements, and we have an obligation to pay for access at Randall and Woodward Dr., which are payable to Kane County.

Future capital projects: Fire Station #2 addition and training tower rehabilitation, the Fox River retaining wall adjacent to the police station that needs replacement, the Piano Factory pedestrian bridge repairs with significant rehab/replacement that needs to happen in the next few years, and the 7th Avenue Creek improvements that would be offset by grant money. It's important to mention that the items related to the flood mitigation for 7th Avenue Creek have been removed from the FY 18/19 budget graph. We have one project, for about $1.6M, for culvert maintenance that needed to be done regardless of if we took any flood mitigation efforts. All of these items add to our debt service expenditures, and start to lock us in to what we have to use that $43M - $44M General Fund revenue stream.

Non-discretionary expenditures will impact our ability to do projects without changes to our expenditures structure. Back as far as June, 2014 we talked about alternate revenue sources, and made a presentation. Since the Great Recession we've undertaken limited capital project expenditures. We saw there was a future crunch coming, and if there was no revenue rebound, operating revenues will squeeze out our ability to perform capital projects.

In St. Charles we have a history of making fiscally responsible decisions. Factors over which the City has little control will likely dictate changes over the coming months. We need to be ready to make tough choices and hard decisions to assure continued fiscal responsibility in the City of St. Charles.

Some of those tough, but prudent, financial decisions:

2008 - 2% mid-year budget reduction in response to the economic downturn.

2009 – Reduced budget another 8% as we continued seeing a downturn.

2010 – City implemented an alcohol tax in response to the declining revenue streams.

2011/2012 – In response to what was seen with the utility funds, the City Council embarked on a multi-year rate increase plan to address utility fund structural deficit. We've see the fruits of that effort take hold and was a very effective measure taken to address the operating deficits that were occurring.

2012 – Restructured the 1st Street bonding debt. We TIF-ed and reTIF-ed 1st Street.

2018 – Still to be determined how we will address going forward.

Ald. Lemke: Regarding 7th Avenue Creek. We have a culvert underneath 7th Avenue, are we saying that we're automatically doing that as a General Fund item?

Chris: It's a general capital improvement, and more of a maintenance project. The culvert is in place now, my understanding is that it's deteriorated severely.

Ald. Silkaitis: In regards to the culvert, since it needs to be done, I assume you're designing it to meet the requirements of the 7th Avenue Creek project.

Peter: Absolutely. There are actually 3 culverts. One of the culverts will be expanded to cover any future improvements of the project. If the determination is that 7th Avenue Creek project is completely off the table, perhaps there is a savings on the culvert size. We're planning on that moving forward at some point in time.

Chris: As of the December forecast we anticipated ending the year with a slight deficit of about $242,000. I received the January preliminary results yesterday, looks like the deficit has diminished slightly to $180,000. If we hit those numbers as projected that would leave us with approximately $17.8M in reserves at the end of FY 17/18 that would leave 41% of our annual operating expenditure balance in our end of year reserves at the end of FY17/18. I mentioned the measures the State has taken to balance its budget. We had to have our FY 17/18 budget passed prior to May 1st. The State did not pass its budget until early July, 2017 and we learned we were going to have the 10% reduction in the income tax stream and 2% permanent administrative fee on our home rule sales tax. That impacted the revenue in FY 17/18 about $350,000. If that weren't the case we would be projecting a surplus, based on the January numbers, of about $170,000 at the end of the year.

FY 18/19 we're proposing about $45M in expenditures, we have some other items that help us get to the $17,000 deficit I referred to a moment ago. The reserves for the police station, that's a down payment, it comes out of the reserve account. It reduces the reserve level by about $3,017,000; takes us down to about $14.75M in reserves at the end of FY 18/19. That balance represents 33% of our operating expenditures. As you recall we have a minimum balance policy requirement that we need to have 25% in reserves. We would be well in excess of our policy at the end of FY 18/19.

Moving forward we have three years' worth of projections. We are very conservative in terms of what we project for revenues and expenditures. We tend to understate revenue and overstate the operating expenditures. As we go forward I think we will probably be looking at some deficits if we don't make some changes to the revenues or expenditures we talked about.

We discussed the revenue curve, 2008 is the high water mark for fiscal activity out of the General Fund, pre-recession. As we entered into FY 08/09, we talked about the 2% expenditure reduction. We saw revenues drop they rebounded slightly, then reduced and bottomed out in FY 2012. They started to come back slowly in FY 12/13. Same thing for the expenditure level; we mandated the reductions through the end of FY 2010 and rebounded a bit in 2011, then went down. That's what I talked about in terms of managing our expenditure level and making sure we match our revenue stream to the expenditure stream. We have been very successful with that over time. We are just now, at the end of FY 2018, projecting that we'll be just slightly below where that revenue stream was in 2008.

Ald. Bessner: What is the uptick from 2021 to 2022 for the revenue line? Does that represent projects coming to an end?

Chris: It represents organic growth in the revenue stream. Each year through inflation sales prices increase a bit. We take in a bit more sales tax revenue, our revenue streams typically increase in response to the economic conditions.

Ald. Turner: That doesn't include the market assessment increase every year; the growth in our estimated assessed value (EAV)?

Chris: What happens to our EAV has no impact on our revenue stream. Each year we request and tell the county $12,055,117 of revenue. No matter what happens with the EAV, that's all that will be collected. As long as we leave the dollar amount of the levy consistent that is the only money we are going to bring in from the property tax stream regardless of what new development happens.

Mayor Rogina: Prairie Winds, Anthem Heights, any other growth we have moving forward, we will gain nothing from that as long as we maintain flat dollar levy as opposed to a frozen rate levy.

Ald. Turner: I thought this was discussed this last June; we should keep some of that EAV, put it in the budget.

Mayor Rogina: Then we would see that EAV moving up into the future.

Chris: We talked about debt service, future projects and what that does. Based on the levels of borrowings we have, we are going to exceed our 10% debt service policy threshold at the end of FY

21/22. We have a policy that states we need to keep our debt service payments at a rate or ratio that is lower than 10% of our operating expenses on an annual basis. We have a small installment contract that we pay directly, about $5,000 per year. The General fund makes the bond and interest payments for any debt not covered by TIF increment, or by utilities. In FY 18/19 this is just a little under $3M. We talked about the $1.3M for the new bond issue for the police department, the 7th Avenue Creek property acquisition that's going to take our debt service payment stream from about $3M to about $4.2M. We talked about bond issues planned in future years that will increase debt service stream. What we're seeing is based on the anticipated current level of about $53M of operating expenses we would be at about 10.3% in FY 21/22. That assumes we do nothing as the draft is currently structured.

Ald. Vitek: At the last retreat we talked about the various revenue streams that we could increase. This presentation helps me put the need for that into context. I'm assuming we're having some of those conversations today. You had mentioned making some moves in the next 12 – 18 months, but could it be potentially sooner?

Chris: Addressing it sooner will allow us to continue to maintain a cushion. If we don't address it within 12-18 months we will be facing a problem.

Ald. Vitek: I think 18 months is too long.

Mark: Stair step it in.

Chris: That's a valid comment. We could decide to something incremental; a small step in FY 18/19, a larger step in FY 19/20, maybe another step in FY 20/21.

Ald. Lemke: We end up subsidizing new developments if we continue to keep a flat dollar rate, in spite of EAV going up. I would argue that no one's individual numbers go up and down in terms of how your home is assessed, but it seems like a flat rate or a way for us to identify what a flat rate would be; then no single property owner would see a large increase.

Chris: Regarding Ald. Lemke's comments, there is a way, in terms of the dollars, if we want to take an intermediate step between consistent dollar and consistent rate. We could pick up the new construction value on an annual basis and work out how much that would generate based on the current rate. That would be an interim step between flat dollar and flat rate. We would then pick up the value of whatever comes on line, a new development or construction; I'm not prepared to have that conversation today, but it is possible. We could do that and get some benefits of property tax increase in the EAV.

The news is good in the utility funds. We anticipate that we may have a slight cash basis deficit as we move forward based on our operating and capital expenditures. The end of the year reserves are in a good position. For FY 17/18 we anticipate our average residential customer pays approximately $2,600 per year in utilities. Last year we enacted a combined rate increase of about 3.5% for all utilities. We are projecting a 3.2% increase in utility rates, up to $2,700 annually.

Water and waste water are the same as projected last year, and we were able to lower the electric rate slightly based on what we anticipated.

The electric fund; right now on an operating basis we take in $62.6M in the electric fund, we anticipate that through the rate increase we'll take in just under $64M next year. We are anticipating a surplus of about $53,000 on a cash basis. This means we'll carry forward about 5M in reserves into FY 18/19. We anticipate about a $300,000 surplus for FY 18/19 that will leave us with $5.5M in reserves.

The typical electric bill is $1,370 on an annual basis. Last year we enacted a 1.7% increase. That reflected the assumption of a 2% increase in our wholesale power costs. It left alone the monthly service charge that all our customers pay on a monthly basis. There is a monthly service charge, a fixed rate amount, then there is the amount charged for kilowatt hours and that equals the total amount of the bill. Last year, for FY 18/19 we anticipated increasing the monthly service charge and we budgeted a 2.5% increase on power costs. I'm happy to report we will be able to keep the increase at the same level, 1.7%.

Ald. Bessner: Is there a way, or do you know, what the average yearly cost for utilities, per customer was in 2008. Is it that much greater?

Chris: The contract we had for wholesale power with ComEd expired in 2006. We went from a fixed rate contract to a market rate contract. ComEd would not renew a fixed rate contract. One of the steps enacted was the long term series of rate increases. What we experienced between 2006 - 2011was our cost structure was much different in terms of the way we were now being charged. Our wholesale power cost changed so drastically that our rate structure didn't match it at all. We were running some very large deficits in the electric fund. I can put that together, but our cost structure has changed significantly. That's why what we charge our residents and customers has changed.

Ald. Bessner: It looks like the estimated amount is $7.00 a month this year and next year. When you look at the total of what a homeowner pays vs. 10 years ago, I'm trying to get an idea of what it looks like over time.

Chris: My guess is it's more than that based on what's happened since I've been here. That's an interesting thought to put that together.

Ald. Lemke: When you say structure; does it have to do with certain demand costs, or is it a straight power cost.

Chris: Most is related to power cost. There are also transportation charges incorporated in the rate. The big difference is that the prior ComEd contract was a fixed rate contract. Now we're subject to market fluctuations based on IMEA's contract to purchase power. Those costs fluctuate day-by-day in response to what is going on in the market. That's one of the reasons why we put into place the power cost adjustment factor. What that will do is adjust periods where we see large swings in the electric costs. For the past 1 ½ - 2 years we have not had to utilize the power cost adjustment factor.

Ald. Gaugel: When does our current contract end for wholesale electric and what's the atmosphere of the climate in terms of competition?

Mark: We have a 30 year contract and we're about 10 years into it.

Chris: I believe it's through 2036. The reason is that when St. Charles joined there was a significant investment that required some bonds to be issued in a generation facility. They required a commitment through the term of those bonds. That's why it's a long-term contract.

There hasn't been a lot of change from what we had last year with the Water Fund. One thing you will notice is we have some deficits projected. One of the things we did last year was smooth out the amount of rate increases. One of the requests made last year, by the alderman, was to smooth the rate increase over time so it's more but smaller bits of increases. That's happening in the water fund. We're utilizing part of our reserves to smooth out those increases over time. In the 5th year we start to generate some positive cash flow into the water fund. These rate adjustments are exactly what we proposed last year at 3.5%. Keep in mind we're undergoing a water study right now that may require some significant capital projects in the future.

Ald. Lewis: Does any of the general fund money go into the water fund?

Chris: The water, electric and waste water funds are supported by the fees that are charged and the users of the utilities.

Ald. Lewis: A few years ago we had a surcharge for people outside of the city limits. Explain why a non-resident pays the same as I pay as a resident?

Chris: It's a policy decision that is made at the City Council level.

Ald. Lewis: We did it for 2 years and then dropped it.

Mark: It's a fee based system, residents pay based on what it costs to run the water utility. If there was an extraordinary cost related to providing water service to a specific area, we would be justified in creating a utility rate unique to the circumstance. It costs no more to provide water to one area than another. That's why we have a common rate. We created a surcharge because there was an imbalance in the system at that point, and we were able to justify that. We were subsidizing at that time by using money from the General Fund and we were paying back that loan. When the loan balance was paid we cancelled that surcharge. That's based on case law.

Chris: On an operating basis the wastewater utility is generally a surplus year over year. We do have some significant capital projects that are helping to drive a small operating deficit. One thing to keep in mind, we are increasing the EPA compliance fee for a phosphorus project we're undertaking. We have not paid any money out of that fund yet because the project is ongoing. The debt service will begin once the State accepts our cost and finalizes the loan. They will then send a repayment schedule and we'll start making the debt service payments. The EPA Compliance Fee is going from $.90 to $1.35 this year. That's incorporated into the 5.6% rate increase budgeted on the sewer side. The wastewater side was the last fund we undertook. We concentrated on the electric and water first as they were in the most dire straits. We are now catching up on the wastewater side.

We do have a rate study ongoing right now for all three utilities. I am anticipating we'll have the preliminary results early spring.

Ald. Lemke: FY 17/18, we pick up in capital, is that for the phosphorus project?

Chris: One is phosphorus and the other is the digester project. We have some force main and lift stations that need to be addressed. We're seeing, within the sewer system, some of the major components coming to the end of their useful lives.

Ald. Lemke: I did see it looked like a routine replacement of lift stations, but I think what you're saying is it's a prudent time to replace lift stations and not just that we do this arbitrarily every 20 years.

Ald. Stellato: The mandate came from Washington that we have to reduce phosphorus. We've met that level, what happens if that drops again, how much cushion do we have? I'd hate to go through this again.

Peter: We've thought about that, and the infrastructure we put in place as part of this rehab project will cover that cushion. What that would really mean for us is added chemicals; we will have the ability to treat, it's spending more money on chemicals to get to that level. That's a $150,000 per year to meet the criteria.

Ald. Turner: How high is the EPA fee going to go? Do you see that topping out?

Chris: We went through this when we implemented the fee. We plan on it topping out at $2.35 or $2.50. We may or may not need to get there, but that's what the projection was, based on what we had anticipated for the project and making sure the fee covered the debt service.

Ald. Payleitner: Do we have outside city limits wastewater customers?

Chris: We do, we also have a few electrical customers outside city limits as well.

Each year we provide a comparison of how we are doing with our utility charges relative to our neighbors and ComEd. Again we are the lowest cost for all three utility services for the typically residential customer even with the proposed rate increase. The only negative report is how we compare with ComEd, our portfolio of power cost and purchases and how we obtain wholesale power. ComEd has a different generation formula, heavy in nuclear and natural gas; that with the historic lows of natural gas costs, has enabled to keep costs low.

Ald. Lemke: Where does that come from?

Chris: The ComEd cost of power is consistent across the area.

Ald. Payleitner: Batavia has a sales tax, is that incorporated?

Chris: No, that’s additional.

BREAK – 9:37 am – 9:50 am

Chris: We received a request to compare personnel services costs at the citywide level and by general fund department.

We compared salaries and wages, pension benefits, and health insurance benefits from FY 14/15 – FY 18/19 and going forward for the next three budget years. Over time we averaged an increase of 4% on an annual basis. Traditionally we have not expended all the dollars budgeted. Typically it relates to positions being open for a certain amount of time, or salary increases and not using all the money in the merit pool. We spend about 95% of the numbers reflected in the budget. Pension contributions have been increasing quite a bit, primarily related to actuarial changes made on the Police and Fire side.

Mayor Rogina: Pension costs here at the City are structured by the departments of the State and imposed upon the City. It’s not something we negotiate. It’s an unfunded mandate.

Ald. Payleitner: Unfunded, does that have to do with contracts and renewals?

Mayor Rogina: The State sets the benefits to police, fire and IMRF. We have to actuarially fit those numbers into the budget.

Chris: The General Assembly sets the benefit levels for every police and fire pension fund as well as IMRF. We have to comply. It’s not negotiable.

There is a constitutional protection on pension benefits in Illinois, not on current existing pension benefits. What the State legislature did was set up a second tier of benefits and those people are to come on to the pension laws.

Ald. Silkaitis: Is that pension or 401?

Chief Schelstreet: There is discussion of a tier 3, similar to a 401? The conflict is what to do with disability pension. It’s my expectation that there will be a tier 3 at some time.

Ald. Payleitner: What does our pension Board do if it’s all State mandated.

Chris: They make investment and disability decisions.

Jenn: It's important to me to give you the knowledge to answer questions regarding compensation from your constituents.

As a reminder we finished a compensation study last year. Council approved 3 things; a reaffirmation of the 75th percentile to make sure we attract and retain top talent. That we develop new comparable community criteria based on empirical methodology. We created a new list of comparable communities. You gave direction to staff to review our compensation philosophy and plan and to review the compensation criteria every 3 years to make sure it's still meeting the goals of the Council and that it's still effective.

My staff is engaging in a full market study with comparable communities. We're asking for pay scale and job descriptions. We're going to be reading all those job descriptions to make sure that what a police officer does in that community is the same as what a police officer does here. Make sure they are comparable and reset that 75th percentile for all of our positions. That's ongoing and we'll report back when it's completed.

How we determine market. We contact all of our comparable communities, collect the data and what the cost of living and what the market adjustment is going to be for the upcoming fiscal year. After contacting all those comparable communities we're looking at between 2 - 2.75%, we rank that data, just as we do with salaries, and determine the 75th percentile.

Where we are right now with the market adjustment is 2.5%, that may change, but it's where we are right now. I wanted to remind you what market adjustment does. It accomplishes 2 things:

1. To stay competitive with each of our positions and paygrades to make sure that the top of the range is at the 75th percentile.

2. Make sure an employee stays in the same position in their wage range and isn't losing ground.

   The merit increase and our step increases are effective April 30th. That's to judge performance in that fiscal year. There are 2 components to the merit, the city-wide that looks at how the employee supported the team, collaboration, cooperation and impacted the City, and the individual merit which reflects on their personal performance in their position. That is determined by the Department Director and they have to stay in the budgeted amount.

   The step piece is for employees under the mid-point. Merit goes to anyone above the mid-point, and step is anyone below the mid-point. As long as they don't have needs improvement they will be given a step increase of 3.96%. That number comes from the idea of advancing a person to the mid-point within 5 yrs.

   I'd like to discuss succession planning in light of our compensation plan and philosophy. We stared to engage in succession planning back in 2013. We are looking at a lot of people leaving our industry. Our goal in 2015 was to obtain top talent; the 75th percentile is a big part of that. We get hundreds of applications, even for positions that are hard to recruit for. We're facing a lot of challenges with recruitment and the Council's commitment to the 75th percentile helps.

3. Our turnover is low. The national average is 20%, we're at 7.2%, take out retirements we're down to 4.4%. We have tenure of 12 years for full time employees, 13 years across the board, people are interested in staying and growing with the organization. That's what we're doing with succession planning. It provides our employees an opportunity for a career role and compensation growth. Succession planning helps us in other ways. It ensures we have the competencies and capacities in place as we evolve, in terms of what our demands are going to be.

   As local government evolves we need to have successions in place and people capable of stepping into leadership positions.

Mayor Rogina: How do we deal with Millennials, who we know are not loyal and will pick up and leave to go somewhere else?

Jenn: What we hear about the Millennials is similar to what I heard about Gen Xer's, and what I understand Baby Boomers heard as well. They are motivated by compensation; they are looking for engagement, opportunity to learn and get professional development, and to contribute.

Mayor Rogina: I sent a letter to Senator McSweeney who proposed that Cities should have no monies for elected officials or staff to receive training.

Ald. Payleitner: Jobs are important, where they live is also important. They are interested in their free time – work life balance. If they can find those things in St. Charles it will draw them in.

Ald. Bancroft: At Draper and Kramer, we have employees that have been with us a long time, but the new wave of people are looking for work life balance.

Ald. Stellato: Millennials are facing social security being gone, 401k isn't a given, and want to know what is going to be done to replace that.

Jenn: The formula that local government has always used is the pay is really great, and we have great benefits. That isn't going to work anymore. One of the solutions offered it to allow them to choose how they want their money distributed.

Ald. Payleitner: Public service doesn't have those issues? What are the concerns of the generations moving forward?

Jenn: It's the impression on what public service is; and it's not on their radar. That's why we do so much work reaching out to colleges and high schools.

Ald. Gaugel: Have you looked at gender equal pay?

Jenn: We haven't had an issue and haven't done that.

Ald. Bancroft: When I joined council I had no idea the level of sophistication, expertise and work that is involved at the city level. To the extent that gets published that would be a big attraction.

Ald. Lemke: Almost every organization I've worked for that is a private enterprise has merged or gone out of business. There is a lot of longevity.

Ald. Turner: I agree with what Todd and Rita said about the quality of life issue. Eventually Millennials are going to get married and look for job stability.

Ald. Lewis: Is it harder in government to let an employee go that isn't meeting up to the level of standards that is expected? I don't think we have turnover, but find it hard to believe that all our employees are living up to the expectations set by our policies.

Jenn: A public sector employee has property rights to their job, and therefore have the opportunity to say their piece if we are to terminate. It's called the Louder Mill Process. There are several different points we have to go through before you get to termination. When you terminate someone you have to have the backup to provide that it wasn't done as race, gender, etc.

Mayor Rogina: Does the Louder Mill Process apply to at will employees.

Jenn: Yes

Ald. Lewis: Would it be an option to move an employee to another position that fits better?

Jenn: Yes, if there was a vacancy, we would do that, but I haven't had that opportunity.

Chief Schelstreet: When dealing with the firefighters union, you're not going to see a great deal of terminations, but retirement and resignations that people know were coming.

Ald. Bancroft: Most companies would strive to have the systems in place that the City of St. Charles has in place. It's impressive.

Mayor Rogina: Most communities would strive to have the City council we have that works in tandem with staff.

Mark: We have a progressive pay program, and we are very engaged. I've talked about our City Council Retreats with some of my peers and it's unheard of in some organizations. We talk about it at the department director level. We just received a study from UIC students that showed that we need to communicate more. We need to be open and need to listen. This is a perfect example. I'm going to link that back to citywide merit, if you aren't a team member of this organization, you don't get citywide merit. It's common for me to send a note to the department directors to remind them to make sure you note this on your self-evaluation for citywide merit.

Capital Presentation

Mark: We talked about the storm water utility at the Valley Shopping Center site and decided we couldn't make a deal happen and find sufficient land to build a storm water facility at grade. Peter mentioned to do it underground; I thought that was a great idea and asked the cost. The cost is

$1.68M dollars. I'm sharing this with you because it's an opportunity and it's something we as a staff said we can't afford. It's not in the budget, but it doesn't mean we can't come back and do this at a later date.

Ald. Payleitner: What is the advantage to doing this underground?

Mark: There isn't a lot of vacant land; so we put it underground.

Ald. Turner: How come no loop on the electric?

Mark: It's looping into the system. This is internal site related work.

Ald. Silkaitis: Are there cost advantages to doing it now?

Peter: This ties back to the State Street Creek Watershed Storm Water Study we did in 2017. At that time we identified to take care of storm water issues at State Street Creek that a 14 acre feet of retention would be required. The focus in regards to storm water, in my opinion in the last 5 years, has been 7th Avenue Creek. The watershed storm water study was an opportunity to gain an understanding of what's next. We do have storm related issues in this particular area. We figured we can get 8 acre ft. of detention in underground detention, and also above ground detention in the area identified. It starts to solve the problem. It's a question of if it's our priority now, or later. You're right, it's better to do it now before we put a parking lot in. The next opportunity to do it would be 20 years from now when we replace the parking lot.

Ald. Silkaitis: It doesn't make sense to spend more money later. We have to think ahead.

Mayor Rogina: What if anything can be done to include this into the budget?

Ald. Bancroft: You can do several things to a certain level. The police station, we're doing. It feels like that should be one of a smaller number of things we're doing, and doing right. If that includes something like this, we should consider it.

Ald. Gaugel: If we don't what are the implications? Could this be included into the bond for the Police Station?

Chris: It does have an impact, it would probably add another $150,000 to the abatement we talked about earlier.

Mayor Rogina: Keeping the 10% (debt service limit).

Chris: Most likely if I recall correctly. I don't think that the 10% is going to be as restrictive going forward as our revenue stream is going to be going forward.

Peter: I think the answer is it remains the same. We continue to get flooding, just as we do today, in this area. We haven't solved the water detention problems there, so we continue to get clogged drains, and see flooding on areas like 17th Street.

Ald. Gaugel: We have the above ground detention.

Peter: The only thing that is accounted for now is the detention required for the actual police station.

Ald. Payleitner: I'm not jumping on board just yet.

Ald. Stellato: One of the biggest impacts of 7th Avenue Creek was a pond on the other side of Tyler Road that stopped the influx of water. If this is going to do the same thing, and is going to have an impact on this, I'm all for it. This is the same type thing.

Peter: That's a great example. It will make an impact, but won't solve the whole thing.

Ald. Turner: Does this qualify for an IEPA loan?

Mark: Storm water is a new element of the loan program. I don't know if this qualifies.

Ald. Bessner left the meeting at 10:52 am

Ald. Lemke: I see there is a (detention) north, west, and east. West, I assume we're doing for the building. Before we do a parking lot, if I had a priority, I'd say, on the east because we're talking about 8 acre ft. of water, sooner rather than later.

Ald. Silkaitis: If you don't put it here, where would it go in the future?

Peter: The study doesn't identify that. It would have to be underground or another parcel of property.

Ald. Silkaitis: I think we should do it now and be done.

Mark: I put this in here early on in the capital fund list for the following reason; it's about making priorities, you have 12 coming, what's the priority? We can't say yes to all of them, we can't afford them all.

Ald. Lewis: Can we do that out of 2 different budgets, or does it all have to be 18/19?

Mark: We would do it at one time and it would come out of the same budget.

Mark: The Active River Project – can we afford it? The preliminary engineering is $1M. WBK Engineering is saying that realistically it's probably a 3-year project. The phasing of money on the project for the 1st year is $400,000, the following 2 years, $300,000 each year.

How have we funded active river projects to date? We have discussed at the Council funding of the Active River Project from a concept, and more recently we did a feasibility report. In both studies the Park District, The City, The Forest Preserve, The River Corridor Foundation all shared to various levels, to help fund this. The most recent study, the City of St. Charles paid 65%; the Park District paid the balance.

We had a meeting with Park District and discussed how we advance the Active River Project. I asked about funding the Active River Project 50/50. One of the Park Board Commissioners was against 50%. The Mayor asked what can they fund, and the response was they didn't know yet, but were more interested in what the revenue stream will be. If they understood the revenue that would be received from the project they would be more interested in investing up front.

The Park Board approved the budget for FY 18/19. I asked Holly Cabel if there was anything in the budget for the Active River Project. Her answer was no. I asked where they were with the project. She said she is asking her board members, sometime in February, if they would like to consider it in the new fiscal year. I took the liberty of putting in that the City would fund the preliminary engineering at 70%; "others" will pay the balance. At this point in time the "other" finance partner is not in the room. What are our priorities with regard to the Active River Project? When we were in Greenville, we heard factual pieces of information that stated because they did the Active River Project they saw additional revenue. We qualitatively understand it will be an economic engine in our community. We don't know quantitatively what that means. Does it make sense that before we undertake engineering we do some type of analysis that predicts what the revenue piece is regarding a project of this nature?

Mayor Rogina: When you talk about the economic study, does that include development in other parts of the downtown area, the whole picture?

Rita T.: The information builds a bridge from the conversation at the last retreat, to identify some opportunities or redevelopment in our downtown. There are some new opportunities that have surfaced. The current police department site is a redevelopment opportunity. Some other opportunities that have surfaced are the Baker Church parcels. We also need to acknowledge the fact that there has been progress on 1st Street. 1st Street is in the last stage of development; what's next? Before we actually commit with some specific improvements for the Active River Project; it would make sense to establish a vision for what we see as our redevelopment opportunities along the river front. There are some strategic parcels along the river front that we need to think hard about and explore how we can capitalize and maximize on the economic development options.

Mark: There is no reason why we couldn't go ahead with this analysis and the first phase of engineering at the same time.

Ald. Lewis: When you do an update on the comprehensive plan would the residents be involved to discuss what they want, or will this just be a decision by the Council?

Rita T.: There will be a public process, similar to the last go-round. This time we're anticipating that we will limit it to our downtown.

Mayor Rogina: I wouldn't have it any other way; with something like this that's built in. We can't do it without public input.

Ald. Lewis: I agree. This is a huge change. Are Salerno's, The Hotel Baker, etc.; are they on board with this project?

Mark: I don't think there has been any detailed conversation with any of the owners at this point.

Rita T.: That would be a part of the process.

Ald. Bancroft: Any property owner would be on board with millions of dollars of improvement.

Ald. Lewis: I'm more interested in the corner where the Manor used to be. Are you going to enter into more talks?

Mark: Nothing in the budget for that property right now.

Ald. Vitek: I've never been against the Active River Project. We don't even know the total cost of all these projects. There will be some costs associated with this. As far as the revenue generator piece; there may be some creative ways, Greenville had city owned restaurants. I'd like to see us cost out more than just the recreational piece. I would hate to miss opportunities because we didn't plan.

Ald. Turner: This started as a 50/50 proposition between us and the Park District, then 65%, now it's 100%. Knowing the Park District they will have us keep on paying for it. They pay 50% or the whole thing is out. That was a good question from the Park District about the revenue. I think it has red ink written all over it. Forget the engineering until you get the study done. You better talk to the land owners, talk to the UP. People aren't going to care if there is white water, or a pond, they just want to be on the river.

Mayor Rogina: We have talked to the UP.

Ald. Lemke: If you wanted to TIF this you would look at the parcels we're talking about and the TIF advisor would say this could happen 5 years from now. That's not the time frame for things like the Baker parcel. Just because it came up; suddenly we think it's going to generate money for the Baker parcel? It's going to generate red ink. If you TIF this, how do we pay it back? Look how long it's been to pay back the 1st Street development TIF.

Ald. Lemke left the meeting at 11:11 am

Ald. Gaugel: Why are we in discussions with the Arcada? Because it's an economic engine, it's a generator for downtown. If the Arcada wasn't there we would lose revenue dollars. To diversify the offerings in our downtown, this is an outstanding complement to what's already there. It would give us more retail. I firmly agree that we should do an economic study. I also agree that we need to get the Park District on board. I disagree that it will generate red ink. We have to look at this as an investment, not an expense, it's a long-term generational project. The River Corridor Foundation needs to be a part of this.

Ald. Payleitner: The one voice on the Park board, was it just that, or was he speaking for the entire board? Since when is a revenue stream a criteria for them doing improvements and development? They just finished the Ferson Creek project. Where is the revenue stream there?

Mayor Rogina: Whether he was representing the entire board I don't know.

Ald. Payleitner: I had a conversation with Mr. Donahue from the Q-Center about The Active River Project. The Q-Center would be booked with conferences and conventions; what about the hotel motel tax, if it's booked to capacity. Mr. Donahue was very interested.

Ald. Silkaitis: I'm still not convinced; I have some concerns. This should be more of a Park District thing, this is not a City thing. I think they should pay 70% and we should pay 30%. I'm not convinced they're on board. Since when do they generate revenue? They are a taxing body. I don't know if we will get any direct money from this?

Ald. Stellato: I'm in favor of this, bringing in the Park District, the study; you only have to go to Naperville to see what it's done. It's now going through its second wave in Naperville. It's incredible. The property values have increased. I think there is opportunity and we will see revenue. I'd almost like to keep it a free market development as opposed to a TIF.

Ald. Bancroft: I agree with Dan. We don't have a lot of things to invest in like this. This is probably our biggest asset, our biggest draw. As least with respect to the police station, which we don't control, looking at a comprehensive plan and then mandating requirements on what redevelopment would look like to participate is the way to go. That's how it's done in Naperville and how it should be done here, by controlling the process. It makes sense.

Mayor Rogina: Does that mandate a joint meeting with the Park District?

Mark: It would be helpful. The question I have, does the City of St. Charles go ahead with preliminary engineering for the total amount or do we have to have a partner join us?

Ald. Payleitner: I think after it's done, that's where the Park District jumps in, to maintain.

Mayor Rogina: That's why a joint meeting makes expectations clear.

Mark: Relative to the budget; what is the guidance on Active River Project?

Ald. Stellato: I'd like to see it on there and look at the projections later.

Ald. Lewis: I'm opposed to having this in the budget. What are we going to eliminate by putting this in? We haven't even gone through the budget yet.

Mayor Rogina: Let's do a poll on this to give staff direction. There is $280,000 for the preliminary engineering and a complementary study on economics, do you agree with that?

Ald. Lewis: You're not just talking about just $280,000, we're talking about the whole $1M, otherwise what's the purpose?

Mayor Rogina: You're right we have to carry through with it.

Ald. Lewis: I don't think we're there yet.

Mark: At the end of each of these 3-year phases there is a decision to be made. Does it make sense to go ahead?

Ald. Vitek: Yes

Ald. Turner: No

Ald. Silkaitis: No

Ald. Stellato: Yes

BREAK – 11:22 am – 11:31 am

Motion by Ald. Turner, Second by Ald. Bessner to move into executive session to discuss land acquisition at 11:34 am.

Motion by Ald. Lemke, second by Ald. Turner to come out of executive session at 11:48 am.

Mark: In terms of the budget; we have $900,000 in the budget for the Arcada property. We have a bond.

Ald. Stellato: Is that $900,000 for the year, or is it spread out over a period of time?

Mark: That's FY 18/19.

Mayor Rogina: That's bonded, that may not even come to pass.
Ald. Lewis: How much debt do we carry now?

Mark: We're below our threshold of our cap. We're inching up.

Chris: It's about $3.5M out of the General Fund is paid for debt service. The $900,000 for George/Arcada project is included in that total.

Mayor Rogina: We're still below threshold. We already threw out the idea of the Valley Shopping Center water retention.

Mark: This is what's in the budget for 1st street, we are working on phase 3. It's in the budget for 2019. The total is around $600,000. This has to be done, we have no choice.

The Indiana pedestrian bridge; we've talked about this before. We just applied for a grant for this from ITEP. The grant amount is about $2M, the project is about $2.5M, local match is $500,000. We don't know the status of the grant at this time. We have the project in the budget. It is bonded.

Peter: We will know about the grant in spring.

Ald. Stellato: Do we own it?

Mark: It came to the City of St. Charles with the Piano Factory Plat.

Ald. Silkaitis: Explain this to me; $2M to build a bridge 1000 ft. long?

Peter: It's not only the bridge, it's the pier, the pylons, it's crumbling. There was a study done by WBK Engineering; that is the mid-point of the range.

Ald. Stellato: We're talking about priorities. What if this went away, the bridge didn't exist anymore? Is it that much of a priority?

Ald. Payleitner: Have you engaged the River Corridor Foundation and the Active River Group on this? They would love to have this incorporated into their project.

Mark: Active River is familiar with it; I had a conversation with John Rabchuk. The Active River could be the applicant for the Kane County Riverboat Grant. They are engaged.

Peter: They actually initiated the study. They wanted put plants on the bridge and that prompted the study to see if we could structurally do that. The answer we received was no.

Ald. Lewis: Is it going to look the same or totally different?

Peter: We had three options, incorporate it just as it is, incorporate a brand new design, or buy a prefab bridge. We went with the middle of the road option. It would be your determination.

Ald. Lewis: Is that the original bridge?

Peter: Yes

Ald. Lewis: Would there be any historic grant money to rebuild it in the same fashion from a historic standpoint?

Mark: The historic avenue we looked in conjunction with buildings, they had some money, but it was less than $10,000. There are, but it won't build the bridge.

Ald. Gaugel: It could be removed, but there would still be cost associated with that. What if we shut it down.

Ald. Silkaitis: What shape is the bridge in? Is it safe?

Peter: The report was done 2 – 3 years ago and they suggested in year 5 we would need to consider some major alternatives. I think we have another year or 2 before it would require shutdown.

Mark: The direction, I'm gathering, is that this project has a hold on it. We'll take a look at the structural piece of that bridge and see if there is reason to close it. Let's see if we get the Illinois Transportation Enhancement Program (ITEP) grant.

Chris made reference to 7th Avenue Creek earlier. This is the existing culvert maintenance project. It has nothing to do with the neighborhood project we've talked about a number of times. It's in our budget for this year. We've applied for a grant from Kane County Riverboat for $100,000. The majority of the project, $1.6M, is in the budget as a bonded project.

Ald. Stellato: What is the debt service on that?

Chris: About $130,000.

Mark: This is the 7th Avenue Creek Project. We don't have anything in the budget. However, there is an opportunity. We have applied for an IEPA Section 319 grant. We have the potential to get $1.2M back. The City of St. Charles would fund the balance of 4.12M. It's the best opportunity we have for 7th Avenue Creek in terms of grants for 2018. We've applied for the grant but have not received feedback on our status with the project. I'm sharing this with you because if we get the grant we will be back in front of you at Government Services Committee to share the news, and ask if you would like to amend the budget.

Ald. Stellato: If you were to take the land acquisition out, would you still get the same amount of money for that grant? Is the grant based on the percentage of the total or does it only cover engineering and construction?

Peter: You can't do the project the way it's been defined without purchasing the land.

Ald. Stellato: Of the engineering and construction of the culverts; how many can we do without buying the properties?

Mark: We can take all culverts right now. However, if we open them up the water will rush through more rapidly and it may create more flooding at a new location downstream. That creates a liability for the City of St. Charles. We have to make sure we do it in steps that don't create a new flooding model in a new location because we would be liable for that.

Ald. Turner: Do we know that people want to sell their homes to us in the next fiscal year?

Peter: Some we haven't heard from, but those we have heard from are interested.

Ald. Stellato: Is there enough time to take a look at this and evaluate, or do we have to move forward?

Mark: Right now we have nothing in the budget. I don't think we'll take another step if we don't get this grant.

Peter: I think we have the time to wait. I want to remind you this is step 1 of possibly 5 steps. Can we divide step 1 into multiple steps, we can take a look at that.

Ald. Stellato: This is a place holder and we'll take a look.

Ald. Silkaitis: Once you start something and stop, it's hard to restart again. If we start it, we should finish it.

Ald. Payleitner: Stop; let's see where we are, and then start. Secondly, the culvert work, there is ongoing culvert work and I want to investigate how we're financing this. I want to investigate how this is being financed. There is fine line percentage there for and SSA.

Ald. Stellato: It's a place holder, we'll look at it later.

Ald. Bancroft: What does a placeholder mean with respect to this? Are we done with this grant?

Mark: We've applied. We won't commit until we've received the notification we have the grant. We would then bring it to Government Services for an amendment to budget. I think we have 24 mo.

<u>Public Works Street Program</u>

You heard about this at the last Government Services Committee meeting. This begins to tell you what we have in the budget today vs. the prior year. We have some projects that we're bonding in terms of the Street Program. The message here is we're bonding projects and at some point in time we have to be able to pay the debt service on these.

Ald. Turner: How much are we responsible for Campton Hills? I thought there was a grant.

Mark: 100%. We're doing all within the City of St. Charles from Peck Rd., west.
Ald. Turner: I thought they did that.

Peter: The Township did some work. We've done some work there, patching, no resurfacing.

LED Program

We originally had this budgeted as a 3 year program. Recognizing the limitation in the budget; we're moving forward with the program out of cash and have stretched it to a 6 year program. It's a General Fund Project.

Information Systems

Mark: Larry is going to come to a future Government Operations Committee meeting to update you on where we are with security. He has a master plan laid out based on the work he and his team have been doing. We will be spending just short of $5M in the next 4 years. This is a tool that allows our organization to work smarter. We can't live without this. I also think it's a tool the public is expecting from us for ecommerce, information, and security is of major importance. The IS infrastructure lasts about 7 – 10 years.

Larry: It's at the end of life right now. This is replacement cost of putting in something of higher value and better technology than you had originally.

Ald. Turner: Are we secure?

Larry: As best as we can. A security assessment was done. We identified and used best practices, to determine where our security is. This plan is an incremental plan to move us toward full compliance to set up best practices. That's really all you can do, adopted a sound methodologies, and try to adhere to them as best as possible. The $70,000 for the next 2 years are to use consultant services to help us enhance our internal resources and get us to the goal faster.

Ald. Turner: I don't want to see what happened in Batavia happen here.

Larry: What happened there; a lot of it has to do with training. It's not always a technology issue. There are 2 sides to security. The less expensive, less invasive is for staff to be trained on how to avoid issues. You can't completely erase them; they do exist.

Ald. Bancroft: On the information security side; if you are going to do any kind of assessment, make it global and bring it up to now. Don't wait.

Larry: The assessment has been done. This is to assist with implementation. Within the IT infrastructure we're going to invent new technology, new security features. We'll do security 3 ways; IT infrastructure, additional resources through consulting, and we're going to incrementally add operational services.

Ald. Bancroft: Who did the assessment?

Larry: A company called MAD Security.

Ald. Gaugel: Fifteen years ago IT enhancement might have been seen as a luxury, but it's a necessity today. We have to do this.

Ald. Bancroft: If anything it (value) looks light.

Larry: You're seeing small portion, the consulting. A lot of what we're going to do is included in the IT infrastructure, as well as our operating costs.

Mark: Of that $780,000 that's in fiscal year 18/19, we are using an IS reserve that been collecting money for a number of years. We have about $600,000 in that account. We're going to balance the remaining $18,000 out of cash. It will likely be bonded in the future.

Fire Department

Mark: We wanted to leave you with the concept that there are projects beyond fiscal year 18/19 that we need to work on. The Chief doesn't have a lot in the budget this year, other than operations. He has some capital things down the road.

Chief Schelstreet: In 1993 the Fire Department was asked to reduce the size of the fleet. What we did was instead of buying motorized vehicles, we've been purchasing trailers. They are cheaper to purchase and maintain. Most of the trailers can be stored outside however some have temperature sensitive equipment and when temperatures are below freezing they have to be inside. The way it works is a pickup truck hooks up to the trailer we need, and goes to the scene. When the temperatures are good the trailers are outside of Station 02. If there is a water rescue, and we get these calls, if you remember this year we had 2 kayakers go over the dam during the flooding, and we had the boating accident, and a car drive into river. The problem we have is they have to be kept in a heated location. In 2008 the intent was to move everything into the new fire station downtown. There was a decision made to cut one bay off fire station 01. We had plans had plans drawn to add on to station 2 in 2008. We were asked to hold off. Please understand, when we are hooking a trailer, during the cold weather months, Public Works has to move their items out to of the garage for our trailers. When a 911 call comes in for a water rescue, someone from Station 02 drives to the South Avenue garage, unlocks the gate, drives in, unlocks the garage, hooks up the trailer and takes it down to the river. This takes 15 – 20 minutes to access that trailer. What really brought this up is the Active River Project, right outside of Station 01 we are putting a significant hazard, and it takes me 20 minutes to get my trailer.

Mark: This is in the budget for next fiscal year and will be bonded.

Ald. Lewis: Are any bonds coming due?

Chris: We routinely have bonds that we roll off.

Chief Schelstreet: Our fire department training tower was dedicated in 1981, it's at Rt. 38 and Ohio Ave. Once again we are tied to the hospitality of Pete's folks. We train basic firefighter skills here. We do everything from forcible entry to cut holes in the roof. We are constantly battling rust.

A lot of the repairs since 1981 the firefighters have done. The structural repairs that need to be done require a revamp of the facility. It's in our strategic plan. We have people studying rotation because we want to be sure we're on board with Pete's team, does the water division need more space, or can we stay there? We're also looking at alternate locations. If we send people outside, then there is no one in St. Charles answering calls. We would have to pay overtime, and we're trying to keep costs down.

Mark: We have it in the budget in a future year, likely bonded.

Chief Schelstreet: Correct. The last item is fire station 04. It's an update planned for Rt. 31 and Red Gate Road. There was a plan with the Police Station, if it would have gone there, to incorporate a fire facility that would have taken care of the trailer issue. Everything is on hold until March 20, 2018. There is nothing in the budget.

Audi Dealership

Mark: The Audi Dealership, Woodward Drive, and Randall Road. They have submitted a phase one incentive to the City of St. Charles. We've asked for additional information. We have an obligation with Kane County that when we open up Woodward Drive at Randall Road, there is an access fee. That fee is about $1.5M, it's paid over three succinct time periods. The first payment of $490,000 would be due this summer. Chris has done some checking with bond council. We can bond that $490,000. The second payment would be due 1 year later, and the final payment 2 years after that.

The Mayor and I had discussion with Board Members John Hoscheit and Drew Franz recently, and I had a follow–up conversation with KDOT staff to see with flexibility would be there to adjust the timeline for reimbursement of that cash. There seems to be a willingness to be flexible and delay all the payments by 1 year.

That will take a formal action by City Council in the form of an amendment to our Kane County Agreement and the Kane County Board. Rita Tungare is going to lead that charge in terms of putting the paperwork together. Hopefully we can get before the Kane County Board this spring and delay those payments.

Ald. Gaugel: Are there any fees associated with the delay?

Mark: We've structured it to be no increase fee. Simply a delay.

Ald. Turner: Are we giving the dealership any incentive? I was under the impression they were going to pay for the road and we would pay them back the sales tax.

Mark: They have applied for an incentive for the construction of Woodward Dr., and the intersection of Randall Road and Woodward Drive, including traffic signals. That's what the incentive would cover. The sales tax is the vehicle to accompany that.

Ald. Lewis: Could you follow up with a total dollar amount with what you want bonded?

Mark: Yes. I don't want to lose track of our funding of outside agencies. We've heard from the Museum, the Downtown St. Charles Partnership the CVB is a work in production, and we haven't heard from the Pride of the Fox. As you all know in the municipal code we define an allocation for the Visitors Cultural Commission of about $80,000 annually. All of this, but for the Downtown St. Charles Partnership money comes from hotel motel tax.

Mayor Rogina: Before we do that do we need direction from Council on the History Museum? There wasn't a clear cut direction regarding the museum. Before we move on to revenue would anyone like to discuss the history museum?

Ald. Silkaitis: I believe we should give them what they're requesting. They don't ask for much.

Mark: We give them a free building, we maintain that building, I don't want to lose track of what we provide for them.

Mayor Rogina: I'm not opposed to giving them the money; however it was very clear from their presentation that a lot was for salary. I don't vote unless it's a tie breaker, but I'm opposed to that.

Ald. Lewis: If we do, whichever way we go, we have to do the same for everyone if we're going to reverse our policy of 10%. We need to make a decision.

Ald. Turner: I think the Museum should get more money. I'd like to see what the CVB is doing. If there is a cut it should be from there.

Mark: Lula Cassidy resigned. The Mayor and I met with Chris Woelffer, the president of the Downtown St. Charles Partnership and Tom Donahue, the president of the CVB on the concept of merging both groups into one. Both were open to and saw the value of having that conversation and believe that now is the best time that could happen. Tom and Chris had a meeting; I haven't yet followed up with them. There is an opportunity there, which may save some money. I would hope at the same time as we consider saving money, we look at the revenue they generate, and let that drive what we provide them.

Mayor Rogina: In those conversations I stressed the idea that it would nice to see one leader for both organizations, saving some money. I'm going to stress this, and I hope you'll back me on this as we move forward, an events coordinator. It would really streamline things.

Ald. Lewis: Only problem I see is the Partnership has a set boundary, they don't encompass the entire town. They're only focused on downtown.

Mark: We have not had any conversation with Chamber of Commerce on this.

Ald. Payleitner: To Maureen's point, regarding the museum, the 10%, what number is that as it relates to the $45,000 request?

Chris: They requested $42,000 as I recall. They get $27,000 right now, the level before the reduction is $31,500, it would be the gap between.

Ald. Lewis: That's basically for the salary.

Mayor Rogina: Is there a consensus here in favor of giving History Museum their 10% back, or more?

Ald. Turner: The reason the Partnership is getting the full amount is we no longer giving them the money for the branding. The numbers don't add up the same way.

Mark: For the Downtown St. Charles Partnership we're giving them about $7,000 more.

Chris: It's close but it wasn't a dollar for dollar amount.

Ald. Stellato: Is the 10% for everybody or just the museum?

Mayor Rogina: The museum at this point.

Ald. Silkaitis: Give everyone their 10 % back. That way it's even.

Chris: It would probably be about $75,000 all together for everyone.

Mayor Rogina: The committee is directing what should be done with the Downtown St. Charles Partnership. You're saying give the museum 10% more than they currently get.

Ald. Silkaitis: I'd like to do that.

Mayor Rogina: We'll discuss this more at committee.

<u>Revenue</u>

Ald. Stellato: We're looking at how to close the gap. To Ald. Lemke's point; if we increased our levy by 10%, from $12M to $13.2M, but we had a percentage every year that as inflation increased, the property values increased, we would not only get our additional $1.2M a year, we'd get about 1.5% on the levy based on property values increasing. Generate a tax that increases every year.

Mayor Rogina: Are you going to the public saying the rate is locked?

Chris Minick: that's what we used to do years ago.

Ald. Stellato: I'm trying to close the gap, but how does that affect an individual? What does that do to their tax bill? I'd like to see us do all of our projects with a minimal tax increase.

Chris Minick: If you look at increasing the amount of the levy 10%, there will be a 10% increase the city tax bill. It would equate to about $10 per month or $100 a year. I would like the chance to do the math on this. For the 2016 levy that we just collected it was in the neighborhood of 3.2%. That's everything.

Ald. Stellato: I would like to see this graph redone with these numbers and see what it does to the gap.

Ald. Lewis: I agree with this, on the other side we have to show something that we're going to cut.

Ald. Stellato: Combination of increasing revenue and reducing costs.

Ald. Payleitner: We can say this is happening due to raised pension cost.

Ald. Turner: Can we get a graph that shows the increase of revenue by holding the tax rate steady?

Chris: For the September retreat we did a graph that did just that. It kept the rate steady, and assumed a 2% increase in the growth of the EAV on an annual basis. By 2022 it takes the levy almost to $13.6M dollars.

Mayor Rogina: I think you go with that and freeze the rate.

Ald. Stellato: Is that enough to cover the gap with the new expenses?

Chris: I have to work the numbers

Ald. Turner: Let's figure out the shortfall and that's what we aim for.

Ald. Gaugel: The reason why we switched from a rate to fixed levy was because of the recession. What happens if things stagnate? What if just say what we needed.

Ald. Bancroft: Could be a cost of living adjustment.

Chris: Increase the levy and say this is what we lost during the time we were frozen. Keep in mind the change can't be done until 2020 budget year. In order to do that we would need to incorporate that into the levy we're going to pass next December for it to apply to calendar year 2019.

Ald. Lewis: Utilities will be going up along with their tax.

Mark: At the last retreat there was also a conversation again about the gas tax. One penny per gallon will raise about $250,000 per year. That's on an estimate Chris put together based on the City of Batavia. If we did $.02 per gallon gas tax, it's local, we manage it and set it up, it could be effective May 1st. That's $500,000 in gas tax that the citizens of St. Charles pay, plus any visitors would pay when they fill-up with gas here in St. Charles. That would offset the LGDF loss and the administrative fee loss from the State.

Ald. Turner: I'm probably the minority in that I don't want a gas tax. This year we told everyone we lowered your tax rate by $.03; then we bragged about having $12M dollars for nine years in a row. You can't turn around in this budget year and add another tax.

Mayor Rogina: Mark made a key point; we're trying to offset the loss from the State. We did all that but then the state took $300,000.

Ald. Turner: We knew that.

Mark: Are people interested in us developing the gas tax and bringing it back before Committee?

Some yes and no responses were heard from the group; no formal vote was taken.

Ald. Lewis: What about the entertainment tax? We don't get anything from the Arcada with those 900 seats.

Mark: We don't have an entertainment tax; it was considered a number of years ago.

Ald. Lewis: A lot of those come from out of town.

Chris: We looked at that the same time the Alcohol tax was introduced. The next Government Operations Committee meeting was packed with people opposing it. It does remain an option if the Council would like to do that.

Gaming

Mayor Rogina: Gaming is in the budget; on April 30, the sunset clause for that program expires. In all fairness to our licensees who have gaming, I'm going to ask staff to put on the Government Operations Committee agenda in March a discussion of that item.
We have three choices:

1. Eliminate the sunset clause completely. Video gaming is part of our fabric.

2. Let the sunset clause expire and video gaming is no longer a part of our fabric. With that $120,000 is out of the budget.

3. Extend the sunset clause for a period of time.

I would propose all rules associated with video gaming, highlighted rules being no advertising, no flashing lights, etc., and anyone on the fence, if we can lock that $120,000 to specific projects. The last thing that would need to be addressed is if there have been any problems in the 3 years we've had video gaming. Have there been any problems.

Chief Keegan: We haven't had any problems at all. I read every report that comes in and I haven't seen any increased criminal activity or problems associated with having the terminals inside.

Ald. Payleitner: When it comes up I will counter that. It's not being reported. Secondly, what do our businesses benefit from this? They don't get all the money on the video gaming reports. It gets broken down. I want to know what businesses are really benefiting from it. Is it our businesses benefiting, or the gaming machine companies?

Mayor Rogina: Would you like, as part of a committee, for conversation with a recommendation to vote on it at council sometime in March? Would you like testimony during that from the business.

Ald. Payleitner: Yes, conversation, is that information not available to us? I want to see a breakdown.

Chief Keegan: I spoke with Steve Nilles at Riverside Pizza. He was looking at buying some additional properties and expanding into other municipalities. He told me that he and the terminal operator share the split of revenue. So much so, he thought the revenue would most likely cover the note on a new building he's purchasing.

Ald. Payleitner: So in his case it's 50/50.

Chief Keegan: I think that's written in the statute.

Atty. McGuirk: I think it is; I don't know if that's the right number.

Ald. Gaugel: You can go onto the Illinois Gaming Board's website and you can find the exact breakdown. I know because I did it myself. Our highest revenue generator on video gaming in St. Charles, is about $120,000 for St. Charles businesses.

Ald. Payleitner: For the business?

Ald. Gaugel: Correct.

Ald. Lewis: Does the $120,000 include what they pay for their license?

Chris: That's strictly the tax revenue received from the State.

Ald. Lewis: What do we receive as income from the licensees and does that cover the cost of the paperwork and more time spent doing this?

Chief Keegan: The initial licensing cost is $1,000, $100 per machine, second year the licensing cost is $500, $100 per machine. We're not overly burdened with gaming licenses, there is a lot more work that goes into massage and alcohol. Tobacco and gaming aren't too labor intensive for us. It's important to note that all the onus is on the Police Department when it comes to the massage and liquor license background. The state does the tobacco and gaming licenses for us. They come to us already vetted, there is a very in-depth process they go through. By the time they come to us they are already approved by the State, whereas liquor and massage it's the opposite.

Ald. Lewis: I'd like to make a comment. It's very good that Riverside is buying property in Dundee, but when they came to us their argument was that they would improve their businesses in St. Charles, and give their staff wage increases. The benefit would be here in St. Charles.

Mayor Rogina: How many would vote no and eliminate gaming taking the $120,000 off the board? I've given you a number of options to think about. I'm going to bring it to the floor; there is plenty of opportunity for discussion in committee. I've received feedback from licensees asking if the council is going to take a position.

Mark: That concludes the retreat. Closing thoughts?

Closing Thoughts

Ald. Silkaitis: how close are we to changing our bond rating with all these bond issues? What is our rating now?

Chris: Our rating is a AA+, very close to being AAA rated. I don't think it will have a negative impact. What's keeping us from AAA is the amount of subsidy from that goes into our TIF funds from our General Fund.

Ald. Silkaitis: What's the difference?

Chris: There is a difference, it's probably around .25%; I don't know that for certain. It's not as much as 1%.

Motion by Ald. Stellato, second by Bancroft to adjourn the meeting at 1:12 pm.

:tc