

**MINUTES
CITY OF ST. CHARLES, IL
CITY COUNCIL FALL RETREAT
SATURDAY, NOVEMBER 12, 2016**

Opening of Meeting

The meeting was convened by Mayor Rogina at 8:15 a.m.

Roll Call

Members Present: Stellato, Silkaitis, Payleitner, Lemke, Turner, Bancroft, Gaugel, Bessner, Lewis, and Krieger (arrived at 8:25 am)

Members Absent:

Others Present: Mayor Rogina, Mark Koenen, Rita Tungare, Fire Chief Schelstreet, Police Chief Keegan, Chris Minick, Peter Suhr, Larry Gunderson, Jennifer McMahon, Atty. John McGuirk, and Tina Nilles

Mayor Rogina: We have identified seven topics that we would have staff give you some input, further input, and final input as the case may be. Then per our last retreat we will have a free flowing discussion and emphasize that in many cases of the topics included we very well will take a straw poll. It doesn't mean it's a vote as there is no official vote by the City Council; but to see where people are standing to give staff a sense of where certain issues are for the purpose of moving forward on them, burying them, whatever the case may be. Topics 1-7 in your books correspond to the top seven. We are not necessarily taking them in order but will bounce around and will stay on 1-7 through completion which will take us just after the lunch hour. After that it will be a free flow on the rest of the topics.

Mark: Couple of logistical items of where the washrooms are. We are very sensitive as a staff that the Council uses this opportunity as a time for conversation, discussion, meditation. We are going to try where we'll have some formal comments to offer and allow plenty of time for interaction. If we get bog down with too long or presentations just point that out.

1st Street Next Steps, (Phase III – Lot 2 (North of ALE Building), Lot 6 (SWC Illinois & 1st Street)

Mark: This is a conversation about Lot 2 which originally was the retail, residential site and then there was a conversation about a hotel, and a second conversation about Lot 6. Lot 6 is on the corner of 1st Street and Illinois on the southwest corner (the parking lot). What is the timeline and how you would like to consider builders on that site? We could perhaps go out for a RFP of who would like to develop that site.

Mayor Rogina: I'll call it building 2 but it's the third building being built next to the plaza; the hotel or retail/residential building. It's schedule to be started in Spring 2018. I would like to get a straw poll from the Council of what their pleasure is on that building.

Ald. Bessner: It seem to get quiet on what was going on with the hotel, they pulled out of any presentations from what I remember. Where's that at now?

Rita T: At this point there are no further conversations on the hotel. They made an informed decision to swap the schedules for buildings 2 and 3; and building 3 is along the river and they decided to advance building 3 in terms of construction ahead of building 2. Building 2 has been put on the back burner subject for further direction from the Council.

Ald. Krieger: I would prefer retail on the ground level and then a combination of offices/residential going up either rental or condo. The one thing I hear the most is people say why don't we do something with that hole?

Mark: We can talk about that in conjunction with Lot 2. With regard to Lot 2 of what Ald. Krieger suggested for uses in that building is pretty consistent of what the original 1st Street plan had with first floor retail and the upper levels being residential.

Ald. Silkaitis: Just keep to what we had planned for it. We could tweak it a bit but would like to keep it close to what we had envisioned it.

Ald. Stellato: I agree with Ron and Jo with some type of commercial on the first floor and some type of residential above.

Ald. Bancroft: I agree and also think the economics are in favor for that use. I don't think a hotel makes any sense to the development team right now economically.

Ald. Turner: I had coffee with Joe Salas recently and unlike three months ago where the parties were not talking, Joe has had conversations with Kotche and will continue talking, and even Joe has brought his property into their mind too. They haven't made any decision but at least their talking. I agree I think it should be condo or the like.

Mayor Rogina: Once the hotel conversation came on the table, I had this conversation with Joe and he was admittedly upset at that point. I said that we'll develop things but I'll never go on record as restraining trade. I think his building is very important to our downtown; and then I said I didn't understand why there wasn't conversation between him and the developers because it seems to me that a grand bargain is on the table.

Ald. Lewis: I'm not really opposed to having a hotel on that property. I think we're thinking of a lot different residential apartment living all over different quadrants of this city. Are they all going to get rented? We are getting into high numbers of apartments. Who will be living in these apartments? We don't have public transportation downtown. People who live downtown will want public transportation and I don't see that in the plan. There isn't much retail right now

downtown so what type of retail will go in there that will have people going shopping. I can go either way, but I don't see anything wrong with a hotel and economically it's been said it makes more dollars then sense to have a hotel rather than residential.

Chris: Based on the projections we did early last summer, there was a greater economic benefit for the hotel assuming everything went like it was supposed to.

Mayor Rogina: I think the economic multiplier for a hotel does exceed the retail. Secondly the amortization on the hotel works better than it does with residential. The question of short term, long term, hotels come and go. Residential is there forever. Where it wasn't a mix bag for me six months ago, it really has become an interesting complex economic question now. There is no wrong answer here and I do believe there is merit on both sides.

Ald. Lemke: Indifference to the sense that there's demand for all these apartments and higher density all over the City, it tends to support that there is demand and we have the ability to do this now as opposed to somebody who would build apartments somewhere else. I say stick with the apartments as we hear demand is kicking up for that more than it was in 2008.

Ald. Bessner: I would support Maureen as well. I'm taken back when we had this discussion on the whole hotel, it seemed it was like high on the radar and then it got quiet; but at the same time a hotel downtown, if it's a good quality brand that would bring people downtown and at the same time not be non-competing in a strong way with the Hotel Baker – I see no problem.

Mayor Rogina: If you were to go to a hotel, you have to be able to produce a market study that says these two could peacefully co-exist; as opposed to the speculation that you're going to run the Hotel Baker out of existence.

Ald. Payleitner: I had a meeting with the First Street players as pro hotel and then I got to rethinking it that now that the ALE building is complete. I was walking down there and I saw people sitting outside at Kilwins and Starbucks and saw that we have potential for a real synergy down here. A hotel would lose those spots because the first floor would be hotel. I could envision more shops on the other side of the parking deck and said to myself let's keep this residential and retail on the first floor.

Ald. Bancroft: So the math is going to win this game. We could ask the question now of whether we're in favor of a hotel or not and take a straw poll but that's immaterial because that question is not before us. I will be exceedingly surprised if they would put forth that as a concept because I believe the proponents within the development team that we had were doing that, had other ideas than return on investment when they were talking about construction fees and management. When investors take a hard look at the value of an apartment building versus the value of a hotel, the difference in caps rates between the two – it's millions of dollars different.

Mayor Rogina: And if they advanced the original proposal, Council would not be in a position to say no. We've approved it in our redevelopment agreement and we can't say no to that.

Ald. Gaugel: Looking at the economic rates and the site itself, it would be a greater economic engine for the City. I don't see that site being competition for the Hotel Baker; I see it as two different things. The hotel presentation I saw there was no intent to put any type of convention or meeting space in which I think would augment the Hotel Baker. The other hotels on the outskirts like the Q Center and Pheasant Run. I'm still on the fence but I leaning more towards the retail piece.

Mayor Rogina: Do you sense a hotel there could create a saturation of rooms in the City?

Ald. Gaugel: In the City but not in the downtown.

Ald. Stellato: The demographics are showing that hotel occupancies are down across the country and even in our community. So we run these projects and look at validating the developer's projections. They're always going to be different from the City. The projections they have are in the higher occupancy rate than really what's out there. It comes down to do we form a group today and decide we want to develop on that piece of property? Our choice is a hotel in a 70% occupancy rate or apartments in a 90% occupancy rate. It's simple math. So what will drive us is the market – no question. But to the point of apartments, we had already approved that entire site, all those three buildings together, 300 apartments. If that was built today and we didn't go through the crash that we did, that building would be 90% occupied and those people would all be shopping downtown. I still believe in that vision. I think it's a longer term vision and they haven't purchased anything. The condo market went bad because it was a form of ownership of those particular units. If they were rentals, we wouldn't of felt this, but we tried to force the condo market.

Mayor Rogina: Okay, residential in building 2 and building 6; and residential perhaps on the Shodeen property; perhaps rental on Petkus. I'm adding a lot of rooftops here for rental purposes.

Ald. Stellato: Why is that different than anything else that's happening in this whole country. You got two demographic groups; both the Millennials and the Boomers who are renting. They're downsizing and renting and now we got a new market coming in which is this group of Millennials that are renting; they're not buying. It's easier to receive money from a bank if you're going to buy a residential rental apartment; whether it's senior age restricted, pet restricted, etc. The money is out there because there is a need.

Ald. Bancroft: Right now if you're anybody and you're looking at home ownership; in the old days that was the way to retirement, that was your biggest asset. There has been little to none appreciation on houses today or over the past few years. The old day of paying off your mortgage, that's not the thing to do right now because you're not earning any value of that equity that's sitting on there.

Ald. Turner: When we approved building 6 we don't know what the occupancy number for residential is going to be. We do want people downtown. We took away a lot of apartments with ALE and probably are not going to get the apartments we wanted in building 6.

Mark: Six, eight months ago, lot 2 was a big deal and it has simmer down and quite frankly we won't see anything on lot 2 until maybe next summer. They haven't even proposed a start on lot 2 with any construction until Spring 2018. That's when they'll be ready to move ahead because the Sterling building will be complete. We got time and the best news I heard today is that Ald. Turner talk with Joe Salas who is talking to each other (1st Street Developers) and there may be an opportunity and that gives it time to bake so we can come up perhaps with the right conclusion of what to put downtown.

Mayor Regina: Let's move to lot 6 to offer some advice to when is the magic time to put in a request for bids, proposals on this lot.

Rita T: Before we receive further direction on the approach for Lot 6, we spoke briefly on what has been approved. There is underground parking which was approved in 2006; retail on the first floor, and office or some form of non-residential use on the second floor, and residential on the upper two floors. It's 4-story building with parking underground, mixed use building. Regarding the timeline, at this point we have some good momentum on the 1st Street project. Things have been happening steadily and continuously and that's important in a real estate market. Building 1 has been successful, parking deck is completed, building 3 has moved forward. We had conversations about building 2 but putting that aside for holding purposes; now is an appropriate time to shift our attention to building 6 and this might very well present itself as the next opportunity to keep that momentum going upwards.

BREAK – returned at 10:08

CVB/DSCP/Chamber – City Promotional Update

Mark: This is a follow-up report so that you know where we are in advancing a more cohesive structure for promotion of the St. Charles Chamber of Commerce, CVB, Downtown St. Charles Partnership, and our own city interest. Conversations we've had over the last year regarding moving the CVB from their location at Terry Grove's building across the street from Salerno's into City Hall. At the Board meeting of the CVB on October 27, their board unanimously voted to make that move into the City Hall building. In working with Lula, new Executive Director, her goal is to have themselves moved into our building to start off the new year in a new place and march forward. The conversation with them more recently is to move into City Hall on December 12 and PW and IS are helping to facilitate that move with the CVB. DSCP is very excited about them coming onboard.

With regard to the CVB moving, they do have a lease with Mr. Grove in his building and that lease goes to January 31, 2019. Lula has met with Terry Grove directly and sent him a letter that they are leaving the building. Mr. Grove wants to be made whole and he does understand that the CVB would like to sublet the building and he is open to that. They have retained Neal Johnson to be their broker and coincidentally Neal Johnson is also the broker for Terry Grove of the same building. Terry has suggested that since Neal knows what he wants and if we can find someone and Neal says it's okay, he'll cancel the CVB lease and work directly with the new tenant. Matt O'Rourke, Economic Development, is also on board and had a conversation with

Lula, and I asked him to follow up with Neal Johnson as well so that we can begin to promote that space. In the meantime the CVB will continue to make payments to Terry Grove for that space as he tries to lease it to someone else.

We have also formed the Quadra group for coordination between the four groups for promotional and economic development activity groups in the City. We've been meeting on a quarterly basis and they've been productive and what I view there is a genuine interest in trying to do a cohesive job in trying to market. At a recent Chamber breakfast, Craig Larson, President of the Chamber, made reference to the Quadra meetings and the coordinated efforts in trying to promote St. Charles as a group commonly and to also use the brand that the DSCP and the City developed jointly to advance St. Charles.

Mayor Rogina: In the meetings that I've attended, I got the sense from the Chamber and the CVB perspectives and DSCP's perspective which is a downtown organization, they're really willing to expand the brand and not to be just a downtown, but to be the brand for the City. When that conversation started to ensue, I really liked that a lot.

Early on there was some kind of resistance on the parts of all these parties here. What is the City trying to do here? What's the hidden agenda? I've had conversations with every group saying that the Chamber is independent, but saying look there is no intent here to dismantle you. There seems to me that there is a lot of overlap here – let's work together and get the economy to scale. Once we get this lease put to bed, we'll have economy to scale to some extent in the budget. And this cross conversation that Mark alluded to I see as being very important and I see evidence of it already. You will see cleaner, crisper presentations going on in each group moving forward and I tip my hat to the City Administrator because he carried the load on this.

Ald. Stellato: I want to give Mark and staff a lot of credit in putting this together because many of us remember back to the personalities that existed years ago and there's no way we could of gotten those people to work together. Great job and I was there at the Chamber breakfast when it was announced about "Discover Your Chamber Side" and I have seen this work in action at a recent ribbon cutting where both sides came forward to say a few words.

There is going to be an economy of scale and what does that look like? If we buy out the lease that's one thing we don't have to worry about paying the lease out, but do they understand their funding is reduced then and how much is that?

Mark: \$55K a year.

Ald. Lewis: I have heard negative comments from some of their board members that all we're doing is just wanting to have control. There is that sentiment out there that we want to control everyone and watch what they are doing.

Mayor Rogina: I don't like to micro manage anything, but we do provide them with cash for their budgets; so we do have a seat at the table.

Mark: I had that same conversation with Lula and Jenna and I said to them that when you do those reports to the City Council you need to explain quantitatively and qualitatively your goals. How you get there shortening goals is your business because we don't know how to do that and that's your area.

Ald. Payleitner: Back to the CVB and their rent, I think it's great that Neal has jumped in and offering to sublet but I'm reading the lease here that's make a statement regarding if the CVB does not receive funding from the City of St. Charles hotel/motel tax sufficient to make the lease payments to operate the CVB, then this lease shall be null and void. So do we just pull the \$55K and say oh well, they don't have the funding to pay the rent?

Mark: The lease is between the CVB and Mr. Grove, not the City and we wouldn't want to put the CVB in that situation.

Atty. McGuirk: The language is somewhat ambiguous and don't know that we want to go there.

Mark: Chris is working on a lease for the CVB and you'll see that at an upcoming GOC meeting.

Ald. Silkaitis: Since we're combining them but not re-combining them, will any of the staff be let go?

Mark: They're working towards an opportunity for them to begin to share and cross work together.

Ald. Payleitner: I heard rumors that Lula is also talking to the museum to maybe cover their visible presence downtown and maybe they'll be some cooperation there of what they would lose in walk-ins on Second Street they might gain there.

Mark: Tina and I are having a conversation now about rehabbing the City's reception area to accommodate brochure racks for the DSCP, CVB, and the City. The CVB has a television, much like we do, to promote CVB activities. There will be a noticeable difference coming in the next 4 to 6 months. They are using the museum nicely as they are trying to develop a Visitors' Center there and have some large grand plans for an extension on that building for a Visitors' Center. The CVB will be located on the second floor where you used to go into Community Development – that's there entrance.

BREAK – returned at 11:22

Development – TIF Status – Chris Minick

Chris: Each year we have to have a Joint Review Board meeting that consists of all of the taxing bodies that are contained within the City of St. Charles. It's a statutory requirement, we have to review the financial performance and statistics related to each and everyone of the TIFs with every one of those overlapping governments because they have a stake in the performance

of those TIFs. We have that meeting in late October for FY15/16 and will run through the statistics that we did at that meeting.

We have seven TIF districts and about five of them fit on the board at anyone time. We have the Hotel Baker, Moline Foundry, St. Charles Mall, 1st Street, St. Charles Kitchen, Lexington Club TIF #6 and farther out is the Central Downtown TIF #7.

We'll start with the Hotel Baker which is the oldest one of our TIFs. It was established in January 1997. The tax levy year for that TIF expires is 2018. There are three levy years until this one expires, we just recently talked about the 2016 levy year. The 2018 tax levy will be collected during calendar year 2019 and that equates to the City's fiscal year ending April 30, 2020. This TIF has \$410K of outstanding bonds as of April 30, 2016. The final debt maturity on this debt will pay off the \$410K liability in about two weeks – December 1, 2016. There will then be no debt related to outside parties related to the Hotel Baker TIF. This TIF of fiscal year 2016 had revenues of \$277,700, the debt service payments in 2016 were just shy of \$394K and that resulted in a deficit of \$116K. The \$116K was advanced by the General Fund and as of April 30, 2016 the City's General Fund had advanced \$315K to the Hotel Baker TIF. This TIF is a little bit of a different in that it is not just property tax incremental revenue that goes into the revenue stream; we also pledge as a function of the bond ordinance the hotel tax and sales tax that are generated by the Hotel Baker TIF. For 2016 it broke down to \$165K that was related to the direct property tax increment and then there was another \$110K related to the hotel tax and sales tax during fiscal year 2016. The forecast for ending fiscal year April 30, 2017, we anticipate revenues of \$265,500; we have expenditures debt service of \$410K plus \$5K interest and we anticipate that will result in a deficit of for the Hotel Baker TIF for FY2017 just shy of \$150K. That will result in an amount owed to the General Fund of \$464K as of April 30, 2017. We still have three years of tax levy collections with no corresponding debt service and get \$150K from property tax incremental revenue each year will zero out.

Ald. Turner: Can we keep the hotel tax and sales tax?

Chris: Yes once the bonds are paid off December 2; that revenue stream comes back to the City and we are able to use it.

Moline Foundry TIF #2 – This TIF is in a great financial position. It was created in July 1998. The last levy we'll get will be in 2019 that we will collect in 2020 calendar year which is our fiscal year 2021. As of April 30, 2016 there is \$635K of debt. We have two years' worth of bond payments to make. This TIF is returning a surplus of \$180K based on revenues of \$520K as compared to expenditures of \$341K. We are utilizing the surpluses to pay back the General Fund on an annual basis. If this TIF continues to have this kind of performance there will be surplus money available at the end of the life of the TIF. We've asked PW to go through and make sure that all of the infrastructure in that TIF area is in good shape and don't have any major projects hanging around out there because if we have some infrastructure projects that were part of the TIF initially, we could go ahead and utilize those funds to accomplish those infrastructure improvements and its essentially free money.

St. Charles Mall TIF #3 – This is old St. Charles property at Rt. 38 and Randall Road and was established in June 2000 and expires with the 2023 levy payable in calendar year 2024, city's fiscal year of 2025. As of April 30, 2016 there was \$1.3M of outstanding debt and the debt matures December 2022 and will have only a couple of years increment where there's no debt to help to repay the General Fund. It is currently operation in a deficit position and is creeping up year over year. The debt service has been increasing and resulting in \$95K surplus for fiscal year April 30, 2016. As of April 30 a little over a million dollars has been advanced by the General Fund to make those bonds payments. We're anticipating similar results for FY2017 adding another \$100K to this TIF's liability to the General Fund. These projections contemplate no development occurring out there.

Mayor Rogina: With your comment with the life of that TIF ending in 2023 and with your comment of potential for development as we know it's on the table at the moment, can you accurately say or not say that as it is phased in if it was passed, we would recoup that \$1.1M?

Chris: I can't tell you that today. It's going to depend on what's built and how fast. The more quickly a developer constructs buildings that have a greater value will obviously generate more increment more quickly. We haven't talked about a TIF extension but depending on the pace of the development, etc., there is the ability by statute to go and request a 12-year extension from the State legislature but it requires a signoff from everyone of the overlapping districts that says they're okay with the TIF extension.

Ald. Lewis: Why would we want to do that?

Chris: To pay back the million dollars. That gives us an extra 12 years on the backend of that TIF to recover more of the revenue which would then eat into that liability.

St. Charles Kitchen TIF #5 – This Tyler Road and Rt. 64 was established in May 2023 and the last levy year for the tax receipts will be 2026 which will be received in calendar year 2027 and corresponds to the City's FY2028. Just under \$2.2M in bond and outstanding debt in April 30, 2016. Final payment on that debt will be December 1, 2023. This one also generated a deficit of \$28K and owes \$1.45M to the General Fund. We're not anticipating a lot of difference in financial performance for FY2017 and we anticipate that advance will be shy of \$1.6M to the General Fund April 30, 2017. This is the most problematic TIF of the ones we have. There is not a lot of opportunity for additional development out there. At the end of the day we'll have to subsidize to see if there's anything we can get back for it and go forward.

Ald. Stellato: If we enlarged the area where Ryder Truck is going, does that require going in front of the Joint Review Board; so it would be a de-TIF/re-TIF?

Chris: I heard two different concepts. If we just enlarge the boundaries that would require a Joint Review Board meeting and would have to make sure that the boundaries still meet the criteria but it's a little bit different than doing a de-TIF/re-TIF. Enlarging the boundaries, the same timeline would occur and it would expire in 2026. If we went to a physical de-TIF/re-TIF

we would reset the clock. We would cancel out TIF #5 and now have TIF #8 that would be established in 2016 and restart the 23-year clock on the TIF. So these are two different concepts.

Ald. Stellato: If we enlarge the boundaries to the west and pick up another car dealer which helps the increment and we also have the Tin Cup Shopping Center across the street and that probably needs some help; what is the best way to incorporate that and create more increment and perhaps help save this TIF?

Chris: The car dealership is almost all the way developed so there is not going to be a lot of increment. The increment develops only from the property tax not from the sales tax. There are no more sales tax TIFs that are getting done in Illinois any more.

Now if we were able to put a TIF district over Tin Cup Pass, that probably meets the criteria. Assuming there would be some substantial redevelopment there; once TIF districts are continuous and they are touched, you can port money between them and that might be a good idea if we had a wildly successful TIF in Tin Cup Pass we could then take whatever surplus is generated and transfer it there and start to eat into that.

Ald. Turner: How far west does this TIF district extend?

Ald. Stellato: The HA Phillips building on the border of the car dealer. The main impetus was Al Piemonte and the Ford and Cadillac dealerships. There's the office building and 1519 E Main Street (red awnings) and the next building is Phillips Refrigeration which is vacant today, and on the border of that is the car dealership where it stops. 1519 and Phillips are both in flood plains. That would be the only opportunity for redevelopment; they would have to be knocked down and bring it up to level; otherwise minimal opportunity for development.

Chris: All five of these TIFs have general obligation debt related to them that's why we need to do those transfer from the General Fund over to each of these individual TIFs to make the debt service payments.

Lexington Club TIF #6 is set up differently as it is set up as a pay as you go TIF. There were no bonds issued in conjunction with Lexington Club. There's nothing out there either. January 2013 is when it was established and expires with the 2036 levy, our fiscal year 2038. There is roughly \$4K of organic property growth value. We do anticipate the debt will increase to \$9K but again we have no advances from the General Fund, nothing to pay or any expenses to apply against any of that revenue. Right now it's just collecting small amounts of cash.

BREAK – Lunch @ 11:45 – Returned @ 12:15

TIF #4 and TIF #7 go hand in glove. In 2015 we split what use to be the 1st Street TIF #4 into two TIFs #4 and #7. TIF #4 is the developed part of the 1st Street development and encompasses everything west of 1st Street itself. TIF #7 was split off into the undeveloped part of the 1st development of the 1st Street and it encompasses everything east of 1st Street and jumps across the river and picks up some property both on the north and south side of Rt. 64. At the end of

2016 we have \$25.1M in debt outstanding related to the 1st Street TIF. The General Fund had to advance that money and currently that TIF owes about \$1.65M back to the General Fund. We anticipate we'll have \$485K of revenue related to TIF #4. It's lower than the revenue we received this year because TIF #7 is going to kick in for that side east of 1st Street and its generating \$130K of revenue and we're going to transfer that in. As long as TIF districts touch you can transfer money between them. This will leave a \$490K deficit resulting into a liability back into the General Fund about \$2.1M.

TIF #7 we have an advance of \$1.363M and that is not related to any debt. We're tracking the amount of money that we're transferring over from the General Fund to make the capital improvements.

Back in 2013 we refinanced all the debt related to the 1st Street TIF. At that time development was not active and we were looking at the prospect of making debt service payments to about \$1.8M annually. So we restructure the debt and pull the term out so we could lower the amount of debt service that we needed to make on an annual basis. Without doing that refinancing we would of have \$1.7M of debt service related to fiscal year 2016 and we would have to transfer over from the General Fund about \$1.1M to make those debt service payments.

Ald. Stellato: TIF #1, 2, 3 are working, #4 is working and #7 and #4 are related; #5 needs some help and get creative on that one.

Chris: Absent development on #3 – it's in trouble. #5 is in trouble. TIF #6 is not an issue right now and #4 and #7 may be too early to tell.

Ald. Stellato: TIF #6 is referred to as a dump. It's a pay as you go TIF so there's no risk to us. At the last proposal the developer came back to us and wanted to increase the amount of TIF funding. In our case there are no bonds to be floated so it's less risk. What are the disadvantages and advantages of going forward with some development? Is that a problem if we increase the TIF amount? We got to go back to the school and park districts for them to agree?

Chris: That would be a policy decision of you. The TIF is in place and it could be amended. TIF law is if we were to increase the amount of the TIF, we would need to convene the Joint Review Board but I don't think they got approval. It would then become an issue of the political relationships that the Council enjoys with the overlapping tax districts. There isn't really a financial risk to the City. It's more of a reputation risk. There's still debt that is related by it's not a general obligation bond. They can't make the deal work in its current arrangement. They reduced the density in the number of the units and it's really the cost of buying back that density.

Ald. Turner: Once the Sterling Bank building gets on the tax bill will the General Fund no longer have to pay off the TIF fund for 4 to 5 years?

Chris: When we restructure, the debt related to 1st Street has a 2038 maturity date, but the TIF district is only in place until our fiscal year 2026. Through 2026 we would not need to utilize the General Fund based on the initial projections I've done. After 2026 the debt service ramps up

again to backload the debt service. If all three buildings in Phase 3 get built, we will not need to utilize General Fund subsidies through 2026 to make the 1st Street debt payments.

Ald. Gaugel: Outside of TIF #5 is there anything of concern that the Council needs to take action on?

Chris: I don't think there is anything you need to do. It's more to just be aware that those items are out there and they could have some budgetary impact depending on what happens with #3, #4, and #7.

Mayor Rogina: On #3, on the table here, is a proposal from Shodeen. We have an obligation to look at it, tweak it as we need to do, but to me time is of the essence. If they were to be rejected we would be into a bigger deficit in 2023.

Is there any flavor on the part of the Council: 1) does the Council have any feelings pro/con or neutral on the issue of the Quad as it relates to a proposal possibility for a mixture of retail/residential?

Ald. Payleitner: Thumbs up!

Ald. Lemke: The idea of doing a Shodeen style or anything akin approaching that – I say no.

Ald. Silkaitis: I'm neutral until I see what's out there because I don't know yet.

Mayor Rogina: Expanding on this point, right now we have defunct incentive of a sales tax rebate – 50% out there that's of no use. What's your feeling on a TIF in the Quad?

Chris: The biggest problem is what we just talked about in terms of general obligation debt. TIF #5 was secured with general obligation debt but the TIF revenue was pledged to repayment of the GO debt but the way general obligation debt works is if the TIF revenue is insufficient than the City's General Fund has to step up and bridge that gap. The Council has been pretty clear in the past that we don't want to secure TIF district's debt with general obligation debt. We want the development to generate enough revenue to pay for the debt service. I would assume that would carry out to a potential TIF district out of the Quad and we would not look at issuing GO debt but issue TIF revenue debt which is different. It's more risky and costly, but the theory is the development generally pays for its own incentive.

Ald. Payleitner: I guess we would increase the value by turning parking lots into residential pieces.

Ald. Silkaitis: Looking at our history with TIF, half of them are not doing well. I don't know if I want to go into another TIF plus if we do a TIF on the Quad, we're TIF-ing homes again. I would really need to be convince that's the right way to go.

Chris: The preliminary indications are that the Quad does meet the qualifications. School district in the past has express reservations about approving or supporting TIF districts that don't have a development plan tighten down. We don't have a development plan for Pheasant Run or Target area. We've talked repeatedly about TIF districts that touch and can transfer money between them. Establish the one for the Quad, if the Council wants to go this way; have it be there and be active and if a developer comes in and we decide we want to do one for Pheasant Run or the Target area; you can do that in the future and transfer money back and forth between those three TIF districts as you need to base on how they performed. *(Refer to attached TIF Table #1)*

Mayor Rogina: While Jenn is setting up for the Compensation presentation I would like to throw in one small thing. The history here in this town has been simple where we have names of places named after individuals in our community such as Langham Park, Fred T.L. Norris Parking Deck, Jim Martin Parking Lot, etc. I've had inquiries by some of you, council members, as to naming the recent parking deck downtown on 1st Street in honor of Mayor Susan Klinkhamer, who got the 1st Street project started. By history, in going back, was City Council did not approve the parking deck of Fred T.L. Norris and we all kind of agreed informally on Jim Martin's parking lot. My question to all of you is would the Council like to have a formal proposal brought to you to name the 1st Street Parking deck, or if there is consensus we can just do it, to have a ceremony or not?

Ald. Krieger: I would support just doing it because she was the Mayor in your seat when 1st Street started.

Mayor Rogina: And you're not particularly in favor of Council voting on this publically?

Ald. Krieger: If we have to then we have to.

Ald. Bessner: I agree with Jo.

Mayor Rogina: I'm getting head nods that let's just go with having a ceremony and getting a plaque posted.

All: Agree!

Compensation

Jenn: Six months ago when I came on board, Mark asked me to put together an RFP to do a compensation study that included Council input. In the binder there is a timeline on the discussion Council had over the years, a summary of preliminary discussions you had from Sikich. As a reminder, the contract was approved with Sikich on September 6, and we did our project team kickoff on September 30 with Chris, Mark, Denice and I. We did document transfer in September and October and in October/November Sikich did their stakeholder interviews with all of you.

This is our timeline history of discussions which is a topic that the Council has discussed a lot. Compensation is generally one of the largest expenditure for any employer – public or private. It's the Council's responsibility to make decisions about tax dollars, so scrutiny and discussion makes sense.

The last discussion, as I understand it, came right before I began here and some of the feedback was to do a compensation study and analysis. We'll go over today some of the preliminary themes that came out of the stakeholder meetings.

A reminder on what some of the deliverables were. First of all we asked the consultant to review the current compensation philosophy of the 75th percentile. What's the reasonableness of our criteria that establishes our comparable communities? What is the impact of our philosophy in terms of internal equity and pay progressions for subordinates and union positions? We also asked them to identify the marketplace specifically looking at our list of comparables and methodology that established those comparables; and you see one of the themes they uncovered is that there is an interest in looking at a more empirical methodology to establish that criteria. We are asking the consultant to provide best management practices on developing a compensation plan, developing criteria from comparable communities, and how we move people through compensation plan. We also asked them to provide any recommended alternatives or revisions to our existing plan along with an explanation of why, the drawbacks for benefits of changes, and how it will impact the union – non-union environment.

The last piece is implementation instructions. So if they do provide recommendations that the City is interested in implementing; we have to know the instructions. Are there policy changes, is there a budget that we have to phase in, what's the timeline, etc.?

So what did we find out from Sikich? First in terms of market position these are themes that came through after the stakeholder interviews. As a reminder the stakeholders included in these individual interviews/meetings were council members, department directors, and then four focus groups meetings which were cross sections of employees.

For market position, some of themes included that there's an understanding that the purpose of the 75th percentile is to attract and retain high performing employees and there's some desire to maintain that in order to maintain the high quality services that are delivered to our residents. However there is also a desire to explore compensation systems with the philosophy in other communities. There's an acknowledgement that there was to be a change in the philosophy that would be some sort of impact on the current employee base.

In terms of comparability, there is a dis-satisfaction with the current criteria. There is an interest in using some sort of more objective and robust methodology including contiguous communities, like Geneva.

For classification in job measurement, there is an interest in better understanding how bands are established and how positions are assigned to those bands. There was some interest in

employing a more objective methodology like a job factor analysis. With Sikich's original proposal they did have that as an alternative.

For merit, market, and range progression, there's varied acceptance and understanding about how merit and the annual market adjustment are done; more information would be helpful; and also an exploration of other systems would be of value. They recognize that compression and leapfrogging is an issue. Compression occurs with having a lot of supervisory layers and a subordinate employee begins to make more money than their supervisor Leapfrogging is when an employee is progressing in their career and leapfrogs a position like, for example, a sergeant to Deputy Chief.

For represented/non-represented there was acknowledgement and appreciation of good relations and fairness in compensation between the two groups and there's an interest in maintaining that.

They also looked at our employee base and most of the employees that were drawn to the City actually live in the City or the surrounding areas like Geneva, Elgin, South Elgin or Elburn; that's primarily where we are finding our talent.

So there are a few action steps from this point forward. First would be to establish a workgroup to review the criteria that establish our comparables; that was something that definitely came through in our preliminary findings. What we're suggesting is establishing a workgroup that is made up of three elected officials working with staff, Chris, Mark, and myself to look at those criteria. I understand there's some interest with Ald. Bancroft and the Mayor. That group would work with Sikich to establish this new criteria and that would be reported to the City Council for approval and when that criteria is established, we would apply it and develop a new list of comparables; and then we would get some data collection. That data collection would include compensation philosophies, compensation plans and salary schedules, missions, goals, visions, and how those things relate to compensation and how their compensation plan is applied to a union and non-union environment.

So we have phases left that Sikich needs to complete. for the remainder of Phase 2 is the turnover analysis looking at why people leave the City of St. Charles. The other piece of Phase 2 is the gap analysis, which measures our current compensation plan against the stakeholders' expectations. Phase 3 is a preliminary report and summary to the project team and Phase 4 is the formal report and presentation to City Council.

Additional preliminary recommendations from Sikich include a job factor analysis and ongoing education about our compensation plan.

Mayor Rogina: That's a lot to digest in this compact report. Any comments, questions, or suggestions?

Ald. Turner: The thing that always concerns me was our comparable communities and I understand why we did it in the past and from what Jenn just told us now is that we're drawing all of our employees around here from Geneva, Elburn, Batavia and a few other cities and if they are not on our list now, I think they should be.

Ald. Bessner: With respect to the 75th percentile, is there anything that has changed over the years that would impact our decision to be at the 75th?

Jenn: I think that's a judgement call and that's part of your philosophy and that's certainly a policy decision of where does the Council wants to be. As I understand it, the police decision to be at the 75th percentile has been in place for a long time. I could not pinpoint when that was decided. The purpose of the 75th percentile has always been to attract and retain high performing talent. It is recommended that an employer revisit their philosophy every couple of years to make sure that it still matches what their mission, that it accounts for economic conditions, that its financially viable, and that it's palatable to our constituents. It's a good idea to take a look at it periodically.

Ald. Bessner: So there are no markers for us having to revisit it? We're just taking a look at it to see where we are at?

Jenn: It is recommended that we should revisit it every couple of years.

Mark: Historically, I don't why or how that percentile was established but I do know it was discussed at the heat of the recession as to whether we could afford the 75th percentile; and that conversation looked at the 60th percentile and the 65th percentile. And I remember the thought was that for the amount of money we would save in going to the 60th or 65th percentile; was not worth the potential impact on employee morale. The decision was to hold constant on that piece and march forward. I don't think that conversation has been had since that I've been party to.

Ald. Bessner: There are no indicators over the last couple of years with employee turnover or talent level that anything has changed or even beyond par?

Mark: I would allow that during the recession no one moved anywhere. So in the last couple of years we've had some movement in the organization and a good share of that has to do with retirements. So from an attraction point of view, I learned this best from Jenn who came from Warrenville, who said they sometimes had problems attracting people for a new open position; where in St. Charles we get a healthy response to our job postings. It obviously relates to what the job is, such as, if you're looking for a IS Director position or looking for a receptionist; you get different numbers, but we've been able to attract good candidates for the most part. Larry Gunderson just posted and filled a position in his area for a Network Specialist. They had five good candidates which is a good position to be in and it was hard to make a decision of the five good candidates.

Ald. Bessner: I'm okay with the 75th percentile so far. I was just curious that it was matching and doing what it's supposed to be doing.

Mark: One of the things hopefully we learn from the turnover analysis is why people, who are not retiring, are leaving our organization. Is it because of pay, because there was not open focus that they could see in the near future as they develop in their career and are looking for a

different job in a different position that they want to advance to, such as Jim Bernahl. He didn't see an opportunity to move ahead any time soon, so he took a position in Winnetka.

Mayor Rogina: A couple of comments. On process I've said that I would be interested in being part of that elected officials group for the study; however, if there are three Council members who want to be involved in this, I have no problem taking a back seat but I do want to provide input. Two examples of input would be, like Ed, I don't have a problem with the 75th percentile. When I looked at some of the data, immediately what jumped at me was why is Schaumburg and Naperville sitting in this mix? I have no idea going back to the time I was an alderman. I don't think it was right. To Bill's point, I think there's better comparables that are closer to our particular size. Second point is none of the elected officials deal with this, but directors do which is to define the 9-page evaluation form. It's cumbersome and time consuming and sucks up resource time. There should be a checklist. All you directors that have to do evaluations and that form – it's a monstrous task.

Ald. Bancroft: Since I've been on the Council, six of the eight directors are either new or changed jobs. From that perspective as well as my own as a citizen's assessment of the City staff, I think the compensation structure has brought us good people; probably the best people in terms of my estimation of surrounding communities – so kudos to all of you. The question for me is much more about the program administration and much less of my own determination of what is a comparable community or not. I voted against Sikich and in this report and my meeting with Sikich I saw nothing that changed my mind on my voting against them. The gentleman I met with didn't even work for Sikich. He used to and now he's outsourced; and to me that's embarrassing for Sikich – just to be clear. I think it was ridiculous that it didn't warrant the attention of their compensation staff for the City – they gave us this guy. That's just an observation. My assessment of moving forward with them is iffy at best.

The most alarming thing to me of anything I read is in this timeline; is that there has been 17 years between compensation studies. Looks like a group did it in 1990 and then did a study in 2007. That's an unbelievable amount of time and we haven't done one since 2007; so we are well on our way to that same period of time. No one is being put into a position structurally to succeed in. You have staff that is executing a program without any oversight from a professional and you have a Council that is unarmed to assess whether it's being done correctly, incorrectly, or moving forward. To me it's all about the structure of the program and much less about the specifics of what communities and what's the right compensation, and is the 75th percentile the right way to go? It's all about setting up a philosophy in which we are willing, as a City, to pay for the best people and that makes sense to me.

What does that mean and what's the right way to go about it? I'm not equipped to tell you who our comparable communities are. Sure maybe Batavia but this is not my area of expertise. To be in a system that has programmatic review by a professional over a defined period of time, keeps everybody out of trouble. It keeps staff out of trouble from questions, should I really be recommending this? It keeps the Council informed so they know what they're approving and it's set up on a periodic basis so everyone knows what to expect. Just look at the chart on the

timeline. You got all of these discussions going on but really no progress and I don't have the sense of how the program would be executed.

Ald. Turner: Going back to what I said before of where our employees come from. We are almost hemmed in on the administrative or non-union side by the unions. We are also hemmed in by the state because if we try to fight it and we go down to Springfield we know we'll get our butts kicked. You're right about the internal. It's better to have an outside person to do the evaluation. That takes away somebody feeling that he/she didn't like me or he got a raise and I didn't because of... I haven't really sensed that here but I would rather not go near that and that's about the only way you're going to get away from that.

Mayor Rogina: Bill can you talk to that last point where you talk to an outside person evaluating the study or evaluating salaries?

Ald. Turner: The whole compensation plan.

Ald. Bancroft: Let me give you my background to give you a framework outside of what we do. At Draper & Kramer HR reports to me. So I come up with bands and compensation framework and we execute upon it. Every three years I have a 3-party firm come in and do a report on my compensation structure which gets delivered to a Compensation Committee at my Board of Directors that I have no influence over. Specifically for all the C level people at the executive level we do a separate compensation study that goes, again, to a Compensation Committee of the Board of Directors level with a recommendation of here's where they are that reports with your philosophy; this is the range where these people should be. So the board is put in the position where they now have oversight over our compensation framework and expertise and information at their fingertips that have powers of judgement.

Mayor Rogina: One thing you have different in your system that's different from our system is that you do not have any collective bargaining. In this system we have both non-union and collective bargaining. That throws a monkey wrench in there.

Mark: There was a lot of concern that I received from individuals about what their compensation program was now in terms of how comparables in the 75th percentile and the philosophy – that's the piece where we need to try and clean this up or at least get everyone on the same page where there is a level of comfort. The audit piece that we've talked about historically, I see what we are doing right now as the first piece of that audit to make sure we have a foundation and get it through some kind of periodic audit of how's the administration of the program being carried out within the baseline of the philosophy of the organization.

Ald. Bancroft: An audit, by its very nature, is backward looking and everything that I described is forward looking. My compensation doesn't change going forward unless the Compensation Committee okays it and its justified by that 3-party report. In other words, you have a philosophy to be implemented and that philosophy is given a professional forward looking basis; these are our recommendations for salaries based on criteria. We do that for the executive level annually but for the company-wide we do it about every three years where someone will give us

a benchmark of looking back historically at this as where you are at and looking forward this is where you should be based on your bands or whatever your criteria is.

Ald. Turner: I think that's a good point about looking back and looking forward. I never got any feeling at all in talking to anybody here that we were looking forward and where are we going with this rather than we base it on a union contract. I don't think that's the proper way for non-union employees.

Mark: I think a piece of that is correct because the market or COLA is based on what comparable communities have paid at the 75th percentile level. In terms of looking forward we say we're going to pay you for what your performance was in the last year and we call that current. So if you perform meeting your goals and the expectations of the 9-page evaluation form, you get a merit which is a rearview window reflection of where you should be in the upcoming year, but it doesn't look any farther than that to what Todd was saying about the 3-year window.

Ald. Bancroft: I feel unarmed to answer the question of whether the 75th percentile is where our philosophy is. This is such a combination of factors. I don't really know what the 75th percentile means. I think it's great to have a philosophy that you apply. Right now I really can't describe our philosophy other than the 75th percentile. I'll give you three things. I would have trouble disclosing this, especially when I look at this timeline it's really alarming. That leads to my concern of being disclosing rather than being transparent. This should be a no brainer and be very transparent and come up with a philosophy. A philosophy should get applied and have benchmarking every three years, sort of city-wide, that tells us this is how it's being done.

Ald. Lemke: I had spoken about comparable communities and the feeling I got in that discussion was and seems like the way we should go is more than just mileage, it has to do with EAV which I think is still part of it. So we had factors that we would include in determining comparable communities; factors that would rule out cherry picking because some of us will remember there was a mayor that said let's use Libertyville as a comparable community. Happily that didn't happen but that's the type of thing that can happen if you don't have some type of factor for inclusion. It could be 20 miles or it could be two counties such as Kane and DuPage. Comparable communities may have an impact to what you starting salaries are, what your range in bands may be and maybe also any economics. You can also use that in terms of economics because we follow this policy and when it comes to union negotiations we're all in the same boat together. We also look at comparable settlements and gauge accordingly. It does give us an opportunity to be forward looking when it says here's what some of these contracts are getting for the next two-three years – 2½%. That gives us a barometer to say what we can expect; if not straightforward for the employees than certainly a budget mechanism.

Ald. Lewis: I asked a question and I'm not sure that Greg gave me an answer. Do our comparable communities pay at the 75th percentile? He said he had no way of determining what the other communities' philosophies were. I don't know if that's relevant.

Mayor Rogina: Maureen's statement is significant for this reason. Here's the City Council, the policy makers of the community and votes on the budget ultimately. Many people are admitting to the fact that they are somewhat shaky, somewhat not certain about the complete and total philosophy and mechanics of the compensation; particularly non-union as opposed to a union settlement and you come into a room for executive session and it's pretty well laid out for you. I would be the first one to say, point blank, as an alderman I was completely and totally in the dark with respect to non-union compensation. As Mayor I have come to understand it better, but still I need it more defined. I think the idea of a working group as Ms. McMahon has proposed here is a starting point. This conversation can go on for hours and we don't have the time here, but a working group of staff and elected officials to get the ball rolling as a first step here is appropriate. I will entertain some volunteers for this group.

Ald. Payleitner: How many comparable communities do we have? I hope we have at least one for each department?

Mark: We have one list for the City.

Ald. Stellato: One of the things I asked Greg is how do we reward excellence and he couldn't quite come up with that. So whatever group decides to get together, I'm trying to figure out a way we can reward directors, staff, when an event happens that brings dollars into our City. I use Finance Director Chris Minick as an example. Redoing those bonds was a huge effort. We need to reward that and Community Development Director Rita Tungare and Economic Development Division Manager Matt O'Rourke with the AJR filtration to stay in St. Charles was huge. How do we do that? It was beyond his scope and not able to figure it out. He did bring up the union vs. non-union. I would like to have that as part of your discussion.

Ald. Bancroft: One big concern is, are we underpaying? I have no idea. Are we doing the right thing on your behalf in applying an antiquated system that is not reviewed? That's actually a bigger concern of mine because you pay for performance and you get the best performance from people who are really engaged and know there's some connection to their effort and what they're compensated. I don't have the sense of it. I know we have union and non-union to deal with and maybe that adds a layer to this. I will also tell you that I don't really want to talk to a guy who is doing this as a side job. What we're going to pay to have a compensation consultant do for us is going to be a significant amount of money and deserves their best and they didn't give that to us.

Mark: I asked for Greg to come and do this. They were going to have Julie do it who is the lead that we've been working with ever since. Greg is no longer on the project. He was in for that task and that task is done. Now it's Julie Strahl who is leading this process.

Ald. Bancroft: Has she done a hundred of these or just two of these. Do we know anything about her background? I interview compensation consultants that I set up for our Compensation Committee. They are the Gallaghers of the world and that's all they do. I'm worried that we're sort of just the next revenue stream to someone and maybe they have some experience. We deserve the best. We pay for the best probably.

Mark: We can give you the RFP that they gave to us. Gallagher did submit to our request for proposal and part of the reason they were denied was they were way too expensive and outside of our scope. We were trying to find a competitive firm that we felt would best satisfy our needs.

Ald. Bessner left at 1:20 p.m.

Ald. Turner: I said to the Sikich guy that we're running a \$170M corporation here and he said you're right. Do you think this is being factored in or has anybody else mentioned it and do people realize that we have a \$170M corporation and are we compensating people at the proper level. I don't think we are.

Ald. Silkaitis: I'm a union member so I know my raise every year for the term of the contract. As being non-union you never know what's being negotiated. You could hire another firm to do this and give them the same information and get a whole different answer. This is very subjective that it's going to hard to do it perfectly.

Ald. Bancroft: I think that's why I keep going back to a professional who renders an opinion that the Council can rely on. For my Compensation Committee and the Board of Directors, they have to produce it for the shareholders. If they didn't have everything prepared they arguably are not fulfilling their fiduciary duties and have no basis to determine what they're paying out.

Mayor Rogina: Regarding this elected official group to meet with staff, I will be one, Bancroft will be two. Who will be the third so we can get step one underway. Ald. Turner makes three.

Mark: This kind of conversation is what we need to have. A year ago I stated I was tired of talking about compensation every year, let's do something about it, let's solve it for at least three years.

Economic Development "Hunting & Gathering"

Mark: How do we hunt for development opportunities and bring them back to St. Charles. We had a conversation in June after some of you went to the ICS show in Las Vegas and Ald. Stellato did a short presentation on how he ran into some vendors/consultants who talked about services they render to assist municipalities to try to collect business units to come to their communities to open up shop. They use some new technology of which we don't have available in our organization. One is they have access to debit/credit card transactions that understands where a person shops, how frequently he goes there, how much he spends and what he buys. If they collected all the credit cards from a particular audience they know what kind of businesses are attractive in St. Charles and people are coming here from other areas and there is a gap in our market, maybe there's another opportunity to grow that business. We've been having conversations with one firm and have another one coming up that uses this kind of technology to assist in hunting and gathering. They come with a price tag and at the end of the day its how much do we want to invest to attract business development on this economic standpoint.

Mayor Rogina: We have this group that are professionals and part of development and industry coming into the community and wouldn't mind them taking the lead with respect to them giving us their opinions/thoughts on what might be the pros/cons to go into an approach where we bring a hired gun in on a contractual basis to help us in economic development.

Ald. Stellato: There are two ways that these groups work. One uses receipts and the other uses your cell phone. They track you through GPS so they know what your shopping patterns are. They bring that to the table and the other thing they bring are connections. They know the Bed Bath & Beyond or Best Buy people – they have relationships with them. So when they sit down with them they can tell them that all of our appliance dollars are leaving the community and can prove it and that's how they sell it to Best Buy or HH Greg etc. We do not have that right now. They also draw outside of our region and our state throughout the country.

It's very difficult out there right now because retail is dying, it's not what it's going to be, and at some point that would be my only concern that we spend this money and we have all these vacant buildings to fill. A compromise we came up with is instead of footing the whole bill, can we get some of the developers that own these shopping centers to kick in with us – share the pain. That makes sense to me. We get developers to share in the cost and we get the benefits of this study – that makes good sense.

Mayor Rogina: Can these head hunters go after service?

Ald. Stellato: Absolutely and when they get to these retailers sometimes they get to other developers who are not in our area yet – that's another opportunity of residual effect. I'm in favor of it but instead of jumping in all the way rather dip my toe in the water. We've talked to Retail Strategy and Buxton is coming in.

Ald. Payleitner: I saw Retail Strategy who did a presentation at IML explaining all the science of this.

Rita T: I agree with everything that Dan just shared. Mark and I had a conversation with Keith Kotche and I reached out to Chuck May of the Quad on the idea of piggybacking and their responses were they can't afford shelling out any money in contributing to this idea. We focused on the east side thinking the opportunities were there with maybe Quad, Foxfield Commons, Pheasant Run, Target Shopping Center; these properties are struggling by themselves. They already have a broker for themselves and started a relationship, so they don't necessary see an opportunity or see the values on piggybacking on any efforts that the City puts forth. If I had to present a weakness we have in our economic development efforts it goes back to the contacts of the connections. We don't have those at the state level or national level with retailers. These companies are a subscription based service annually.

Ald. Stellato: I almost feel is we found somebody for them and presented it to them, they owe us. Even if we spent \$50K and found HH Greg and bring them in and that deal happens, they would have to pay us money and that's like a broker condition and won't work. I'm trying to be

creative and spend all this money to help one particular developer who is not even kicking in and helping out.

Mark: The Keith Kotche conversation was very brief and his remark was I'm not interested in trying to find a vendor right now. He's trying to unload it.

Ald. Silkaitis: These consultants, instead of paying them, put them on commission. They bring them in with the first introduction and you get X amount of money. That way we are not out as much. How do we know what they're going to do for that one year subscription? You make an incentive and if they do well they're going to get more. I don't know if that's feasible or not.

Ald. Gaugel: What is the cost for one of those services?

Rita T: \$50K a year.

Ald. Gaugel: My thought is along the same line as Ron.

Ald. Lewis: In looking over this list, I think it comes down more to our city policies that we should look at before we go hiring consultants. One of the things is community beautification programs. This helps bring retail to your community. This is something we could do ourselves in looking at our policies to see if we have the right things in place. Community Development precedes Economic Development – how are we promoting ourselves? There is a list of eight things and so many of them we are already doing and their good sound principles.

Ald. Payleitner: One of the things they told us was to enter your town as if you were a developer. What would your eyes see?

Ald. Turner: Why not start comparing our utility rates to surrounding communities and we will see us as having cheaper rates and we have large expanses of industrial park space and that may be a draw to get businesses here.

Ald. Stellato: The retail phrase used to be if you build it they will come. Throw a store out in a cornfield and the development builds around it now. Now you have to have roof tops and have an established trade area with high demographics, household income, population density, etc. This is what these groups do that we don't have the access to. They know how to reach out to retailers.

BREAK: 1:45 – 1:52 p.m.

Liquor Licensing & Food

Chief Keegan: I went through our list of license establishment to see who really doesn't have a full service kitchen or limited amount of food. Some businesses on this list are newer establishments and some have been around a while. Wine Exchange offers finger foods; House Pub does not have a kitchen and offers only popcorn and so on for the rest. Do we stay status

quo and leave our code the way it is that allows the practices that have been approved? Do we look at our definitions on how we define food service? Do we grandfather what exists currently and look at changes in moving forward? Some communities mandate a certain percentage of sales that has to be geared towards food – which is very cumbersome. I like to address the status quo piece first.

Ald. Bancroft: I don't have great passion one way or the other on requiring food or full service. If that's the road the Council wants to go down, I think you would have trouble applying that retro actively and would have to grandfather everyone already approved. I don't believe a kitchen solves all the issues with respect to alcohol.

Ald. Lewis: I thought the word kitchen was in one of our older codes. It's been revised since then but that was part of our description. I think perception is very important that we do require a certain amount of food. Also have concern for our video gaming license that without anything but peanuts and popcorn, you'll see places that will eliminate their kitchens and just have their gambling places.

Ald. Stellato: How does that relate to the micro-brewery? If someone has a tasting room where does that fall with regards to Maureen's question going forward? Penrose only serves pretzels. With micro brews opening across the country and having a kitchen will disallow them to open.

Ald. Silkaitis: If we do require a kitchen, what is a kitchen? Is it two burners, an oven – that has to be decided first and then you go further on what is a utensil? This is getting really specific and I don't know if that's our job to be that specific on what a kitchen is. I can go either way.

Ald. Lewis: The definition of a restaurant comes right out of the State statutes.

Mayor Rogina: I hear comments that St. Charles is a bar town. I don't want to stifle economic growth and I don't want to be a bar town either. I feel we can manage it and provide for the economic growth that meets the trends that exist like this tap house that is a trend and we should as a progressive city embrace it and 2% alcohol tax is another source of revenue.

Ald. Payleitner: I don't have a passion for or against gambling or alcohol but I do have a passion for our town's image. We as a Council are charged in protecting our image.

Ald. Stellato: Do you want to say they have to serve food or some kind of a kitchen?

Ald. Payleitner: Food service.

Ald. Bancroft: Can it be outsourced such as a menu at a restaurant next door?

Ald. Payleitner: I'm looking at definitions that are already defined.

Ald. Lewis: Where are you going to bring your kids on a Saturday as a family? The last five places that we've approved don't have food service. There's a trend obviously coming and we are now approving more and more establishments that don't require a place to bring your kids for

food. You're not going to bring them into a local brew house because there's nothing for them to eat. Which trend do we want to have?

Ald. Stellato: I'm in agreement with you but trying to figure out mechanically how to make that work. What about the Painted Vine? They serve no food but have wine while you're painting, is that a problem? I don't have a problem with that.

Ald. Payleitner: That's an activity.

Ald. Stellato: If we get to a point where we are defining all the exceptions, I would feel okay. If it's a micro-brew – it's okay; if it's got an activity – it's okay. I would have to see what that looks like.

Ald. Bancroft: What we're targeting is that we don't want a tavern where all it is you can buy a bag of popcorn and we don't want another 20 of those. But if it's going against something that has an activity and doesn't have a kitchen, or it's a new concept and doesn't have a kitchen – I think we got to maintain some of that flexibility because things are changing.

Ald. Lewis: Then to the Mayor's words we're always told we have to treat everybody fairly with due process and we can't give one liquor license and then pick and choose and give another one. How do you address that issue?

Mayor Rogina: You have the authority to accept or deny a liquor license. If you have a code and have just cause, the Council has that authority to do so. A council member has the authority to vote no on a liquor license.

Ald. Lewis: I know but I've heard you tell me to be careful if I vote no because they could come back.

Mayor Rogina: I said that particularly if there is some kind of precedence out there, but to Todd's point you got all kinds of mixes and matches; the microbrew for example is not equivalent to House Pub. It's a different species.

Ald. Stellato: At Mixology's opening, the back half of their space is an art studio and they have monthly artist openings and a gallery. If you want to go in and get your hair cut or spa, you could have a drink and also go to the art gallery. There's no mention of food there so I'm trying to delineate that and say if there are exceptions to that, I just want to know what those exceptions are. I think we're probably in agreement but I want to map out those "if we can do that" and make those exceptions.

Ald. Payleitner: The definitions "tavern" where is this posted?

Chief Keegan: Right from our city code.

Ald. Payleitner: In the definitions one place it was required and in another it was not.

Chief Keegan: That pertains to outdoor patio where it states for C-1 liquor in outdoor sales areas provided such sales are in conjunction with food service; absent that for instance Global Tap House.

Ald. Payleitner: But in the definition of tavern it requires it.

Chief Keegan: Remember Global Tap House on Prairie they have a small outdoor patio and we made the stipulation in the minutes that they have microwavable food and when you look at that definition, I think that is really the crux for today's conversation because they were amping up their game because they wanted the outdoor patio but didn't have a commercial kitchen or we wanted a better defined food service.

Ald. Payleitner: Definition of tavern states unless food/menu items are offered to its guest; in the event a full menu is not provided a reduced menu which includes appetizers, sandwiches, snacks...

Tina: The license code for tavern is not reflecting the definition into the code area. We either revise the definition to be more like how our code reads or revise our code to be more inclusive of what the definition of a tavern is.

Mayor Rogina: I do think we need to hear from the entire Council with respect to the following of Jim's point. He has posed four questions here in where do we go from here. Everyone here has listen to the conversation, debate, and discussion and are in position to say we want to keep it the way it is; do we want to define food service in a better way; do you want to grandfather and start over again? I don't think we want to do number 4 of mandating.

Ald. Turner: I would stick with status quo because everything has got to come in front of us and if we don't like it; we don't have to approve it.

Ald. Gaugel: I would tend to agree with that or to grandfather and start over.

Ald. Bancroft: It feels like it would be too much work, I would use status quo for right now and deal with it on an exception basis.

Ald. Stellato: I agree with Steve status quo or grandfather.

Ald. Payleitner: I just want clarity. Do we have it in our ordinance or not. Right now half of us think we do and the other half doesn't. Have that food service is a requirement.

Mayor Rogina: As part of the definition of tavern or part of the definition of requiring a license?

Ald. Payleitner: In the definition of tavern it is there but in describing the tavern license its not there. Either we redefine tavern or...

Mayor Rogina: You would like to see what is said in the definition of tavern in the tavern license.

Ald. Silkaitis: Status quo or grandfather.

Ald. Lemke: Status quo and we could always do more in the way of grandfather.

Ald. Lewis: I don't want #4, we don't need #3 and start over. I want a clear definition and then do status quo.

Chief Keegan: We have three different classes of C licenses; so when I do a definition to overhaul am I looking at the C classes 1,2,3 or am I going back to the definition and more clearly define what food service is? One is a definition question and the other is a code issue. I still have some confusion with the C licenses 1,2,3. The only requirement is if you want an outdoor patio you have to have some sort of food element and if you don't, you can get away with that so long as it's just beer and wine – no spirits allowed. We'll bring it to a Liquor Control Commission to start with.

Mayor Rogina: That is good suggestion.

Purchasing Policy

Mark: In the last year or so, we as a staff have noticed that there are a lot of questions about purchasing which has caused staff to improve the purchasing process in general. Before committee meetings there is always a certain amount of concern about do we have all the questions that people might ask – are we ready? We want to make sure we provide you with the information you need. Some of the directors got together and had a conversation and this is the perfect venue for that. Are we giving you what you need? What are you looking for in greater detail? What can we do to make purchasing simpler for us (staff) but get you what you need so we don't spend time trying to second guess ourselves before we get to a committee meeting.

Ald. Lewis: I think some of that could come out in the budget when we're going through our budget reviews because if there are some major purchases, I don't really understand and then I get an item that says it was budgeted and approve. I say I did, if it was in the budget, I never saw it because it is a portion of the overall budget. So when we do our budget review it would be helpful to see that certain major purchases are part of the budget and that's where we can ask questions.

Ald. Lemke: Where I work we have a lot of scrutiny for services, not so much goods; and I think what's important when we're talking about design services, etc. is the quality of the people coming on board. Are the people skilled and have the right skill sets and depth, have they done this before. I'm comfortable with saying that sometimes there only needs to be a price comparison on services and I think its greater than that. Goods – I like the hurdle rates we have of \$25K for home rule powers for competitive bids.

Mayor Rogina: So your point is if there is a presentation at Government Services and there is a waive of bid, you're suggesting that you want to hear the rationale behind the waiver?

Ald. Lemke: Yes.

Chris: In a description of a process that we went through to evaluate the qualifications, I thought I heard you say is you want to hear that the people on board are bringing qualified people on board to do the services; so you would like to know what process we went through to verify that?

Ald. Lemke: Yes, you might of put feelers out to 10; five came back that really didn't answer our questions and the remaining five we chose among these by some factor weighting method. It can vary based on whether it's an engineering firm or architecture firm.

Ald. Bancroft: I'll speak to the services side where it seems most of the purchases go through. In the vein of talking about this, staff has comfortable relationships out there and it rings true that every time something comes across we deal with the same vendors and I'm guilty of it in my job. I think that's a problem. We talk about Sikich and its not just that, I go back to the whole Trotter thing. It was really unnerving when Trotter showed up at a meeting asking for an extra \$200K. That really causes things, in my opinion, of all these conversations to spiral out of control.

Chris: Is that a problem with a particular project as oppose to maybe the process we go through to vet? Something happened along the way in that project that caused it to go sideways; and even if we had another vendor that wasn't Trotter, engineering firm, that same thing was likely to happen given the constraints that happened. Is that an issue with the process that we went through to select the vendor for the engineer or is that a problem of that particular project and how it went sideways?

Ald. Bancroft: Neither, my point is more as we get comfortable with vendors and make the selection of vendors not just on pure price but because we have a comfort level with them or they know our infrastructure; we become more tied to them. As we become more tied to them it now limits our flexibility on choosing the next vendor. It limits the fairness of it. Now you have perceptions of the Council saying Trotter's going to get that deal because they have x, y, z; so why are we bothering going through the bid process. Next thing is they start to know it and I'm using Trotter as an example. It comes down to that its not the specific project and the process of going through the vendor selection; once you start getting yourself tied to that level of a vendor, it's really hard to get out from that and I feel that happens at times.

Ald. Gaugel: In that specific situation of Trotter, they have a distinctive comfort level with dealing with the City. I'd be willing to bet if it was another vendor and in that same scenario of everything playing out the same, they would be reluctant to come to Council and ask for an extra \$400K when the whole project was delayed and had problems all the way. Because of Trotter's comfort level they thought nothing of coming before us and thinking it would just be done. That's the comfort level that Todd refers to that became a problem there. I'm sure that's part of the reason why there might be some wringing of hands before a Council meeting and let me

preface by saying I think we are doing a good job, but in this scenario where we select firms that we have a comfort level with, we go in expecting the outcome and fulfill it before we get there – my perception. A good example would be we have a select statement of workers that we’re looking for. We evaluate both proposals and both of them met with what our scope of work had called for but don’t communicate back. To me that’s a problem in our evaluation process. If both proposals meet exactly what we’re looking for, let’s add a price and we’ll price you when it happens and it didn’t. To me we need to examine how we evaluate. If criteria are different from the evaluation process, we need to define it up front before we move forward with that evaluation. It’s very difficult to say both are acceptable proposals but one went above and beyond and we’re willing to pay for that. If that’s the case we should of at least modify our scope of work and go back to the lower price guy and say would you be willing to do this at the price you submitted? So that one seemed like it was a forgone conclusion that we’re going with WBK even though they were the most expensive. That’s where I have reservations of approving something in addition to who or what the minimum proposal is when both of them met the same criteria. Two things I would say is if we could establish full and open competition, that’s primary regardless of dollar amount and the big part of the discussion with the comfort level we have with some of the current vendors is there’s feeling among some of the Council members that I’ve talked to is that there is a plentiful supply of vendors who provide those services. I would like to see on the services of the engineering firms for us to expand and set a clear set of definitions for what our scope of work is that we are looking for. Evaluate the capabilities and then the price. I think we’re doing that but when we see proposals we see something we didn’t even think about, we need to go back to the other vendors and say does your proposal include that – that’s more than appropriate. When we get this comfort level like we have with Trotter were going to get how that one played out and that’s uncomfortable.

Ald. Bancroft: And it goes further than that. There are other negative repercussions to having that comfort level.

Ald. Gaugel: We also lose sight of what is fair and reasonable in terms of prices. If we consistently go back to the same vendor that open market becomes a thing in our rear view mirror. Is this really fair what the market is paying? I know we’re comfortable and know these men will do a good job, but are we paying premium because we know this vendor can do it. It doesn’t mean another vendor can’t do it to the same service level as this vendor we know. Are we paying a premium for that comfort level?

Ald. Lewis: What is the definition of waiving the bid process; I’m confused on that definition.

Chris: There are two issues that arise related to that. State statutes require us to go for a bid whenever there is a “Public Works project that exceeds \$20K in cost”. Now through our home rule powers we’ve amended that \$20K limit to \$25K but the concept is still the same. We say for anything that costs \$25K or more that’s a Public Works project we have to go through a bid process. And that’s what is required by State code of Public Works projects. Secondly, we’ve instituted a policy through our City code that requires us to obtain bids over \$25K for other types of purchases that we make: vehicles, supplies, equipment. Those kinds of things that exceed \$25K in cost, we’ve put into our City code that we will bid those as well. When we are

requesting to waive the bid process sometimes when you go out for bid there is a formal process you have to go through. You have to advertise bids in the newspaper or online, etc. and you solicit bids, you have a meeting where you receive a sealed bid and set a date and time for opening those bids, you open and tabulate them, and once you tabulate and go through all that process to award the bid to the lowest qualified responsible bidder. You don't have discretion at that point to go outside the bid process.

What we practice, using vehicles as a prime example, we actually have a long standing practice where we will look at the bids that the state has done or Suburban Purchasing Cooperative has done, such as with squad cars. Every year the State bids squad cars and that counts as a bid under our code and statute. We look at the price and will go to our local dealers and say this is what the state bid calls for in terms of squad car purchases. Can you meet or beat this price? If our local dealership can beat the price we'll request your permission to waive the bid and because we haven't gone through a formal bid process at that point; and then we'll request permission to award that contract to Zimmerman or McCue, etc. That's the process we go through and are requesting your permission to waive that formal bid procedure.

Rental Licensing

Chief Schelstreet: Today I want to give you an update on where we are with this program which is intended to enforce the existing code requirements, but one of the business terms I want to talk about is how this whole thing gets started and that would be an enrollment for the inspection process. We would reach out to people in writing and advise them of the program and utilize other methods of advertising of what we're doing. One of the fortunate things we have is that a lot of the complexes and buildings we are talking about are already in the system. Anybody over four units already receives inspection of all the common areas; so this isn't going to be anything that will be completely foreign to them.

Building on nuisance abatement, we're also going to capitalize on the work that will take place there; so people will understand if there are residence complaints about different code violations that the City is going to be following up. We might also obtain some information from our building permits for conversions or from utility billing records.

What I'm looking for is an enforcement mechanism that would require a code change to let me enforce what's already existing in our current code and State law. The way this would work is we would have an inspection process and if there was a failure there, it would be a re-inspection like we do with all of our commercial occupancies right now. You would get a re-inspection and the time would depend on how significant it is. We would come back if there was a failure again at the re-inspection that would depend on how significant the violation is. The more significant the life safety issue, the faster we come back; or the more strict we have to be. Further failures would lead to a pre-adjudication hearing. We sit down with everyone and see what is missing here. We've asked you to do this and have given time and tried to work with them. If we still don't have a success it would then go to adjudication process.

We are looking for compliance with the State statute that requires smoke detectors, carbon monoxide detectors, the current code for installation and maintenance of heating equipment,

current code that requires the proper installation and maintenance of electrical equipment, and then issues with occupancy and egress.

The code allows for boarding houses, single room occupancy, and for dormitories. What this means is you can have a structure that has multiple people that are not related living there. That's allowable in the code, it just requires you to have proper exit in the living space. Sometimes it requires you to have a fire alarm; for example, if you look at the AID house on south 7th Street, there are multiple people who live there not related, who have certain disabilities, but there's a fire alarm there with proper exiting. Those are the types of things we'd be looking for in this program.

The fee for the license is not intended to be a revenue stream, it's just intended to cover the cost of doing the program. We are still moving forward with a concept of utilizing the firefighters to do the inspections. Why, because 99% of what we're looking for are public safety type items: fire extinguishers, smoke detectors, carbon monoxide detectors. I could give you what we call a volunteer home safety check. If a resident calls and ask us to take a walk around their house to make sure they're up to snuff or is there something they're not doing correctly. We have a volunteer home safety check that looks at many of these things, such as clothes dryer being plugged up with lint, or how many plugs are being used off of one outlet.

The rate of compensation for that is going to be negotiated. We're looking at what we call a 7G rate. We're allowed under labor law to talk to the employee groups, firefighters in this case, and say we're not interested in paying straight overtime for this, can we talk about a rate of pay that is different and then compare it to how many of these units can they get through. If you take a look at the Amli apartment complex or Covington apartments, this isn't foreign to them. The guys show up and go through one unit, then the next and so on; we can get more done in a shorter amount of time and that means we're not paying the inspector as much; therefore the fee doesn't have to be as high. We are still working through that. Only other cost would be administrative expense in keeping track of all the inspections and who is in compliance and whose not.

I want to re-enforce that everything on the inspection check list would be public safety focus. We don't want to get into the previous concerns of Council of property owners from the first submittal years ago where we appeared to be over reaching. We have nuisance abatement so we're not going to utilize crime-free housing. We'll stick with this very basic public safety focus check list. We'll then be able to minimize the fees based on that reduced scope. The program before was much more robust and we are limiting that.

At the last retreat I addressed this and when you look at fatal fires in St. Charles, we are very fortunate to not have many – two in the last 10 years, both of which have been in rental occupancies. Whether it's your house or paying someone else, all I want to give is those occupants the same service as everybody else.

Ald. Krieger: Both those fire incidents were within walking distance from my house. Will this ordinance include those residences that have been converted to two through six units?

Joe: Those are the ones that I'm most interested in getting into. They may have occupancies separated by clotheslines with blankets over them. We follow up to the extent that we can, but my desire would be to stop those things from happening pre-empted.

Ald. Stellato: I thought you were talking about larger apartment complexes and now you're talking about single family homes being rented out. I want to make sure we're on the same page. I have a problem with the single family homes that are being rented out. Jim Martin and I were the ones that came up with the idea of being pro-active before we even get to police and fire, and start a rental licensing program where anybody who owns a house to be rented, has to have a license. The process of getting that license is they have to take a class, pay a fee, and have to learn what it's like to put in a crime-free ordinance in the lease to do a background check and rental credit check. This was never meant to get down to a point where we are entering people's units. The pushback we got was unbelievable. The one argument I couldn't come back and argue with them on was what is the difference between a rental home and somebody owning their home? Why don't you inspect every home? You're almost screening against them saying that because you are a landlord, you now have to have an inspection. My point is I always thought it was going to be four units or more. We do that and nobody will care because anyone having four units or larger – they get it and their professionals at it. But if someone decides to rent their house out, you're dealing with a different level. I have a big problem with the pushback we got last time.

Mayor Rogina: If you own your own home, you control your own destiny. If you're renting you are at the landlord's mercy. You could be a slum lord.

Ald. Stellato: You can still have control over your own destiny. You could put in your own detectors without the landlord's permission.

Joe: My concern is because we have existing codes that define a boarding house, etc., those people would be in violation of that – what are your thoughts on that?

Ald. Stellato: This enters into the arena of the nuisance abatement ordinance. Recently we had one of our large buildings inspected in St. Charles by one of the firemen, Mike Neumaier, who did a great job in tightening everything up. We also had him get on one of our tenants who kept storing things in the hallway. We couldn't get him to stop and with one letter from Mike, the pallets were gone. So you're a great resource and it's a great opportunity for a landlord to say to a tenant that he's not doing a good job and will call the Fire Department on them.

My point is you have a nuisance complaint or a reason to go in and do that, I have no problem with that as its probable cause. But just to say I want to rent a house out and all of sudden you're in there, even though I'm in compliance, I have to worry about setting up a time to get you in there and let the tenants know; and that to me is intrusive. If you have a reason to, then absolutely not a problem. That's why I think we might have common ground on this of what is that probable cause – what does that mean?

Joe: I can work with that.

Ald. Lewis: I think when you decide to rent a house you are entering into a business because you are getting paid; so you enter into some sort of business type agreement. There is house across the street from me that has been rented out three times in the last four years; and who knows what the place looks like inside anymore. They come and go and no one knows what is going on inside.

Ald. Stellato: Why is that your problem? Have there been any violations against the law; is there probable cause to go in there and check it? Why is it any different from if that house was sold five times?

Ald. Lewis: Because someone is making money off it. The owner is getting income from it.

Ald. Krieger: As far as single family homes are concerned, if the Police Department was called to that home for wild parties, would that justify an inspection?

Ald. Stellato: I would say yes that does.

Joe: I would like to do two vettings. One would be with Atty. McGuirk to take our existing ordinance and make some big changes to that and bring it back to all of you to see if we are all good.

Ald. Stellato: What if you go into the house and it's perfect? You got a great landlord there making money and the house is perfect. Why would you go out of the way to upset that person and in some cases the people still live in town? When there is a problem, then yes its time and every good landlord would agree to that; but to go out of our way to do that – I'm totally against it.

Mayor Rogina: To Joe's request in working with John McGuirk, it seems to me that you want a draft ordinance that would be such as the nuisance abatement, that would make sure it checks off case law and other pertinent statutes that give the reason to go into a premise as oppose to some random search that we know will catch massive protest. You could work Council for that particular purpose under a nuisance abatement theory.

Atty. McGuirk: We don't have that as it was never adopted. That could be the model for this. We're talking about licensing?

Joe: There would be a licensing issue for four units and above and we would take a look at a requirement of some sort, if they're in violation of our nuisance abatement.

Ald. Bancroft: So no problem with the crime-free. What if you expand that to a notice to the tenants saying if there's a nuisance against you and the police visit you X amount of times or you, Mr. Tenant, have the right to pick up the phone and call for an inspection?

Ald. Stellato: Yes, I think every good landlord would agree. We just appointed Phil Kessler to the Historic Preservation Commission . Phil, Tim and John own about ten houses in town and

are great landlords. Why would we just single them out and say we want to check all of their units? They might be in full compliance.

Ald. Lewis: I didn't mean while people were living in the house. I thought we talked about in the past that when they moved out there would be a routine inspection. You can't sell your house anymore without an inspection.

Ald. Stellato: Do you have the staff to do that?

Joe: What we're looking at would depend on the scope of the program. There are communities that any time you sell a house, it requires them being brought up to code compliance. I'm not interested in that. What I'm interested in catching are those slum lords. I think this is a good path to follow for nuisance abatement because we're going to get repetitive fire alarms and that's how we got into the one that was separated by the clothesline and blankets. That's what I'm looking for because eventually they are going to develop a history. You can't put all these people together on top of each other and then expect we're not going to hear from them one way or the other. I think I have enough to go on.

Reserves – Water/Sewer Update

Chris: A while ago there was a concern that was expressed that we take a look at primarily the Water and Wasterwater funds and the reserve levels in those and what our policy is and whether or not if it was appropriate given the financial issues that we're dealing with. Right now our current reserve policy is to maintain an available fund balance, working capital of at least 25% of the operating expenditures for the General Corporate Fund and 25%-50% for Enterprise Funds. Fred Lantz, Sikich, went through and did a detail analysis of our audit, the General Corporate Fund was not a problem. We are just below 40% so we are going to remove that from the discussion. I didn't hear a lot of concerns or interest in change for that policy at any of the Committee or Council meetings, so we'll separate that out and deal with the second part of the policy statement and 25%-50% for Enterprise Funds.

First having a range instead of a floor specified is a little confusing. What is the ideal limit? Is it 25%, 33% or is it closer to 50%? How do we deal with the fact that there's a range in there? We did some analysis and went through and surveyed 13 communities and those results we found that the overwhelming majority (9 or so) were either 25% or 30% of their operating expenditures on annual basis. From there we boiled it back and I looked in GFOA's Best Practices manual – they recommend a policy of 90 days of operating expenditures in your reserves for Enterprise Funds. 90 days is 25% of a year. Based on that analysis staff is proposing to slightly tweak the wording on the Corporate Fund to incorporate a practice that we've been utilizing but is not expressed in the policy, and then we also remove the range from the Enterprise Funds.

So the proposed policy *“Maintain available fund balance of at least 25% of operating expenditures and interfund transfers out for the General Corporate Fund and networking capital of at least 25% of operating expenses for the Enterprise Funds. Networking capital shall exclude any restricted current assets prohibited from being expended upon operations.”*

We set the floor at 25% and moved the range which is confusing, we've added the words to the General Corporate Fund Reserved policy and interfund transfers out. We utilize the interfund transfers out for capital expenses and debt service and for conservatism sake we've built those and utilize those numbers as a practice for evaluating whether or not we are in compliance for the 25%. This formalizes that practice and secondarily going back to the operating expenses for the Enterprise Funds, frequently on the face of the balance sheet we'll have restricted assets, primarily bond proceeds, that there is timing difference between when we take in the money from the bond issuance and when we expend them on the project. Those are not available legally for our expenditure purposes. We have to utilize them for the projects that we issue the bonds for so we're going to exclude those from the ratio.

(Chris referenced to the tables in Section 11 of the Retreat book and talked about Reserve Analysis Utility Funds. #2)

Ald. Lemke: If you have any excess this would allow us to take it down and the excellent place is in a reserved fund if appropriate to move an Enterprise to a General.

Ald. Turner: We've been raising rates for six years now and I think after what Sikich has told us and we got a couple of more years to go on the water and maybe a little longer on sewer and, as Chris has informed me, we're only charging for the cost of power increase in electric. This reserve, if we go into the capital improvement funds, we can use that for the sanitary sewer project. It's better we get this sewer project done.

Chris: In final comment I direct your attention to the last two pages of the graphs (attached #3) that show ratios for each of the Enterprise Funds over time and one shows the operating income or loss that's been generated in each of the utility funds dating back to 2003. It's a historical reference that tells the story with picture that is described in the memo. These charts are a good summation of where we've been over the past years.

Ald. Lemke: If it's in the Capital Fund, example water has "money for the capital fund", would it be used for wastewater. There is still some identity to the fact that it was surplus from the water fund?

Chris: At this point in time staff is not proposing we co-mingle (example water and wastewater funds). We've defined the three operating utilities, we charge for them separately, we allocate cost separately. At one point there was a reason why those three utilities were split out and we tracked the revenue and expenditures streams distinctly. If we were to do that we would create an accounting issue where we would have to determine how much of the water replacement fund contributed to wastewater projects and then have to do accounting entries to do that. It's my preference to maintain those reserves independently and utilize them only as they were generated.

Beekeeping

Mark: Let me frame the issue on this. We had some public conversation to form a subcommittee of stakeholders to have a conversation of what is beekeeping and what are the best facts; so you have something from a beekeeper association, a neighborhood that has bees, someone who has a health condition, have an insurance carrier relative to an interest in bees. You get these people together to talk about their respective positions and you have some formulated questions to best manage that conversation so it doesn't get into a destructive conversation. You collect this information and bring it back to the committee with our findings and this is what our findings suggest with this sort of fact pattern. In this conversation I don't know who would recite the facts about different positions and interests on beekeeping. I think where we are today is to say does the Council have a notion in terms of where they would like to go with beekeeping? And if there is a notion, it will maybe predict how much energy into this workshop, in terms of trying to find the fact pattern, of where we go with beekeeping. We've received information from Evanston, Naperville, and a variety of other places on this same issue.

Mayor Rogina: The alternative question on the table will be as follows: do you want to band beekeeping completely? Do you want to have it in a central location as was discussed at one the meetings? Do you want to limit it to property of certain size, or allow it anywhere? And in talking about property of a certain size, you could include property adjacent to a school building or district. Each of you can opined as to where you're personally at so staff can get if there's prevailing amongst the Council.

Ald. Krieger: They're necessary as they pollinate all our food, fruit and veggies. While I appreciate that there needs to be some restriction, I do not want to ban them entirely.

Ald. Lewis: I did a 180 on this. When it was first presented I was willing to go with the total ban and when that word got out there I received a lot of intelligent letters from Pam Otto and Grathoff on the Tree Commission, people in America in Bloom, neighbors, and it really turn my thinking between the difference of a bee and wasp. It's the wasps that are troublemakers and not necessarily the bees. I don't propose banning it, my preference would be to allow with some restrictions of yard size.

Ald. Lemke: I would almost echo. I don't want to ban but there needs to be some yard size restrictions and if you have five acres you can't put it next to the neighbor's yard; so some kind of restriction of a location within a yard of set size or maybe a common area.

Ald. Silkaitis: I can see where all these people are in favor of them, but if you live next to them you're not going to have that same opinion. That's the problem that Dan and I have in our ward where all this mess started. There are two very vocal people about this – one on each extreme end of this. Banning it wouldn't bother me but I could see restricting the lot size but what would that size be? That's a random number you pick. Our neighborhoods aren't one acre lots but 1/3 acre at most. So whatever number you come up with I could live with a lot restriction on them.

Ald. Payleitner: I would like to see it not ban but restricted. Bees don't sting unless they fly up your shirt and young children don't know no better. There are enough resources out there that we can borrow from other places that have done this.

Mayor Rogina: I'm in the middle but I believe per Rita's comment that to young children a bee hive could be an attractive nuisance where adults would understand and kids would not.

Ald. Stellato: This all started because we have a bad beekeeper. In Batavia their ordinance is two acres or more and I would be comfortable with just an acre. I'm okay with a central location or if the Park District wanted to put them in a couple of locations. I do have a problem in our ward that where there is no fence and puts it right up against the neighbors. Banning it not necessary, but central location and an acre or more – I'm okay.

Ald. Bancroft: I agree with the attractive nuisance mentality, there has to be some kind of lot restriction to manage irresponsible beekeepers.

Ald. Gaugel: I was stunned at the amount of people who came forward and said I have a beehive in my backyard and neighbors do not complain. I'm not in favor of banning but would be in favor of limited restrictions.

Ald. Turner: Central location and if you want to do it in a neighborhood, it's an acre lot.

Mayor Rogina: I believe staff has got some direction on what to do.

Request from St. Charles 708 Mental Health Board (MHB)

Chris: Two weeks ago Barb Gacic who is the chair of the 708 Mental Health Board sent me an email that they had a meeting on September 28 and the MHB had formerly passed a request for the City of St. Charles to amend the amount of the mental health levy on the tax bill from 4 cents per hundred dollars of equalized assessed valuation to \$0.425 per hundred dollars of EAV for fiscal year 2018/19. My understanding is they are asking for that on a permanent basis. When I looked at this proposal and started to break it down there are three questions the Council needs to answer on where would we be looking for direction as the staff.

- 1) Would you like to increase the amount of funding that we allocate to mental health via the 708 Mental Health Board?
- 2) If that answer is yes, would you like that to come from the tax levy or come from some other general revenue source?
- 3) If the answer to that second question that you would like it to come from the tax levy, then the question becomes would you like that increase to remain as part of the \$12,055,000 operating levy that we have on an annual basis or would you like to increase that \$12,055,000 operating levy?

Those are the three questions I have when I take a look at this request and break it down and that's what we are seeking direction on. There are a couple of other things to keep in mind when you consider this request.

Right now our operation levy is frozen at \$12M. The 4 cents takes up a certain percentage of that on an annual basis. If we keep that operating levy at that same \$12M level, that 4 cents becomes a bigger and bigger proportion of that particular \$12M as the EAV increases. The amount of money that is allocation to the MHB is 4 cents X EAV; so as the EAV increases so does the amount of the funding allocation to the levy. A chart is being passed around that reflects and shows the concept I just talked about. (Reference the MHB Levy Revenue, Fiscal Years 2007 – 2017.) The EAV was high pre-recession and then EAV dips in the recession and so does the amount of dollars we allocate to MHB. Then we're projecting it will start to recover and you'll see the money that flows to the MHB will actually increase as a function of the higher EAV.

Mayor Rogina: The questions proposed are do you want to increase the rate, would you like it to come from some other source therefore agree the increase be \$12M+ as far as the levy is concerned?

I'm not in favor of increasing the rate simply because I'm all for mental health and would like them to have money but having said that we face crises in Springfield as to money coming back to us; for us to be increasing the rate somehow that conflicts with the fact that we're looking everywhere we can to make sure we guard what we have and not have it cut. Is that a signal to the other non-for-profits that we're going to give Mental Health an increase and they'll be saying "brother/sister can you spare me a dime too." On a one-year basis could you say we could theoretically take it out of reserves to give them or say no that the state is keeping us in the dark as far as revenues are concerned; we're in no position to do this.

Ald. Silkaitis: In representing the board, this conversation came up and initially they wanted a higher percent increase and I had to talk them down. It may be tough to get a tax increase, even though the economy is getting better. I was non-committal and abstained from the vote on this. There is a need and we only get so much money and are getting more requests from other organizations now; but on the other hand we set a precedence and everyone will want more money. I wouldn't want to do it on a one-time basis because it will be hard to figure out how to project down the road. It's up to this group if you want to do this.

Ald. Stellato: Is the total funding at \$535K now? That's how much we give out of pocket.

Ald. Silkiaits: That's how much we had to give away this year.

Ald. Stellato: How much more are they trying to get in a dollar amount not a percentage.

Ald. Silkaitis: \$35K, it's a small increase but still an increase.

Ald. Stellato: I'm not in favor of a tax increase, however, you're looking for the amount of money to come in FY2018/19; when does the lease expire for CVB that we'll have that money available?

Mark: January 2019.

Ald. Stellato: So if we could pull \$35K from there and that would frame up and we have a little bit of room, I'm in favor of that. My point is not to raise the rate, pay it from somewhere else, be creative about it. If we got the money we're saving on that lease anyways.

Ald. Payleitner: My concern is that these are not exclusive St. Charles organizations. They serve other city communities and what is their buy-in on this? Who else has a 708 Mental Health Board that are contributing at the same rate that we are?

Ald. Silkaitis: Not many. There are some 708 boards.

Tina: To Ron's statement Geneva's MHB may have only \$10K and so if 22 agencies come before them, they just divide that \$10K among that number and that's it. St. Charles is very generous with our money because of the tax levy and they are very appreciative of it.

Ald. Payleitner: I know when they present they list what proportion of St. Charles residents that they served.

Tina: In their applications over that last year our MHB has put together a really concise application that we're asking for all additional funding that is coming in on the income statements and they have to put down the percentage or number of people and hours they serve to just St. Charles' residents within the boundaries of the City of St. Charles. And we cross over that threshold when schools come to make sure they are using our dollars for only 60174 and not for any 60175 students. So they are really adamant in keeping this money inside of St. Charles city boundaries.

Ald. Silkaitis: Our MHB wants to make sure the dollars go to St. Charles residents.

Ald. Payleitner: That's good but at the same time for those residents they support in South Elgin, what is South Elgin kicking in. I don't want us to be the go to charity for all the cities around us because they don't have a 708 Board.

Ald. Silkaitis: We make sure the money is spent in St. Charles corporate. I think there is a need and we are a small group giving money to all these agencies. We've heard all about the state's cutbacks but is it our job to make up the state deficit? It puts more of a need for funding. It's a catch 22. I can go either way with a tax increase but I defer to the group here.

Ald. Lemke: Sounds like they're doing this because state funding continues to be an issue and that bothers me. I would be against the increase.

Ald. Lewis: I served on this board for 12 years. There were good ole days that we had more money than they asked for and we would give out large bonuses to some organizations. As the EAV dropped, so did our funding and they would say our funding is getting cut. No there was no funding cut, you're still getting all the money we take in. I'm not in favor of increasing this. This was already on the county ballot two years and got hugely defeated. This year they took \$30K and hired a social worker. Now we're thinking about paying for an employee for the City? We are just a small part of their funding and maybe they need to start asking other organizations for funding and not our tax dollars. There will always be more need and we give them everything we get and if they need more they should look into the private organizations.

Ald. Krieger: I understand the need but at the same time we're not receiving the funding we used to receive from the state. If we do an additional amount for one group others will be lining up at the door with their hands out. It has to be all or none.

Ald. Turner: I was here when the dollar amount was in the \$800K but it wasn't our fault that the dollar figure is down to \$600K. It went up 3% last year and will go up again this year. It will be a slow crawl and I am not in favor of increasing the rate. They have to accept the EAV as it is.

Ald. Gaugel: It's very worthwhile but I would not be in favor unless we would give to everyone. I'm not in favor of increasing our rates.

Ald. Lewis: Looking at the percentages we get from our video gaming licenses do we want to give some of those dollars to mental health, I would support that.

Ald. Bancroft: I wouldn't increase the tax.

Ald. Silkaitis: Is this proposal going to come before a committee or is someone going to tell Barb we are not in favor of it and leave it at that.

Mark: This was sent to Chris so we can just send back a response.

Ald. Silkaitis: For mental health handouts we gave \$15K to the Police Department for a part-time social worker, which is a great idea. I don't feel that the Mental Health Board should be paying to move money to another department in the city. I would like to see if we could find the funding somewhere else internally either the General Fund for the \$15K for that position. I just don't want it to come from the Mental Health Board.

Mayor Rogina: Do you feel that money is being spent going towards mental health issues?

Ald. Silkaitis: It is, I just don't like the way the money is traveling.

Chief Keegan: We did meet with Atty. McGuirk and Barb Gacic and several stakeholders of the MHB and I'm trying to do this incrementally where I'm building towards a full time social worker and the monthly reports have justified that. That being said Mr. Silkaitis and I have had

several conversations and I would be happy to look at an alternative funding source. I was trying to be mindful of city dollars whether it's video gaming or any kind of general fund budget. We can look at it different ways.

Mark: Chris and I got some Illinois Municipal League (IML) information last week that the City seemed to be short in a state income tax refund from the State of Illinois. Some other municipalities have noticed that as well. Chris looked at it and said yes we're short about half a million dollars. The message here is that it seems odd that income in the state is gone particularly in this area.

Chris: Income tax is not specific to St. Charles. The state takes in all the state income tax distributions and parcels it out to the various uses that are called out in State code. One use is they distribute a portion back to municipalities but it doesn't matter where the income tax is generated, it's distributed based on population and everybody's income tax seems to be suffering. The IML has been talking with the Department of Revenue and trying to figure out why income tax, and in our case through the first six months of the year, our receipts are down 30% and it seems very odd that given the economic conditions and climate of what seems to be going on out there that statewide income tax is down 30%. Something seems systemically wrong and IML is trying to get to the bottom of this. We'll keep you updated as we find out more.

Motion by Ald. Turner, second by Payleitner to adjourn the meeting at 3:45 p.m.

Voice Vote: Ayes: Unanimous; Nays: None. **Motion Carried.**

City of St Charles
City Council Retreat, Fall, 2016
TIF Analysis Worksheet
1-Nov-16

| | Hotel Baker TIF #1 | Moline Foundry TIF #2 | St Charles Mail TIF #3 | First Street TIF #4 | St Charles Kitchen TIF #5 | Lexington Club TIF #6 | Central Downtown TIF #7 |
|--|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|--------------------------------------|----------------------------------|------------------------------------|
| Date Created | January, 1997 | July, 1998 | June, 2000 | March, 2002 | May, 2003 | January, 2013 | February, 2015 |
| Levy Year TIF Expires | 2018 | 2019 | 2023 | 2024 | 2026 | 2036 | 2037 |
| Payable in Calendar Year | 2019 | 2020 | 2024 | 2025 | 2027 | 2037 | 2038 |
| Fiscal Year TIF Expires | 2020 | 2021 | 2025 | 2026 | 2028 | 2038 | 2039 |
| Bonded Debt Outstanding April 30, 2016 | \$ 410,000 | \$ 635,000 | \$ 1,305,000 | \$ 25,155,000 | \$ 2,195,000 | \$ - | \$ - |
| Final Debt Maturity | 12/1/2016 | 12/1/2017 | 12/1/2022 | 12/1/2038 | 12/1/2023 | N/A | See TIF 4 See TIF 4 |
| Revenues FY 16 | \$ 277,700 | \$ 523,023 | \$ 123,661 | \$ 586,433 | \$ 194,881 | \$ 4,125 | \$ - |
| Expenditures FY16 | \$ 393,975 | \$ 341,775 | \$ 218,250 | \$ 1,083,173 | \$ 322,925 | \$ - | \$ - |
| Surplus (Deficit) FY 16 | \$ (116,275) | \$ 181,248 | \$ (94,589) | \$ (496,740) | \$ (128,044) | \$ 4,125 | \$ - |
| Advances from General Fund as of April 30, 2016 | \$ 314,650 | \$ 617,465 | \$ 1,030,742 | \$ 1,659,231 | \$ 1,451,818 | \$ - | \$ 1,363,441 |
| Forecast Results FYE 4-30-17 | | | | | | | |
| Revenues | \$ 265,550 | \$ 524,400 | \$ 123,650 | \$ 484,989 | \$ 190,510 | \$ 8,971 | \$ 129,710 |
| "Ported" Transfers from other TIF | \$ - | \$ - | \$ - | \$ 129,710 | \$ - | \$ - | \$ - |
| Expenditures | \$ 415,125 | \$ 336,325 | \$ 222,050 | \$ 1,107,700 | \$ 320,875 | \$ - | \$ - |
| "Ported" Transfers to Other TIF | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 129,710 |
| Surplus (Deficit) | \$ (149,575) | \$ 188,075 | \$ (98,400) | \$ (493,001) | \$ (130,365) | \$ 8,971 | \$ - |
| Amount owed to General Fund April 30, 2017 | \$ 464,225 | \$ 249,390 | \$ 1,129,191 | \$ 2,152,232 | \$ 1,582,183 | \$ - | \$ 1,513,441 |

**City of St Charles
Reserve Analysis
Utility Funds
October, 2016**

Proposed Policy:

Maintain available fund balance (working capital) of at least 25% of operating expenditures for the General Corporate Fund and net working capital of at least 25% for the enterprise funds. Net working capital shall exclude any restricted current assets prohibited from being expended upon operations.

| | | | |
|-------------------------------|--------|--------|--------|
| Operating Reserve Requirement | 25.00% | 25.00% | 25.00% |
|-------------------------------|--------|--------|--------|

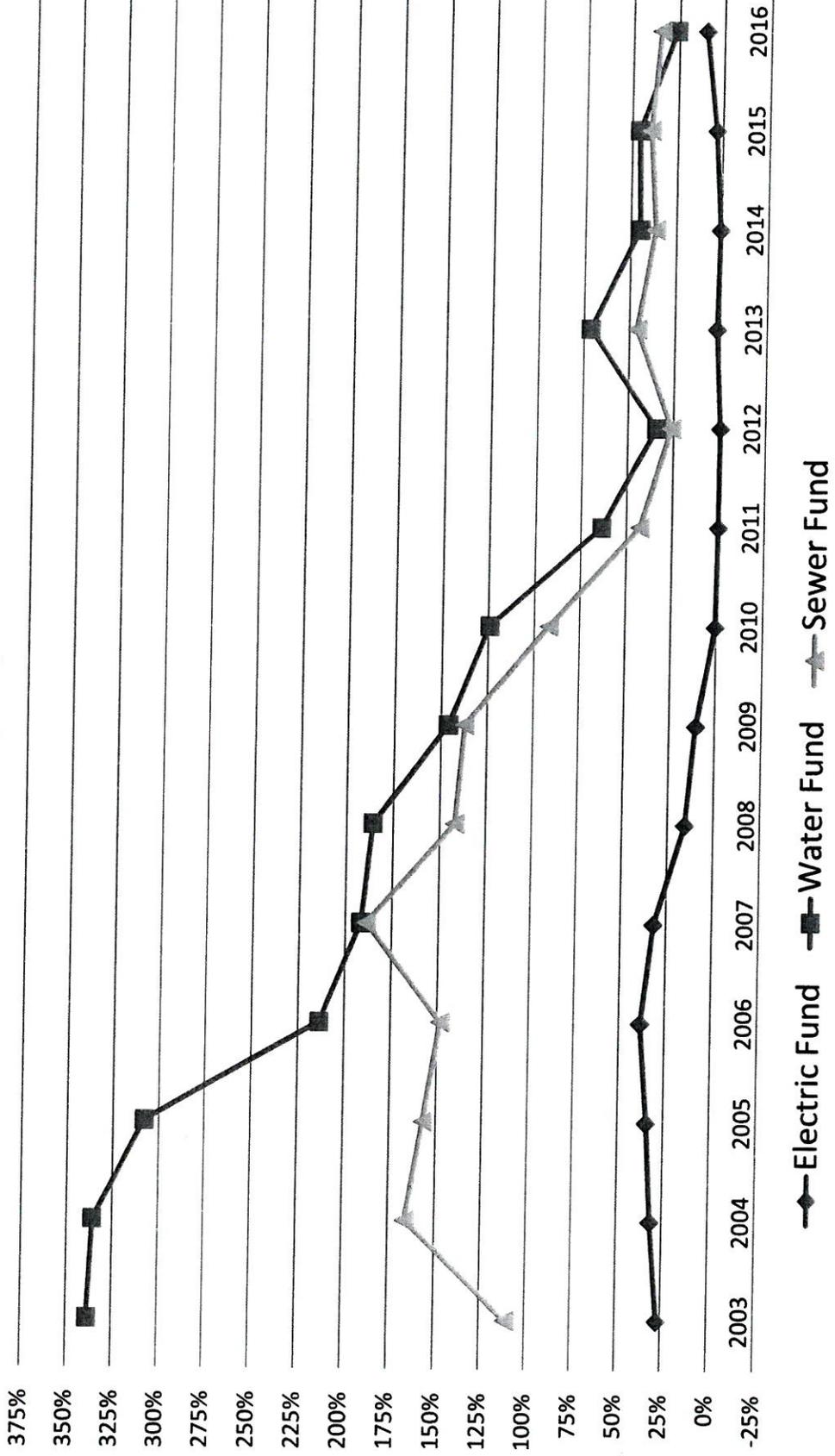
Analysis as of April 30, 2016:

| | <u>Electric</u> | <u>Water</u> | <u>Wastewater</u> |
|--------------------------|--------------------|------------------|-------------------|
| Current Assets | \$ 11,613,664 | 7,331,463 | 5,099,243 |
| Less: Restricted Cash | 726,746 | 1,618,487 | 169,753 |
| Net Current Assets | 10,886,918 | 5,712,976 | 4,929,490 |
| Current Liabilities | 5,642,160 | 4,369,307 | 2,203,615 |
| Net Working Capital | 5,244,758 | 1,343,669 | 2,725,875 |
| Operating Expenses | <u>54,050,202</u> | <u>5,151,413</u> | <u>7,839,245</u> |
| Reserve Necessary | 13,512,551 | 1,287,853 | 1,959,811 |
| Reserve Amount Available | <u>5,244,758</u> | <u>1,343,669</u> | <u>2,725,875</u> |
| Surplus/(Deficiency) | <u>(8,267,793)</u> | <u>55,816</u> | <u>766,064</u> |

UTILITY FUND SURVEY 2016

| <u>MUNICIPALITY</u> | <u>Policy</u> |
|---------------------|--|
| ARLINGTON HEIGHTS | Maintain a fund balance of 25% |
| AURORA | No formal policy for Water and Sewer; but as maintain \$2 million in fund as practice |
| BATAVIA | 25% of Operating Expenses |
| BUFFALO GROVE | No Fund balance/reserve policy |
| ELGIN | Maintain min Fund cash reserve balance of 25% |
| GENEVA | 25% of Current Expenditures in Cash |
| GLEN ELLYN | Maintain \$2,095,600 as a cash reserve - increases by lesser of CPI or 3% annually |
| NAPERVILLE | Water/Wastewater funds to be maintained at 25% of Operating Exps excluding Capital and Debt Service |
| NORTH AURORA | 25% of operating and typical capital outlay |
| PALATINE | 25-33% of Operating Expenses |
| PLAINFIELD | 25% of total Water and Sewer Fund annual Expendtrrs |
| SCHAUMBURG | 10% of following yr's budgeted operating and nonoperating expenses Also to include a prorated portion of next year's debt service payments. |
| WHEATON | 30% of annual operating expenditures + capital reserve of 2.5% of replacement cost of water system |

Utilities' Net Working Capital Reserve Ratios



Utility Funds' Operating Income (Loss)

