

**MINUTES
CITY OF ST. CHARLES
GOVERNMENT OPERATIONS COMMITTEE
MONDAY, JUNE 18, 2018**

1. Call to Order

The meeting was convened by Chairman Bancroft at 8:15 pm.

2. Roll Call

Members Present: Chair Bancroft, Stellato, Payleitner, Lemke, Gaugel, Vitek, Bessner, Lewis

Absent: Ald. Turner, Silkaitis

3. Omnibus Vote

a. Budget Revisions – May, 2018

Motion by Ald. Lemke, second by Stellato to approve the omnibus items as presented.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Bancroft did not vote as Chair.

Motion Carried.

4. City Administrator

**a. Recommendation to approve an Ordinance Amending Title 2, Entitled
“Administration and Personnel” Chapter 2.04, “City Council”, 2.04.145,
“Omnibus Vote” of the St. Charles Municipal Code.**

Mark: This is a recommendation to approve an ordinance amending Title 2, Entitled
“Administration and Personnel” Chapter 2.04, “City Council”, 2.04.145, “Omnibus Vote” of the
St. Charles Municipal Code.

Motion by Ald. Stellato, second by Payleitner to recommend approval of an Ordinance
Amending Title 2, Entitled “Administration and Personnel” Chapter 2.04, “City Council”,
2.04.145, “Omnibus Vote” of the St. Charles Municipal Code.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Bancroft did not vote as Chair.

Motion Carried.

5. Police Department

**a. Recommendation to approve a Proposal for a New Class A6 Liquor License for
Gordy’s Quick Mart located at 101 E Main Street, St. Charles, IL 60174.**

Chief Keegan: This is a recommendation to approve a proposal for a New Class A6 Liquor
License for Gordy’s Quick Mart located at 101 E Main Street, St. Charles, IL. This advanced
from the Liquor Control Commission earlier this evening with a 3 – 0 vote. The A6
license allows liquor sales for package goods only at both gas stations and convenience
stores so long as the square footage footprint of the liquor sales do not exceed 10% of the
overall business square footage. The hours of operation are 7am – 10:00pm. This is the former
Starbucks Location. They will offer convenience store items, deli items. A background was
done and they have been vetted by the Police Department. The petitioners are present this

evening to answer any question the committee may have.

Teri Simic: 410 Woodside Drive, Woodale, IL 60191.

Motion by Ald. Stellato, second by Bessner to recommend approval of a Proposal for a New Class A6 Liquor License for Gordy's Quick Mart located at 101 E Main Street, St. Charles, IL 60174.

Roll Call: Ayes: Lemke, Gaugel, Vitek, Bessner, Lewis, Stellato, Payleitner Nays: None. Chrmn. Bancroft did not vote as Chair. **Motion Carried.**

6. Finance Department

a. Recommendation of Approval of the Funding Allocation Requests of the 708 Mental Health Board for FY 2018-2019.

Chris: In 1986 a referendum was proposed and approved by the voters of the City of St. Charles to institute and approve a \$.04 cent per \$100 of equalized assessed valuation property tax to support agencies that provide mental health services to the residents of the City of St. Charles. This tax and this particular levy for this purpose has been in place since 1986. Each and every year, the 708 Mental Health Board which was established subsequent to the passage of that referendum, comes and makes a recommendation to the City Council. This evening they are requesting a recommendation of approval for the funding allocation for the fiscal Year 2018/2019 in the amount of \$557,900. Carolyn Waibel, the Chair of the 708 Mental Health Board is here to make the presentation. I will be happy to answer any initial questions; otherwise I'll turn it over to Chair. Waibel.

Carolyn Waibel: Chair 708 Mental Health Board, 41 St. Germain Place, St. Charles. Carolyn discussed the St. Charles 708 Mental Health Board and the agencies it funds. She highlighted the 5 agencies receiving funding over \$25,000. She discussed the recent changes to their funding application, the updated by-laws, and changes to their vision and mission statements.

Carolyn also mentioned the Kane County Mental Health Advisory Commission's objective to consolidate the 16 708 Boards in the County and that they have been following it closely.

Ald. Lewis: Thank you for all you do. You are a very dedicated group.

Carolyn Waibel: Thank you. We are very dedicated.

Motion by Ald. Stellato, second by Payleitner to Recommend Approval of the Funding Allocation Requests of the 708 Mental Health Board for FY 2018-2019.

Roll Call: Ayes: Lemke, Gaugel, Vitek, Bessner, Lewis, Stellato, Payleitner Nays: None. Chrmn. Bancroft did not vote as Chair. **Motion Carried.**

b. Seeking Direction and a Recommendation on the Implementation of a Local Fuel Tax (LFT) at the rate of \$.02 per gallon, and discussion, direction, and recommendations on other alternate revenue sources.

Chris: As we entered into and went through the budget process for FY 18/19 and couple year prior, there has been a lot of discussion about the City’s revenue structure, financial results, performance, and the level of capital infrastructure investment anticipated over the next few fiscal years.

We’ve had discussions at various workshops, committee meetings and retreats about alternative revenue sources. As part of the FY 18/19 budget process, the draft budget presented by staff in March of 2018 actually included an option for a local fuel tax (LFT) in the amount of \$.02 per gallon to be implemented as of November 1, 2018. The committee asked that staff remove LFT directed a discussion with more information in April. At the April meeting staff made a presentation with more detail regarding the LFT. There was also a discussion about the property tax levy and if there were some changes recommended by the committee. Staff was directed to bring back an ordinance regarding a LFT and information related to the property tax levy in approximately 60 days. That’s why we’re here tonight.

Chris presented information regarding the LFT, property tax options, and additional revenue sources.

Option 1 – Local Fuel Tax (LFT) of \$.02 per gallon

Option 2 – Property Tax Options

- CPI Adjusted levy since 2009 = \$13,844,450 (14.8% increase)
- One Year CPI Adjustment = \$12,308,275 (2.1%)
- 10% Adjustment = \$13,260,629 (10%)
- Maintain 2016 Levy Rate = \$12,529,313 (3.9%)

Option 3 – Other Revenue Options

<u>Description</u>	<u>Rate</u>	<u>Impact</u>
Storm Water Utility	Lot size	\$ 850,000
0.25% Increase in HR Sales Tax	0.25%	\$ 1,450,000
Prepared Food Tax	1%	\$ 500,000
Increase in Alcohol Tax	1%	\$ 550,000
Real Estate Transfer Tax*	\$1/\$1,000	\$ 294,000
Hotel Tax	Add'l 1%	\$ 370,000
Utility Tax	1%	\$ 570,000

* - Imposition of a real estate transfer tax would require approval by referendum

Ald. Stellato: I would say yes on the Option 1; Option 3, increases in revenue, other sources, could you go back to the spreadsheet with the description, rate, and amount? The stormwater utility and utility tax almost have to be grouped together in one section, whereby, it does impact

all our residents and they do not have the ability to write that off.

Chris: That's correct.

Ald. Stellato: Those two hit all our residents no potential for write off. The others in the middle are all somewhat discretionary, even the real estate transfer tax to some degree. Definitely the home rule sales tax, prepared food, alcohol and hotel tax could be borne by other folks outside the City of St. Charles. I'd group those differently. I would put the stormwater and utility tax on the very bottom, as a last resort because of the impact on our revenues. And put the other five above that with a little more of a chance. The home rule sales tax is interesting. We've gone through this before over the years. That's a big number, \$1.4M in revenue, on a \$.25 of our sales tax. I guess you'd have to do a study to figure out where we rank in comparison to other communities because it will impact the business community. Looking at other revenue options; I'd like to do option 1, explore option 2, and see where we are after that. I'd like to look at these in different categories because, to me, the two sections are very different.

Chris: I understand.

Ald. Payleitner: I'd like to agree with everything Ald. Stellato said. I also liked your priorities on the other revenue options. I have a third comment but I'd like to hold it until I hear what my other colleagues say.

Ald. Lemke: Regarding the options, I have the general thought that when we increase sales tax the State benefits. I think that's problematic. I wouldn't use sales taxes in the sense of home rule sales tax. That's the one I would prefer we not increase, or maybe take a second look. The problem I have with the LFT is the tools called Gas Buddy and people look for the cheaper gas. When I think about that; I think maybe the gas retailer ends up absorbing that to be competitive with other communities up and down Randall Rd., Rt. 59, etc. I'm leaning toward, if we need revenue sources, incremental, I'd like to see the dollar per EAV property tax be more consistent going forward. The one year increase is closest to that, and we can continue to evaluate that over time. What that does is as the community grows and the EAV grows so do the need for services, most commonly public safety. I think it best represents us. We'd like to grow and everybody shares.

Ald. Gaugel: Regarding the survey you conducted. We surveyed 49 different municipalities of which only 33 responded and 18 were affirmative. Why did we solicit communities that weren't home rule?

Chris: To verify that they weren't indeed home rule. It's not necessarily readily apparent by population if a community is home rule because it could be passed by referendum. The listing of forty-nine are mostly communities that are in this area. I tried to maintain a Kane and DuPage presence; there is some Cook in there. That's the reason. If I wasn't sure if a community was home rule I'd let them tell me.

Ald. Gaugel: The way I read that, and I appreciate the way it was presented, was that 55% of the respondents had a gas tax. The way I read it was less than 50% of the communities surveyed have a gas tax. The majority was that there was not a gas tax in place. Comments on

the first option, and I haven't changed my opinion, we're already sitting at \$.60 on a gallon of gas that's tax. I understand what we're trying to fund and the programs and services we're trying to provide and the infrastructure we're trying to build. I support those things. That brings us to my second point. Our initial discussion revolved around rate vs. levy. This is more than just talking about levy on an individual yearly basis. What happened to the discussion about changing the rate?

Chris: I don't know what the EAV of the City is going to be next year so I couldn't do a comparison between the 2017 levy rate vs. the 2018 levy rate. I had to go with 2016 vs. 2017. If we had maintained the 2016 levy rate, roughly \$.88 per \$100 of EAV, for the 2017 levy we would have generated \$12.5M. That would have been a 3.9% increase to the property tax levy over all.

Ald. Gaugel: That's the option I like. I think we have to do one or the other. I don't think we can do both. If we're looking at a gas tax and put that in place it covers what we need. If we're looking at changing the levy in any sort of way we put that in place for what we need. Not just to keep piling up. My view on this is we look at that levy rate as what we need to fix moving forward and then take advantage of the property appreciation and good markets. Again, there is no guarantee of appreciation so we should look at that on an annual basis.

One of the things we discussed early on was the level of reserves the City has. I think the level of reserves is rather high. We need to look at the reserve levels. They are quite hefty. If we look at a couple percent off the reserve level that we're currently holding back, what does that do to our bond ratings? There are a lot of things to consider, but I think it's something that should be considered in terms of other thoughts.

Ald. Vitek: I actually think we should do a number of things, possibly three or more. I'm in favor of the gas tax. I'm also leaning towards what Ald. Gaugel said about the EAV rate. Of the other options, I'm not opposed to any of them. Is there any reason why tonight we couldn't have a recommendation for an increase in alcohol tax? I think we could do that. In my opinion I'd like to see that happen tonight.

Chris: We could do that. We'd need to bring forward an ordinance in a subsequent week. We don't have an ordinance prepared, but could certainly could if that were the direction of the committee.

Ald. Bessner: I would agree with Ald. Gaugel. I believe at one of our last meetings I made the comment trying to figure out what our needs would be for capital improvements or any kind of revenue sources we would need over the next 5 years so we aren't looking at several different points of resources to put in place to create taxes, whether it's fuel, alcohol or home rule. I don't think a lot of residents understand the amount of money that's been left on the table. That's something Bill Turner has talked extensively about. There should be a way to look at that money left on the table, find out what we need over a 5-6 year plan, and then mirror that. But do it in a way that's not going to be sticker shock to the residents. A balanced approach of meeting the needs of what we need to do capital wise, keeping our budget balanced, and not create 3 or 4 different revenue streams.

Chrmn. Bancroft: Just to be clear, you're not in favor of the gas tax?

Ald. Bessner: No. I'd like more information on where we can go with this levy.

Ald. Lewis: In this ordinance you wrote: suspension or revocation of licenses for failure to pay the tax. Do we require gas stations to have a license to sell gas?

Chris: No. If there were the ability for a gas station to sell alcohol, or presumably, if they were to have a video gaming license, that would be a means to be able to enforce collection. We actually administer the alcohol tax. It's a locally imposed and maintained tax. We have the ability to bring forward someone for non-payment of the tax and that's the intent of this section. It wouldn't apply to all stations, and we would not have that ability with every station, but in the event that one had an alcohol license we would be able to bring them forward for non-payment of the gas tax and revoke the alcohol license.

Ald. Lewis: Do we have a number of how many of the 9 stations have licenses?

Chris: I don't have that number, but I can get that information.

Ald. Lewis: Has there been any input from the station owners?

Chris: I haven't received any comment.

Ald. Lewis: Maybe we might want to have some input from the owners? I think input from our 9 gas stations would be important before we make a final decision. I haven't been in favor of the gas tax, and am still not in favor. As far as others, I lean more towards the levy with the money that's been left on the table. We're experiencing a lot of new growth right now. Other thoughts, amusement tax, I don't know what that would generate.

Chris: We'd need to refresh those numbers and determine which amusements we're going to apply that to. In the past, and I don't think we've refreshed that in several years; it was a committee discussion in 2009 or 2010. We had a pretty severe outcry from those that would have been impacted. We opted not to do that particular tax at that time.

Ald. Lewis: I agree with Dan on the utility and the sewer. I would pass on those. I also agree with Ald. Bessner. I think we need to focus on 1 or 2 things, find where we can get the revenue that's going to make the most impact for our budget and stick with that instead of constantly being taxed.

Chrmn. Bancroft: We could do a CPI catch-up from 2009 to now. You could do that at 14.8%, we could phase it in over the next 5 years, and at the end of the phase in period we're going to have a system that talks about an adjustable levy rate. We could easily build all of that into one of these things which makes it a powerful option.

Chris: That's correct. In fact it's pretty consistent with how we've handled the utilities. We undertook a series of catch-up rates to get us to a break-even position. We did it over time. We absolutely have the ability to do that as one of the property tax options.

Chrmn. Bancroft: I'd be in favor of some implementation that provides, over a period of time

catch-up, based on just the cost of living so we can say to our constituents that their property tax did not increase. But, and as the Mayor has pointed out several time, we weren't really trying to give a tax cut, which in effect what they got. It's catch-up to get us back to whole on that. Then at some point pick the right rate to go forward makes a lot of sense. It's has to be part of a whole implementation.

Second, I personally don't find the gas tax offensive, and probably disagree with the concept that we shouldn't go with multiple revenue points. I think it's the opposite, to the extent that we could look at a gas tax, an increase in sales tax, as we start going down the road we should use every tool we have. It's really the only thing that's going to be able to alleviate the situation we're in. I think we have to continue to be creative and throw every tool we have into the mix.

Ald. Stellato: As I'm listening to this discussion. One thing happened over the weekend, late Friday; Warren Buffet is pulling out of dry wall. Google USG, drywall, everybody is watching him; he's usually a couple steps ahead of everyone. What trend is developing, the speculators are wondering if there is another recession coming. What is going to prepare us best if there is another recession? If there is another recession EAV drops automatically. In that case the rate is the better way to go. Whether the EAV drops, and if our rate continues up, we still continue to collect. If we try and go after just the EAV we're going to have a hard time defending that number if appraisals show up a lot lower and people are fighting their taxes the EAV is going to continue to drop down. If that's the case and we start the discussion in the fall, we're going to know a couple months from now what that whole thing meant about him selling dry wall. Watch and see what happens. If it is the case and we're heading into a recession, rate is the way to go, it protects us better.

Chris: That's essentially what happened when we went through the Great Recession. We maintained the dollar amount of the levy the same and the rate kept increasing because the EAV was dropping.

Chrmn. Bancroft: Do you have what you need?

Chris: I think we have what we need. I understand we're not looking at implementing the gas tax this evening. I think we have some options to bring back, quantify, and give you some more information regarding the levy and the additional revenue sources for a subsequent discussion as we move forward.

Ald. Payleitner: As we look forward to the fall conversation, and keeping in mind half of us are going out for signatures about the same time that conversation is happening. We need to educate the citizenry of the how, but we also need to include in the narrative the why. I don't know if it's out there, but so much of our spending is out of our hands. We have no choice on so many things. I would like to at least put it out there so the citizens know how much we spend is out of our control as far as unfunded mandates and some of our pension costs. I think it would help the public to know.

Ald. Lewis: Regarding the alcohol tax. I agree to have an ordinance to raise that. Do we keep the entire 2%?

Chris: We maintain the entire 2% of the revenue. That's another tax we impose and administer ourselves. The State does not enter into collections in any way.

Ald. Lewis: I could see that going up a half a percent or something. I'd be in favor of that.

Ald. Vitek: Could I make a motion?

Chrmn. Bancroft: If there is a motion on the floor at committee and it fails, it still goes to city council, correct?

Mayor Rogina: Yes, with a negative position.

Motion by Ald. Vitek, second by Ald. Stellato to Recommend approval of the Implementation of a Local Fuel Tax (LFT) at the rate of \$.02 per gallon.

Roll Call: Ayes: Vitek, Stellato, Payleitner; Nays: Lemke, Gaugel, Bessner, Lewis. Chrmn. Bancroft did not vote as Chair. **Motion Failed.**

Ald. Bessner: Mr. Chairman if we're going to be making a motion on the alcohol tax I'll be abstaining from that.

Motion by Ald. Vitek, second by Stellato to Direct Staff to Develop and Ordinance for the 1% increase in the City's Alcohol Tax.

Roll Call: Ayes: Vitek, Lewis, Stellato, Payleitner; Nays: Lemke, Gaugel; Abstain: Bessner **Chrmn. Bancroft did not vote as Chair. Motion Carried.**

Mark: Some history, back just before Larry Maholland moved into the City Administrator position we had an interview with our rating service, Moody's. The feedback we received was we were not very diverse in our tax pallet. We were too focused on sales tax and what would happen if the economy failed? They highly recommended we increase our property tax at that point. That began to happen modestly. Diversification was important.

Second, I heard some folks maybe not picking up on what Chris was trying to convey. What's the sort of income we see looking into the next 3 years that we may need for projects that we see as priority initiatives? When we looked ahead through FY 21/22 we see some adjusted shortfalls. It all comes down to what are our priorities? What do we want to afford? Based on what is in the 4 year budget right now, it says we run a little bit short for some of our expenses. If it isn't clear what's in our budget right now I would refer to the text that Chris has added in his presentation, and we can provide additional backup as well.

Third, when we held our property taxes constant, the fixed levy, for the last number of years, other governmental bodies who are under the tax cap, had the opportunity to either increase their taxes by the lower of either CPI or 5%. If we look at some other taxing bodies they took the strategy that we're going to increase taxes, and increase it by perhaps 5% per year, because if we ever take a pass on that we never get it back again.

We appreciate your feedback tonight. We're moving forward and we'd like to get some guidance before we get to the budget season so we can prepare a budget that's done efficiently without the accordion effect.

Ald. Payleitner: Can you send me your slides. That's really good information.

Chris: Yes.

Chrmn. Bancroft: We still need to struggle through 7th Avenue Creek. I don't know where we are with that project. It seems as though things are a lot better all of a sudden.

Mark: It's a lot better because we've had some significant rain, but those rains have not come at a time when we've had a saturated ground condition. It rained and absorbed into the ground. If you have that on a saturated soil and it all runs off, I think we're going to have some problems.

We've applied for some grant funds for the 7th Avenue Project, we talked about it during the budget season, we didn't budget for it because we wanted to wait and see if we get the grant funds. I'm optimistic that we're going to get those grant funds. Pete Suhr and Chris are going to then be here because we have to match the grant funds. We're then talking about a budget revision for FY 2021 for \$3M. I'm trying to be a little bit proactive. I want to get ready so we can accept grant funds to make a project go forward.

Chrmn. Bancroft: We talk about these numbers being conservative. I think we have to get this to a point where we all look at the projections, whatever they are, for a 3 year period as a reality of decisions a course we've elected to take as opposed to just throwing out conservative numbers and trying to make decisions based on those numbers.

Ald. Gaugel: The same concept in terms of existing revenue sources should be looked at in those same assumptions. I'm sure this is very conservative based on what our revenue sources are today with moderate increases. We've got a lot of things coming on line. First Street, we have two more buildings coming online this means real estate taxes, retail sales taxes as well. We heard 2 weeks ago of the Quad and that residential development, we've got Shodeen at the old St. Charles Mall, Prairie Winds, not to mention we're building a new police station and we've got a property right next door that will be a significant amount of revenue. I'm all for conservative, but let's lay all that out as well. If we're looking at what the debt service potentially could be, let's also look at what the estimates are for those revenue sources and potential funding we'll have down the road.

Chrmn. Bancroft: We have to start somewhere. This is in no way an indictment of anything we've heard tonight.

Motion by Ald. Lemke, second by Stellato to move into executive session to discussion to discuss Probable or Imminent Litigation under 5 ILCS 120/2(c)(11) at 8:44 pm.

Roll Call: Ayes: Lemke, Gaugel, Vitek, Bessner, Lewis, Stellato, Payleitner. Nays: None. Chair. Bancroft did not vote as Chair. **Motion Carried.**

7. Executive Session

- Personnel – 5 ILCS 120/2(c)(1)
- Pending Litigation – 5 ILCS 120/2(c)(11)
- Probable or Imminent Litigation – 5 ILCS 120/2(c)(11)
- Property Acquisition – 5 ILCS 120/2(c)(5)

- Collective Bargaining – 5 ILCS 120/2(c)(2)
- Review of Executive Session Minutes – 5 ILCS 120/2(c)(21)

Motion by Ald. Lemke second by Silkaitis to exit executive session at 9:06 pm.

8. Additional Items from Mayor, Council, Staff, or Citizens.

9. Adjournment

Motion by Ald. Lemke, second by Turner to adjourn the meeting at 9:07 pm.

Voice Vote: Ayes: Unanimous; Nays: None. Chair Bancroft did not vote as Chair.

Motion Carried.

:tc