

**MINUTES FROM THE PUBLIC HEARING OF THE ST. CHARLES CITY COUNCIL
HELD ON MONDAY, APRIL 3, 2017
CITY COUNCIL CHAMBERS, IN THE CITY COUNCIL CHAMBERS
2 E. MAIN STREET ST. CHARLES, IL 60174**

1. Call To Order By Mayor Raymond Rogina 6:23 P.M.

2. Roll Call.

Present: Stellato, Silkaitis, Payleitner, Lemke, Turner
Bancroft, Krieger, Gaugel, Lewis
Absent: Bessner

3. Presentation.

Public Hearing concerning passage of the Proposed Annual City Budget for Fiscal Year 2017/2018

Chris Minick, Finance Director

This is the public hearing for the 2017/2018 budget for the City of St. Charles. As indicated, the notification of this public hearing was published in the Daily Herald on March 23. This hearing is a statutory requirement to pass the budget on an annual basis. At the conclusion of this public hearing, we will have taken all the legal steps necessary for adoption of the budget for the City of St. Charles for fiscal year beginning May 1, 2017. The next item on the agenda on the City Council meeting is an item to pass the budget for FY 2017/2018. I will summarize the March 20 Government Operations discussion. I will go through highlights of the 17/18 budget, a brief summary of the general and utility funds. We will talk about significant capital projects and staffing matters. And then if there are any questions or comments.

The City of St. Charles has had a history a balanced budget. The FY17/18 budget is no exception. We are able to present to you tonight a balanced budget without proposing any new taxes or any tax increases. We are proposing to add one full time equivalent position to the staffing levels of the City, it is in the building and code enforcement division. We will be adding this position sometime around October 31. We do have utility rate adjustments that are proposed as part of the FY18/18 budget. Due to the success of the long-term plan that we have undertaken, those utility rate adjustments are much smaller in scope than they have been in prior years.

As we enter the FY17/18 the biggest unknown that we have is the impact to our budget could be the lack of a state budget and the state fiscal crisis is going to have on the City of St. Charles. As the Council is aware we receive about 10% of our general fund, a little less than 10% of our general fund) in the term of local governmental distributive funds (LGDF) mainly the income tax. How the state decides to address its fiscal crisis and its budget issues could have a series impact on the City of St. Charles as we move forward. But at this point, since the state has not passed the budget we don't know what that impact may be.

I mentioned the history of balanced budgets the City has over the last several fiscal years. This chart shows an example of that statement. In FY 16/16, the City ended the year with about \$138 million in revenue and \$137.4 million in expenditures. As we move forward to 16/17 we are anticipating ending the year with about \$176 million of revenues and approximately \$172 million of expenditures. The budget draft has revenues of \$161 million and expenditures of just under \$159 million.

Of the \$158 million of expenditures, approximately \$135 million are comprised of the four main funds, the general fund, electric fund, water fund and the waste water fund. The remaining \$25 million, roughly, of expenses are kept in debt service funds, capital projects funds, TIF funds and the City's pension trust funds. In terms of some of the trends in the general fund, we have seen very strong financial performance in the general fund of the last several years. We are anticipating this is going to continue into 17/18. We are continuing with the concept of having the property tax levy remaining frozen at approximately \$12,055,000 into 17/18. We are also projecting seeing recovery in our revenue streams as we come out of the impact of the recession. That recovery has been a little slower than we like but we are headed in the right direction. In terms of expenditures, we anticipate that they will continue to be at relatively low levels. The City cut approximately \$5 million out of its budget in the two years between FY2008 and FY2010. We achieved that \$5 million reduction, 11.5% of our general fund. Our expenditures levels still are not at the pre-recession levels. We do anticipate that is going to change and that in one to two years we will hit those levels. But to have a run of nine years with low expenditures is an accomplishment. All of these factors has resulted in healthy reserves in the general fund as we move forward.

We are expecting some strong performance within the general fund we do anticipate that when we end the year here soon, we will have a surplus of about \$700,000. Based on revenues of \$43 million and \$42.3 million in expenses, that will result in a reserve level of about \$16.7 million or about 40% of our expenditures on an annual basis. We do anticipate that the budget for FY17/18 and what we are proposing a level of approximately \$44.6 million, we anticipate that we will have revenues to offset those expenditures and we will essentially be in balanced budget position for FY17/18. That would result in that same \$16.7 million in reserve representing roughly 38% of those expenditure levels.

In terms of utility funds, we have seen in recent years is positive financial performance. Its quite a contrast to what we were experiencing when we were headed into the great recession. Back in 2011/12, the City adopted a long-term plan to address some of the structural issues that were present in our utility rate structure. And that long-term plan has worked out. As a result of the small, periodic rate adjustments that we have made, we are able to propose a smaller rate adjustment this year from what we did last year and what we have done over that last few fiscal years. As a result of the plan that we have undertaken, we essentially eliminated operating deficits in our utility funds. The only exception being the water fund. All of those plans we have undertaken and with the small

deficit in the water fund, we are still able to maintain our reserves for all three utilities in a positive position.

We are anticipating a half million-dollar deficit within the water fund for FY17/18. Even with that deficit projected, we anticipate we will end the year with all the utilities combined with \$1.8 million in surplus which take our reserve levels to about \$17 million at the end of the year.

We have proposed some utility increases, we anticipate that the cumulative effect of those increases will be about 3.3%, a little less than \$83 on an annual basis for a typical residential customer. That would bring the annual billing for all three services that the City provides up to \$2600/year. This level is anticipated to be the lowest in the tri cities and is very competitive in the Chicago Metro area.

We have three major capital projects. We have been discussion the Police Facility. We do have funds budgeted/set aside for design during FY17/18. We do anticipate that construction would begin either in 17/18 or 18/19 on the facility once the design is completed. We do also have the Seventh Avenue Creek mitigation project, a multi-year project for 17/18. We have budgeted funds to acquire property as those properties become available. We do also have funds set aside for the plans and project analysis with ultimate construction projected during FY19/20. There is also continued development on First Street, specifically phase three. We do have funds set aside for street scaping improvements that would be related to phase three.

In terms of staffing. Our staffing is consistent with our FY16/17 budget. We currently have just under 270 full-time equivalent employees. We are proposing the additional FTE in October that was discussed. We are continuing the use of summer interns and summer help as a cost-effective alternative to provide services.

In conclusion, the City is continuing to thrive as our economy recovers. Operations continue to be structurally sound. We are seeing outside forces applying pressure to our budget structure and rates. The biggest unknown is the State's lack of budget and fiscal crisis could impact us and it could be a negative impact. As we go forward through the next several fiscal years, our infrastructure and out capital needs we will be discussing more with you. We are anticipating spending more on those types of projects.

Now is the time for public comments or questions.

Mayor Rogina

Thank you for a very thorough presentation.

a. Public Comment.

- No written comments received in Clerk's Office.

b. Council Comment.

Alder. Turner

Chris is right. Many of us were here during the great recession and we did as a policy body set the policy to keep us fiscally balanced. And those were some tough decision.

But the real work was done by Staff. They were the ones that carried them out. They should receive more credit than we do for the fiscal solvency at this point.

Chris Minick

It has truly been a team effort and I appreciate all the support the department heads and City Council have given over the years.

Mayor Rogina

At the mayor's caucus, we have pretty much said that LGBF is off the table. The State legislature has another opinion on this. When you hear property tax freeze, we have frozen it for eight years. The Governor does want to put that into the package, but what does that do? It takes the heat off here but the State doesn't receive a dime of revenue with that. We will manage with our team.

4. Adjournment.

Motion by Stellato, seconded by Silkaitis, to adjourn meeting

VOICE VOTE

UNANIMOUS

MOTION CARRIED

Meeting adjourned at 7:41 P.M.

Nancy Garrison, City Clerk

CERTIFIED TO BE A TRUE COPY OF ORIGINAL

Nancy Garrison, City Clerk