

Minutes
City Council Winter Retreat
Saturday, February 22, 2020

1. Call to Order

The Meeting was called to order by Mayor Rogina at 8:00 am.

2. Roll Call

Members Present: Ald. Stellato, Silkaitis, Payleitner, Lemke, Turner, Bancroft, Vitek, Pietryla, Bessner, Lewis

Others Present: Larry Gunderson, Mark Koenen, Jim Keegan, Jenn McMahan, Chris Minick, Scott Swanson, Peter Suhr, Rita Tungare, Atty. Nick Peppers, Colleen Lavery, Benjamin Nielsen and Tracey Conti

3. Welcome Remarks

Mayor Rogina welcomed the group and offered the following information:

- Reminder that the minutes will be submitted in a summarized format.
- Feedback from Council Members is essential, but no action is anticipated on items discussed.
- The Mayor and Mark will be out of the office all next week (February 24 – 28, 2020). Peter Suhr will be acting City Administrator. Please keep Peter and Mayor Pro Tem, Stellato informed of any issues that arise.

4. Open Forum

Mark told the group that the utilities and the General Fund would be the focus of the budget discussion. He briefly went over the following:

Utilities

- Maintenance that need to be done to the older facilities and infrastructures.

Economic Development & Capacity

- Make sure there is enough water supply for potable uses and firefighting and make sure we satisfy Illinois Environmental Protection Agency (IEPA) regarding treating wastewater.

Impacts

- There are several parcels on the east side that are anticipated to be annexed to the City of St. Charles. The annexing decision will be made by the City Council. If this comes to fruition improvements to the water supply, sanitary sewer service, and capacity will be required.
- There are parcels in St. Charles where we are committed to providing water and wastewater services. The concept plan for Charlestowne Mall has been received. It's changing from 100% commercial to 2/3 residential, 1/3 commercial. This means more water demand and more wastewater. Pheasant Run is uncertain at this time; however, any economic development changes may impact the utility capacity demand.

- The undeveloped areas on the west side are tributary to the West Side Wastewater Treatment Plant. It's been contemplated since the mid 90's that the plant would be expanded as demand was present. We are at that demand point now. The plant is at capacity.

The goal for utilities is to determine if the City of St. Charles is going to lead with economic development, having utility capacity available, or wait for economic development to be present and then respond with utilities. Mark noted that staff is planning on leading with economic development unless otherwise directed.

General Fund

The budget is currently \$2.1M out of balance and is being balanced by using reserves. Mark requested that by the end of the retreat guidance is suggested on how to grow revenue or make cuts to help balance the budget. We are able to get through this year, but don't want to face the same challenges next year. In the upcoming months discussions will need to be had about how to fix the structural problem regarding expenses and revenues.

Water & Wastewater Utility Capital Plan

Peter Suhr, Director of Public Works



Water & Wastewater
Utility.pdf

Peter discussed the five major utility projects being considered for FY 2020-2020 and that these projects will have the most impact the proposed rate increases and budget. Over the last several years these projects have been projected in the budget, discussed at committees and workshop meetings. There are capital projects in addition to these that will be reviewed as well.

Peter spoke about the Environmental Services Group within Public Works mentioning that they took on several different facilities reports/plans. These plans are meant to be a guide recognizing that as we get closer to projects we have the latest information available.

Top five Utility Projects

- **Rt. 31 & Roosevelt Sewer Trunk Main**
 - Included in the budget for FY 2020-2021 and is currently underway.
- **Combining Well #7 and Well #13**
 - Priority project because we are currently below capacity.
- **Additional Wells and Treatment**
 - Links to future development.
- **Westside Wastewater Treatment Plant Expansion**
 - Priority project, needed now, not linked to future development but it's at capacity.
- **Eastern Sewer Trunk Main**
 - Linked to future development.

Peter discussed the next steps and that staff will continue to execute Critical Capacity Recommendations as noted:

- **Critical Path #1** – Well #7/Well #13 Interconnection & Common Treatment Plant – (spring 2020)
 - The water supply is deficient now. There is a need to take care of this deficiency now.
- **Critical Path #2** – West Side WWTP Expansion/ Additional Capacity (currently under design)
 - This is needed right away
- **Critical Path #3** – Rt. 31 Trunk Main Capacity (currently under design)
 - There is a need for this project. It's currently underway.

Other projects could be tied to future development which poses the question of what comes first, utilities or development.

Ald. Payleitner asked what the terms are for Shodeen to pay for a portion of the cost of the west side project. Peter answered that it's not a lot; they pay the difference in cost for materials if needed. Ald. Payleitner asked if having developers cover costs could be a resolution for future development.

Ald. Silkaitis asked about the main lines and if they are below or beside the street. Peter answered that they are on the side of the street.

Ald. Lewis said that she lives in the area of Rt. 31 and Ash and is seeing a decline in the water. She asked if this would prompt the type of complaints Peter mentioned. Peter indicated that it would. Ald. Lewis stated that about a discussion should be had regarding water conservation.

Ald. Lewis asked about future growth and what our return on investment is. Chris answered that the information isn't available at this point, however, there would be additional revenues from having those connections and services provided. He went on to say that It's dependent on what happens with the rate structure in the future and the type of development we see. Commercial development would generate sales tax, it may not translate to utility revenue, but the fact that the utility services are provided drives economic development and in turn helps the General Fund.

Ald. Silkaitis asked about the loss ratio. Peter said the loss ratio is significant and that's why the water mains need to continue to be replaced. Ald. Silkaitis asked if the necessity for more wells will be reduced if we fix the problem. Peter answered that it would become more economical, but you'll never catch up to the water main replacement. Ald. Silkaitis said from a water conservation standpoint, making repairs would increase capacity. Peter said there is a balance and it's just a matter of finding that balance.

Ald. Bessner asked how many years this puts us out into the future if all the projects were done in next year or two. Peter answered that they are 30-60 year projects.

Utility Expansion

Chris Minick, Director of Finance



1B - Utility Exp
Discussion.pdf

Chris started off by saying the City will need to rely on the utility rate structure to finance the projects being discussed. The following projects are the focus of the presentation (Rt. 31/Roosevelt project has already been included in the budget):

- **Water Capacity Expansion Number 1 (Well 7 and 13)**
- **Water Capacity Expansion Number 2 (New Wells)**
- **East Side Sewer Trunk Main**
- **West side WWTP expansion**

There is an aggressive timeline for the projects. The anticipated total cost on the water and sewer system is approximately \$51M between now and 2023. This cost does not include water softening or water quality projects.

Chris went through the analysis process and developing a rate structure for the individual and combined utilities. The City Council directed historically that we keep rate increases at a consistent percentage over time. The process has yielded good results and Chris recommended continuing the process moving forward.

Chris discussed the Utility Rate Study and said that the rate structure and increases have been predicated on this study. The Utility Rate Study has suggested some increases (over time) based on some of these projects and the repair and maintenance projects. The study suggests that the Electric Utility will need a 2% increase (this would be in response to what our cost of power would be from IMEA). Staff is going to propose a 0% increase for the electric utility for FY 2020/2021. The rate study suggests a 9% increase for the water utility. This is because of the water funds portion of the approximately \$51M cost as part of the expansion process. This would cost the ratepayers \$50 annually based on the 9% increase. The rate study suggests a 5% increase per year for sewer over the next 7-10 years. All the expansion plans have been contemplated as part of the rate study.

Based on this information it would result in the following annual utility charges:

2020 Annual utility costs (typical residence)	\$2,791.55
Proposed 2020-2021 (excludes PCA)	\$2,908.24
Projected 2026-2027 – all projects included	\$3,752.00

This includes all expansion projects and does not include water softening.

Chris went over the impact the water projects will have on rates. The total rate impact in 2024 would be \$3.00 (30%) added to the combined water and sewer rate. This would bring the rate to \$13.00 per 1000 gallons. He then talked about the impact these four projects will have on the annual billing rates of the

three utilities combined. The anticipation is that these four projects will add approximately \$200 per year to the individual ratepayer bill over time. If for some reason we did not undertake all four of these projects about \$200 would be cut from the utility bills annually. Chris cautioned that this is not consistent every year. The earlier years are lower. The impact seems to be higher farther out.

The \$200 per year over a 7 year time frame (contemplated by the rate study) is approximately \$1400 in additional costs to our residents. If this holds true over the 20-year life of debt issues related to the four projects it would result in \$4,000 in additional utility costs over that 20-year period. This assumes that 100% of the project costs are paid from user rates.

Some Alternate funding sources to consider:

- **Special Service Area (SSA)**
 - Stemming from a sanitary sewer or water project
- **Connection Fees**
 - New construction/development
- **Other “General” Revenues**
 - Sales tax revenue (commercial development)
- **Direct Developer Payments (unannexed land)**
 - Negotiate direct payments with developers to offset costs

These particular revenue sources can help, but can't be counted on to make the debt payments.

Chris asked the group if the four projects should be continued knowing that the cost will be an additional \$200 per year to the taxpayers or if they would rather wait and stretch out some of the noncritical projects.

Ald. Turner asked if the electric fund would be in jeopardy leaving the rates at 0%. Chris said that we have the ability through the Power Cost Adjustment Factor (which is in our rate structure) and over the last several quarters that Power Cost Adjustment Factor has been a negative. The amount of bills and billings going out has been reduced because base rates are a little higher than our cost structure. We can recapture that. If for some reason the cost of the electric utility were to increase significantly we would have the ability to adjust the rates via the Power Cost Adjustment Factor to be able to account for that. Chris stated that a 0% for one year won't be an issue.

Peter said there have been a lot of capital projects over the last 10 years, but a 0% for one year we can ride out. The electric utility is in operational mode, but you never know what could happen. There are reserves for major issues that might come up.

Ald. Turner stated that the rebuilding of the electric utility started 10-15 years ago, it brought cost down, now we're going to go through that with water and sewer. His concern is that if something happens to the electric utility we won't have the money.

Ald. Silkaitis said that if the rates have to be raised it should be done now, and asked if the projects will be bonded. Chris answered that we will either bond it or go for an IEPA low interest loan and that the utility rate structure will pay the bond.

Ald. Lewis asked about the average utility bill and if it includes both residential and business. Chris said that it's only residential because businesses have such varied needs that it's hard to put together a business account for utility billing. Ald. Lewis asked if it will have a greater impact on businesses. Chris said it will be the same impact (percentage), and that no distinction for water and sewer service between residential and businesses..

Ald. Lewis discussed her utility bills for the year and said that month-to-month the tax increases. She asked how we get the tax dollars back to the City. Chris said that the taxes we pay are related to the electric side and they get passed to the State of Illinois. It's similar to businesses collecting sales tax, it goes right to the State. Ald. Lewis asked about the average utility bill and if the cost per year includes everything. Chris said it counts the tax, EPA, but yard waste is not included.

Ald. Lewis asked if the development downtown has increased the water usage and if SSA money could be used towards these projects. Chris said there may be an opportunity for an SSA, acknowledging that we need to replace the sewer main on the east side. He noted that he wasn't talking about SSA-1A or SSA-1B.

Ald. Bancroft asked if there is any execution risk getting the financing for these projects right now. Chris said he thinks we can get the financing, it's just a matter of how quickly we move forward and what can we manage. It's not typically a problem for us to get the money from the markets. Ald. Bancroft asked if the financial condition of the City is going to get worse over time, and will it be harder to get this done. Chris said that there are 2 separate revenue streams, the \$2.1M is primarily related to the General Fund, the Utility Funds stand on their own. Chris said that it most likely won't be a significant financial burden and that there are administrative staff costs in those utilities. Ald. Bancroft said that if we have the ability to do this now, we should.

Ald. Lemke stated that the priorities are right on the east and west side. For the longer term, things like SSA's, some are annexed, if you're annexed for retail and you're going to have more population equivalents into that pipe it's relevant if you are flipping from retail to residential to plan on this. There is a need and a planning horizon. Ald. Lemke said he's comfortable with the numbers.

Ald. Stellato asked if an SSA is the right vehicle for this. He asked if 51% of the ownership has to approve that? Chris said that if a petition was signed by 51% of the owners to stop it, then it would stop. Ald. Stellato said that maybe the developers should pay up front and have the chance to recapture back from anyone who taps into that. People on the east side are going to fight the SSA. Chris noted that some of the limitations on the alternative sources include special political considerations and SSA is connected.

Ald. Turner asked if it would be to our advantage to turnkey these projects? Chris said that would be talked about as we formulate the plan. A design build concept is what is being heard. Typically, it's not applied in municipal government, but it's an option, and there isn't anything limiting our ability to do something like that. Mark said that it would depend on the funding resource if we would be permitted to do that. Peter said that we are going to rely on consultants to get the projects done, they will be phased out over the next 5 years in a reasonable fashion.

Ald. Bessner stated that looking at the average utility bill the increase is about \$60, and asked what the best way is to implement this so it's equal every year. He asked how it looked the past 5 years and if we've seen drastic increases.

Chris answered that the electric utility had a significant problem as we came out of the Great Recession that caused increases.

With the rate study we talked about continuing the philosophy of doing the percentage increase at an equal amount over time. There may be a way to take a look at what the cash flows look like on the debt side and back it out into an annual increase that is a consistent dollar amount over that time frame. We can look at doing that. This means our percentages will appear a lot higher in the short term, but would lower over time.

Ald. Bessner said we can't use utility funds out of the specific utility and asked about the levy.

Chris stated that traditionally we have not subsidized our utility operations from our property tax levy. If the Council wanted to make that policy decision it could be done. Nothing legally prohibits that. There would be the ability to offset that from the property tax levy if the Council wants.

Ald. Bancroft said that staff is going to have a huge task doing this and communicating to the public why it's being done and what the benefits are.

Mark directed the group to section 3, page 11 of the binders that addresses comparing the rate structure in the future against comparable communities, what the rates look like. One of the struggles we face is developers all want an incentive. We talked about a recapture, but who is going to front the money, the City and get reimbursed, or the developer and they get reimbursed? It's a constant struggle. As we look towards this structural repair, we need to think about what our philosophy is.

Ald. Stellato stated that recapture vs. SSA, makes him nervous about the number of owners. Do we want to upset hundreds or one or two? Politically, that falls on us.

Break – 9:30 am

Return – 9:40 am

The More Things Change

Chris Minick, Director of Finance



2- The More Things
Change.pdf

Chris talked about the September 17, 2017 retreat discussion, the three major capital projects that were on the drawing board at that time and the impact and debt related to those projects would have to the General Fund. After reviewing projections and talking about the next 20-30 years, it was concluded that we have structural deficit. This set the stage for the next several City Council Retreats, workshops where we started talking about how to address that deficit. We decided on several ways to address the structural imbalance:

- Increased the alcohol tax from 2% to 3% of gross sales
- Increased the hotel tax rate from 5% to 6% of room rental rates
- Implemented a local fuel tax of .02 per gallon of fuel sold within the City

These items helped on the revenue side. On the expenditure side, one project, the new police station, is complete and one is substantially underway, the 7th Avenue Creek project. The third project discussed, the Active River Project, hasn't progressed, but is still something being talked about particularly with finding someone to help with the cost of the project.

In November, 2019 we started to see some things come together.

- Actuarial services adopted new mortality tables related to retired police officers and firefighters. Longer life expectancy means additional cost for paying benefits longer into retirement.
- Pheasant Run announced plans to cease operations effective March 1, 2020.
- Binny's is looking to build a location in Geneva. We have found out that Binny's will be moving out of St. Charles.

This is important because we are looking at a \$2.1M budget deficit on the General fund side. There are no tax increases contemplated other than the normal increase in the levy. We've talked about utility rate increases in accordance with the capital plan.

- Electric - no increase
- water 9%
- sewer 5%

Utilities aren't where we see the issue. Most likely in the future St. Charles will not have the lowest cost utilities in the Tri-City area.

Pheasant Run and Binny's provide substantial alcohol, hotel and sales tax revenue. The impact from the closure/moving of these to businesses will be significant. The revenues on the general fund side are approximately \$750,000 - \$850,000 lower based on the loss of these two facilities.

Total pension increases are \$964,000 for FY 20/21 (Police, Fire, IMRF).

Without the facility closures and the pension increases we would have a balanced budget. Because of these the recent revenue enhancements made are essentially eliminated and we're looking at a new structural deficit moving forward unless we find a way to replace the revenue lost.

How do we address this? One year is manageable. We are in a good reserve position and have some one-time budget reductions that can be done to help us in the short-term. We need to address this going forward, revenue enhancements or budget reductions.

Mayor Rogina reminded the group that Nissan will be coming to St. Charles.

Ald. Lemke said that Pheasant Run closing might just be a bump in the road. There should be some redevelopment on the site.

Ald. Bancroft said this is going to continue to happen and we will have the same set of circumstances years from now. The landscape of retail is changing. Businesses want to be in the high traffic areas. If we really want to look at this from a structural standpoint we should start at the bottom. We should decide the level of government services we will provide to the residents, what the level of revenue is to cover those services, and start making some hard decisions. We can't continue to do this.

Ald. Lewis asked when we will start seeing a profit from the completion of First Street?

Chris answered that it's likely we will continue to subsidize First Street. First Street started off meeting projections, the Great Recession happened and the scale of the development was reduced significantly. That impacted the level of incremental revenue. It's anticipated that we're going to subsidize the First Street debt service about \$184,000 this year.

TIF 4 (1st Street) and TIF 7 (Central Downtown) run in conjunction. We will eventually start to see a surplus. TIF 4 is going to drop off around 2027/2028. Once that happens we'll only have TIF 7 and we'll be back in a negative cash flow situation, unless we decide to extend TIF 4.

The projections show that we won't see anything and it all depends on what happens to the property values between now and the end of the life of TIF 7 (year 2039).

Ald. Vitek asked at what point we will have a conversation?

Chris said that we'll have a chance to discuss this over the next year. If we're going to talk fundamentally looking at our revenue structure and our service structure that conversation should begin after the adoption of the budget.

Ald. Stellato said he's comforted by the information Chris provided. We use reserves to make up the deficit and our reserve percentage is still above the 25%. If that's the worst-case scenario that's okay. If in a year we learn that some developments aren't progressing we will need to address this.

Mayor Rogina added that if the reserve gets too high, people start to wonder if they are paying too much in taxes.

Mark said that on section 3 page 4 of the information provided shows summarized revenues for FY 2018/2019 through projection for 2021, the total for revenue in the General Fund is a constant number. We are not seeing growth in revenues. We are seeing some loss in the revenue stream. Mark reminded the group that the door has been opened for cannabis sales. There is going to be an application coming in to put a cannabis facility in the community and in downtown. That's a location that's not permitted because it's not the right zoning district. It's a new industry to St. Charles and Illinois and may be an opportunity to grow revenue. This might be something to help balance our General Fund. When the door is opened by a future cannabis dispensary operator wanting to come to downtown St. Charles please consider this.

Mayor Rogina said that he would like to get this special use issue for cannabis behind us. It's important that we decide and move forward and accept some of that revenue.

Ald. Payleiter said she thinks that patience will pay on this issue. If we hold out we could replace Binny's. Possibly the old Toys R Us?

Ald. Bancroft answered that those are good spots because they are there, they have a size to them, and it's good for us. The people that are going into the cannabis industry are going to look to Randall Road. He said he's not as comfortable as Ald. Stellato is with where we are. We don't have answers regarding Pheasant Run or the Charlestowne Mall. Binny's is leaving because they saw an opportunity to do the exact same thing for the exact same people in a better location. There are structural issues with thinking that we're going to expand our retail by sites that's aren't advantageous. It's not reality to look at Binny's, Toys-r-Us or Sweet Tomatoes. They aren't good locations.

Chris said his concern is that he doesn't see types of developments that generate millions of dollars back to City Hall. The uses aren't out there anymore. The comment that we have some structural issues and are going to need to think about how we budget and where our revenue comes from in the future is poignant. We are seeing some fundamental changes and we're not going to be alone in going through this.

Ald. Vitek mentioned that we need to be flexible. We need to change things. I want to have this discussion. What other issues are we not anticipating? We're focusing on the issues at hand, but in the meantime, what else is going to leave? There are plenty of places on Randall Road, and they are picking locations other than St. Charles.

Ald. Stellato said we're talking about raising taxes. Is this something we're ready for? We have a 32% reserve and we're going to raise taxes. That doesn't go over well. I'm saying we have a year to figure it out. Let's take the time to do that. Increase revenue. If we can't get it through development. At least we can say we tried to see what would happen.

Ald. Bancroft said that taking the year and dipping into reserves cannot equate to ignoring the structural problems. We need to make sure we work hard to make things happen.

Ald. Stellato said let's take this year and get the message out there. We are going to dip into reserves this year, see what happens with development, but understanding that there could be a tax increase.

Ald. Bancroft said that he doesn't see anything that indicates these are temporary problems. We're taking temporary measures for a permanent solution.

Chris said he didn't disagree in terms of how the revenue structure is going to work in the future. Particularly, in the General Fund. We are undergoing some fundamental changes and will continue to go through this. We are going to look at the revenue side of the equation but also need to think about the services we deliver, how we deliver them and see what ways we can be more efficient on the cost side.

Ald. Bessner asked if we have a list of every expenditure, revenue stream?

Chris answered that staff had compiled a listing of areas that might be cut and reduced. That was done in response to the Great Recession. We will borrow some of those ideas and make you aware of those as we bring forward the budget. If we're going to impact our service level we're going to need input from the elected officials.

Ald. Stellato stated again that we should take the year, roll up our sleeves, and fight hard on everything. We need to find a way to close the gap.

Ald. Silkaitis stated that we'll be fine with the reserves this year but if we continue this trend we will be below 25% next year. We have \$50M of utility costs coming up. Didn't we take from the reserves last year? This is kind of a trend going more and more to reserves.

Chris responded that we did borrow from the reserves in the amount of \$3M for the new Police Station. When you are using reserves for a construction project the bond rating agencies don't have a problem with that. It's when you starting using on a repeated basis the reserves for day-to-day operations that it becomes a problem.

Ald. Silkaitis said that it bothers him that the reserves are being used for day-to-day expenses. That's not what it's for. He said that he doesn't think this is a temporary situation. It's going to change how we collect taxes and spend money. We're not going to be able to sustain this.

Mark brought up the topic of funding for outside groups. Mark asked if we are going to give the groups their requested amounts or do something different?

Chris said that the code states that certain dollar amounts out of the revenue stream would be earmarked for these individual groups. Specifically, it states that the balance of the receipts from the municipal hotel operators' tax shall be deposited in General Fund of the City. As the code is structured it contemplates that the City gets the remaining funds from the hotel tax revenue stream.

The total requests received for FY 2020/2021 total approximately \$598,000. We are anticipating approximately \$2.1M of hotel/motel tax revenue, the remaining amount would be approximately \$1.5M. Currently, we have requests of \$580,000, budgeted \$2.3M in hotel/motel tax and would deposit approximately \$1.7M into the General Fund.

If we go forward with the hotel tax as structured now we would see a funding reduction of \$268,000. That's included in the \$2.1M.

Ald. Payleitner asked about the across the board reductions that were done previously and how it meshed with the ordinance.

Chris said the ordinance was redone in 2015. The old ordinance was written in terms of percentages of the hotel/motel tax stream and did not specify specific dollar amounts. It's your code, you can set it aside, you can change it, there is a degree of flexibility.

Mark suggested that the code be modified removing the dollar amounts and that it be at the discretion of the City Council to fund outside groups on an annual basis. When this was done a number of years ago (Ald Payleitner's across the board cut a number of years ago) the total value generally equated to \$100,000.

Chris said if we did that this year it would be about \$60,000. We have varied from the code more than we have complied.

Atty. Peppers stated that providing set numbers in the code is unusual. Your hands are tied, if you give yourselves the flexibility then it's up to your discretion.

Ald. Vitek said that she wouldn't want to cut this. We should talk about a new tax; a beverage or food tax. These organizations are our marketing arm. If we cut this, that might impact our bottom line even more.

Ald. Stellato said he has no problem leaving it how it is for this year. But the message needs to be sent for next year that this may not happen.

Ald. Payleitner said that she'd like to see it go per the ordinance and asked if there would be a savings.

Chris said it would probably end up being more. The St. Charles Business Alliance has taken over for the CVB, the only one requesting more than the ordinance specifies is the History Museum. The Visitor's Cultural Commission may be slightly higher.

Ald. Lewis said she would like to change the code and give the History Museum what was originally agreed upon.

Ald. Pietryla said that he agrees that the ordinance should be changed. Support the museum, give them what they asked and next year it's at our discretion.

Ald. Bancroft asked if what these organizations are doing is effective. The landscape is changing and do they have the right mindset to change with it.

Ald. Payleitner said that the St. Charles Business Alliance promised measurables and they haven't been received. She asked what the funding source is, besides the SSA, for the St. Charles Business Alliance and asked if we gave them anything else.

Mark said there was a one-time branding and some advertising expenses. It was \$50,000 over 2 years.

Ald. Payleitner that the Business Alliance isn't the same as the CVB, and that is something that needs to be restructured. Just because the CVB received the amount indicated doesn't mean the Business Alliance should get that amount.

Mark asked what direction the Council Members would like to take regarding outside funding.

Ald. Vitek said she liked the idea of changing code and accepting the requests as they are today, but give the museum what was originally agreed upon \$46,000.

Mark confirmed that the direction of the Council is to change the code, follow the numbers submitted this year with the exception of the History Museum, give them the originally agreed upon amount of \$46,000. Everyone agreed.

Compensation

Jenn McMahon, Director of Human Resources

Jenn McMahon went over the two components of the compensation structure and how it moves non-union people through their pay grade.

- Annual market adjustment, cost of living increase which is applied to the pay grade to keep pace with the labor market. The way we get the data is to look at comparable communities, collect their market adjustment data, and look at the community at the 75th percentile. This year it's 2.5%. To further calibrate this, we look at the national data for first year negotiated wage increases for state and local government so we're not too out of line with the union groups. The average is 2.8%. We look at Illinois Interest Arbitrational Boards, average between 2.46%-2.58%.
- The second component is the merit increase which is completely based on performance, annual assessment. This year the proposal is for 2.5% to be budgeted for the merit component. This is based on information gathered from the Economic Research Institute, Mercers Compensation Planning Survey and the Bureau of Labor Statistics.

Ald. Stellato asked if this is already in the budget. Mark answered that it is.

Ald. Payleitner said that we're generous employers and it should be known.

Ald. Silkaitis asked what the attrition rate is.

Jenn responded that the attrition rate is just under 10%, and she thinks we're averaging (out in the world) closer to 20% due to the tight labor market and retirements. Jenn stated that we get retirement notices once a month.

Mark said that when we initiated the compensation change a workgroup was created. We agreed that we would review the program every 3 years. Mark asked if there are Council Members that would like to volunteer their time to work with staff on a Compensation Committee to make sure we stay on task.

The following volunteered for the Committee:

Todd Bancroft
Lora Vitek
Dave Pietryla

Ald. Bancroft said that you have good people and he's not sure that 2.5% is the right number. The numbers are higher in the private sector. We have to make sure we're doing the right thing, and it might be higher.

Ald. Payleitner said the reason the public sector has retirement and benefits to compensate for that.

Ald. Bancroft said he doesn't agree. The band for compensation has gone up the past few years.

Jenn noted that the public sector will typically be a little bit behind what the private sector is doing. The numbers may be a bit shy of the date seen, but one of the caveats is, within budgeted funds. When we were having our discussions, we wanted to be conscious that it is tax payer dollars, it's not easy to raise our prices, and be conscious of the budget constraints.

Ald. Bancroft stated that if you look at the numbers and what the band is, it shouldn't be filtered through the conservatism of someone receiving the benefit of it just because they don't feel comfortable going a bit towards the end of the band.

Ald. Lewis asked if people who leave the City take jobs in the private sector.

Jenn answered that most go to other municipalities. It's a way to grow your career. Some people do leave for the private sector, although it's not that common.

Ald. Bancroft said that his point in bringing up the private sector is the data increase for public sector only is potentially higher than 2.5%. That could artificially be dampened because the people making the recommendation are also the beneficiaries.

Mark walked through staffing changes for FY 2020/2021. Previously we discussed adding 2 Police Officers for FY 2020/2021, please note there is only one being added. This was a cut made to get the corporate fund balanced. Chief Keegan found out there was a COPS Grant, if we get the grant it would pay 75% for this officer and 2 additional officers for 3 years.

At the Fire Department there is discussion about taking a PT person and adding 11 more hours, making her full time, and adding a new work structure. This has been budgeted for.

We will be adding an electrical apprentice. We are anticipating attrition in the electric line group. This is to get people on board reading the division for the point with when people begin to retire; so we don't have a shortage of a trained staff.

There has been a reclassification from full-time to part-time in the Finance Department. There was an individual who retired 2 weeks ago. The decision was made to change that full-time position to a part-time position.

There was an elimination of a code enforcement supervisor position.

The part-time administrative assistant position in the electric work group was eliminated.

Department Reorganization

Larry Gunderson, Director of Information Systems

Larry explained that he wants to make sure that there are resources in place to meet future needs of the City. Focusing mainly on staffing in the IS Department.

Larry explained that he will be focusing on the organization of the IS Department and went over the current structure of the Department. He said that going forward the proposal would be to consolidate into four general areas. There is a need to simplify the complexity of the environment. This he believes will provide a bit more redundancy, cross departmental utilization and allow the staff to support multiple applications. There will be more cross-training allowing staff to support the same things. This new structure will allow for a more functional department and it responds to industry best practices. It will build depth in the department. We have good capable managers.

We're not proposing any new staff as part of this proposal; however, we are looking to upgrade 2 of the existing positions in the Department to make this happen.

Old Police Department Discussion

Mark said that the old police station was discussed at the last retreat and there was lukewarm direction to demolish the building. The money is in the budget (\$400,000). Mark asked the Council Members if they are committed to taking down the old station.

Ald. Payleitner asked if we would demolish it prior to receiving proposal requests. Mark answered yes.

Mark said that money is still being spent for insurance, security, heat, electric, etc., and no one is using the building.

Ald. Stellato asked about a TIF project, and if the demolition costs could be put to the side for reimbursement. Atty. Peppers said there is a timeframe involved in terms of spending the money before the TIF reimbursed.

Ald. Payleitner mentioned the grandfather clause and that we wouldn't be allowed to expand on the Police Department because a public building can't be rehabbed or built within 50 ft of a water way. Mark said that it can't be done in the flood plain, flood way. Ald. Payleitner said that she thought there was a 50ft. buffer zone and asked if someone would lose that if the building was demolished. Rita Tungare said that would only apply if the structure was being used as is.

Ald. Bessner said he thought there was discussion about marketing the building at a minimal cost to avoid having to pay for the demolition.

Ald. Turner agreed and said that there was a good indication that there is a lot of pollution under there and we don't really know what is there because we don't have information going back that far.

Mark said that we haven't done any environmental work to verify those suspicions. Mark continued by saying that he thought there was a discussion about retaining the building, rehabbing it, or the purchaser taking it down. Mark indicated that he would like to make the property as desirable as possible to attract as much interest as possible.

Ald. Pietryla asked if the Historical Preservation Commission would have to give certificate of appropriateness. Mark answered yes. Rita T. said it would be non-contributing.

Ald. Lewis said she would like to keep it up because once the public sees the open space they will demand to keep it that way.

Ald. Bancroft said we could pay for the demolition and make that part of the deal. Working out a TIF makes sense; he doesn't want to see another situation like George's. He said if someone came forward with a use for the existing building he wouldn't agree to that.

Ald. Stellato asked what is included in the demolition. Peter answered it's the bricks and mortar and we could keep some of the parking.

Ald. Silkaitis said it would be nice to have the open space because we don't know how long it will take for development.

The Mayor took a poll regarding the demolition of the old police department:

Ald. Pietryla Keep the building
Ald. Bessner Keep the building
Ald. Lemke Keep the building

Ald. Silkaitis Take the building down
Ald. Payleitner Take the building down
Ald. Turner Take the building down
Ald. Lewis Take the building down
Ald. Bancroft Take the building down
Ald. Stellato Take the building down
Ald. Vitek Take the building down

Poll: 7 – 3 in favor of taking the building down

Mental Health Board Discussion

Mayor Rogina explained that the Chair of the Mental Health Board has requested the City Council to consider a \$.05 increase in the levy. There would be no requirement to go to referendum per the ordinance. That would bring another \$60,000 - \$80,000 to the allocation funds. The Chair of the Board has indicated that the requests for mental health are over \$1M. The Mayor said that he's not sure this is the year to implement this and asked for the Council Members viewpoint on the matter.

Ald. Stellato asked how much it would be per household. Chris Minick answered that a \$300,000 home it would be an additional \$5.00 per year.

Ald. Turner said that we give them enough and they will need to cut their list and prioritize. The list keeps growing, prioritize.

Ald. Lewis said that this was passed by referendum in 1985. If we were to raise it we should take it to referendum.

Ald. Silkaitis told the group that 20 applications were received this year. He explained to the group that a lot of time spent on the allocation decision. He said he thinks it's a good idea but this isn't the year to ask for it.

The Mayor said that if Chairman Waibel would like to come before the Council maybe she should consider talking about the future but avoid asking for the increase this year.

Ald. Payleitner added that this is for the benefit of St. Charles residents.

Ald. Silkaitis agreed and said that it's a requirement that agencies are only to serve residents of St. Charles with the funding.

The Mayor took a poll to find out if the Council would like Chair Waibel to come to a Council Meeting and make this request.

Four Council Members voted Yes

Six Council Members voted No

Chris made note that because it's part of the property tax it wouldn't be enacted until 2020/2021.

Department Directors were dismissed at 11:30 am

Council Member's Discussion

Mark mentioned having a luncheon for all the individuals that were involved with the new police department project. He said that part of the event would include passing out Chamber gift certificates as a token of appreciation. There would be no alcohol. He also took the opportunity to invite all Council Members to the luncheon. Mark told the group that this event is in the budget.

The Mayor brought up a letter received regarding the St. Charles Initiative. He asked Ald. Vitek to bring everyone up-to-date.

Ald. Vitek told the group that the committee is planning a kick-off event on May 12 that Tom Russe from Sterling Bank will host. An individual on the committee has made a \$20,000 contribution, and all other members have committed to contributing. There have been some contributions made on the website. They have decided that their first project will be First Street. Typically, this type of funding and grants take about 1.5 years to cultivate, we did this much quicker, and we do have interest from other entities in supporting the initiative. Ald. Vitek asked the group to be committed and to support it by attending the event. The Committee has also discussed the train trestle as a project and many other things. Ald. Vitek asked the Council Members to make a financial contribution and said it can be as minimal as they want it to be. It would say a lot if there was 100% Council participation in addition to 100% Committee participation.

Mayor Rogina said that he sees this site as an opportunity to send a message of support to the community. He told the group that he is going to commit to buying a bench as a thank you to the community.

Mayor Rogina reminded the Council Members to please use the microphones on the dais during meetings.

Then he told the Council Members that it's important that motions are clearly read into the record. The person making the motion can do this, or signal to the Chair to read the motion but it has to be done. The Chairs always have the right to ask for a Parliamentary Inquiry on something that is controversial. He went on to say that the Chairpersons should try to direct the conversation and the meeting. If there is a motion on the table it's still open for discussion, withdraw, or amendment.

Ald. Stellato stated that if the motion is read into the record as a staff recommendation and it's printed on the agenda verbatim, he's comfortable with saying "so moved". If something needs to be amended it should be up to the Chair.

Ald. Vitek said that the Council Members should be held to the same rules as the residents that come to speak at meetings. The meetings should be kept moving and the same statements should not be repeated over and over.

Ald. Bancroft said that it would be good for staff to give the recommended motion on the Executive Summary writing out the exact words to be said.

Mayor Rogina stated that staff is hired because they are experts. Their job is to develop these recommendations.

Ald. Payleitner stated that there are staff made motions and possibly less than 5% of the motions that come before the Council are crafted at the dais. Those are the motions that deserve the courtesy to be recognized by the Chair. Cannabis is the most recent example.

The Mayor brought up the cannabis issue and asked that it be acted on either way.

Ald. Payleitner made the point that the delays were out of their hands.

Ald. Bancroft said that staff should craft the recommendations for Council, and that the Chair should initiate conversation if need be.

Ald. Vitek added that she would like staff to avoid putting the actual business name in ordinances when there are changes. Sometimes if you don't like the business it might affect the vote and it's really about the ordinance not the business.

The Council Members had a General Discussion regarding Cannabis.

The Mayor asked the group if there was one piece of advice they would give to a new Council Member what would it be?

Ald. Payleitner – It's okay to be the new person. It's okay to ask questions you're not an expert.

Ald. Bessner – Agreed with Ald. Payleitner. Ask questions and be open.

Ald. Silkaitis – Listen well, don't hold back, stick to your morals and principles. Don't be talked out of it.

Ald. Turner – Don't be afraid to speak up.

Ald. Vitek – Don't take things personally.

Ald. Stellato – Do not micromanage the staff. Staff can be relied upon.

Ald. Bancroft - Be respectful staff's time. Staff is not there to answer your questions, but to do their job.

Ald. Lewis – This is a time of electronics. Be very conscious of what you say or email. Be very conscious what you say in an email.

The Mayor agreed. All communication subject to FOIA.

Mayor Rogina went on to say the Council Members are policy makers, staff works to follow policy. Let them do their job. If someone isn't doing their job you have to let Mark Koenen or me know. No one is perfect, we've all messed up.

Ald. Bessner said we have a great staff but for a while I felt like they were leading us. Going back to what Ald. Bancroft said, it's right not to micromanage. Is there ever a time when you experienced staff telling you what our rolls are to them.

Mayor Rogina said that the staff believes strongly that as an aggregate of ten individuals they are very happy working for you. They know what an efficient and honorable Council this is.

Ald. Bancroft said that the directors are leaders. That's what you want, leadership.

Ald. Payleitner added that when she took this job she thought of her role as a liaison from the City to the people and the people to the City. When there is an issue she will reach out to staff only after she's done all she can do.

Mayor Rogina said that sometimes there have been situations on the dais or behind the scenes where there are disagreements. This Council has made policy decisions for a long time and this City works. He told the group he's proud to be the Mayor and work with all the Council Members. We're set to go forward and back each other.

Ald. Lewis asked if have been any decisions made on how we're going to balance the budget.

Mayor Rogina indicated that it will be suggested that we use reserves. If you don't want to, vote no.

There was a general discussion regarding the budget.

Ald. Bessner asked if there is an updated timeline on Wahlburgers.

Mayor Rogina said that the grand opening is scheduled for April 29. Mark will not be there but Paul and Donnie will be there. The week prior they will invite the Police Department and Fire Department in for a soft opening. June 9 or 10 there will be a VIP private event, Mark will be there, and Council will be invited.

5. Executive Session (5 ILCS 120/2 (c)(4))
 - 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)
6. Summary of Activities
7. Adjourn

Motion by Ald. Payleitner, second by Ald. Lewis to adjourn the meeting at 12:40pm

Voice Vote: Ayes: Unanimous; Nays: None; Mayor Rogina did not vote as Mayor.

Motion Carried

:tc