

**MINUTES
CITY OF ST. CHARLES
GOVERNMENT OPERATIONS COMMITTEE
MONDAY, MARCH 19, 2018**

1. Call to Order

The meeting was convened by Chairman Bancroft at 7:34 pm

2. Roll Call

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

Absent: None

3. Omnibus Vote - None

4. City Administrator

- a. Recommendation to approve a Request for Funding for the 2018 Heart of the Fox Races, Color Fun Run and “Runs, Tugs and Hugs” event.**

Mark Koenen: Item 4a makes reference to a proposed special event to be held in Downtown St. Charles. This is a Request for funding from this group. It’s being partnered with what was the Bob Leonard River Walk and Run. We have been asked to make a \$1500 contribution to help sponsor this event. We have the money in the budget and something we have done in the past. I would request a favorable motion for this item.

Motion by Ald. Stellato, second by Bessner to recommend approval of a Request for Funding for the 2018 Heart of the Fox Races, Color Fun Run and “Runs, Tugs and Hugs” event.

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

5. Police Department

- a. Recommendation to approve an Ordinance Amending Title 5, Entitled “Business Licenses and Regulations” Chapter 5.08, “Alcoholic Beverages”, 5.08.090, “License - Classifications”, Section 5.08.100, “License Fees; Late Night Permit Fees; Fees Established, and Section 5.08.130 “License-Hours of Sale” of the St. Charles Municipal Code (New G-2 Liquor License Classification).**

Chief Keegan: Last month I brought a concept plan forward to the Government Operations Committee indicating the desire to open a Nano-brewery on the far south side of St. Charles. That application is not advancing forward just yet; I do plan on taking that to committee and Liquor Control Commission next month. Tonight’s item advanced forward from Liquor Control Commission with a 4 -0 vote. It codifies the license in the code. There are three subsections of that license. The creation of the G-2 Market License, a brewery concept, which is three different business plans under one roof. The hours of operations would be 7am – 10am, there would be a small carry-out component along with some

tasting, the site license under subsection 10 is currently recommended at \$3,000 which is consistent with what their site license is. The hours would mirror what they have in place now both at the Urban Counter and the Pride Liquor Store, and will be consistent with our A4 licensee.

Ald. Lewis: Is this license specific to this location?

Chief Keegan: We didn't do that in this particular license. We see this may be the first of many coming forward in the future and an expanding trend.

Ald. Lewis: A restaurant, a package store, and a brewery all under the same building, with a gas station next to it?

Chief Keegan: We did see some similar concepts; not exactly the way this is presented, we saw similar language in North Aurora, and some of the surrounding suburbs. This is a unique concept, giving our research and talking with other municipalities we feel this may be a trend.

Ald. Turner: It says Nano-brewery, Market, and Video Gaming.

Atty. McGuirk: That's just a category regarding fees.

Ald. Turner: We're not allowing video gaming in this place as far as I know.

Ald. Payleitner: I'm not comfortable without putting a face to it just now. It would have been better being able to visualize a businesses; this really looks specific, especially the last paragraph in the ordinance: *Alcohol served for the purpose of consumption on the premises may be carried and consumed throughout the premise and only if movement can be made wholly within the enclosed structure of the premise or approved outdoor seating area. The license shall be a site license for the complete premises.* I may be sold on it if I could put it with a particular business, but right now I'm not comfortable.

Ald. Vitek: Can you clarify the timing. At Liquor Control Commission last month we looked at the concept and it was pretty thorough, a well written business plan, we felt comfortable enough approving and giving feedback on the concept.

Chief Keegan: There is a zoning issue that is being worked on. We are going to be advancing the application before May 1st for the license renewal.

Ald. Payleitner: The concept doesn't seem to be just that, a concept. It's nothing hard and fast just yet. I'd like to wait for that.

Ald. Lewis: They could have video gambling in the urban café if they like, correct?

Ald. Keegan: Currently our video gaming ordinance allows B, C and D licenses only. It would be allowed per our current code right now. If we authorize this G-2 license and its approved we would have to bring this license classification in front of Council for your consideration as far as video gaming. Right now under their B license they are eligible for video gaming.

Ald. Gaugel: Just to be clear. What we're approving is a new class of liquor license that can be applied anywhere in the City for anyone who wants to use this business model. Tonight it's just the class.

Chief Keegan: Correct. You'll also see that with my next agenda item, we're asking for consideration to approve a new class, yet the license isn't advancing forward.

Ald. Lewis: If these places wanted video gaming, we would have to allow a G licensee be part of the video gaming.

Chief Keegan: Yes, I would have to advance it for your consideration to enlarge the license availability to the G classification.

Ald. Lewis: Because you can walk all around the site from place to place, correct?

Chief Keegan: Currently our video gaming ordinance only allows B, C and D licenses, this market license is different, if they asked for video gaming I would put it on hold and bring it forward for consideration.

Ald. Lewis: They could put it anywhere within their site?

Chief Keegan: There are strict guidelines, that's done by the State. They wouldn't be able to put them just anywhere they choose.

Ald. Bessner: What if they already had gaming? Would it be grandfathered in, or would they still have to get a new license?

Chief Keegan: If they currently had gaming there would be another item on the agenda for the consideration of gaming. It wouldn't be automatically grandfathered in.

Motion by Ald. Stellato, second by Vitek to recommend approval of an Ordinance Amending Title 5, Entitled "Business Licenses and Regulations" Chapter 5.08, "Alcoholic Beverages", 5.08.090, "License - Classifications", Section 5.08.100, "License Fees; Late Night Permit Fees; Fees Established, and Section 5.08.130 "License-Hours of Sale" of the St. Charles Municipal Code (New G-2 Liquor License Classification).

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

- b. Recommendation to a approve an Ordinance Amending Title 5, Entitled "Business Licenses and Regulations" Chapter 5.08, "Alcoholic Beverages", 5.08.090, "License - Classifications", Section 5.08.100, "License Fees; Late Night Permit Fees; Fees Established, and Section 5.08.130 "License-Hours of Sale" of the St. Charles Municipal Code (New E-8 Liquor License Classification/St. Charles History Museum).**

Chief Keegan: This is a classification only. We'll probably be bringing the application back next month. There are some issues the History Museum is working on with their insurance. There are three items to this ordinance as well, the classification of the E-8; it would allow for a certain amount of events per year, the license fee would be \$500. This is consistent with non-for-profit, for example the Steele Beam Theatre is \$500 per year. The hours of operation would also be codified in the ordinance chance and would be from 7 am – Midnight. Nancy Wolfe is here, she's helping with some of this material.

Ald. Payleitner: You mentioned Steele Beam as an example. Steel Beam isn't on City Property. Is there an issue with this being on City property?

Chief Keegan: We vetted this with Council and looked at some different ordinances from surrounding communities; it's a bit different because we own the property. I mentioned the Steele Beam as a point of reference for the fee schedule.

Motion By Ald. Turner, second by Lemke to recommend approval of an Ordinance Amending Title 5, Entitled "Business Licenses and Regulations" Chapter 5.08, "Alcoholic Beverages", 5.08.090, "License - Classifications", Section 5.08.100, "License Fees; Late Night Permit Fees; Fees Established, and Section 5.08.130 "License-Hours of Sale" of the St. Charles Municipal Code (New E-8 Liquor License Classification/St. Charles History Museum).

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

c. Recommendation to approve Parking Lot Closure and Use of Amplification Equipment for the Heritage Center "Best of St. Charles Foodie Fest".

Chief Keegan: This is for June 23rd from 5 pm – 9 pm. This is similar to previous years and will be done at the parking deck behind the History Museum. Previously we've requested a liquor license to go coincide with this request. This year part of the concept you just approved, the previous agenda item, would give that umbrella to the History Museum to also bring in either a vendor or put on an event themselves; I only need the lot closure and the amplified sound.

Motion By Ald. Stellato, second by Vitek Parking Lot Closure and Use of Amplification Equipment for the Heritage Center "Best of St. Charles Foodie Fest".

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

d. Recommendation to approve Street and Parking Lot Closures and an Amplification License for the Fine Arts Show.

Chief Keegan: Once again this is a repeat event. We've had a number of successful years of putting on this event. This will run Saturday, May 26 – Sunday, May 27 asking for lot closure and amplification, the hours of the event are 10 am – 6 pm.

Ald. Lewis: Just a point of clarification to make sure we don't need an addition to approval. I thought at the last meeting I attended for the Downtown Partnership they talked about doing chalk drawings on the other side, on the Plaza. Do you need permission? It's not in here.

Chief Keegan: I would just ask for a friendly amendment to include that in the motion.

Ald. Lewis: I want to make sure they are covered. I would like to make that friendly amendment and motion that they have permission to use the Plaza also on those 2 dates.

Chief Keegan: I believe we're not going to close the Plaza which is why we didn't ask for the Plaza to be closed. I'll reiterate your concerns with my staff.

Ald. Lewis: I don't think people are going to start drawing on the sidewalks there.

Chief Keegan: We'll take care of this and close it from Rt. 64 to the entrance of the parking garage to accommodate the chalk drawings.

Motion By Ald. Stellato, second by Turner to recommend for approval Street and Parking Lot Closures and an Amplification License for the Fine Arts Show.

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

e. Recommendation to approve The Use of City Plazas/Property and an Amplification License for STC Live.

Chief Keegan: This is an ongoing event we've done for many years. This runs from Memorial Day through Labor Day, there are no changes. This is the 5th year.

Motion By Ald. Gaugel, second by Silkaitis to recommend for approval The Use of City Plazas/Property and an Amplification License for STC Live.

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

f. Recommendation to approve a Resolution for the Closure of Main Street for the Memorial Day Parade.

Chief Keegan: This year the Parade is on Monday, May 28. The closure will be from 9:45 am – 11 am. We'll do a resolution with the Illinois Department of Transportation.

Motion By Ald. Stellato, second by Silkaitis to recommend for approval a Resolution for the Closure of Main Street for the Memorial Day Parade.

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

g. Recommendation to approve Late Night Permits for Class B and C Liquor License Holders of the City of St. Charles for FY 2018/2019.

Chief Keegan: This Advanced from Liquor Control Commission with an advancement of 4 – 0. I'm going to ask for a friendly amendment. Initially in the packet we asked for 26 late night permits. There were 12, 1 am permits, and 14, 2 am permits. Just this morning 2 licenses came forward for consideration; Eden on the river, and Los Burritos Mexicanos. That would bring the total to 28, 14, 1 am, and 14, 2am.

Everyone is licensed until Midnight, and they're permitted for 1 am or 2 am based on a number of factors. As part of our ordinance each year I review not only the law enforcement activity at each address but also ask the associated departments within the City to approve the list. Each of the departments has approved this list and I did indicate some of the activity. I see continual improvement in our relationship and the behavior of our businesses. We encourage them to call us; I would ask that you don't look at the calls for service as a mark against them. We look at the type of calls and how we respond. Sometimes the arrest or the report may not have anything to do with the establishment or the fact that they didn't have proper oversight of their establishment. When I bring something forward to Liquor Control Commission that's a telltale sign that there is an issue; I've only brought one violation forward this past year. I'm in constant communication with proprietors and the Liquor Commissioner. As I mentioned there has only been one violation, and there have been no warning letters. The one we did have, we did an abatement plan, they incurred a steep penalty, and we've seen much improvement.

Ald. Bancroft: Thank you. I think it's important to make sure we're not discouraging people from reaching out to the police.

Ald. Payleitner: Was there a list of licensees in our packet or just the one's with violations?

Chief Keegan: We listed the 26 licensees requesting late night permits.

Ald. Payleitner: That's what this chart is. You're missing 2.

Chief Keegan: Those are the 2 I asked for the friendly amendment on, one is a New Business, Eden on the River, and the other is Los Burritos Mexicanos, they have had a 1 am permit over the years and initially decided he didn't want it, but then changed his mind this morning.

Ald. Payleitner: Neither is listed on this chart. Where is Los Burritos located?

Chief Keegan: It's at 2125 W. Main Street.

Motion By Ald. Stellato, second by Turner to recommend for approval Late Night Permits for Class B and C Liquor License Holders of the City of St. Charles for FY 2018/2019.

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

h. Recommendation to approve an Application for a New Massage Establishment License for Restore and Recover located at 1121 E Main Street, St. Charles, IL 60174.

Chief Keegan: This advanced from the Liquor Control Commission with a vote of 4 – 0. I would encourage you to look at the photos I've attached in your materials. This is an office building on the near east side, the 100 block of E Main Street. Jessica is looking to occupy a small suite in the building. This is an appointment only establishment. They are exempt from the mandatory manager on duty. Jessica has been a massage therapist for 6 years. She's been vetted. She has more of a therapeutic, recovery type business model.

Ald. Gaugel: Do you have plans of hiring anyone else?

Jessica Kleca: Not within the first year? After I assess the first year I may consider hiring on another person.

Motion By Ald. Turner, second by Vitek to recommend for approval an Application for a New Massage Establishment License for Restore and Recover located at 1121 E Main Street, St. Charles, IL 60174.

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

6. Human Resources Department

a. Recommendation to approve a Resolution Authorizing the Director of Human Resources to Execute a Letter of Agreement Between the City of St. Charles and HUB International Midwest Limited.

Jennifer McMahon: For your consideration is a letter of agreement for one year with HUB International to provide benefit consulting services. They work with both Finance and Human Resources to help do some fiscal analysis and budgeting for our self-insured health insurance plan, as well as help us seek out other benefits such as, dental, vision, etc. They also help with our open enrollment materials and resolve the more complex claims that employees may have. The last time an RFP was issued was in 2014, effective May 1, 2015, it was a three year agreement. That agreement is expiring at the end of April. Given my short tenure, and the fact that we're bringing on a Purchasing Manager; I asked that they hold their price and extend the contract for one year, and we'd like to go out for RFP this summer. Included in your packet is the one year agreement of the same price we're currently at which is \$44,000, that is budgeted for the upcoming fiscal year.

Ald. Turner: Next year you're going to go out for RFP?

Jennifer McMahon: I'll do that work over the summer, but it would be effective May 1, 2019.

Motion by Ald. Turner, second by Stellato to recommend for approval a Resolution Authorizing the Director of Human Resources to Execute a Letter of Agreement between the City of St. Charles and HUB International Midwest Limited.

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

7. Fire Department

a. Recommendation to approve an Ordinance Authorizing the Disposal of Surplus Personal Property Owned by the City of St. Charles.

Chief Schelstreet: The Fire Department has a list of miscellaneous equipment and other items that have exceeded their useful life due to age and condition. I'm requesting approval to work with Finance and Inventory Control departments to list this material on the auction website. All monies would be returned to the General Fund and all items we can't sell would be donated.

Ald. Silkaitis: Do we have any success selling these items, or do we have to donate them?

Chief Schelstreet: Typically we put the materials up for auction. A hose can go quickly or languish.

What we do have is the Fox Valley Academy at Kaneville has asked for equipment, the kids are on different fire departments who have asked. We do work for that, but to stay in compliance with City Policy we put them up for auction first.

Motion By Ald. Turner, second by Lemke to recommend for approval an Ordinance Authorizing the Disposal of Surplus Personal Property Owned by the City of St. Charles.

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

8. Finance Department

a. Recommendation to approve Ordinance Reserving and Authorizing the Transfer of Volume Cap in Connection with Private Activity Bond Issues and Related Matters Budget presentation.

Chris Minick: This ordinance reserves volume cap related to private activity bonds. Each year we reserve the volume cap related to these private activity bonds in case there is a qualified project that comes up. These private activity bonds can be used as an economic incentive for qualified industrial expansion projects and provides tax exempt financing, or the ability for private entities to tap into tax exempt financing to allow projects to be completed at a lower cost. Passing this ordinance does maintain the maximum flexibility for the City to adjust any projects that may come forward. Staff does recommend approval.

Motion By Ald. Turner, second by Lemke to recommend for approval Ordinance Reserving and Authorizing the Transfer of Volume Cap in Connection with Private Activity Bond Issues and Related Matters Budget presentation.

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

b. Fiscal Year 2018-2019 Budget Presentation – For Information Only.

Chris: Tonight we will be having a discussion regarding the FY 18/19 budget draft. We hold this discussion as part of the budget process to make sure the staff is on the right track. It's held before the public hearing and adoption. That is why we're here tonight.

We'll discuss the recent financial trends the City has been experiencing, the General Fund, and the funding allocated to the civic groups, as the Committee is aware we changed the timing of the presentations the civic groups make annually. We'll go over a summary of the utility funds, the significant capital projects, the proposal for a local gasoline tax, the minimal staffing changes being proposed and then we'll answer any questions or take any comments.

I would like to note that the public hearing for the budget document is scheduled for April 2, 2018 at 6:45 pm.

The City has a history of making prudent financial decisions which has resulted in a very fiscally responsible St. Charles; it's put us in a good place as far as our financial performance and our reserve levels. We are seeing some stressors in our existing revenue streams and our ability to balance the

budget annually. One of the main factors related to these stressors relates to how the State handles its own fiscal crisis and budget. We passed budget in April, 2017, at that time the State did not have a budget in place. Later in July, 2017 the State enacted its FY 17/18 budget. It included some reductions in the revenues that the State shares with municipalities. There are 2 primary reductions that State undertook in July, 2017 that have had a big impact on the City of St. Charles. First is the 10% reduction for FY 17/18 in the income tax revenue stream. The Governor did elude that they are looking to extend that reduction for another fiscal year. The impact of that to St. Charles amounts to approximately \$325,000 - \$350,000 annually depending on how much income tax revenue is taken in by the State.

The second major revenue reduction undertaken by the State is the 2% administrative fee related to certain taxes the State collects on behalf of municipalities. For the City of St. Charles that applies to our home rule sales tax. The impact to the City as it relates to the 2% fee is approximately \$100,000 - \$125,000 on an annual basis. Combined these 2 factors have resulted in a revenue reduction from the State of Illinois in the amount of approximately \$450,000; to put that into context, that's roughly 1% of the revenue stream of the General Fund.

Capital maintenance and capital projects; each year we've had to defer, delay, or cut capital projects out of the budget as part of the budget process; for FY 18/19 that amounts to about \$2.2M. Unfunded mandates have had a big impact primarily related to Capital Projects and the phosphorus standards we have to comply with at the wastewater treatment plant.

The City has taken the stand of freezing its tax levy for the last 9 years. This does have some impact on the revenue streams. We do see inflation taking a bit of our purchasing power each year, which has reduced our purchasing power from \$12M when that freeze was enacted 9 years ago to \$10.5M. When we levy \$12M that is all we collect. Any taxes from growth, new property or property value/appreciation serve to lower the tax rate do not actually increase our revenue.

The good news for the FY 18/19 budget is that it is balanced, operationally we're in good shape, we are proposing a new \$.02 per gallon gasoline tax, we do have some minimal staffing changes proposed, and some utility rate adjustments.

It's important that the Committee and the Public have a good idea of what the scope, size, and scale of what the City's budget is on an annual basis. The City took in \$176M in revenues across all funds, and expended approximately \$159M in revenue. For FY 17/18 we have forecast results showing a large run up in the revenue and financing sources primarily related to the debt we're going to issue related to the Police Station and the bond issue that goes with that. That accounts for the \$10M increase from \$176M to \$186M. As we look at the proposed budget draft for FY 18/19 it looks as though we're out of balance but there's a timing difference occurring with those bond proceeds. We are going to take those in close to the end of FY 17/18 but expect to expend those bond proceeds during FY 18/19. That accounts for the large expenditures in the upcoming year. If you net out the forecast results between those 2 years there is actually a \$2M surplus generated.

General Fund Highlights

- Balanced operations
- Revenue streams continuing their recovery
- Property tax levy remains frozen
- Expenditures continue at historically low levels
- We are getting back to the pre-recession levels of revenue and expenditure within the General

Fund

- We are starting to see starting in FY 18/19 and going forward some additional debt service expense related to some capital projects we have upcoming primary related to the police facility.

As we entered into the Great Recession we did a good job of managing our revenue and expenditure streams. We are projecting for 2018 that we will have a small deficit. Just now at the end of April 30, 2018 are we starting to get back to the pre-recession levels of 10 years ago. We anticipate eclipsing those levels and being above them for the first time at year end April 30, 2109 and are projecting a break even budget.

Each year we project out 3 years beyond the current budgeted fiscal year. We start to see some trends if revenues don't increase that are disturbing in terms of a deficit that would occur in each of these years. However, the City takes steps to make sure we present a balanced budget. These projections are just to show the trends.

I mentioned that we are expecting a small deficit within the General Fund operations for FY 18/19 in the amount of \$242,000, based on revenue of \$43.2M and expenses of \$43.4M. We talked about the impact that the State revenue reductions have had on the City and the General Fund. We talked about a \$450,000 annual impact; if that \$450,000 was not removed we would be seeing revenues of \$43.6M which would be a \$200,000 net income. That is the impact it's had on the City; it's put us from a projected surplus to a projected deficit position.

We are still in good fiscal shape even with this deficit. We still have \$17M - \$18M in our reserve account, that equates to 41% of our annual expenditure level in the General Fund.

We are proposing for FY 18/19 \$45.2M of revenues from other financing sources. We do anticipate about \$45.2M in expense and have a break even budget with a slight surplus of \$700.

We are proposing to utilize a portion of the reserve funds to make a down payment on the police station facility. If so reserve levels will be reduced by \$3M taking us to \$14.8M, well in excess of our 25% minimum threshold for reserves in the General Fund.

About 2/3 of the revenue in the General Fund comes from property taxes and sales taxes. The intergovernmental revenue, that is where our income tax stream is reported, has dropped from 9% to 8% reflecting the reduction from the State of Illinois. We also have hotel tax revenues, franchise fee taxes and revenues, and alcohol tax revenues.

Half of the expenditures within the General Fund, we have about \$42.5M in expenditures budgeted, goes to fund public safety, police and fire activities. Another 16% goes to Public Works, roughly 2/3 of the expenditures in the General Fund go directly to the Police Department, Fire Department and Public Works services. Another \$4.5M funds general government functions, the City Administrators Office, Finance Department, Human Resources, Information Systems, etc. Another 7% goes to fund Community Development, and about 14% goes to inter fund transfers related to capital expenditures or debt service payments.

Funding – Civic Groups

The amounts included in the 18/19 budget:

- The History Center - \$35,000
- The Greater St. Charles Convention and Visitors Bureau - \$503,382
- The Downtown St. Charles Partnership - \$245,000
- The Visitors Cultural Commission - \$90,000

These are proposed amounts, and are tentative until service agreements are approved or the funding requests are formally enacted by the City Council.

Ald. Gaugel: The reserves we were at 41%, and projected at 33%, can that be projected out further if we were to come down closer to our 25% minimum to see what the trend would be? Our reserves are pretty healthy right now compared to what we state we need. I'm sure the revenue projections are still going to be below what are proposed expenditures are, but how much of a difference would that make if we got close to that 25%?

Chris: Are you talking about utilizing our reserves to offset some expenditures?

Ald. Gaugel: Reserves in excess of the 25%.

Chris: If we had the items go the way projected we would be at 5% of the reserve level by 2022. We haven't looked at utilizing reserves to offset operating or capital, if trended out, it would be significantly below.

Ald. Gaugel: My question isn't to get below the 25%, but to include the difference between our 25% required minimum and whatever the surplus is, how would the trend look?

Chris: Yes we could.

Ald. Lewis: Are those percent's similar to last year? Does each department get the same amount?

Chris: Yes. There may be a little bit of shifting a percent or two, but there aren't wholesale changes.

Ald. Bessner: Has there been a time when we've been down to that 25% threshold that you can remember?

Chris: Not in my tenure. In my tenure we've always been above 30%.

Ald. Bessner: Is that what kept us healthy during the recession?

Chris: Not so much in the General Fund, but if you recall the Electric Fund really took a hit as we went through the early part of the recession. We actually were able to borrow some money from the General Fund to subsidize the operations of the Electric Fund. That's all been paid back. Having those reserves was very useful at that time to be able to keep rolling forward with the utilities.

Ald. Bessner: Twenty-five percent, that would put us at approximately \$12M.

Chris: It would be closer to \$11M.

Ald. Lemke: When we say that half the expenditures are public safety, good idea, as the community grows maybe the Community Development Department is involved. I would argue that we should get as much from the new developments as we have been getting from the existing, as opposed to using a gas tax to finance a growing police and fire as it grows with all of us.

Chris: Utility Funds. The believe Committee is aware of the situation/challenges. In 2009 and entering into the period of the great recession there was a significant gap and our revenue streams had not kept pace with our expenditure levels. About 2011/2012 the City Council directed staff to enact a series of small rate increases over time to address the situation. We have had a lot of success reversing that trend. We are to a point where we are posting surpluses as we get into the 2010's and have cut back on some of the rate increases. We are in a break even position.

We have positive reserves in all three utilities. There are some significant Capital Projects proposed mainly with EPA compliance mandates on the wastewater side, also some maintenance projects.

We are undertaking a rate study right now with Burns and McDonald. We anticipate that rate study will be complete during the summer of 2018. We will then be able to evaluate the rate structure moving forward.

The operating revenues that come out of the 3 utilities combined are approximately \$80M. We do have some capital expenditures and we are anticipating the operation of the utilities combined will contribute \$1.2M of surplus next budget year. That would take the reserve level for all 3 utilities from \$13M to approximately \$14M.

We have some rate adjustments/increases, and anticipate those to total 3.1% - 3.2% for FY 18/19. We anticipate those increases would impact the customer about \$82.50 annually.

The recommended rate structures are a bit lower in scope than the prior year. The residential component of the Electric Fund we are expecting a 2% increase in the terms of the cost of our wholesale purchases from IMEA. We are passing that along in terms of the consumption rate. That would take the electric rate to 11.96 ¢ kWh for all months we don't differentiate between summer and winter use. The good news for the residential customer is that the monthly service charge is not changing. This would mark the third year the charge has not increased.

Water utility, all customers are seeing a monthly service charge to \$8.30 and the consumption charge will increase to \$3.60 per thousand gallons. In terms of the wastewater the increase will be approximately 5.65% primarily driven by the EPA assessment charge of \$18.56 and a volume treatment charge of \$5.85 per thousand gallon of sewage.

About three years ago we enacted the EPA assessment to finance projects necessary for compliance with environmental standards. The phosphorus discharge project is currently going on and we propose that the charge would increase to \$1.35 per month, per account, in accordance with the analysis done about 3 years ago. This is an escrow account. The revenues and expenditures for the compliance issues are tracked separately. To date approximately \$202,000 has been collected. There have been no expenditures from this account yet.

Even with the rate structure as proposed I'm proud to announce that the City is maintaining its position as the lowest cost utility service provider in the Tri-City area.

Capital Projects

We have 2 dedicated revenue sources that staff is proposing for capital projects for the FY 18/19 budget:

Video gaming revenue – We have budgeted approximately \$120,000 to use as a funding source capital projects and we did include that for each of the 4 years projected.

Local gasoline tax - \$0.02 per gallon proposed tax sold within city limits effective 11/1/2018. We estimate the local fuel tax would generate approximately \$425,000 annually. Since we're proposing the implementation of this tax halfway through the fiscal year we've included \$212,500 in the budget draft as a revenue source to be used exclusively for capital projects as we go forward.

If this is local gasoline tax concept is acceptable it would not be automatic upon adoption of the budget. Staff would need to prepare an ordinance that would impose the tax and it would have to be brought to a future Government Operations Committee meeting and ultimately the City Council would need to adopt that before the gasoline tax would be implemented and effective within the city limits.

Ald. Gaugel: I do not support the gas tax and based upon some of my informal conversations with some of the other council members I don't know if it has full support. I would like to see it eliminated from the budget going forward. I will not be able to support the budget with the gas tax included and I will not support gas tax when it comes up for discussion with the ordinance.

Ald. Payleitner: I concur. I thought the discussion we had was minimal and it's premature to include the gas tax as it applies to a balanced budget. I agree with Ald. Gaugel.

Ald. Lemke: My reading of the same discussion was that there was interest in keeping, in lieu of a gas tax and perhaps that might occur later based on other factors, to say that holding instead of our levy at a flat amount that we should hold the EAV rate steady and allow the EAV to give an increase.

Ald. Turner: Let's keep the increase. I've been saying that for a couple of years on the assessments, before we go with another tax.

Ald. Lewis: I am opposed to this gas tax and I was surprise to see the press release that this was going to be in the budget. I didn't understand how you can vote on a budget including an ordinance that might or might not pass. It is customary to balance a budget based on something that isn't approved.

Chris: It's not unheard of to do it that way. We'll go back and balance the budget if the direction of the Committee is to remove the gas tax.

Ald. Lewis: To me it's backwards, and I hate to see St. Charles go in the direction of putting things in to balance the budget and then write the ordinance afterwards. To me that's the wrong way to go about this. I will not support this gas tax, and if it comes up in an ordinance later I will not support it.

Ald. Silkaitis: I have trouble supporting the gas tax. I didn't know it was going to be in the budget. We had the conversation at the retreat, but I don't remember agreeing to move ahead with it. I have trouble supporting this.

Ald. Stellato: My comment to my colleagues on the Council is then what should we take out of the

budget? We're coming up to some capital improvements, programs we discussed, the Partnership and the History Museum, do those funds start to be cut. At some point we have to make tough decisions and those decisions when we look at the options are cut funding or cut capital projects, or we can put a gas tax in place or raise the levy. Somethings got to give. It's easy to say eliminate the gas tax, if there isn't enough support we don't do it. How do we increase revenue? We have to put a lot of thinking into this.

Ald. Lewis: I agree with what you're saying, but we also have to look at how we can cut spending. We just can't keep raising, we do have to look at where we can cut spending it goes hand in hand.

Ald. Stellato: I'm going to take issue with that because we're not raising and spending more. We've been frozen at \$12M for the last 9 years. I'm not sure where the spending is coming from internally. If there are projects here we're looking at cutting; that I agree with. But trying to tell the staff to live with less; I was on the Council when we first started that 9 years ago, we've frozen that \$12M. It cannot continue to go that way. No other public body has done what we've done. At some point cutting spending might mean cutting projects, cutting funding with some of the people we partner with.

Chris: To remind the Council, we did undertake a process where over 2 years we removed \$5M from the General Fund budget. It was an approximate 11.5% reduction when we went into the Great Recession. That's exactly what you see reflected here. The expenditure level in 2008 of almost \$43M at the end of 2010 it's \$37M. That's exactly \$5M less. There was a big period of time when the City cut spending out of the budget. We are just now getting back to that level of spending.

Ald. Lewis: I think you've done a wonderful job; I'm not saying you didn't do that. I'd like to see us stay prudent and not raise, but we've also raised, did we used to fund some of our utilities out of the General Fund?

Chris: We only subsidized operations as a loan. The utilities have now paid that back. We do not subsidize any of the operations.

Ald. Lewis: But our utilities, as a taxpayer in the community, have gone up. Part of that in the General Fund, is we gave the residents some help out of the General Fund in paying their utility bills.

Chris: For a period of time, we loaned them money essentially out of the General Fund and it was paid back over time.

Chair Bancroft: I really appreciate the history lesson, you and I have talked about this; I've talked to the Mayor. I'm tired of hearing about the Great Recession and what we did back in 2008. It doesn't matter anymore, what matters is right now. Chris just stated that 2/3 of our budget goes to Police, Fire and Public Works. Start talking about cutting. That's where you're going to be. People aren't going to like getting less services, and I would imagine they will have an issue with cutting the other emergency services. I think there is a reality to the fact, for a variety of reasons, a lot of it is the State we live in. We are going to need to develop new revenue sources. We may disagree with gas tax right now; it doesn't appear to have the votes. At the end of the day you have to find it somewhere.

Mayor Rogina: The comment that we didn't know it was coming, you ask staff to present a budget every year, you can vote it up or down, and take anything you want out. I think staff has presented a balance budget every year that any of you have been on the Council. We've run a good fiscal ship for 9 years. I've heard the comment from this Council that we need to ween ourselves off the State, become

more self-reliant. He just told you of \$450,000 being moved out. I like the fact that we're already advancing a theory, thinking ahead, about the possibility of changing the levy. Is a \$0.02 gas tax unusual; Naperville \$0.04, Schaumburg \$0.03, Elgin \$0.04, Batavia \$0.04, Warrenville \$0.04, Plainfield \$0.04, Oswego \$0.04. This is a user tax, if you don't want to use the product you don't have too. I think it was good we put it out on social media, there was no derogatory comment. That's why you have the option to do this now or later. It's out there for discussion. I respect you all; I support this gas tax, but I also respect you enough to know you're against it. We'll figure it out, but as a short-term vehicle, to offset the LGDF and administrative fee. We should all be proud of our fiscal responsibility.

Ald. Turner: Mayor, I think you made a good point when you said this is a short-term fix, the gas tax. Let's make it part of a package. Let the assessments come to us, take advantage of that 3% per year. In my first year we revealed a restaurant tax, that's another user tax. As far as collecting more money on the assessments, that's not our fault that's the market at work. Let's try to package this and figure out how much each of these is going to impact.

Mayor Rogina: I think it give us a couple of things to think about. If you choose to pass the budget with an amendment to take this out, that's fine. It is a tax, but I don't think we're imposing that much on our citizenry given our fiscal responsibility. We left a lot of money on the table that could be used to keep the reserves where we want them.

Ald. Vitek: I don't know that you don't have support. I thought at the retreat, looking at all the options; this was one of the options that would be fiscally responsible. It is short-term, slightly without making a big move that directly impacted residents. We have to do something. We have many community groups here today requesting funding, several capital projects that aren't going away, we may be seeing more. I agree a package deal is good, but this is small move we can make.

Ald. Stellato: The revenue sources right now, besides property tax, which is on the table if we do something with the EAV, the next largest have to do with sales tax. Everybody in this room knows what's happening with sales tax, it's not going up, not the way the economy is going and the way Amazon is working. That number to me is going to shrink over time. We haven't even begun to talk about when that starts to happen and how it will hit our community. I can't say enough about Community and Economic Development getting T.J. Max and the others on the east side. What we're seeing is places like Charlestowne mall being replaced by residential.

I don't want to cut any of the funding to the groups we have. Those groups are very important to us. We've worked on the funding allocations with them over the years. That has to stay in place. Where do we cut? To me, if we could find an alternate solution, I think the only solutions right now are the gas tax, work on the EAV, or something else that I haven't thought of yet. If any of you do let me know.

Ald. Payleitner: When can we start a conversation on the levy?

Chris: The levy for FY 18/19 is already set. That was the levy passed in December and the levy that's currently being finalized by the county. They will send the bills out late April, early May. We can begin the discussion at any time. The soonest we would see an impact would be FY 19/20.

Ald. Payleitner: Would we need to decide yes or no?

Chris: If we are looking at changing the tax levy in some way we would have to have that done prior to our filing of the levy in December, 2018. We would see the results May 1, 2019.

Ald. Payleitner: I think that's the direction we need to go. No other taxing body does that. Also, our CVB money, that's a lot of money that we don't see a return of investment on. We could fund other things with that money. It's a lot of money being thrown away and not knowing what our return on investment is.

I would like to have a further conversation regarding the gas tax, but I say no right now. I would love to entertain a conversation on the levy.

Ald. Lemke: If we were to stop leaving money on the table what would be the amount, and what would be the timing. The problem is that the vehicle population is getting more and more efficient. With that in mind I don't see that a fuel tax is going to grow, as it would if we understood that a greater EAV means less money on the table.

Ald. Silkaitis: There has been talk in several states about getting rid of the gas tax and going to a mileage tax. You would be taxed on how much you drive. The gas tax is going to go down as vehicles are more efficient.

Chris: I think the Mayor eluded to it; it's a revenue source we wouldn't anticipate having a lot of increase.

Ald. Silkaitis: We do need to do something. I don't think the gas tax, in my opinion, is the answer.

Ald. Lemke: It would help us by comparison to know what we're anticipating from the gas tax. We have 2 options that have been discussed. What are the dollar and the timing of each?

Ald. Bessner: After taking a look at possibly cutting some of these if needed. I there a number you can come back with of what would be needed over the next 3-4 years. You're telling us you need \$450,000 because of the State. If we know after we we've done all we could, and we have a number, it might help to figure out how to best get there. Not just for one year, but several.

Ald. Lewis: You want to have this start in November, 2018, is that correct?

Chris: Yes.

Ald. Lewis: The shortage we're looking at for this year is \$215,000.

Chris: If gas tax is not approved we would need account for \$212,000.

Ald. Lewis: You wouldn't have to do it all in one place.

Chris: That's correct. Right now we do have the proposal and the revenue the gas tax would generate all contained in the Capital Projects Fund. There might be some ways to make it work.

Ald. Lewis: I'm with Ald. Bessner. I'd like to see that for this year. Next year we can do something more permanent.

Mark: A question in terms of direction. Chris and I both have a sense of the gas tax; it's not an element you want to include in the budget. We can bring back a proposal cutting \$212,000. The

question I want to understand, clearly, is do we want to talk about the gas tax in the future? What's the value we want to try and create in terms of revenue and look at that in terms of property tax increase, going back to the levy, in conjunction with a gas tax or only the property tax.

There was an indication from the Council that both should be considered.

Ald. Payleitner: Ald. Stellato mentioned the decrease in sales tax because of online sales. Do we not collect sales tax from online sales?

Chris: Only if the retailer has a physical presence in Illinois.

Chris continued with the budget presentation.

Chris: The significant capital improvements, several of them, the main one being the police facility construction. I would also like to draw your attention to the fact that there is funding included for the following:

- Rehab of George's Sports
- 1st Street Phase III Streetscape Improvement
- Replace Streetlights with LED Fixtures
- Initial Design Work for the Active River Project
- Storm sewer work related to Renaux Manor
- Investment in Security Technology
- Roadway Improvements and Preventative Maintenance
- Aging Condition of Utilities at Valley Shopping Center
- Increase Capacity of Wastewater Treatment Plant.
- Scada System Enhancement
- Campton Hills Road Water Tower Painting

All these projects are being funded by utility revenue stream and would not candidates to be funded by a gas tax, sales tax, or general fund revenue.

Deferred/Cut Capital Projects

We removed about \$2.2 M from the budget this year. Primarily related to the 7th Avenue Creek project, additional land acquisition, and we scaled back on a culvert replacement project. We removed roof repairs to the IDOT facility, deferred a bike path plan study and reduced the scale and scope of the sump line replacement program, sidewalk repairs and the gap replacement program for sidewalks.

In terms of staffing, it's consistent with FY 17/18 budget, we've got approximately 270 Full-time equivalent positions budgeted, not including crossing guards and personnel related to the emergency management agency. We have proposed one new full-time equivalent position, a lineman position that would be paid for from the electric revenue stream.

Staffing cost 62% of the general fund expenditures. That's not unusual for a service oriented organization such as ours. That funding level is actually down about 2%. It is in line with the three prior fiscal years.

In conclusion improving economic conditions have allowed the City to continue to thrive. Operations

are structurally sound. We've had slow and steady utility rate adjustments, however we do continue to see increased pressure, and key among those forces will be how the State is going to deal with its fiscal crisis and its budget initiatives.

We'll continue to see increased pressure from infrastructure and capital needs, in terms of what's related to wastewater. Continued Vigilance is essential to maintaining our sound financial performance and our financial history.

Vanessa Bell-Lasota: 1610 Howard. I may not have seen it; is the study of the water and the aging infrastructure included in this budget? It's still not done so we don't have a productive plan?

Chris: We do not at this point. Do we have a projected time for that?

Peter: The conclusion of the study will be in the Fall.

Steve Gibson: 243 Valley View Drive. I'm in front of you tonight as the Vice President of the St. Charles History Museum. We made our presentation back in January for our funding. I believe that night you almost took action, but decided to table. We're asking for the chance to get that action taken. We'd like to appear at the next meeting to have additional discussion.

Ald. Bessner: Is there a way to set the date now?

Mark: Contracts will be coming back for all external agency funding in April at the Government Operations Committee meeting. That would be the time to have that conversation. Contract would be for terms of the agreement as well as cost.

Ald. Payleitner: Is that for all of them Mark?

Mark: Correct.

Motion by Ald. Lemke, second by Stellato to move into Executive Session to discuss Land Acquisition under Property Acquisition and Collective Bargaining at 7:46 pm

9. 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. Stellato, second by Lemke to come out of executive session 9:01 pm.

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

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

11. Adjournment

Motion by Ald. Lemke, second by Silkaitis to adjourn the meeting at 9:02 p.m.