

**MINUTES FROM THE PUBLIC HEARING OF THE ST. CHARLES CITY
COUNCIL
HELD ON MONDAY, APRIL 18, 2011 – 6:55 P.M.
CITY COUNCIL CHAMBERS, IN THE CITY COUNCIL CHAMBERS
2 E. MAIN STREET ST. CHARLES, IL 60174**

- 1. Call To Order By Mayor Don DeWitte At 6:58 P.M.**

- 2. Roll Call.**
Present: Stellato, Monken, Penny, Carrignan,
McGuirk, Turner, Martin, Krieger, Bessner, Lewis
Absent: None

- 3. Public Hearing concerning passage of the Proposed Annual City Budget for Fiscal Year 2011/2012. Presentation by Chris Minick, Director of Finance.**

Mayor DeWitte stated that this information was published on April 7, 2011 in Kane County Chronicle.

Chris Minick

This is the last public presentation regarding the fiscal year 2011/2012 budget. The draft was made available on the same date of the notice in the paper. All conditions precedent to approve the budget have now been met, the City, at the conclusion of the public hearing, can legally adopt the budget. We are requesting adoption of the budget later on in the City Council agenda. We are tonight going to look at the budget overall. Take a look a more specific look at the general fund and the utility fund, and answer any questions, comments or public comments tonight with regard to the budget.

Now a quick look at the budget. The budget is balanced with no increases in taxes and no new taxes proposed. The City's trend of fiscal responsibility is continued. Some of the characteristics of that fiscal responsibility have been prudent, managed expenditure levels that are in line with revenue streams of the City, appropriate staffing levels for services rendered, we have utilized in the past limited revenue enhancements when necessary. We have also been prudent and responsible in our use of reserves by using very limited, targeted withdrawals from the reserve accounts as those have been necessary.

About two weeks ago we did talk about the concept that the utility enterprise funds would need some rate adjustments to sustain operations and to fund anticipated capital improvements. This particular graphic that shows on the screen now shows the comparison of the FY 2011/2012 proposed budget and the 2010/2011 forecast results as well as the FY09/10 actual results. As you can see in the far right column, that bar indicates we are anticipating a \$151 million in total expenditures citywide for FY 2011/12 that is an increase of about 2.4% over where we anticipate ending in FY 2010/11 at \$147.8 million. Additionally, you will see the blue column we anticipate revenues of about \$143.2 million which is an increase of about 3.3% over anticipated revenues for FY

2010/11 revenues of about \$138.8 million. This chart shows where the funds come from. The largest single category of revenue that the City has is our fees and usage charges that are primarily related to the services billings for the City's utility funds, the electric, water and sewer services that are provided to the residents. Our primary revenue sources are the sales and use tax and the property tax within this chart.

The next graphic shows where the money goes. For instance as the largest revenue is related to public utilities, the largest expenditure is also related to public utilities, primarily wholesale power charges and purchases that we make within the electric utility that we make to provide electricity to our residents. Additionally you will see public works and police and fire services as being major expenditure drivers within the City.

Switching gears and talking about the general fund. The FY 2011/2012 proposed budget does maintain the City's fiscal health in the general fund primarily through the uses of one time revenue sources that we did talk about a month ago. Again the concept of controlled measured expenditure levels that would be inline with our revenue streams. Again we have no new taxes or tax increases proposed for the general fund for FY 11/12. And we are maintaining our reserves at an adequate level of 37-40% in the short term. If we do not address some anticipated deficits in the next couple fiscal years after 11/12, that would reserve level would fall to the minimum threshold of 25% as required by council policy after FY 2013/2014.

The next graphic, which we talked about in a previous presentation, we are still anticipating a surplus for FY 2011/12 in the amount of about \$380,000. We are maintaining our reserve levels at about 39% level. Again just to point out the use of one time revenue sources to support the activities of the general fund, primarily the sale of property and bond proceeds. Again we talked about these in detail at the last presentation.

This pie chart that shows the general fund revenues, the main take a ways are that the property tax and sales tax revenue of the City provide roughly 2/3s of the revenue on an annual basis for the general fund.

This chart breaks down where the money goes within the general fund. We talked about how public safety and health expenditures at the Citywide and global level. You can see that those are accounted for in the general fund and account for about \$20.7 million. Additionally we have public works which accounts for expenditures of about \$8 million. General government support services of about \$3 million. And we do also transfers out of the general fund. We transfer fund for debt service payments and capital projects within the City that are accounted for in other funds.

This pie chart breaks it down by department. As you can see public works, police, and fire again are the big three sources of our expenditures. And the primary drives of our service levels. And you can see the support departments that occur within the general fund have expenditure levels ranging from anywhere from about \$500,000 ranging up to \$1.8-1.9 million on an annual basis.

A moment ago I mentioned the concepts of matching revenue streams with expenditures. Actually matching the expenditures with revenue streams. This particular chart shows how successful the City has been in that endeavor. You can see that up into the recession, about 2008, the City had been running surpluses. In 2008 as the economy started to turn, we did some make some conscious efforts and conscious expenditure reductions within the departments so that we could match the levels we anticipated. The other take a way is, if you look at the expenditure level in 2008. We spent almost \$43 million in 2008. Due to those cost reductions mentioned, we ended last fy2010 (April 30, 2010) with an expenditure level of just under \$38 million in expenditures. So we actually ended up with cutting out about \$5 million in actual expenditures if you look at the comparison of 2008 and 2010. Quite an impressive feat over the last fiscal years. .

Last time we talked about the 2010 property tax levy and we were just about to the point where it was going to be finalized. We discussed the concept that the operating levy for 2010 and 2009 are the same amount of money of \$12, 055,000. But the tax rate would likely increase due to the decline in the property values within the City and due to general economic conditions. The numbers have now been finalized. We came in just under the \$.78 rate that we had talked about a month ago. And that compares to the \$.73 rate of a year ago. But again we are maintaining the operating levy at a consistent dollar amount.

How does that compare to other jurisdictions that also appear on the tax bills of our residents? With CPI your inflation for 2010 levy was about 2.7%. Most of the overlapping jurisdictions, except St. Charles Township, did increase their operating levy requests by 2.7% or more. So, in contrast to the City which maintained the same level of dollars in the operating levy most of the overlapping jurisdictions did increase the dollar amounts of their levy. When you combine that with the effect of the decrease in the taxable value, or the EAV, what happens was, the rates for those jurisdictions (except the Township) increased anywhere from 8.7% to about 10.5% once those factors were taken into account.

Discussing City staffing levels, which we talked about a couple of slides ago, the City's single largest expenditure is personnel. We have been able to carefully manage our staffing levels and maintain it appropriately through attrition and responsible replacement. There is no automatic replacement of a position that comes open simply because it is budgeted. There is a justification process that department heads need to go through with the City Administrator, and that position needs to be justified. We have also implemented retirement and separation incentive programs over recent years. And just as a measure of how successful those efforts have been, we did have about 350 full-time equivalent employees in FY 2007/08. We do anticipate ending the current fiscal year with about 291 full-time equivalents and we are proposing 284 in the budget you see before you this evening. This represents about a 19% decrease since 07/08. This graph goes through and shows how staffing levels are distributed. This is also contained in the budget book as well. Wage adjustments are present and budgeted in the 11/12 budget. They do reflect the current economic conditions. Non-union employees and teamsters have been budgeted about 2%. The teamster's contract was negotiated and finalized in

the past year. Some of the public safety contracts are a little longer in term and have been outstanding a little longer and they have some higher wage adjustments budgeted as a result. We are also currently in negotiations with the IBEW and anticipate finalizing negotiations on that contract in FY 11/12. The other item of note with regards to personnel costs is that all City employees did take a wage freeze for FY 2009/2010. That was one of the ways that we achieved that \$5 million dollars in savings that we represented and discussed a couple of slides back.

Capital projects that are anticipated in FY 11/12. We do have the Red Gate Road Bridge budgeted. We do anticipate that the construction process will span two fiscal years. And it is budgeted accordingly. We do also have water and sewer main replacements along Route 64 budgeted in conjunction with the reconstruction project that IDOT is taking on on the East side of town. We do anticipate making intersection improvements at Illinois 64 and Oak Street on the west side of town and will also anticipating completion of the ERP software and implementation project.

Moving on to the utility funds. We did discuss a couple weeks ago there will be some rate adjustments that will be necessary in the electric, water and waste water utilities. We do anticipate that the monthly impact to our typical residential customer would be about \$9.29 a month. But even with those adjustments, we do anticipate having the lowest total annual utility bills in the Tri-City region by about \$73 annually or about \$6 a month.

So to recap, the budget is balanced with no new increases in taxes and no new taxes proposed. The City's trend of fiscal responsibility and prudent financial management is continued. And the utility rate structures were better match revenue streams and costs. And with that I would be happy to answer any questions the Council may have.

Alder. Penny

In the electric enterprise fund, is the automatic switching still in the budget.

Chris Minick

I believe we are not planning on bringing that back.

The following information was presented, by Mr. Minick:

- Agenda
 - Quick Look
 - Overview
 - General Fund
 - Utility Funds
 - Questions and Comments
 - Public Comment
- “Quick Look”
 - Budget is balanced with no increases in taxes
 - City's trend of fiscal responsibility is continued
 - Prudent, managed expenses
 - Staffing
 - Limited revenue enhancements

- Responsible use of reserves as necessary
 - Utility enterprise funds need rate adjustments to sustain operations and fund capital improvements
- All Funds Revenues and Expenses
FY 2011-2012
- All Funds Revenues
FY 2011-2012
- All Funds Expenses by Function
FY 2011-2012
- General Fund
 - City's fiscal health is maintained
 - One-time revenue sources
 - Controlled expenditures
 - No new taxes or tax increases
 - Current General Fund reserve levels are adequate
 - 37% - 40% short term
 - 25% Reserves after FY 13-14
- General Fund
- General Fund Revenues - FY 2011-2012
- General Fund Expenditures by Function - FY 2011-2012
- General Fund Expenditures by Function - FY 2011-2012
- General Fund Financial Performance
FY 2005-2011
- 2010 Property Tax Levy
- 2010 Property Tax Levy
 - CPI for 2010 Levy = 2.7%
 - Overlapping jurisdictions (except St Charles Township) increased operating levy requests by 2.7% or more
 - Tax rates increased from 8.7% to 10.5% for the overlapping jurisdictions when combined with decrease in EAV.
- City Staffing Levels
 - City's single largest expenditure is personnel
 - No layoffs – carefully managed through attrition and responsible replacement
 - VRIP and VSIP in recent years
 - 352 FTE's in Fiscal Year 07/08
 - 291 in 10/11
 - 284 proposed in 11/12 (19% decrease since 07/08)
- Staffing Levels FY 2011-2012
- City Personnel Costs
 - Wage adjustments for employees are included and reflect economic conditions:
 - Non-Union: 2%
 - Teamsters: 2%
 - Police Officers: 4%

- Police Sergeants: 4%
- Firefighters: 4%
- IBEW: contract in negotiations

Note: Wage Freeze for all City Employees FY 09/10

- Capital Projects
 - Capital Projects Anticipated
 - Red Gate Road Bridge
 - IL Rte 64 Reconstruction (IDOT), Water and Sewer Mains
 - IL 64 and Oak Intersection Improvement
 - ERP Software Implementation Project
- City of St Charles Utility Charges
- Total Annual Utility Costs
- Recap
 - Budget is balanced with no increases in taxes
 - City's trend of fiscal responsibility and prudent financial management is continued
 - Utility rate structures will better match revenue streams and costs

No Comments filed with the City Clerk's office.

Public Comment

Vanessa Bella Sota, 1610 Howard Street.

1. Something that was taken out of the 2010/2011 budget has been written back in, eliminating funding for traffic calming improvements to residential neighborhoods. Is that part of the budget?
Mark Koenen replied: That was a project that was put in the budget about three or four years ago when we did the traffic along Madison Avenue. There is nothing on the docket for traffic calming so it was removed.
2. The statement was made that the Red Gate bridge project is expected to be 2 years in length and budgeted accordingly. What is that amount?
Mark Koenen replied: I don't have figure right now. The project cost is about \$30 million over. The construction itself, which has not been bid yet, is about \$18-22 million.

Does that imply we have those funds in the bridge fund now to cover that costs?

Mark Koenen: there is money in the budget now which includes a grant fund and money that the City has accumulated over the last years in a special initiative to collect money for this project. The balance of that will need to be bonded.

What would that balance be?

Chris Minick replied: Right now we are in the process of refining those costs. The bonds will be (anticipated) around \$10-12 million as we have looked at previously. We are still in process of accumulating all the costs. We are refining the construction documents as Mark mentioned we have not gone out for bid yet. And we are continually searching for federal funding. But the last estimate was in that range.

Mayor DeWitte stated that there is an established revenue stream in the event that do end up bonding out the current \$12 shortfall for the construction of the project.

Chris Minick responded, that is correct as the council will recall. We have been setting aside a portion of the property tax levy on an annual basis, \$.05 out of the tax levy on an annual basis. This has been accumulating within the funding. It is anticipated that once the bonds would be issued that money would go to debt services.

3. In the 2010/11 budget said the phase two engineering study is expected to commence and we know it has. When will that be made public for public scrutiny?

Mark Koenen replied, the design/engineering will be ready for public scrutiny in the next 30 days for the first pass of the bid letting. The second bid letting will be available later on this calendar year.

4. Adjournment

Motion By Stellato, Seconded By Carrignan, To Adjourn Meeting

VOICE VOTE

UNANIMOUS

MOTION CARRIED

Meeting adjourned at 7:20 P.M.

Nancy Garrison, City Clerk

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Nancy Garrison, City Clerk