

**MINUTES FROM THE PUBLIC HEARING OF THE ST. CHARLES CITY
COUNCIL
HELD ON MONDAY, APRIL 6, 2015 – 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 Raymond Rogina At 6:55 P.M.**

2. **Roll Call.**
Present: Stellato, Silkaitis, Payleitner, Lemke, Turner
Bancroft, Martin, Krieger, Bessner, Lewis
Absent: None

3. Public Hearing concerning passage of the Proposed Annual City Budget for Fiscal Year 2015/2016.

This public hearing concerns the City's proposed budget for the Fiscal Year 2015-2016. In accordance with state statute a notice of this hearing was published in the Kane County Chronicle on March 24, 2015 and the budget was made available for public inspection as of that date. A presentation of the budget will be given. Afterwards there will be an opportunity for public comment and City Council questions regarding the approval of the proposed budget.

Chris Minick, Finance Director

There are various statutory requirements that the City needs to fulfill prior to passage to the budget. After the public hearing, the City will have taken all steps legally necessary for adoption of the budget. We do have a resolution on the City Council agenda to hopefully formally adopt the FY 2015/2016 budget.

We are going to go through the recent financial performance and how fiscal responsibility has woven its way through the recent financial performance of our operating funds. We will talk about budget highlights including the general and utility funds. We will go over the capital projects and staffing changes and proposals. We will then take any questions and take any public comment.

We made our first formal presentation three weeks ago to the government operations committee. Tonight's presentation will be an executive summary of the details discussed at that meeting.

The City of St. Charles has operated in a fiscally prudent and conservative manner. When you think about what we have done, as we entered into the great recession and the recovery. The decisions and actions that we made

resulted in a fiscally responsible St. Charles. The 2015/16 budget continues this them.

What are some of the tangible items that are present in a community that is fiscally responsible? One would be solid financial operations. For the past three consecutive fiscal years, we have generated a surplus in our operations and general fund. Currently, we are projecting a fourth year for our general fund, which will end in approximately three weeks on April 30, 2016. Another element would be our reserve level. Our general fund reserves are very strong. The city has a history of living within our means; matching our expenditure levels to our revenue streams. We are continuing that practice into 2015/16. Finally, fiscal prudence demands conservatism in expenditure levels. Our expenditures for 15/16 will continue to be below our FY 2008 expenditure levels. Additionally, we have fiscally responsible municipal utilities. The Council will recall, that in FY 2011 we had a rate study done that made various recommendations that made changes to the rate structure to enhance the financial performance of those utilities. We have consistently followed and implemented recommendations in that rate study. As a result, we have significantly improved our utility fund performance. We have virtually eliminated operating deficits in the three major utilities, while maintaining the lowest utility rate in the Tricities. We are contemplating an update to the rate study, so we can enter that next phase of the utilities financial evaluation. Due to the elimination of the deficits, Staff is proposing an elimination of the non-resident surcharge for utility services outside of City limits.

Highlights of the FY 2015/15 budget. The budget is balanced as continues our practice for the last several fiscal years. We have no new taxes proposed and no tax increases proposed. We are also maintaining our programs and services at the current levels. And we will be able to maintain our reserves well into excess of our 25% policy that is mandated by our City's fiscal policies. We are continuing the process of recovery in our utility funds. We are implementing some rate structure changes at that same time we will be maintaining lowest utility costs in Tricities.

This chart summarizes all the economic activity of all the funds of the City. It has been updated since you last saw this. It includes some fiduciary funds that the city maintains. If you look out to FY15/16 proposed column, we do anticipate revenues of \$150 million and expenditures \$150.1 million. The revenue amount is an increase of 2.8% over FY14/15 and the expenditures are an increase of about 2%.

The General Fund. This chart summarizes the financial results of the last several fiscal years and what we anticipate ending this year and where we are going in 2016. This chart goes back to 2011, where we had a slight deficit. Once we get into 2012, we have had three consecutive years of

surplus in the general fund. We are anticipating a surplus for 2015. We have budgeted a break even budget for FY 2015/16.

This chart goes through where we expect to end on April 30, 2015. We have expect to have a little more than \$41 million in revenues and \$40.6 million in expenditures. We are anticipating a surplus in the general fund of approximately \$430,000. That is higher than the number we saw two weeks ago since we have now gotten through the April numbers. If we achieve that \$430,000 surplus, we will end the year with \$16 million in our reserves (our savings account), which is a reserve percentage of 39% of annual expenditure total of \$40.6million. We have balanced budget, we have essentially a break-even position in the General Fund for 15/16, anticipating \$42.25 million in revenues and approximately \$42.25 million in expenditures. That would maintain that reserve level at \$16 million.

We have seven revenue sources that are generating about 92% of revenues of the General Fund in 15/16. Property tax, our share of income tax, electric franchise fee, telecommunications tax, our share of the income taxes that the state collects, hotel tax and alcohol tax. Then there are approximately 160 other line items account about 8% of the total revenues of the general fund. Those items represent items like, building permits, liquor licenses, parking tickets, etc. This is a typical revenue mix. The next chart goes through displays where the money goes. We have \$42.25 million in expenditures. About half goes to support public health and safety, the operations of police and fire departments. The general fund's portion of public works represent 19% with general government items such as finance, human resources, etc. represents 8% of expenditures. Community development represents about 6% of expenditures. The remaining 14% of the general fund are transfers out to other funds. Each year we transfer out certain revenues to do things like to make payments on principle and interest for bonds that are outstanding as well as to finance capital projects.

The utility funds. We have virtually eliminated operating deficits in the three operating utilities. On a combined basis, we are anticipating approximately \$4.3 million in operating surplus within the utility funds for fiscal year that will end in three weeks. We are also anticipating an operating surplus in each of the three major operating utilities that the City operates on an annual basis. We are expecting a \$5.5 million surplus for the three utilities combined, resulting in a reserve level as of April 30, 2016 of just under \$4.4 million. You can see that we have the rate study proposed update in 15/16, elimination of the non-resident rate charge. Our longer range projections continued sustainability within the operations of our utility funds. The next chart compares the typical residential customers annual utility billings of the three municipal utilities operated by the City; electric, water and waste water. The City of St. Charles is the lowest in charges in the tri city area. St. Charles is just under \$2,400 a year. Geneva is \$2,423 a year; Batavia is \$2,745 a year. Naperville is \$2,330 Naperville. If we were to use Com Ed

service \$2,431 annually. The City has been able to eliminate operating deficits and start to restore reserves to the individual utilities, while still maintaining the lowest utility rates in the tri-city area.

Capital projects and staffing. We anticipate \$20 million in capital expenses Citywide for 15/16. We anticipate an additional bond for approximately \$9 million with an additional of 10.1 million in capital projects that will be financed with cash that we have on hand or cash that we are going to receive via our revenue stream. We have an additional \$740,000 that will be financed by grant reimbursements or reimbursements from development occurring in the City.

Staffing changes proposed. We do have some staff positions budgeted two police officers, a fire prevention lieutenant, part time IS client support specialist, and two interns. In conclusion, the recent decisions and actions that we have taken have resulted in a fiscally responsible St. Charles. The budget is balanced. There will be no tax increases and no new taxes proposed. We will continue our trend of solid operating results into 15/16. We will maintain our general fund reserves at a strong and healthy level. And we will continue to maintain the lowest utility rates in the tri city area, while allowing our utility funds to slowly recover their reserves.

Alder. Turner

How solid are the grant funds?

Chris Minnick

They are solid, but the governor is looking at everything. We are as far as we can be with those.

Chris Minnick

Thanks for your support to the department heads and city Administrator Mark Koenen. I appreciate the professionalism and dedication.

Mayor Rogina

Back at you because it is a team effort with staff and City Council support.

No written comments have been filed with the Clerk.

Tyler Anderson, 712 Horne Street.

It is very commendable to have a balanced budget. The state of Illinois is it stable? They talked about maybe making cuts. How are we going to address it?

Chris Minnick

The budget is prepared right now presuming we have our with current revenue sharing arrangements with the State of Illinois. If Illinois changes the amount of revenue it distributes to municipalities, we will have to adjust. Right now there has been a few items mentioned during governor's speech, but have not made there way through legislature at this point. There will probably be negotiating as far as what the state will do with Its funding mix.

We don't know the extent of impacts, if any. Once we have a better handle on impacts, we will come forward with a menu of changes to think about. It is difficult to make adjustments, because we don't know impact of what the state will do.

Mayor Rogina

We are required to propose a budget on May 1. We are very confident in Staff to make appropriate adjustments if necessary.

F. Adjournment

Motion By Stellato, seconded by Silkaitis, to adjourn meeting

VOICE VOTE UNANIMOUS MOTION CARRIED

Meeting adjourned at 7:16 P.M.

Nancy Garrison, City Clerk

CERTIFIED TO BE A TRUE COPY OF ORIGINAL

Nancy Garrison, City Clerk