



**DEKALB CITY COUNCIL AGENDA  
MAY 11, 2020  
5:00 P.M.**

DeKalb Municipal Building  
City Council Chambers  
Second Floor  
200 S. Fourth Street  
DeKalb, Illinois 60115

**COMMITTEE OF THE WHOLE**

**Please Note: On March 16, 2020, Illinois Governor JB Pritzker issued executive order 2020-07 which declared that during the duration of the Gubernatorial Disaster Proclamation pertaining to the coronavirus outbreak, “the provisions of the Open Meetings Act, 5 ILCS, requiring or relating to in-person attendance by members of a public body are suspended. Specifically, (1) the requirement in 5 ILCS 120/2.01 that ‘members of a public body must be physically present’ is suspended; and (2) the conditions in 5 ILCS 120/7 limiting when remote participation is permitted are suspended.” The executive order further states that when a public meeting is considered necessary by the governing body, “public bodies are encouraged to provide video, audio, and/or telephonic access to meetings to ensure members of the public may monitor the meeting, and to update their websites and social media feeds to keep the public fully apprised of any modifications to their meeting schedules or the format of their meetings due to COVID-19, as well as their activities relating to COVID-19.” The City of DeKalb has taken prudent steps to assure that virtual Council member attendance and public access are assured within the intent of the Governor’s executive order.**

**Citizens wishing to view the meeting from home or elsewhere can tune in to Channel 14 or by following the link provided [here](#).**

**Accommodations have been made for citizens to comment on a topic listed on the agenda (or a topic not listed on the agenda) by clicking on the link provided [here](#). Comments will be read by the Mayor at the appropriate time during the meeting.**

- A. CALL TO ORDER AND ROLL CALL**
- B. APPROVAL OF THE AGENDA**
- C. PUBLIC PARTICIPATION**

Assistive services available upon request.

Hearing assistance devices are available in the Information & Technology Office, which is located to the right, just before entering Council Chambers.

## **D. CONSIDERATIONS**

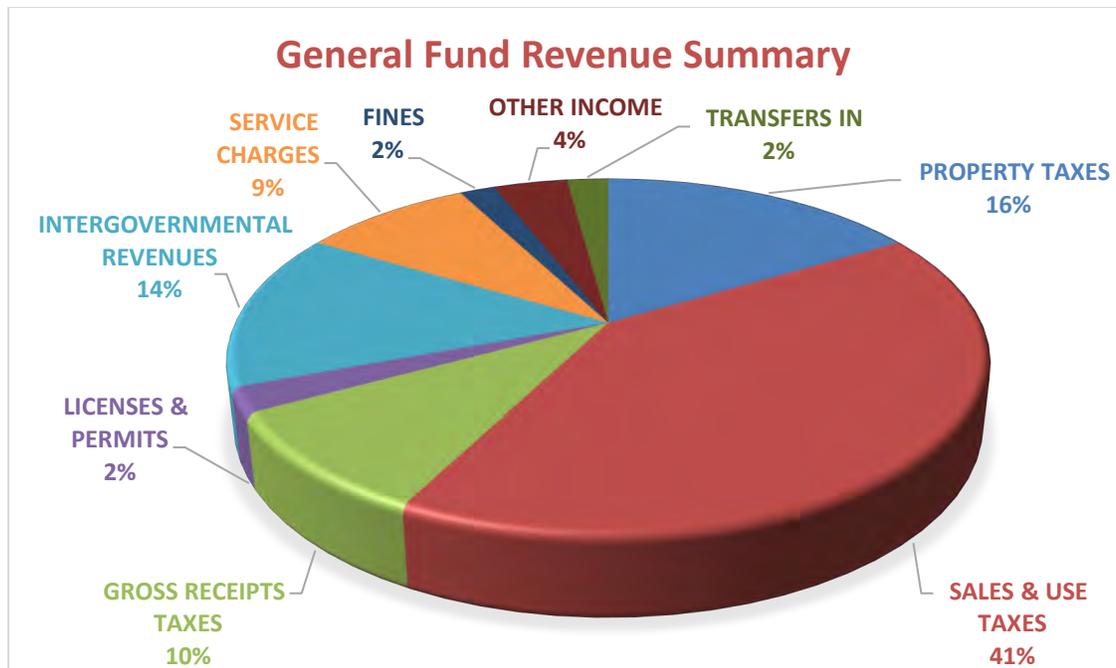
### **1. Consideration of City Budget Impacts Related to the COVID-19 Crisis.**

Like most public and private entities throughout the country and the world, DeKalb's city government has taken some economic body blows since late February from both market reactions and government-imposed constraints on commerce associated with the COVID pandemic. This report will briefly summarize what is known and yet to be known about the impacts on the City government's revenues, and the steps that have been taken and will be taken to mitigate revenue disruptions through spending adjustments.

#### **Background**

Before addressing the COVID-19 impacts on the City budget, it may be helpful to understand how the City was positioned before this crisis unfolded. In early FY2019, significant measures were put in place to stabilize and rebuild the General Fund reserve balance and meet the City's policy of maintaining reserves equal to 25% of expenditures. At the end of FY2018, the fund balance had a shortfall of \$2 million, which equates to 19.6% of expenditures. It is currently projected that once audited, the City will end FY2019 with a fund balance of \$1.3 million above its target, which is equal to 28.7% of expenditures. While the General Fund reserves have been rebuilt very quickly, it is no secret that maintaining the current reserve level presented a challenge even before COVID-19. During the FY2020 budget process, the City Manager made it clear that the City's obligation to fund public safety pensions would continue to erode the fund balance without some drastic intervention by the State. It was projected that the fund balance would continue to decline and remain well below the 25% target if pension costs continue to rise. As Spring 2020 is unfolding, it is painfully clear that the fund balance will be further impacted as anticipated revenues are constrained by the COVID crisis.

General Fund revenues were budgeted at \$38.27 million for FY2020. These revenues are primarily responsible for funding the services that touch our citizens most often. They are derived from many sources, but the largest grouping is "sales and use taxes." The chart that follows depicts the relative weight of the various general revenue sources:



Sales and use taxes include the following:

- **Home Rule Sales Tax:** The City imposes a 1.75% Home Rule Sales Tax on sales of general merchandise. The tax is not collected on sales of food, drugs, or tangible personal property (e.g. automobiles) that is required to be licensed or registered with the State of Illinois.
- **State Sales Tax:** The Illinois Department of Revenue collects a 6.25% tax on the sale of general merchandise and distributes 1% to the municipality where the sale occurred and 0.25% to DeKalb County, usually after a 2-3 month lag from the date that the business sends its monthly report to the DOR.
- **Restaurant & Bar Tax:** The City collects a 2% tax on prepared food and beverage and packaged liquor sales. This tax is administered at the local level.
- **Local Use Tax:** Use taxes are imposed on the privilege of using, in the State of Illinois, any item of tangible personal property that is purchased anywhere at retail, including online purchases. This revenue source is collected by the State and forwarded to the City on a per capita basis, usually with a 2-3 month lag.
- **Hotel/Motel Tax** – The City imposes a 7.5% tax on the use of hotel/motel rooms in the City. Of this 7.5%, a 1% portion is directed to the Debt Service Fund. The remaining 6.5% is General Fund revenue.

In late February, world markets shuddered violently, and wild equity swings dominated world financial markets as “supply chain” concerns rattled fundamental industries. Between February 24 and 29, \$3.6 trillion were erased from the U.S. stock market alone. The following week, local restaurants were experiencing a dramatic drop-off in sales and local grocery stores experienced panic buying of dry goods, milk, bread, and “essentials” as a media storm every day highlighted threats to personal health. The Governor’s executive order of March 16 and the follow-on order of March 20 to mitigate the spread of the COVID virus resulted in the closing of restaurants and bars, along with most retail, recreation, and entertainment businesses. The order of March 20 also required all but “essential” workers to stay in their homes to help prevent the spread of COVID-19.

The resulting impact on the City’s sales and use taxes can only be estimated owing to the lagging state remittance of the largest tax categories. As of May 1, only the January numbers had been “booked!” We are currently relying on general guidance from the Department of Revenue (dated April 15) and some estimates of the Illinois Municipal League, as well as our sampling of local business owners and managers. Based on such sketchy sources, we reported the following possible shortfalls to the City’s executive team on April 21:

- 15% decline in State Sales tax and Home Rule Tax revenues;
- 30% decline in Restaurant & Bar tax revenues;
- 30% decline in Hotel & Motel Tax revenue;

Additionally, the following declines in other General Fund revenues were inferred from the limited available sources:

- 30% decline in Video Gaming tax revenue;
- 10% decline in State Income Tax revenue;
- 10% decline in Fines; and
- 5% decline in all other General Fund revenues.

On the basis of these assumptions, an overall decline in General Fund revenues of about 10%, or \$3.7 million seemed realistic before the Governor’s extension of his stay at home order through the month of May. These estimates included the approximately \$414,000 in suspended restaurant/bar and hotel/motel taxes expected from the Council’s emergency actions at the Special City Council Meeting of March 26.

In light of the Governor’s order of April 24, the projected overall decline in General Fund revenues has been revised upward to about \$4 million assuming the lifting of the Governor’s stay at home order on June 1 and a “V-shaped” recovery thereafter.

**Immediate Budget Interventions**

Pending further direction from the Council, the City Manager has already advised the administration’s executive team of department heads and directors and the leaders of the City’s three bargaining units to assume the following:

**Personnel reductions for 2020**

FY2020 Immediate Actions	Gen Fund Savings	Water Fund Savings	Total
<b>Personnel</b>			
<b>Fire</b>			
Freeze FF/Paramedic Hire	\$94,000	\$0	
Freeze FF/Paramedic Hire	\$94,000	\$0	
Freeze FF/Paramedic Hire	\$94,000	\$0	
<b>Subtotal</b>	\$282,000	\$0	\$282,000
<b>Police</b>			
Freeze Patrol Officer Hire	\$104,000	\$0	
Freeze Patrol Officer Hire	\$104,000	\$0	
Freeze Patrol Officer Hire	\$104,000	\$0	
Freeze PT TC Hire	\$40,000	\$0	
Freeze PT CSO Hire	\$37,000	\$0	
<b>Subtotal</b>	\$389,000	\$0	\$389,000
<b>Public Works</b>			
Freeze Water Maintenance Position	\$47,000	\$71,000	
Freeze Street Maintenance Position	\$71,000	\$47,000	
Freeze Water Crew Leader Promotion	\$49,000	\$74,000	
Freeze Street Crew Leader Promotion	\$74,000	\$49,000	
<b>Subtotal</b>	\$241,000	\$241,000	\$482,000
<b>Finance</b>			
Account Tech II	\$55,000	\$20,000	
<b>Subtotal</b>	\$55,000	\$20,000	\$75,000
<b>Other</b>			
Reduce Training/Travel 25%	\$42,500	\$0	
<b>Total Personnel Savings</b>	\$1,009,500	\$261,000	\$1,270,500

Additionally, the following expenditure reductions should be taken:

- i. Commodities: Reduction across the board of already constrained commodity expenses by 5%, yielding **\$50,000**.

- ii. Contractual Services: In addition to the training reductions identified in the foregoing Personnel table, we can count on an estimated reduction of about **\$315,000** in tax-sharing with other taxing bodies in 2020 due to the fall in tax revenues to be shared. Also, we can probably cut another **\$65,000** across all operating budgets.
- iii. Fund 420 (Capital Equipment Replacement Fund): Most of the current reserve was built from funding sources other than the local motor fuel tax, including E911 Board payments, Police fines, rental income from water tower leases, the sale of capital assets, and General Fund transfers over the years. In FY2020, about **\$500,000** can be transferred to the General Fund without violating any audit protocols. This means the Fire Engine purchase will be deferred to a future fiscal year.
- iv. Fund 400 (Capital Projects Fund). The General Fund was slated to transfer **\$186,333** to Fund 400 in 2020. This transfer has been put on hold.

**The total savings from i, ii, iii, and iv, above: \$1,116,333. Combining the personnel cost savings and non-personnel savings itemized above, the City Manager has identified \$2,125,833 in budget savings to the General Fund and \$261,000 in savings to the Water Fund, for a total of \$2,386,833.**

**General Fund Reserve**

The unaudited General Fund Reserve balance for 2019 is \$10,333,000 or about 28% of the General Fund expenditures in the amended FY2019 Budget. Assuming a shortfall of \$4.5 million in General Fund revenues in FY2020 against General Fund spending reductions of \$2,125,833, the year-end General Fund Balance would be \$8,088,274, or 22.46% of the projected FY2020 General Fund expenditures:

<b>General Fund Budget Projection</b>		
	Approved FY2020 Budget	Revised FY2020 Budget
Starting Balance	\$9,423,944	\$10,333,000
FY2020 Revenues	\$38,267,257	\$33,767,257
FY2020 Expenditures	\$38,137,816	\$36,011,983
Ending Balance	\$9,553,385	\$8,088,274
Balance as % of GF Expend.	25.05%	22.46%

**Other Potential Cost Savings: Lease Pricing**

Assistant City Manager Ray Munch has been working through the fleet leasing options presented to the City Council at the Committee of the Whole meeting on January 27. His careful and thoughtful work provides us with the opportunity

to proceed with some of this year's intended vehicle replacements while honoring the local fuel tax protocols and minding our constrained capital sources. Presently, the City is committed to the following allocation of \$276,667 in fleet expenditures out of a FY2020 allocation of \$1,145,000:

Police Tahoe	\$ 45,000
Fire Ambulance	\$155,000
Fire Cardiac Monitors*	\$ 60,000
Fire Truck Loan Payment	\$ 16,667
<b>Total</b>	<b>\$276,667</b>

\*To replace two old ambulance monitors that will no longer meet FDA guidelines at the end of this year. A failure to upgrade these monitors will result in the downgrading of two of our ambulances from Advanced Life Support to Basic Life Support status, and limit hospital support during emergency transports.

The lease program presented in the table below shows an FY 2020 cash flow cost of \$186,897 to lease the following 13 vehicles:

Vehicle	Estimated Purchase \$	After-Market	2020 Lease \$	Down Payment
1-Ton Pickup (Water) Fund 620	\$48,352	\$17,791	\$8,158	\$8,896
1-Ton Pickup (Water) Fund 620	\$41,635	\$9,682	\$8,031	\$2,421
1-Ton Pickup Dual Rear Wheels Fund 620	\$59,060	\$25,419	\$9,590	\$12,710
¾ Ton Pickup (Street)	\$38,180	\$8,062	\$7,416	\$2,016
¾ Ton Pickup (Street)	\$38,180	\$8,062	\$7,416	\$2,016
1-3/4 Ton Dump (Street) W/Plow	\$80,493	\$34,543	\$12,997	\$17,272
Compact SUV (Bldg Dept)	\$23,771	\$0	\$4,870	\$0
Mid-Size Sedan (Bldg Dept)	\$18,596	\$0	\$3,837	\$0
Mid-Size SUV (Police)	\$52,921	\$14,759	\$9,998	\$7,379
Mid-Size SUV (Police)	\$52,921	\$14,759	\$9,998	\$7,379
Mid-Size SUV (Police)	\$52,921	\$14,759	\$9,998	\$7,379
Mid-Size SUV (Police)	\$52,921	\$14,759	\$9,998	\$7,379
Mid-Size SUV (Fire Admin)	\$37,339	\$7,687	\$7,821	\$1,922
<b>Total</b>	<b>\$597,290</b>	<b>\$170,282</b>	<b>\$110,128</b>	<b>\$76,769</b>

Total annual lease payments for 13 vehicles	\$110,128
Total down payments for 13 vehicles	\$ 76,769
Total 1 <sup>st</sup> year lease costs and down payments: 13 vehicles	\$186,897
Total cash purchase cost for these 13 vehicles	\$597,290
Total cash flow savings in FY2020	\$410,393

The largest designated source of funds for such a lease program is the home rule motor fuel tax (one cent per gallon pumped). The estimated local fuel tax revenue for the Capital Equipment Replacement Fund in FY2020 before the COVID crisis was \$173,750.

Proceeding with a vehicle lease program is arguably a sound fiscal move in good times, and appears to be a good move in the current economic context, if the City Council intends to move forward to tackle the rising “overdue” cost of fleet maintenance. The City Manager recommends such forward movement.

### **State and Federal Governmental Assistance**

- a) Federal Assistance. Thus far, the federal government has responded to local government needs by dedicating assistance to municipalities with a population of 500,000 and over. Of the billions of dollars that will go to Chicago and the State of Illinois, a state government commitment to see that such federal largesse is distributed on a per capita basis would assure that every municipality in the state has an equal chance to survive the economic recession that has rapidly developed in the past two months. The Illinois Municipal League (IML) has suggested this approach, but there does not seem to be any political traction as yet.
- b) State Assistance. The IML has zeroed in on several legislative measures that would be very helpful to small cities in Illinois:
  - LGDF. The Local Government Distributive Fund holds the municipal share of the state income tax and corporate income tax. For decades that share was set at 10%. Since 2011 that share has decreased as both major parties in the state have reached into that “sacred” bargain to shore up state finances. These revenues are critical for municipal services and any additional reductions would further exacerbate the fiscal problems of Illinois cities. It would be overly optimistic to think that the state legislature would restore the 10% local share as the state likewise loses revenue, but any further degradation in the local share will hopefully be resisted.
  - Pension Reform. At the top of this report, it was noted that the steep ramp in annual Fire and Police pension funding obligations continues to haunt City finances, with or without the COVID crisis. Last November, in cooperation with the Governor’s Pension Consolidation Feasibility Task Force, the IML, and the Associated Fire Fighters of Illinois, some persistent legislative sponsors pushed through the mandatory consolidation of the Police and Fire pension funds. Over time, this will not only reduce the annual costs of financial management by over 650 individual pension groups, it is the precursor for the transition to an actuarial cost method that more accurately and fairly determines actuarial accrued liabilities. Until the latter is accomplished, all of the City’s annual

property tax revenue plus additional General Fund revenues (\$1,128,289 additional monies in FY2020) will be needed to cover Fire and Police pension liabilities that are not “right-sized” in terms of affordable, annual contributions. Both state party leaderships will hopefully lift this weighty subject to a prominent place on the agenda of the Fall Veto Session, which is likely to be “loaded” with COVID-related fiscal issues.

### **Reductions in Service**

Beyond the \$2,386,833 in budget reductions explained above, overtime reduction is logical and authorized overtime has already been limited to emergency responses and contractual obligations. Further personnel savings will require the re-negotiation of existing collective bargaining agreements or reductions in city services, or both. To reduce overtime in particular, service reductions might include, but are not limited to, the following:

- Categorizing and stacking Police and Fire emergency responses to diminish personnel callbacks in busy periods;
- Eliminating or reducing the frequency of the annual leaf pickup program;
- Eliminating all sidewalk snow and ice removal by City crews;
- Limiting parking lot snow removal to major storms;
- Eliminating Corn Fest, city parades, and other community events that commit emergency services and require overtime to fill shift openings.
- Eliminating the City’s forestry program;
- Eliminating the City’s street cleaning program.

None of these options will be publicly embraced. Altogether, they might yield \$150,000 in annual personnel savings – mostly overtime costs. They would also reduce the appearance and the livability of this community, at a time we should be putting our best face forward to visitors and new business.

As more information is learned, further fiscal steps may be needed. We have much to be seriously concerned about. The continuing uncertainty about who is sick, who has been sick, and when we will have reliable and timely testing and a vaccine clouds our plans and actions with frustration and dread. But the enduring and creative commitments of our local employers, the rising vitality of our industrial base, and the dedication of our City workforce are strengths to build on.

**The City Manager recommends the Council’s concurrence in the personnel and non-personnel Budget reductions outlined above. [\(Click here for additional information\)](#)**

**E. EXECUTIVE SESSION**

**None.**

**F. ADJOURNMENT**

[FULL AGENDA PACKET](#)