

MINUTES
JOINT CITY COUNCIL AND FINANCE ADVISORY COMMITTEE
CITY OF DEKALB
MAY 25, 2016

The Joint City Council and Finance Advisory Committee meeting of May 25, 2016 was called to order at 5:37 p.m. by Mayor Rey.

Roll Call

City Council members present were: Alderman David Jacobson, Alderman Michael Marquardt, Alderman Bob Snow, Alderman Kate Noreiko, and Mayor John Rey.

Finance Advisory Committee members present were: Tom Teresinski, Connie Golden, Mike Verbic, David Conlin, Ron Partch, and Chairman Mike Peddle.

Others present were: City Manager Anne Marie Gaura, Finance Director Cathy Haley, Fire Chief Eric Hicks, Police Chief Gene Lowery, Assistant City Manager Patty Hoppenstedt, Public Works Director Tim Holdeman, and Deputy City Clerk Carri Parker.

City Council members not present were: Alderman Bill Finucane, Alderman David Baker, and Alderman Anthony Faivre.

Finance Advisory Committee Member Lynn Neeley was not present.

FY2016.5 Budget Presentation (continued from May 11th meeting)

Finance Director Haley reviewed documents provided to those present. She added there are several handouts based on questions from the May 11th meeting.

Finance Director Haley continued the budget presentation with the Water Fund, Airport Fund, Capital Projects Fund, Fleet & Equipment Fund, Motor Fuel Tax Fund (MFT), and the TIF Funds.

Chairman Peddle requested a document explaining what the impact fees apply to. Finance Director Haley stated these expenditures go through the permitting process so the properties can easily be identifiable. Chairman Peddle agreed and commented that reporting these addresses will help gain an understanding of where the impact fee revenue might trigger new water mains annexing in to the City. Finance Director Haley asked if staff should include this in the long-term Capital Plan. Chairman Peddle agreed.

Alderman Jacobson asked if staff had looked at the company the City outsourced water billing to for online payment options through their service. Finance Director Haley clarified that the City had not outsourced utility billing, just the printing of the bills.

Chairman Peddle asked if the City has any remaining lead mains or lead mains that lead in to any homes. Public Works Director Holdeman responded there are both lead and copper water service lines going in to homes within the City. However, EPA guidelines require the City to conform to the lead and copper rules and regulations. This ensures

that lead is not coming out of the tap and is not less than compliant levels. He stated it is tested every three years.

Public Works Director Holdeman also stated that the City did have issues when it went to the treatment facility in the early 2000s, but staff is not getting any current indications of lead in its system. The reason for that is because the City adds polyphosphate that coats the lines. The coating separates the water and lead material. That program has been in place since the early 1990s. Chairman Peddle asked if testing is done within homes. Public Works Director Holdeman confirmed it was.

Alderman Jacobson asked if there are any legacy costs or annual licensing fees to the ERP (Enterprise Resource Planning) software. Finance Director Haley stated it is similar to what the City has now, which is an annual maintenance cost. The ERP software is a placeholder as staff will be doing a full RFP. This RFP will show weaknesses in the current software and the needs that are not being met across all departments.

Alderman Jacobson asked if the price listed is for the entire CRM. Finance Director Haley explained that the amount budgeted is for the software package the City had in place prior to switching to MSI.

Alderman Jacobson asked if the software would be the front end for residents and back end for the Finance Department in one. Finance Director Haley agreed. Chairman Peddle added only for that specified department though.

Finance Director Haley continued her presentation with the Airport, stating that included in the FY16.5 budget is a 10% increase in hanger rentals. These leases have not had an increase since FY06.

Alderman Noreiko asked if it was realistic for Airport operations to be self-sustaining. Public Works Director Holdeman stated that Airport Manager Tom Cleveland is continuing to advance on marketing programs for exposure by increasing the communication of handling bigger planes, and promoting the development in the area. He stated there is a continued effort added that the chances are good that the City will see the Airport turn a profit in a short period of time.

City Manager Gaura added that Community Development Director Divita would state that Community Development can help the Airport and will be working with the Airport Manager in increasing its exposure.

The City Council and Finance Advisory Committee discussed the hangar rental increase, why it hasn't increased since 2006, and how to gradually increase rent moving forward.

Police Chief Lowery left the meeting at 6:05 p.m.

Finance Director Haley continued with her presentation.



Alderman Jacobson asked about the purpose of the UPS (Un-interrupted Power Supply) at City Hall since the Police Department is no longer located there. Finance Director Haley explained that the current UPS is 10 years old and is in need of replacement. She stated it is a back-up for the servers.

Alderman Snow commented on the differences between the UPS and a back-up generator.

Alderman Jacobson asked what the definition of the ERP software is. Finance Director Haley answered that the ERP software would replace the current financial software in Finance, incorporate software for Human Resources, include permit and code enforcement for the Building Department and possibly incorporate Public Works for work orders, fixed assets or capital assets.

Police Chief Lowery returned to the meeting at 6:09 p.m.

Alderman Jacobson asked why staff couldn't build an online module to replace the stand alone for Finance for online bill pay. Finance Director Haley replied it isn't just for online bill pay that is going to be the benefit of this ERP software. She added that the City could go through a credit card company to provide online bill pay for everything, but then would need to write a program to link with the current software. By using an ERP, the City will be able to give residents a better and easier process for inquiry and payments. This system will be also be real-time which MSI is not. Chairman Peddle explained what the full capabilities of a true ERP system and how it would benefit the City.

Committee Member Verbic asked if staff had identified the software to track the Strategic Plan. Assistant City Manager Hoppenstedt commented that staff has had two demonstrations from software vendors and has discussed with other cities on the use of these systems. Currently, staff has put a placeholder in the FY16.5 budget for the software.

Alderman Noreiko asked if the fee listed in the Streets, Fleets and Facilities Master Plan represents a cost of a consultant to develop it. City Manager Gaura stated that the format they are looking at will mirror the successful format of the water infrastructure plan and rate study. The City has had multiple presentations of the condition of the streets and vehicles. City Manager Gaura added that the goal is to look at the true costs for services over the next years and there could be a team of consultants working on this plan.

Public Works Director Holdeman added that the balance between the uses (needs) and sources (tax revenue) will be analyzed. He added they will look at modifying the services between street and fleet and see the costs, and what it would take to accomplish it. He commented that the facilities would include all of the City owned property and looking life-cycles and the life-cycle costs.

The City Council and Finance Advisory Committee discussed the two Police and two Fire vehicles listed within the budget and how the choice to purchase the vehicles was made. Why the need and how it is affecting services provided to the public.



The City Council and Finance Advisory Committee discussed the fleet analysis report and commented on some changes they would like to see to understand the fleet replacement plan.

Fire Chief Hicks went through the statistics on all of the ambulances. The current ambulances are in critical shape and need to be replaced. He added that an ambulance did breakdown on a call, and while it made it to the hospital, it had to be towed away.

Alderman Jacobson agreed that pushing the ambulances will save the City money by putting \$6,000 towards it every year. Fire Chief Hicks stated that the condition of the vehicles is dependent on the level of services you want to provide. Chairman Peddle added that if an ambulance broke down on a call and the City knew the condition of the vehicle that the City is opening itself up to a litigation cost.

The City Council and Finance Advisory Committee had a discussion on fleet replacement, leasing and funding options.

Chairman Peddle left the meeting at 6:49 p.m.

Finance Director Haley continued with her FY16.5 draft budget presentation.

Chairman Peddle returned to the meeting at 6:51 p.m.

City Manager Gaura mentioned that the Clinton Rosette building mechanicals was an IGA between City and the DeKalb School District which was \$2M of TIF to use for specific school projects. She added that the 5th Street streetscape is the redevelopment of the old Sawyer Imports site which was already approved by Council, and would include Subway, Dunkin Donuts, and a pizzeria. This would be a great time to look at the stretch between Lincoln and Grove to look at bringing the design of the downtown between First and Fourth to this area. She added they are in the midst of hiring a consultant to work on the STEAM Learning Center which is a collaborative partnership between the City, NIU, the Proudly DeKalb initiative, and the DeKalb Firefighters.

Finance Director Haley discussed the DeKalb Public Library budget handout. Chairman Peddle stated that the suggestions from the library for repaying the \$500K still needs to be clarified by them.

Finance Director Haley continued with her presentation stating that reserve funds above 25% could be transferred per City Council approval to Fleet, Equipment or Capital based on current needs. This goes in line with the \$600K transfer for the Capital projects, Fleet and Equipment that staff feels is much needed for FY16.5. Staff recommended this be a change in the City's current financial policies. She explained that the recommendations from the Government Finance Officer Association (GFOA) "Best Practices" updated in 2009 states that general-purpose governments maintain an unrestricted fund balance in the general fund of no less than two months of regular general operating revenues or regular fund operating expenditures.



Chairman Peddle commented that he doesn't think the City is in compliance or at the 16.67% if the GFOA definition is used. He doesn't believe that the recommendations are good, in fact, they are reckless. He stated the fund balance is projected to drop. He added that he could live with transferring funds for Capital needs if reserves were at the 30% level and would recommend it. Finance Director Haley responded that the City does follow the calculation and the change came about when Governmental Accounting Standards Board (GASB) statement 54 came in to regulation due to the varying fund balances created by this statement.

Alderman Jacobson stated he agrees with Chairman Peddle's statements. He believes the City needs to dedicate revenues and he would like to see a plan for future spending. Chairman Peddle clarified he was only talking about the excess funds, and not changing the target to 30% of what is transferred out. He added that the fleet replacement money needs to come from a different source. He doesn't like the thinking that once over 25% it's free money. He added he cannot support a policy that states an amount over 25% has to be spent.

Alderman Noreiko commented on her concern that the projection of the 2020 fund balance has dropped. She understands the importance of having the fund balance at 25%. She needs some assurance that there is an idea of how the City would improve the fund balance. She is concerned about what is going to happen in five years. City Manager Gaura stated that the City increased the fund balance 10% within the last two and a half years. This happened based on looking at the revenue projections and fiscal management of the Executive team. She added that the five-year financial forecast will be a living document and will be a part of the budget moving forward.

The City Council, Finance Advisory Committee and staff discussed the discussions that need to take place in order to look at the changes that need to be made to move forward. There was also discussion regarding the vast improvements that staff has made in the past few months to reduce costs.

Finance Director Haley went through the new revenue sources, ambulance fee increase and video gaming license increase, adding that the increases are not in the FY16.5 budget. Alderman Marquardt approved of the ambulance fees, but did not agree with the increase in gaming fees. He added that he can see raising it, just not that high. Alderman Noreiko added that she would like to see non-profit organizations pay a lower fee.

Fire Chief Hicks left the meeting at 8:23 p.m.
Committee Member Partch left the meeting at 8:23 p.m.

Alderman Jacobson and Chairman Peddle had a discussion on gaming fees and payouts.
Fire Chief Hicks returned to the meeting at 8:25 p.m.

Police Chief Lowery left the meeting at 8:25 p.m.

Committee Member Partch returned to the meeting at 8:26 p.m.



Police Chief Lowery returned to the meeting at 8:28 p.m.

Alderman Snow and Alderman Noreiko had a sidebar conversation that Mayor Rey interrupted at 8:30 p.m.

City Manager Gaura stated that staff can prepare a more detailed analysis of the gaming revenue over a longer period of time, breaking down the revenue based on the discussion.

Other Items

No other items were mentioned.

Public Participation

Bessie Chronopoulos stated there is always a struggle to meet budget. It is the most difficult thing to do. The City Manager and Assistant City Manager have said multiple times that they are cutting items. She added that the City Council is supposed to look at the budget line by line.

Dwayne Brown stated that previous Alderman Naylor passed the gas tax, and those extra funds were supposed to be funding the streets but it has been going to the new Police Department. He mentioned that now the City wants to take out \$600K that will not be replaced. He stated that the City is losing population and continues to hire police officers. He added that the City is losing its base, homes are empty and businesses are leaving. He stated that the City needs to face reality.

Confirm Next Meeting Date and Time

The next joint meeting to discuss the FY16.5 budget will be held on June 1, 2016.

Adjournment

Mayor Rey requested a motion to adjourn, moved by Alderman Jacobson and seconded by Committee Member Verbic. The meeting adjourned at 8:40 p.m.

CARRI PARKER, Deputy City Clerk

Approved by City Council June 27, 2016.

Approved by Finance Advisory Committee July 12, 2015.

