

**MINUTES
SPECIAL JOINT MEETING
OF THE
CITY COUNCIL
&
FINANCE ADVISORY COMMITTEE
AUGUST 16, 2021**

The City Council of DeKalb, Illinois, and its Finance Advisory Committee (FAC) held a Special joint meeting on August 16, 2021, in the Yusunas Room of the DeKalb Public Library, 309 Oak Street.

A. CALL TO ORDER

1. City Council Committee of the Whole Call to Order and Roll Call.

Mayor Barnes called the City Council meeting to order at 6:00 p.m.

Executive Assistant Ruth Scott called the roll, and the following members of City Council were present: Alderman Carolyn Morris, Alderman Barb Larson, Alderman Tracy Smith, Alderman Greg Perkins, Alderman Scott McAdams, and Mayor Cohen Barnes. Alderman Mike Verbic and Alderman Tony Faivre were absent.

2. Finance Advisory Committee Call to Order and Roll Call.

FAC Chair Neeley asked for roll call of the FAC.

Executive Assistant Scott called the roll and the following members of the FAC were present: Chair Lynn Neeley, Member Tom Teresinski, and Member Lance McGill. Member Ron Partch and Member Dytania Washington were absent. (Note that the FAC did not have a quorum.)

Also present was City Manager Bill Nicklas.

B. APPROVAL OF AGENDA

Mayor Barnes asked if there were any Council or FAC members wishing to make changes to the agenda; there were none.

MOTION: Alderman Perkins moved to approve the agenda; seconded by Alderman Larson.

VOTE: Motion carried by a 6-0-2 roll call vote. Aye: Morris, Larson, Smith, Perkins, McAdams, Barnes. Nay: None. Absent: Verbic, Faivre.

C. PUBLIC PARTICIPATION

Earnell Brown spoke about his concern regarding the City's financial disbursement throughout the community, indicating it should be more diverse.

D. CONSIDERATIONS

1. Consideration of Key Assumptions for the Fiscal Year 2022 City Budget.

City Manager Nicklas stated the focus of this meeting will be to take stock of where DeKalb is now and where he believes it will be in FY2022. He added that he's not only looking over

the next 12 months but out a little bit further because the federal government has given substantial money to cities like DeKalb with certain prescriptive parameters, which he intends to follow. These federal funds will allow the City to some do things it hasn't been able to do in many years.

City Manager Nicklas noted that in the revenue and expenditure assumptions for the general fund, he's assuming there will be no further COVID related restrictions on business and employment. Further, some important tax data is still not available, which would be helpful in making predictions about revenues. He noted that most companies wouldn't begin the budgeting process at this point, but as a public body, it's important to start discussions now, even though we're doing a little "spit balling".

FY2022 General Fund Revenue Assumptions

Property Tax and Pension Obligations.

- City Manager Nicklas provided an overview of his suggestions and comments from the information provided in the agenda packet for the upcoming budget year as follows:
- Using all property tax to offset the fire and police pension obligation. He's predicting the City will be short by approximately \$1.3 million, which will be taken out of sales and use tax.
- Not asking taxpayers to pay a proportional share of the library debt the City took on, which is just under \$500,000.
- Some of the new development on the south part of town has materialized, in particular the Ferrara project, which will assist with the equalized assessed value (EAV) on taxes to be paid in 2022, which will affect how the City levies. We won't see anything from Facebook this year because other than a few small buildings, it won't be fully occupied until the end of next year. The total estimated new construction is approximately \$25.5 million. Last year it was just over \$2.25 million.

Sales and Use Taxes.

- Based on early FY2021 trends, there should be a little over a 4% increase in sales tax revenues. Last year we underplayed what revenue would be, so the FY2021 budget was amended in July of this year to show the additional revenue that had not been accounted for.

Gross Receipts Taxes.

- This category includes utility taxes with a 3.4% difference approximately at this point. There may be a little bit more because of the electrical tax to be shared with Ferrara.

Intergovernmental Revenues.

- Based on the recently released 2020 Census information, there was a change in the city's population from 44,030 to 40,290 residents in DeKalb over the last 10 years, which is about an 8.5% drop. That affects our per capita revenues and our share of the state income tax.

- The local use tax captures internet sales, which were up substantially last year, most likely due to people being home due to COVID and it continues to rise.

Licenses and Permits.

- This category has seen an increase in revenues, mostly thanks to Facebook and Ferrara. The soon-to-be named company coming to DeKalb in that same area will assist with further revenues in this category.

Transfers In.

- American Recovery Act dollars allowed the City to make up for the loss of about \$4.2 million. This funding gives us an opportunity to do some things that have been put off for years, specifically related to fire and police.

FY2022 General Fund Expenditure Assumptions

- City Manager Nicklas referred to his summary in the agenda packet regarding personnel.
- There wasn't much of an increase in commodities, contractual services, and equipment.
- With reference to transfers out, in 2020 the City "scooped and tossed" its debt service to the end of the term for the general obligation (G.O.) bonds so that it didn't have to dip into the reserve to keep services going. In 2022 the debt obligation comes back, hence the increase. Ferrara will offset a majority of that.

At this point in the meeting, City Manager Nicklas paused the overview and asked if anyone had questions.

FAC Member Teresinski briefly commented on the role of the FAC. He also commented that the overview provided looks relatively good from a community perspective, much better than it did in early 2020. One of the primary objectives and assumptions the FAC has discussed year after year was how to retain the 25% general fund balance. It was a long-term struggle but now the City is looking at a fund balance above that level and it looks like it's sustainable for a period of time.

Speaking to the pension obligation issue, Mr. Teresinski stated it remains significant and he would hope that at some point a discussion can take place to see if there are dollars available and use that as an opportunity to address what the minimum requirements have been.

Continuing, Mr. Teresinski stated the other long-term liability is roads and construction costs the City has struggled with over the years. He, along with others he's spoken with, would like to try to get that up to \$3 to \$4 million regular annual commitment.

Mr. Teresinski also commented that multiple year budgeting helps with capital cost planning.

As for the property tax aspect of the pension discussion, it will be enhanced not only with Ferrara and Facebook, but also with the roll off of TIF (tax increment financing). The TIF surplus is still generating \$200,070 more or less. The other half will come back at the end of next year. The good part is that it will all come back to property tax income, which reduces

the deficit related to pension obligations from a \$1.3 million deficit and nearer to zero to get to a balanced pension obligation on a go forward basis.

City Manager Nicklas noted that one other problem that bothers him is how much the general fund in DeKalb has been supported by other funds that have other needs, one of those being the water fund. Referencing data provided on page two of the agenda packet regarding transfers in, there will be a drop off in 2023 and 2024 in transfers from the water fund.

Mayor Barnes and City Manager Nicklas discussed the recent census outcome and the City's pension obligation.

Mr. Teresinski asked about the library debt and how it became the City's obligation rather than the library's. City Manager Nicklas replied he wasn't with the City when that decision was made in 2013 and he hasn't done a lot of research on it.

Mr. Teresinski commented there is no revenue that the City is using on the library's behalf so it's a pure add on to the City budget. City Manager Nicklas stated it was his understanding that the library needed more money for its expansion and at the time the City said they'd cover it. The library has indicated that its debt service is paid, however, the City has another 10 years left in the amount of approximately \$500,000 per year.

Mr. Teresinski asked about headcount for assumptions and if the 12 frozen positions were in the FY2022 budget. City Manager Nicklas indicated they were.

Discussion ensued between Mr. Teresinski and City Manager Nicklas regarding staffing levels. City Manager Nicklas indicated that some of the frozen positions have been carried over since 2019. He added that services have been the focus, specifically with fire and police. At this time the hiring process for fire and police has been accelerated to assist with the lowering of overtime and providing services.

FY2022 Capital Funds.

City Manager Nicklas indicated that not all of the capital-oriented funds are listed in the summary provided in the agenda packet. He added that the City does not receive property taxes for streets or operations.

City Manager Nicklas continued, stating that three years ago the Council and FAC spent a lot of time thinking about how to attack the slow pace of street maintenance. To remedy that, the City increased its local motor fuel tax (MFT), as did the State of Illinois, which brought in more dollars. In 2018 the City had \$750,000 in annual street maintenance spending. In FY2022, \$2.2 million is proposed. Some of those funds will go towards two major bridge replacements – the Lucinda Street bridge and the N. First Street bridge.

City Manager Nicklas continued with his explanation of MFT funding and spending, stating that next year a more aggressive program will be put in place so the City can work on more alleys, which have been neglected due to the lack of funding. Other projects are coming along, such as the repaving of First Street and next year the State of Illinois is going to pave Route 38, which will benefit the downtown area.

Another project the City wanted to tackle this year was the streetscape of Lincoln Highway. However, there's still some review going on at the state level, therefore the project will not

begin until 2022. This project will widen the sidewalks in the downtown area from First Street to Fourth Street and reduce the number of lanes to two. There will also be more enhancements including lighting, street art, etc.

Mayor Barnes commented that the Route 38 project will include repaving of the asphalt from the Convocation Center through to Cortland, which will improve on the beautification and structure of the area.

City Manager Nicklas then provided an overview of vehicle replacement. He noted that in 2019 the City made the decision to lease some vehicles for a five-year term, which has helped tremendously. However, it comes with a debt consideration and an audit standard where we are required to record the full value of the costs on the books and spreading that over five years.

Mayor Barnes asked for information on the DeKalb Taylor Municipal Airport (DTMA). City Manager Nicklas indicated there are two ongoing runway paving projects in progress, as well as a lighting project, which have been on transportation improvement program list for years. These projects will assist with developing the DTMA.

DeKalb's TIF Program

City Manager Nicklas noted that TIF 1 will be expiring at the end of 2021. There will be some accrual of revenue that will be realized next year. Action will be taken later in the year to terminate the TIF 1 program.

With regard to TIF 3, this is the second full year where some revenue can be spent. The total of TIF 3 projected is \$450,000, which would cover a couple of downtown projects.

FY2022 Budget Schedule

City Manager Nicklas provided a brief overview of the FY2022 budget schedule, explaining that after this meeting, there will be a couple of months of intense department level budget discussions. After that, the meeting schedule is as follows:

- Monday, October 18. An FAC meeting to review proposed, detailed FY2022 Budget highlights, including annual levy assumptions.
- Monday, October 25. Council consideration of property tax levy options.
- Tuesday, November 8. Presentation of a Council resolution establishing a Truth in Taxation Hearing for November 22.
- Monday, November 15 & Wednesday, November 17. Back-to-back Special Council meetings in joint session with the FAC to go over the Proposed FY2022 Budget document. The General Fund departments will be the focus on November 15, and the Capital, Enterprise, and Special Funds will be the focus on November 17.
- Monday, November 22. Truth in Taxation Hearing and FY2022 Budget Hearing. First Reading on the proposed FY2022 City Budget.
- Monday, December 13. Second reading on the proposed FY2022 City Budget.

- December 31, 2021. Last day to file the approved FY2022 Annual Budget and Property Tax Levy with the DeKalb County Clerk.

Mayor Barnes asked if conversations have been had about returning the library debt service obligation back to the library. City Manager Nicklas replied that he doesn't know of any discussions that have taken place, but he would if that was the direction of the Council. He added that we would need to see what the understanding was at the time the deal was struck.

Discussion ensued City's fund balance reserves.

City Manager Nicklas expressed his gratitude to the fire department and their dedication to the community during the hiring freeze. Firefighters were called in on their days off to cover shifts that otherwise would have not been covered.

FAC Member Neeley expressed her gratitude to City employees who worked hard and sacrificed to tow the line over the last year.

Alderman Morris noted the City could find itself in a similar situation it was in last year to afford a bump down in the fund balance reserves to create some positive outcomes for the entire community.

E. ADJOURNMENT

MOTION: Mr. Teresinski moved to adjourn; seconded by FAC Member McGill.

VOTE: Motion carried by a majority voice vote of the FAC members present.

MOTION: Alderman Morris moved adjourn; seconded by Alderman McAdams.

VOTE: Motion carried by a majority voice vote of the Council members present.

Mayor Barnes declared the meeting adjourned at 8:05 p.m.

Respectfully submitted,

Ruth A. Scott, Executive Assistant

Minutes approved by the City Council on August 23, 2021.
Minutes pending approval by the Finance Advisory Committee.