

**MINUTES
CITY OF DEKALB
SPECIAL MEETING OF CITY COUNCIL AND
FINANCE ADVISORY COMMITTEE
NOVEMBER 20, 2018**

The City Council of DeKalb, Illinois held a Special Joint Meeting with the Finance Advisory Committee on November 20, 2018, in the City Council Chambers of the DeKalb Municipal Building, 200 South Fourth Street, DeKalb, Illinois.

Mayor Smith called the meeting to order at 5:30 p.m.

A. ROLL CALL

City Clerk Lynn Fazekas called the roll, and the following members of the City Council were present: Alderman Bill Finucane, Alderman Pat Fagan, Alderman Kate Noreiko, Alderman Mike Verbic, Alderman Tony Faivre, and Mayor Jerry Smith. Alderman Jacobson arrived at 5:40 p.m.

The following members of the Finance Advisory Committee (FAC) were present: Bob Higgerson, Lynn Neeley, Steve Parker, Ron Partch, Tom Teresinski, and Chair Mike Peddle.

Also present were: Interim City Manager Raymond Munch and Acting Finance Director Robert Miller.

B. PUBLIC PARTICIPATION

Mark Charvat disagreed with the way the press release about a possible misappropriation involving Illinois Personnel Benefit Cooperative (IPBC) funds was handled and asked why the City Attorney and Mayor were not also put on administrative leave in light of accusations against them.

C. REVIEW OF THE PROPOSED 2019 BUDGET

Interim City Manager Munch summarized health insurance premium calculations that upset the proper FY2018 allocation of these premiums between employer and employees/retirees to the detriment of the latter, and the handling of Illinois Personnel Benefits Cooperative (IPBC) funds that likewise benefitted City disproportionately. Manager Munch showed corrections the City has made.

Interim City Manager Munch said the City has also corrected unrealistic revenue assumptions for hotel/motel tax, building permit fees, and tax increment financing (TIF) surplus and transfers to General Fund (GF). Assuming implementation of proposed \$1.68 million in budget-balancing measures and maintenance of reserves, he said the five-year forecast projects an FY2019 deficit of \$1.8 million.

Mark Charvat spoke to the IPBC fund drawdown reversal vote. He said the City needs outside eyes to look at the situation and disapproved of the waiver of Second Reading.

Other topics discussed included the following:

- Recommendations for addressing budget deficits.
- Property tax levy and calculations.
- Pension obligations and payments.
- Increases in personnel expenses as a structural budget issue.
- The school district's share of property taxes.
- Negative fund balances for airport and water capital funds, how they are accounted for and whether it paints an accurate picture of reserves.
- A dedicated funding source for storm water drainage and retention.
- Talking to other bodies about sharing services and pooling purchasing power.
- Possible hikes in fees and sales taxes and introduction of an amusement tax.

Mayor Smith recognized Will Heinisch in the audience, who said he feels a new City Manager is key. He also supports a 12-month hiring freeze, which not only saves money but would give the City Manager some say in addressing structural issues. He urged the City to stop using future revenues to pay today's expenses.

The group further clarified basic issues as the meeting progressed. Namely, that FY2019 is balanced, but revenues for FY2018 will not meet original projections. This would lead to fund balance shortage with damage to bond ratings if the City cannot find another fix.

Areas of potential action emerged, including passing a budget understood to be temporary and subject to amendments. Though it would temporarily affect fund balance, the reasoning was that it would present opportunities to put a new City Manager in place and give the FAC more time to generate solutions. A six-month time frame was proposed. There was also general support for a temporary hiring freeze and calls for Council and FAC to meet again before the end of the year.

D. 2018 PROPERTY TAX LEVY DISCUSSION

Interim City Manager Munch observed that the most recent information received has changed the outlook. He said Council needs to decide whether to capture only the growth of new construction or take a different direction.

There was interest in comparing data for the capture of new construction growth only versus capture of all increases in Equalized Assessed Value (EAV).

The group also discussed effects of increasing the proportion of pension payments coming from property taxes and the closure of tax increment financing districts (TIFs).

Mayor Smith noted a group consensus to schedule at least two more meetings and to further discuss a hiring freeze.

E. ADJOURNMENT

MOTION

Ms. Neeley of the FAC moved to adjourn the meeting at 8:19 p.m. Alderman Verbic seconded.

VOTE

Motion to adjourn was approved by majority voice vote. Mayor Smith declared the meeting adjourned at 8:20 p.m.

LYNN A. FAZEKAS, City Clerk

Approved by City Council: December 18, 2018.