

SYCAMORE CITY COUNCIL
AGENDA
February 2, 2009

CITY COUNCIL COMMITTEE MEETINGS
No Meetings Are Scheduled

REGULAR CITY COUNCIL MEETING
7:00 P.M.

- 1. CALL TO ORDER**
- 2. INVOCATION**
- 3. PLEDGE OF ALLEGIANCE**
- 4. APPROVAL OF AGENDA**
- 5. AUDIENCE TO VISITORS**
- 6. CONSENT AGENDA**
 - A. Approval of the Minutes for the Regular City Council Meeting of January 20, 2009.
 - B. Payment of the Bills for February 2, 2009.
 - C. Sycamore Police Department Summary Report for 2008.
- 7. PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
 - A. Proclamation Declaring the Month of February, 2009 as Career and Technical Education Month in the City of Sycamore.
- 8. REPORTS OF OFFICERS**
- 9. REPORTS OF STANDING COMMITTEES**
- 10. PUBLIC HEARINGS--None**
- 11. ORDINANCES--None**

12. RESOLUTIONS--None

13. CONSIDERATIONS

A. Consideration of a Presentation by Christopher Burke Engineering Regarding the Legal and Policy Options That May Be Pursued With Regard to a Transportation Impact Fee.

In the spring of 2008, the Council approved a capital budget that included a modest allocation of \$15,000 for a consultancy to investigate the statutory and practical basis for a transportation impact fee, as a first step toward the public discussion of the pros and cons of such a developmental exaction. The interest in such a fee was part of the public discussion in the winter of 2007-2008 about how the City can upgrade the quality of its street surfaces. The Council commitment to new revenue sources (a ½% increase in the home rule tax and a 2 cent per gallon gas tax) addressed existing deficiencies, but did not address remaining questions about who would assume road construction or reconstruction responsibilities in future subdivisions.

As with other impact fees, transportation impact fees must meet three constitutional standards in Illinois that ensure a substantial relationship between the regulatory requirements and the public purpose for which they are imposed. The three standards examine whether the exaction is (a) uniquely and specifically attributable to the development; (b) bears a reasonable relationship to the development; and (c) has a rational nexus with the new development.

Impact fees may not cover costs associated with the repair, reconstruction, operation or maintenance of existing roads except where a new improvement can be shown to be uniquely and specifically attributable to a particular development. This substantially narrows the instances in which such fees can be used. The City requires developers to install all the public and private streets within their subdivision. The new improvements attributable to a development that are not within a development might include lane widening or turn lanes on an existing collector street which intersects with a residential street within a new subdivision. The same may be true of traffic signals for which warrants are met, and for which a proportional share of the cost can be attributed to the new development. Typically, the City has required private developers to pay for such off-site improvements as well.

While it is agreed that road fees may not be retroactively imposed in existing annexation agreements without the mutual consent of the parties, it is certain that the imposition of a road impact fee affecting future annexations is possible so long as the fees meet the constitutional tests noted above as well as procedures established in law. Such procedures are outlined in the Road Improvement Impact Fee Law (605 ILCS 5/5-901, *et seq*) and include the adoption of a comprehensive road improvement plan, a statement by the City as to how the proposed plan would be served by the road fees, a public hearing on said plan and fees, etc. As a matter of prudence and pursuant to state statutory guidelines, some Illinois taxing bodies (e.g. Naperville, Kane County) have hired an engineering consulting firm to develop a methodology for determining the impact of new trips added to the local road system. Others—including home rule communities like the City of DeKalb—have departed from the state statutory framework and arrived at a local “policy” based on an

internal calculation of future impacts and needs. This approach is less costly and time-consuming, but also puts the pressure on City officials to generate a legally defensible model.

It should also be noted that off-site road improvements that may one day be uniquely attributable to a specific development can be imposed in the context of the annexation agreement for that development. Some communities prefer to address each development's impact in this manner. Against the backdrop of the 2008 Sycamore Future Land Use Plan and the 2008 Transportation Plan (see attached), only a limited number of offsite road improvements remain to be built (e.g. the realignment of Plank Road). The Council may want to consider how the remaining undeveloped farms might generate fee income needed for such improvements based on their proportional fiscal impacts.

The engineering consulting firm of Christopher Burke Engineering was chosen for its expertise in this field and its knowledge of the transportation network in and around the City of Sycamore. Representatives of the firm (Greg Chismark and John Wills) will present an overview of the several paths that a community could follow if it was inclined to pursue a transportation impact fee, and will also outline alternative methods for raising fee revenue through annexation agreements.

B. Consideration of an Administration Request for Direction on the Proposed FY2009-2010 Fiscal Year Budget.

At the last regular Council meeting of January 20, the City Manager presented assumptions about General Fund, Water Fund, and Sewer Fund revenues and expenditures for the new fiscal year beginning on May 1. After reviewing those options, the Council agreed with the City Manager that further discussion and financial analysis was in order before any firm budget direction was given. This background report reflects a further digestion and elaboration of the points raised at the January 20 meeting and seeks specific direction so that the City Manager and City department heads can proceed to prepare an operating budget with narratives for Council review in mid-March.

GENERAL FUND

A. Revenues

On the revenue side, the principal assumptions for FY2009-2010 remain as follows:

1. **FY10 revenues are expected to be below the projected year-end revenues for FY09.** A table displaying the key General Fund revenues and projected FY10 revenues on a cash basis is shown below:

	FY03	FY04	FY05	FY06	FY07	FY08	FY09**	FY10 Budget
Key Revenues								
Property Tax*	\$1,762,608	\$1,771,489	\$1,771,901	\$1,839,096	\$1,820,775	\$1,850,728	\$1,887,337	\$1,898,501
Home Rule Tax	\$658,057	\$722,120	\$762,522	\$1,029,606	\$1,209,879	\$951,090	\$975,000	\$985,000
1% State Sales Tax	\$2,060,349	\$2,247,894	\$2,499,105	\$2,634,542	\$3,011,590	\$2,834,383	\$2,920,356	\$3,120,000
Restaurant/Bar Tax	\$447,211	\$512,957	\$551,834	\$644,111	\$709,492	\$738,492	\$790,000	\$735,000
Telecommunication Tax	\$0	\$405,183	\$528,962	\$562,038	\$543,661	\$571,475	\$536,059	\$565,000
Income Tax	\$781,869	\$725,100	\$877,388	\$1,076,867	\$1,217,530	\$1,367,203	\$1,337,000	\$1,380,000
Subtotal	\$5,710,094	\$6,384,743	\$6,991,712	\$7,786,260	\$8,512,927	\$8,313,371	\$8,445,752	\$8,683,501
All General Fund Rev	\$8,084,211	\$9,425,257	\$9,689,513	\$11,346,037	\$11,887,325	\$11,615,304	\$11,863,401	\$11,827,501
Difference from Previous Yr		16.59%	2.80%	17.10%	4.77%	-2.29%	2.14%	-0.30%
General Fund Spending	\$7,395,346	\$8,015,401	\$8,652,696	\$9,831,746	\$10,121,866	\$11,164,216	\$11,860,000	\$12,264,908
Surplus/(Deficit)	688,865	1,409,856	1,036,817	1,514,291	1,765,459	451,088	3,401	(437,407)

2. **No new taxes or fee increases are proposed.**
3. **Development revenues will continue to be flat.** The steady decline in most categories continues, as shown below:

	FY03	FY04	FY05	FY06	FY07	FY08	FY09*	FY10 Budget
Planning/Zoning	\$6,450	\$8,355	\$5,400	\$7,950	\$5,100	\$2,700	\$3,470	\$5,000
Engineering Inspection	\$17,452	\$231,871	\$163,497	\$233,630	\$234,571	\$143,037	\$86,000	\$50,000
Building Inspection	\$56,348	\$107,164	\$141,155	\$246,941	\$104,635	\$94,930	\$52,342	\$65,000
Electrical Inspection	\$14,803	\$29,571	\$35,128	\$75,440	\$24,813	\$24,633	\$16,530	\$25,000
Plumbing Inspection	\$19,970	\$27,975	\$34,130	\$65,083	\$20,880	\$19,305	\$11,948	\$18,000
Other Inspection	\$22,638	\$32,725	\$43,281	\$78,779	\$27,510	\$33,314	\$22,858	\$20,000
Subtotal	\$137,661	\$437,661	\$422,591	\$707,823	\$417,509	\$317,919	\$193,148	\$183,000
All General Fund Revenue	\$8,084,211	\$9,425,257	\$9,689,513	\$11,346,037	\$11,887,325	\$11,615,304	\$11,863,401	\$11,827,501
% of Overall Rev	1.70%	4.64%	4.36%	6.24%	3.51%	2.74%	1.63%	1.55%
Difference from Previous Yr		16.59%	2.80%	17.10%	4.77%	-2.29%	2.14%	-0.30%
*Estimate								

The projected FY2010 totals for building inspections, electrical inspections and plumbing inspections will compare more closely with the actual totals for FY2003. In 2008, residential housing sales collapsed in Sycamore. Some previously committed commercial and industrial starts added some welcome local investment but could not offset the lowest number of housing starts in ten years. The total new value added to the Sycamore tax base, based on building permit records (which do not necessarily translate to EAV numbers), was \$30,483,700—a sharp drop from the 2007 total of \$49,372,087

and the lowest annual increase in valuation since 2000. A summary of the 2008 residential permits is shown in the table below:

Year	Single Family Detached		Single Family Attached		Multiple Family		Total Dwellings	
	No.	Valuation	No.	Valuation	No.	Valuation	No.	Valuation
1995	32	\$4,098,045	16	\$1,190,000	22	\$890,000	70	\$6,178,045
1996	38	\$3,908,650	32	\$2,147,000	42	\$1,656,304	112	\$7,711,954
1997	45	\$5,734,300	17	\$1,275,000	26	\$1,290,000	88	\$8,299,300
1998	65	\$8,753,100	35	\$2,445,767	40	\$2,354,304	140	\$13,553,171
1999	64	\$8,469,000	49	\$3,200,000	30	\$2,316,000	143	\$13,985,000
2000	88	\$13,059,400	20	\$1,975,000	20	\$1,818,000	128	\$16,852,400
2001	78	\$12,677,600	35	\$2,731,000	31	\$2,416,000	144	\$17,824,600
2002	114	\$20,004,600	69	\$6,874,000	14	\$732,000	197	\$27,610,600
2003	139	\$27,601,170	76	\$7,053,000	43	\$2,575,000	258	\$37,229,170
2004	197	\$36,118,212	44	\$4,067,000	90	\$5,791,650	331	\$45,976,862
2005	248	\$63,837,224	165	\$14,193,000	292	\$15,440,625	705	\$93,470,849
2006	159	\$40,346,932	79	\$8,067,500	127	\$6,424,250	365	\$54,838,682
2007	75	\$15,025,398	57	\$5,815,000	95	\$4,870,000	227	\$25,710,398
2008	14	\$3,279,220	46	\$4,278,000	48	\$2,548,000	108	\$10,105,220

The overall residential, commercial and industrial totals are shown in the table below:

Year	Residential		Commercial		Industrial		Total
	No.	Valuation	No.	Valuation	No.	Valuation	All Structures
1995	70	\$6,178,045	11	\$11,693,000	7	\$1,808,000	\$19,679,045
1996	112	\$7,711,954	8	\$2,266,500	1	\$97,000	\$10,075,454
1997	88	\$8,299,300	5	\$5,550,000	9	\$2,100,000	\$15,949,300
1998	140	\$13,553,171	23	\$10,829,250	2	\$194,000	\$24,576,421
1999	143	\$13,985,000	33	\$11,584,000	3	\$1,237,000	\$26,806,000
2000	128	\$16,852,400	22	\$5,324,066	3	\$196,000	\$22,372,466
2001	144	\$17,824,600	22	\$9,341,867	4	\$3,993,000	\$31,159,467
2002	197	\$27,610,600	33	\$7,582,420	2	\$3,905,000	\$39,098,020
2003	258	\$37,229,170	24	\$3,881,300	3	\$1,437,000	\$42,547,470
2004	331	\$45,976,862	20	\$8,817,012	5	\$6,805,000	\$61,598,874
2005	705	\$93,470,849	50	\$14,472,556	6	\$1,719,000	\$109,662,405
2006	365	\$54,838,682	54	\$9,779,554	6	\$2,651,800	\$67,270,036
2007	227	\$25,710,398	66	\$19,801,296	9	\$3,860,393	\$49,372,087
2008	108	\$10,105,220	43	\$15,398,500	11	\$4,980,000	\$30,483,700

- As in each of the last twelve years, the increase in the annual **City property tax** levy has been constrained to result in a decrease in the City's property tax rate. The general portion of the 2008 levy (excluding fire and police pension allocations) will be \$1,898,501 or only \$11,164 more than the 2007 levy. The resulting 2008 City tax rate should be \$0.58178 per \$100 EAV, or 3% lower than the 2007 rate.
- The local share of the combined **state income tax** proceeds is expected to be \$92.83 per capita (the state uses the official city census of 14,866). This number is of course dependent upon local employment and local wages and salaries. In addition, there is a real threat that the state legislature will consider action to appropriate an 8%-10% slice of the Local Government Distributive Fund, as evidenced by SB 3077 and the

amendment to SB 2083 in the last legislative session. Such action would dramatically affect this revenue stream and damage the City's ability to maintain current operational services.

6. Based on year-to-date trends and a month-by-month comparison with the past three fiscal years, our overall **sales and use taxes** are projected to slightly increase, if only because the General Fund will receive a full year of revenue from Jewel/Osco and smaller commercial retail establishments that opened in 2008 on Peace Road and DeKalb Avenue. However, it should be noted that the estimate of revenue from the 1% state sales tax may be optimistic if the local sales in November and December are found to be as flat as national trend watchers predict.
7. **No new dollars will be added to the General Fund in FY2010!** The projected FY09 year-end revenues will be \$11,863,401 and the projected FY2010 General Fund revenues will be \$11,827,501.

B. Expenditures

In light of the foregoing analysis of General Fund revenues for FY2009-2010, departmental expenditures will need to be tightly controlled. Because employee wages, salaries, and insurance (e.g. health, life and worker comp) typically constitute two-thirds of the City's General Fund expenditures (\$7,980,604 out of a total of \$12,106,913 in FY09), projections of cost in these areas are critical to any overall conclusions about General Fund spending.

- 1) **Labor Costs.** The City's contractual relationships with locals of three national unions (FOP, IAFF and AFSCME) largely define the annual economic impact of the City's human services. In FY2009-2010, the City's collective bargaining agreements with AFSCME Local 3957 and FOP Lodge 133 will be re-negotiated. Rulings by an arbitrator received on January 5, 2009 regarding the City's agreement with IAFF Local 3046 will shape key economic obligations with the City's firefighters until a re-opener for the year May 1, 2010 through April 30, 2011 (more on this below).

The City currently has 99 full-time and 52 part-time positions. The breakdown of full-time exempt and union employees is shown below:

Management: 17

IAFF: 26

FOP: 27

AFSCME: 29 (also, 3 PT)

Other part-time exempt employees include 10 crossing guards; 15 paid-on-call firefighters; 12 auxiliary police; 2 ICE interns and 10 elected officials.

In FY2009-2010, the following assumptions are included in the City Manager's preliminary estimate of General Fund personnel costs:

- **No new hires.**
- **No layoffs.**
- **No new debt service.** This means there are no dedicated general revenue funds for debt service to fund bonds for the new Police addition.
- **Automatic step increases.** All three union contracts contain automatic step increases for members with the least seniority who are moving through

annual “steps” in the direction of the base pay of senior members. The top step in the IAFF scale will be reached after 8 years; FOP members reach the top of their scale in 7 years and AFSCME members reach their top step in 8 years. The value of these increases affecting a total of 35 full-time and 2 part-time union members is **\$98,302** without any across-the-board percentage increases for all members.

- **An across-the-board 2% wage and salary increase, effective May 1, 2009.** This raises the new costs to the General Fund by another **\$106,268 in base wages not including any increased overtime costs.**
- **A wild card is present in the form of an independent arbitrator’s ruling that the IAFF local should receive a 3.75% increase in the fiscal year beginning on May 1, 2009.** At best, this stunning decision is based on a naïve understanding of the City’s declining revenues and the general slump in the local and regional economy. In response to the City’s argument that any increase after May 1, 2009 should be negotiable based on actual economic circumstances, the arbitrator stated that *“no Firefighter (or police officer or AFSCME member) holds any kind of tenure with the City. A severe downturn presumptively can be remedied with appropriate manpower or other cuts.”* The arbitrator suggests that an alternative to layoffs may be the mutual agreement of the parties to a different wage accord, based on changed circumstances. The latter suggestion will be pursued by the City management at the bargaining table, but any outcome other than what the arbitrator has ruled must be the result of a mutual agreement arising from collective bargaining. **The cost of an additional 1.75% for the firefighters alone is \$43,448 in base wages plus an additional increment of about \$20,000 in increased overtime costs. This additional cost is not included in the General Fund deficit projection noted below.**

- 2) **Insurance Increases.** The following increases are included:
 - **Worker Comp Increase: \$85,552.**
 - **Health Insurance Increase (active employees): \$56,511.**
 - **Life Insurance Increase: \$2,410.**
 - **Retiree Insurance Increase: \$65,961.**
- 3) **Increased emergency dispatch costs** arising from the intergovernmental agreement with DeKalb County. The increase from FY08 to FY09 was \$14,585 (+2.6%). The increase from FY09 to FY10 is \$25,101 (+4.4%). The assistant county administrator largely attributed this increase to County wage increases negotiated in 2005.
- 4) **Bare Bones Training.** No conferences or seminars will be authorized unless such training expenses are directly associated with the maintenance of certifications or licenses. Examples of such exceptions would include continuing education credits to maintain paramedic licenses and the city engineer’s license, as well as IEPA-required certifications for water operators and wastewater operators, and ISO-relevant certifications for building inspectors.

- 5) **Negligible Small Tools and Equipment.** Any tool or piece of equipment with a useful life of more than one year will be weighted with other annual capital priorities in various City capital funds and will not be funded by the General Fund. As always, the availability of funds will align with priorities set by the Council in the budget process. This means that a variety of commodities such as fire hose, investigator supplies, truck parts, computers, etc. will be weighed against larger capital expenditures that have an obvious and visible public impact in the next fiscal year. The caveat is this: the City Manager, in consultation with the Assistant City Manager and each department head, will carefully consider the extent to which the failure to make routine purchases may jeopardize a vital public service. In other words, each line item in every department budget will be scrutinized as never before, and will need to be justified.

- 6) **Shifting of annual Council grants (\$38,000) to the Hotel Motel Tax Fund (Fund 9).**

- 7) **Shifting of Salt Costs to the Motor Fuel Tax Fund.** The funding for all salt purchases will come from the Motor Fuel Tax Fund in FY2009-2010 and thereafter.

- 8) **Additional Cost-Shifting.** More than one-half of the Public Works department personnel costs will be shared by the Water and Sewer Funds, which are served by Public Works personnel. It should be noted that in the present fiscal year (FY2009), the annual street maintenance expenditures in the Public Works budget (line item 731-8316) were shifted to several capital funds and this pattern will continue in FY2010 to lighten the burden on the General Fund.

C. Looming Operational Deficit

Including the additional personnel and insurance costs outlined above—but excluding the impact of the arbitrator’s decision regarding the IAFF contract—the total General Fund spending projected for FY2009-2010 is \$12,264,908.00, an increase of \$157,995 (1.3%) over the FY2009 General Fund expenditure budget of \$12,106,913 and 3.41% above the projected year-end spending for FY2009. Relative increases in General Fund spending in recent years are shown in the table below:

General Fund Expenditures, FY03-FY09 (Cash Basis)								
	FY03	FY04	FY05	FY06	FY07	FY08	FY09*	FY10 Budget
General Fund Spending	\$7,395,346	\$8,015,401	\$8,652,696	\$9,831,746	\$10,121,866	\$11,164,216	\$11,860,000	\$12,264,908
% Difference		8.38%	7.95%	13.63%	2.95%	10.30%	6.23%	3.41%
*Estimate								

In light of the diminished General Fund revenues detailed earlier, the FY2010 General Fund spending target of \$12,264,908 would result in a deficit of \$437,407.

D. Closing the Operational Deficit

To close this projected deficit, a number of steps are needed over and above the cost-shifting noted above. On January 20, some options were suggested for the Council's review. Although no specific direction was requested, none of the Council members who spoke on January 20 voiced support for using any of the Street Maintenance Fund revenues for operating purposes (Options D & E presented on January 20). Accordingly, no options supporting the use of street maintenance funds for operating purposes are offered in the lineup below.

Option A: Bring the overall budget into balance by allocating \$437,407 from the General Fund reserve.

Discussion:

The General Fund "reserve" or fund balance consists of retained earnings resulting from a surplus of revenues over expenditures in previous fiscal years. The table on the top of page 4, above, displays the surpluses since FY03. By Council policy, the fund balance has a restricted and an unrestricted component. By Council direction an amount equivalent to the sum of all compensated employee leave balances is restricted. This amount includes the cash equivalent of accrued sick leave, comp time, and vacation time owed to full-time city employees. That amount is roughly \$1,850,000 at present. In addition, \$1,500,000 is restricted for emergency uses. The sum of the restricted portion of the fund balance is about \$3,350,000. The audited fund balance in cash terms for the fiscal year ending April 30, 2008 was \$4,974,389.

Although the unrestricted portion of the General Fund balance can be used for operational purposes, since the late 1990's City Councils have designated the unrestricted portion of the General Fund balance for capital projects that would otherwise compete for funding with such annual needs as street maintenance, storm water improvements, street reconstruction, etc. Examples of such capital uses include the purchase of the former Henderson parking lot (\$265,000) and former Henderson department store (\$533,000) and remodeling of the former Henderson department store (now the Sycamore Center) for a total of \$1,057,000 in 2003, and the construction of the second fire station for a total of \$2,150,000 in 2007-2008. Capital allocations of this size take years to accrue and each allocation substantially diminishes the balance for a time. The next targeted building construction project is the Police department addition and remodeling estimated to cost \$3,500,000.

Despite the substantial reserve allocations for public building projects since 2002, the City's General Fund reserve has rebounded on the basis of rising community wealth and prudent operational expenditures. Perhaps the most objective judgment on the City's conservative use of its General Fund reserve comes from Moody's Investor's Service, which has upgraded the City's bond rating twice since 1999 as the reserve has been built and re-built. This measure of financial stability translates into lower debt obligations whenever the City must borrow to finance larger capital projects.

Given the historic resistance shown by City Councils to the use of reserve monies for operating purposes, it would seem that only extraordinary operating shortfalls should be

addressed by resort to the fund balance. The looming operating deficit is distressing, but it would be unfounded to call it evidence of a long-term trend at this time. In this light, a reflexive resort to the use of the General Fund balance to erase the deficit may be unwarranted. Should the City's revenues continue to decline relatively and absolutely in the next fiscal year, a reconsideration of the use of unrestricted reserve funds may be merited.

Option B: Cut Spending by authorizing no wage and salary increases with the exception of contractual step increases (savings: \$106,268) and allocate \$331,139 from the General Fund reserve to erase the deficit.

Discussion:

Because the largest number of full-time city employees are members of collective bargaining groups under contract with the City, and because wages are a legitimate subject for bargaining, any assumptions regarding wages for non-exempt employees are not reliable until they are bargained and mutually agreed. Management employees are at-will employees and their salaries may be frozen by unilateral Council action. However, the erasure of the proposed 2% increase for the management staff would only save \$27,327. Based on a management salary survey performed in the fall of 2008 (see attached) using the comparable cities Sycamore uses in collective bargaining, the City's management staff are in general well below the mid-range of comparable positions elsewhere. The City's managers are willing to lead on this issue, but zeroing any increase for managers without some reliable assumptions about union wages would not be equitable.

Option C: Cut spending by authorizing no wage and salary increases with the exception of contractual step increases (savings: \$106,268). Lay off one person from the Management, IAFF, FOP and AFSCME ranks for the next fiscal year (savings: \$238,007.70) for a total savings of \$344,275.70 and allocate \$93,131.30 from the General Fund reserve to erase the deficit.

Discussion:

According to the City's union contracts the layoffs would affect part-time and probationary employees first, then full-time members in accordance with seniority. A key component of this option—the prospect of zeroing wage increases for union employees—is a matter for negotiation and cannot be determined by fiat. Layoffs may be made by the Council through the budgetary process. The question for the City as for many business and governments today is whether the forced reduction in staffing and talent is justified by projected revenue trends and also whether such layoffs may result in unintended consequences. Unlike much of the private sector, a City cannot liquidate or go out of business. Public expectations for service in Sycamore have not diminished as the economic climate has darkened. Calls for service from the Fire, Police, and Public Works departments in particular are up, not down. If the City had recently launched some experimental or innovative programs beyond its basic statutory obligations for service, some benefit might be derived from pulling back. Over the past ten years, City Councils have supported personnel increases when responses have lagged significantly behind demand, rather than pursuing increases that might be needed in the future. This has been true in the case of Police and Fire shift strengths, as well

as the ability of Public Works to respond to a broader geography with better trained personnel.

Additionally, in the case of the Fire and Police departments, a reduction in staffing would likely mean an increase in overtime unless contractual agreements with the respective union personnel were modified to adjust shift minimums and call-back criteria. The outcome of any negotiations over such modifications is at this point uncertain, making budget planning difficult at best.

Option D: Cut spending by authorizing no wage and salary increases with the exception of contractual step increases (savings: \$106,268). Authorize a one-time transfer of \$250,000 from the Hotel-Motel Tax Fund (Fund 9) reserve to the General Fund reserve. Authorize the expenditure of \$80,732 from the General Fund reserve for operating purposes.

Discussion:

A hotel-motel tax of five percent of the rent is charged for the use of hotel or motel rooms in the City of Sycamore for each 24-hour period. In 1983 the Appellate Court of Illinois, Fourth District, upheld the ability of home rule cities--as defined by Illinois statute--to use hotel-motel tax proceeds for the general operating purposes of the city, rather than limiting the use of such tax proceeds to the promotion of tourism as originally intended when the tax was created by the Illinois legislature in the early 1960s. The City of Sycamore used hotel-motel tax proceeds for general operating purposes from the local approval of the tax in February 1997 through the spring of 1999. Since the approval of the FY1999-2000 City budget, hotel-motel tax proceeds have largely been restricted to tourism-related uses, such as the annual grants to the Sycamore Chamber of Commerce, façade grants, and other purposes that promote Sycamore as a destination for recreation and relaxation. However, the fund has also been used for the funding of a professional lobbyist (\$78,000 in FY09), the repair of the Community Center roof in 2002 (\$153,747), a grant of \$50,000 in February 2003 toward the Community Center renovation, and an annual transfer of \$45,000 to the General Fund to offset the cost of maintenance of public infrastructure in the City's showcase downtown business district.

In the past ten years, the City Council has been careful to balance expenditures against expected annual hotel-motel revenues, and so has accumulated a reserve. This reserve has been set aside for as-yet-undefined development purposes, since the City has no development fund. Any downtown redevelopment assistance would logically come from this fund, including conceptual design, utility relocations, and other assistance with a broader public purpose. A specific target for such redevelopment assistance would be the downtown block anchored on the southwest by the old train depot. This block is also in the City's TIF district; however, the TIF increment has been very modest and would not support any substantial redevelopment activity.

The use of \$250,000 from this reserve would leave retained earnings of about \$175,000 for as yet undefined downtown projects. It would also limit the reduction in the General Fund reserve, which is building capital funds for the Police addition.

RECOMMENDATION

The City Manager recommends Option #D. To the extent that the outcome of collective bargaining with the City’s three union locals in the coming months results in wage commitments higher than the recommended “freeze,” the Council may wish to return to the question of employee layoffs in various operating departments to ease the impact on the City’s cash reserves.

City Council direction is requested.

C. Consideration of an Administration Request for a Closed Session to Discuss Collective Bargaining Matters.

- 14. OTHER NEW BUSINESS**
- 15. APPOINTMENTS**
- 16. ADJOURNMENT**