

SYCAMORE CITY COUNCIL
AGENDA
January 22, 2019

CITY COUNCIL COMMITTEE MEETINGS
No Meetings Scheduled

REGULAR CITY COUNCIL MEETING
7:00 P.M.

1. **CALL TO ORDER AND ROLL CALL**
2. **INVOCATION**
3. **PLEDGE OF ALLEGIANCE**
Led by West Elementary School Students Riley Clucas, Laney Block, Patrick Lyon, and Spencer Malloy.
4. **APPROVAL OF AGENDA**
5. **AUDIENCE TO VISITORS**
6. **CONSENT AGENDA**
 - A. Approval of the Minutes for the Regular City Council Meeting of January 7, 2019.
 - B. Payment of the Bills for January 22, 2019.
 - C. Gateway Improvement Grant Close-Out for County Liquors.
7. **APPOINTMENTS**
8. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS**
9. **REPORTS OF OFFICERS**
10. **REPORTS OF STANDING COMMITTEES**
11. **PUBLIC HEARINGS—None**

12. ORDINANCES—None

13. RESOLUTIONS

A. Resolution No. 776—A Resolution Approving and Accepting Certain Public Improvements on Bethany Road Related to the Northwestern Medicine Project.

Northwestern Medicine recently completed the widening of Bethany Road, a portion of which is within the City of Sycamore corporate boundaries.

The scope of work included widening of the intersection, bituminous and concrete roadway improvements, and associated restoration. According to section 4.7.10-6 of the City’s UDO the City Engineer shall forward a recommendation to the City Council if the improvements are acceptable.

City Engineer Mark Bushnell has conducted an inspection of the final surface application and recommends the City Council accept the roadway improvements as shown in this resolution. Once the improvements are accepted, the City will release the letter of credit requirement for this project. The developer is required to guarantee the improvements for two years.

City Council approval is recommended.

B. Resolution No. 777— A Resolution Authorizing Disposal of Certain City Property.

According to the City’s Purchasing Manual and Accounting Guidelines, property determined by the City Manager or department head to be no longer usable for City operations and of greater value than \$50.00, will be submitted for public or on-line auction or via trade-in. All appraisals of aforesaid equipment shall be made by the department head. In order to make formal record of the disposal of City property, periodic resolutions are presented throughout the year that either memorialize activities that have transpired or are planned. Resolution 777 acknowledges and authorizes the disposal of the following property:

- Delta Four Port Electric Hose Tester: The Fire Department accepted sealed bids from MABAS Division 6 agencies with the highest bid coming from the Maple Park & Countryside Fire Protection District in the amount of \$101.00.
- Acoustic Guitar: The Police Department sold an unclaimed acoustic guitar on GovDeals.com auction site for \$60.00.

City Council approval is recommended.

14. CONSIDERATIONS

A. Consideration of an Administration Request for Direction Regarding the 2019-2020 General Fund Fiscal Year Budget.

The City’s annual budget process begins each January with preliminary assumptions about revenue trends and spending priorities for general operations in the upcoming fiscal year. The assumptions are

made using the most current financial information available and are offered to invite Council direction as the City staff begins the process of preparing a new fiscal year budget that will take effect on May 1st. The culmination of this effort is a preliminary budget for review in mid-March. The following report summarizes projected revenues and spending goals for FY2020.

General Fund Revenues

There are several sources of general operating revenues, but the main sources are sales and use taxes, intergovernmental revenue—including the local share of the state income tax, and property tax, which collectively make-up 76.89% of all general operating revenues. The amounts collected from minor revenue sources such as fees, fines and other miscellaneous revenues round out the funds available for general operations. The total estimated general fund revenues, including pension pass through funds, are \$17,002,842 in FY20.

A breakdown of revenue sources and assumptions are as follows:

1. Property Tax: 18.01%

This year, the property tax rate decreased by 3.11%; with the total levy increasing by 2.94%, with the increase representing the actuarial required contribution for police and fire pensions. New construction of 1.58% of the City's estimated EAV means that current taxpayers will see an increase of roughly 1.36%. The levy for general operations was kept the same.

Property tax is expected to generate \$659,218 toward the fire pension required contributions, \$612,556 toward police pension contributions and \$337,175 toward social security and Illinois Municipal Retirement Fund (IMRF) contributions. When pension contributions for police, fire and IMRF are removed, property taxes only make up 9.44% of the remaining general fund budget.

Nearly \$433,000 of debt service obligations are abated from the property tax levy. These obligations are met primarily through the use of other dedicated sources of revenue. Historically, the City has levied \$155,000 toward debt service beginning with the 1999 General Obligation Bond. The remaining debt service is paid from general operating and capital funds.

2. Sales and Use Taxes: 46.81%

Sales and use taxes make up nearly one-half of the City's general operating budget. These taxes include the state 1% sales tax, state use tax, home rule sales tax, restaurant and bar tax and telecommunications tax. Without police and fire pension property tax pass thru funds these sources account for 50.59% of all general fund revenues.

State Sales and Use Tax. This 1% tax is applied against all retail sales within the City and accounts for about 25% of all annual general revenues. Tax receipts are processed by the Illinois Department of Revenue before funds are remitted to the City. Using monthly comparisons to establish a trend line, it appears the state 1% tax will yield about \$4,222,388 by April 30 which is in-line with the FY19 budget projection (\$4.217 million) for this line item. Based on current trends and economic variables

including a full-year of increased use tax related to the South Dakota vs. Wayfair decision (Est: \$42,571) the projection for FY20 would put the 1% receipts at about \$4,339,141.

Home Rule Sales Tax. The City’s home rule sales tax funds general operations, capital projects and the street maintenance program. Home rule sales tax is applied to general merchandise sales but not to items such as grocery, medical supplies and automobiles. Currently, the City’s home rule tax is 1% for general operations, .25% for capital projects and .50% for street maintenance.

Current trends suggest the home rule sales tax revenue of the \$2,055,303 will be in-line with the FY19 budget (\$2.045 million). Home rule tax proceeds estimated to be \$2,094,464 will comprise 12.32% of all General Fund revenues in FY20.

Restaurant/Bar Tax. In 2002, a 2% restaurant/bar tax was implemented to support general operations and to fund debt service. This is considered a local tax, meaning it is administered and collected by the City. In FY20, tax revenues from this source (\$1,191,665) constitute 7.01% of general revenues.

Telecommunication Tax. In 2003, a 5% telecommunication tax was implemented. This tax applies to both land-lines and cellular phones and is charged against the caller’s billing address. This tax is collected by the Illinois Department of Revenue and remitted monthly to the City. Telecommunication tax revenues continue to trend downward. As a result, the expected FY20 telecommunication tax revenue estimate has been reduced to \$329,102 which will constitute 1.94% of the total budgeted operating revenues. Given the continued downward trend and the budget’s reliance on this revenue as a rather predictable source, the Council may want to consider increasing the rate to 6%, especially given the increased unpredictability in the State shared income tax which has been “temporarily” reduced each of the past two years in order to balance the State budget.

As a point of reference, the total of all sales and use tax revenues for the General Fund are illustrated below:

Fiscal Year	Total	Difference	Percent
FY2008	\$5,095,440	-	-
FY2009	\$4,961,610	(\$133,830)	-2.63%
FY2010	\$4,808,188	(\$153,422)	-3.09%
FY2011	\$5,540,647	\$732,459	15.23%
FY2012	\$6,273,774	\$733,127	13.23%
FY2013	\$6,914,746	\$640,972	10.22%
FY2014	\$6,897,681	-\$71,746	-.25%
FY2015	\$7,361,236	\$72,211	1.05%
FY2016	\$7,508,864	\$147,628	2.01%
FY2017	\$7,326,839	-\$182,025	-2.42%
FY2018	\$7,628,832	\$301,993	4.12%
FY2019 (Estimate)	\$7,773,948	\$145,116	1.90%
FY2020* (Budget)	\$7,958,372	\$184,424	2.37%

*Includes On-line Use Tax based on South Dakota vs. Wayfair Supreme Court Decision.

Budgeted FY20 sales and use tax revenues are expected to increase over FY19 estimates by roughly 2.37%.

Sales and Use Tax Breakdown

	1%	Home Rule	Telecom	Rest/Bar	Total
FY19 Budget	4,216,960	2,044,796	360,131	1,206,741	7,828,628
FY19 Estimate	4,222,388	2,055,303	329,102	1,167,155	7,773,948
FY20 Budget	4,339,141	2,098,464	329,102	1,191,665	7,958,372

3. Licenses: 0.78%

Licenses are modest fees charged to offset the administration and enforcement of specific programs. These include revenue for liquor licenses, dog tags, electrical and other licenses.

4. Intergovernmental Revenue: 12.07%

Intergovernmental revenue includes funds that come from agreements with other taxing bodies such as the City’s boundary agreement with the City of DeKalb, any grant revenue and state shared revenue, notably income tax. Intergovernmental revenue is expected to produce \$2,051,678 in FY20.

Income Tax. A percentage of all state income tax receipts are deposited into the Local Government Distributive Fund through the Illinois Department of Revenue and distributed to municipalities on a per capita basis. This percentage has historically changed on a proportionate basis to reflect the current State income tax rate. The City budget projections for FY20 is based on an Illinois Municipal League estimate of \$94.87 per capita as published in November 2018. Given the City’s population of 17,519, Sycamore’s share of income tax receipts is estimated to be \$1,662,028. This is a decrease of \$16,292 or \$0.93 per capita from the FY19 budget.

It should be noted that this assumes that the State of Illinois will not make reductions to the formula by which income tax is distributed to local governments.

5. Service Charges: 6.31%

Service charges include ambulance fees, fire and ambulance protection district fees and development fees. Service charges are expected to generate \$1,073,179 in FY20. The largest revenue source in this category is fire user fees which are estimated to be \$660,000.

Development related fees remain relatively static with a consistent pace of development in all three sectors over the past few years. A similar trend is anticipated in FY20.

6. Fines and Fees: 1.33%

Fines and fees are generally associated with revenue received from court fines, ordinance violations, parking meter fees and other fines associated with administrative adjudication. These sources are estimated to generate a total of \$225,900 in FY20.

7. Other Income/Transfers: 14.70%

The majority of the other income category involves revenue generated from trash removal services. This allocation (\$1.624 million) is offset by a corresponding expense paid to Waste Management for garbage collection. Other sources include franchise fees, reimbursements and operating transfers. Operating transfers are made to offset the services performed by the General Fund on behalf of one of the other funds. At this point, no reserve transfers are anticipated in FY20 to support general operations.

Overall, revenue projections assume a continuation of very modest growth and development. The projections do not anticipate any significant impact either positive or negative based on the economic climate and revenue sharing models of the State or Illinois. Based on the trends and projections the total of \$17,002,842 will offset expenditures associated with general operations and pension obligations.

General Fund Expenditures

On the spending side, the preliminary FY20 budget includes:

- A total of \$17,002,290 in expenditures; representing an overall increase of 2.20% (.59% attributed increase in police and fire pension contributions).
- The same level of service is anticipated.
- No new full-time hires are planned.
- Personnel expenses (wages, salaries, FICA, Medicare, IMRF, Police and Fire Pension) will again account for over half of the overall General Fund budget (57.29%). When combined with the cost of insurance coverage (health, life, work comp and liability), employee costs reach 72.86% of the planned General Fund expenditures. Insurance costs are assigned to the General Fund Support budget, which consists of expenditures common to the entire General Fund.
- All three collective bargaining agreements are set to expire on April 30th. Bargaining for successor agreements is expected to begin in January.
- The Public Works Department is undergoing a restructuring and employees will be assigned to the appropriate fund based on function.
- A portion of street maintenance operating costs will continue to be expended from MFT Fund.
- \$370,000 will be transferred to the 2012 and 2017 Refunding Bond Funds in FY20 to assist with debt service obligations.
- The preliminary FY20 budget is balanced without reliance on transfers-in from capital funds or reserves.

Summary

The preliminary FY20 General Fund budget is balanced as presented. City departments continue to provide high levels of services while working within the resources available. The City's property tax levy for general operations has been flat, service levels remain strong and the General Fund is not reliant on capital transfers in FY20.

A detailed breakdown of individual FY20 revenues and expenditures by department is attached.

Over the next several meetings, the budget process preliminary assumptions for the different funds will be presented as follows:

February 4th: Water and Sewer Funds

February 18th: Capital Funds and Capital Improvement Plan

March 4th: Special and Bond Funds

March 18th: Preliminary Budget

April 1st: Public Hearing and First Reading on Appropriation Ordinance

April 15th: Second Reading and Adoption of Appropriation Ordinance

Moving forward in this process, City management will continue to monitor trends and look to solidify these assumptions and make changes where necessary for final presentation in April.

City Council direction is requested.

15. OTHER NEW BUSINESS

16. ADJOURNMENT