

## **CITY COUNCIL WORKSHOP MINUTES**

### **CITY COUNCIL WORKSHOP: CY2018 Proposed Budget**

**Date: October 30, 2017**

**Place: Municipal Center – Council Chambers**

**Council Present:** Mayor Steve Chirico, Councilwoman Becky Anderson, Councilwoman Judith Brodhead, Councilman Kevin Coyne, Councilwoman Patty Gustin, Councilman Paul Hinterlong, Councilman John Krummen, Councilwoman Rebecca Boyd-Obarski, Councilman Dr. Benjamin White

**Staff Present:** Marcie Schatz (Deputy City Manager), Mark Curran (Director of Electric) Dick Dublinski (Director of Public Works), Jim Holzapfel (Director of Water/Wastewater), Pam Gallahue (Director of City Clerk), Jeff Anderson (Director of IT) Robert Marshall (Police Chief), Bill Novack (Director of TED), Mark Puknaitis (Fire Chief), Mike DiSanto (Director of Legal)

The workshop began at 6:00 p.m.

Mayor Steve Chirico opened the meeting and the floor for public forum. No one in attendance volunteered to speak and public forum was closed at 6:01 p.m.

#### **Workshop Overview**

Doug Krieger, City Manager, followed by providing the budget schedule, which includes three workshops. Two workshops will focus on department presentations (Oct. 30 and Nov. 13) and a revenue discussion (Nov. 27). The budget will be up for approval Dec. 5 and property tax levy will be up for approval in Dec. 19. Mr. Krieger then provided the agenda for the night's discussions, which included a budget overview and scheduled department presentations from the Transportation, Engineering and Development Business Group and Riverwalk, Fire, Police, Information Technology, City Clerk's Office, Human Resources and Board of Fire and Police, Finance, Mayor and City Council, Legal and the City Manager's Office. Mr. Krieger encouraged Councilmembers to ask questions as presented were provided to keep the workshop on schedule.

#### **Budget Development**

Following the overview, Mr. Krieger explained the guiding values, ends policies and financial principles used to build the budget. Mr. Krieger acknowledged the third principle created the most difficulty in planning due to some growing pressures placed on the City. Mr. Krieger then explained four pressures creating challenges in the budget development, including a \$2 million increase in public safety pension obligations, a \$2 million investment increase in the maintenance improvement program, a \$2 million property tax abatement applied in CY2016 and CY2017 and state actions that reduced \$750,000 in revenue from the Local Government Distribution Fund and \$175,000 in administrative fees for Home Rule Sales Tax collection. Mr. Krieger also detailed discussions occurring by state legislatures related to a potential property tax freeze and additional reductions to tax distributions to municipalities. Both

items could adversely impact the City in the future. Mr. Krieger then turned the meeting over to Erik Hallgren, Financial Services Supervisor.

### **Financial Pressures**

Mr. Hallgren explained how the projected pressures affected the presented budget, beginning with the public safety pension obligations, which were increasing 16-percent from CY2017. Mr. Hallgren then presented the current funding percentages by the City for their three pension obligations – Fire, Police and IMRF. Mr. Hallgren explained the City has been aggressive in funding the pension system and remains at a higher level than all comparable communities, however updates to the City’s morality tables and salary projections add more pressure to the City’s goal in reaching 100-percent funding by 2033. Mr. Hallgren went on to detail the City’s closed method approach, which would see pension obligations significantly decline in 2035 and remain flat annually from that point forward. Councilman John Krummen asked if the City was being too aggressive and creating additional strains by pushing to be fully funded by 2033. Mr. Krieger said the City is going beyond the state requirements and could relax on the goal, but it would not result in saving the City any additional dollars. Mayor Chirico asked if the Financial Advisory Board had any input on a final recommendation on pension funding. Mr. Hallgren said the board has not had an opportunity to make an official recommendation, but it was a matter that has been discussed in the past. Councilman Krummen, who sits on the Financial Advisory Board, said the board had not had a chance to formally meet and discuss the budget prior to the workshop.

Mr. Hallgren continued the workshop with an overview on the impact property taxes have had on the City’s budget. Mr. Hallgren explained the portion of property taxes allocated to pensions continues to increase, which has offset decreases in property taxes dedicated to City operations. Over the past five years, the City’s equalized assessed value grew four-percent and currently totaled \$6.7 billion, while the City maintained a flat levy. This approach resulted in the City failing to collect on incremental growth. Councilman Krummen asked for clarification on the value numbers and how the City missed the incremental growth. Mr. Hallgren explained the rate decreased as the City expanded and maintained a flat levy request. Councilwoman Patty Gustin asked if the City has a recommended approach on setting the rate or the levy. Mr. Krieger said no flat rate or levy policy was used and the staff would not apply a policy without consent from Council. He also said a methodology to capture some inflation is ideal and a flat rate approach would be more sustainable. Mayor Chirico followed by saying the approach is great for a growing economy.

Mr. Hallgren followed the discussion with an overview of the state actions impacting the City, including a reduction to the Local Government Distribution Fund and increased administrative fees for application of a Home Rule Sales Tax. Mr. Hallgren then explained the budget review process of the tentative budget, which included two levels of review for each department and advisement from two committees regarding personnel and vehicle expenses. During the discussion Councilman Kevin Coyne asked if any consideration was given to consolidating some administrative duties with the Naperville Library and Naper Settlement. Mr. Krieger said there has been no official approach, but knew the matter was a topic of discussion among Council. He acknowledged the idea would be a large undertaking

and is not a simple matter. Councilman Coyne asked if staff needed Council's direction to begin the process. Mr. Krieger said Council action would be the first step, before going to each entities boards for further discussion. Mayor Chirico asked if any changes would impact the proposed budget. Mr. Krieger said any changes would not have an impact on the proposed budget. Mayor Chirico then asked for a show of hands by the Council to determine if City staff should explore efficiencies through condensing administrative duties with the Library and Settlement. Council unanimously approved further discussion.

### **Budget Reductions**

Mr. Hallgren continued to the workshop by explaining the reductions applied to the presented budget, including \$275,000 in personnel, \$160,000 in building improvements, \$100,000 in contracted services, \$115,000 in automotive and equipment purchases, \$100,000 in operating supplies, \$90,000 in technology supplies and \$43,000 in conferences and dues. All presented reductions occurred during initial department requests.

During the second level of review, Mr. Hallgren explained how staff delineated between service enhancements and baseline operation expenses to further reduce budget requests. The result of the practice was a reduction of an additional \$1.61 million in service enhancements. Councilwoman Boyd-Obarski asked for clarification of what a service enhancement was considered during this process. Mr. Hallgren explained any item or project beyond what staff provided in CY2017 was considered an enhancement and the focus by staff was to capture any costs necessary to maintain service levels provided in CY2017 through next year. Mr. Hallgren then provided examples of reductions made during the second level, which included \$762,000 in personnel, \$475,000 in information technology initiatives, \$162,000 in consultant services, \$75,000 in contracted streetlight maintenance, \$75,000 in operating supplies and \$65,000 in building improvements.

Mr. Krieger picked up the presentation with an explanation of personnel reductions through the Personnel Review Committee (PRC). Mr. Krieger explained the City reduced 110 positions since 2005 and cut 4.63 full-time equivalent positions in the tentative CY2018 budget. Mr. Krieger went on to discuss the impact of raising healthcare costs on the personnel expenses and highlighted the savings the City has found through evaluating healthcare benefits. Mr. Hallgren then explained the role of the Fleet Economic Committee (FEC) in evaluating vehicles and equipment to determine replacement needs. The FEC oversees 626 vehicles valued at \$42 million. Through the FEC, the City was able to push off replacement of 36 units and reduced the automotive and equipment expense request by \$2.4 million.

Councilwoman Gustin asked how many of the reductions to the CY2018 headcount were tied to retirements. Mr. Krieger explained the reductions were due to one retirement and reorganizations in Legal and the Water and Wastewater departments. Councilman Hinterlong asked how many temporary employees were included in the total headcount, what the employees provide and if they collected benefits. Mr. Hallgren said there were 14 temporary employees included the budget and the positions were seasonal, summer works and interns, who did not collect benefits beyond the standard expenses for social security

and Medicare. Councilman White followed with a question regarding the use of outside consulting in the review of fleet equipment. Mr. Hallgren explained the committee used a combined approach to develop criteria in evaluating equipment and departments worked closely with the Department of Public Works in determining equipment and vehicle needs and aligning proper costs. Councilman Coyne then asked if early retirement incentives were being considered by the City. Mr. Krieger said he would need Council direction to pursue such incentives, but staff continuously reviews various personnel options. Mr. Krieger also said the City must be diligent in such discussions in consideration for staff, but has implemented such strategies during collective bargaining agreements with mixed results – mostly positive. No formal program has been provided by the City since 2008. Mayor Chirico asked if staff desired direction. Mr. Krieger said he would gather more information before requesting a formal directive. Councilwoman Gustin asked if the City could provide early retirement incentives through benefits. Mr. Krieger said that is not an option, as the state controls the pension standards and the City would need to pursue incentives through pay and healthcare, as most eligible for early retirement are primarily focused on gap coverage for healthcare.

### **Financial Principles**

Mr. Hallgren provided an overview on how the budget was developed in relation to the three financial principles.

**Principle 1:** The City will pass a structurally balanced operating budget. Mr. Hallgren provided an overall budget, which has the City collecting \$454.32 million in revenues compared to \$445.42 million in expenses. Mr. Hallgren explained revenues exceeded expenses due to the enterprise funds rebuilding cash reserves.

**Principle 2:** The City commits to continuous improvement in the delivery of necessary and cost-effective services. Mr. Hallgren provided a list of service enhancements included in the CY2018 budget, as well as a list of multi-year service enhancements and personnel modifications currently applied throughout the City.

**Principle 3:** Mr. Hallgren focused on the City's capital program to show how this principle impacted the budget. Capital expenses were capped at \$16 million to ensure the City could continue paying down outstanding debt at a higher level. Mr. Hallgren said the original request for capital projects was \$26.2 million, which was reduced through several reductions totaling \$10.1 through deferrals and delays. Councilman Krummen reiterated to Council the delays and deferrals did not mean the City would avoid those costs, they were simply being pushing them off into the future. Councilman Hinterlong asked about the street light conversion project, which he believed was completed. Mr. Hallgren said remaining work focuses on specialty lights, which would not provide the return value to the City at a rate worth considering at this point. However, all cobrahead light fixtures had been completed, as they provided the most significant value in terms of payback periods compared to cost. Councilwoman Gustin asked about the North Aurora underpass agreements. Mr. Krieger said agreements and funding is locked in, but land acquisition is still needed. Councilman Coyne then asked if the financial principles were applying added stress to the General Fund or the

city overall? Mr. Hallgren said the most significant stress provided by the principles was on the capital component, since the City tries to add capital projects as needed, creating difficulty in building a stable plan.

Mr. Hallgren concluded the portion of the presentation with an overview of how the City is regarding the three principles, which were all achieved, in progress or on target for the current year and budgeted to continue in CY2018.

### **Department Summaries**

#### **Transportation, Engineering and Development (TED) Business Group & Riverwalk**

Bill Novack (Director of TED), Jennifer Loudon (Deputy Director of TED) and Jan Erickson (Riverwalk Administrator) presented the TED budget. Mr. Novack expressed thanks to staff in development of the budget and highlighted his department's focus on cost savings, providing an example of staffing reducing the department's vehicle by one through internal reviews. Mr. Novack then provided Council with information on the department's work over the past year, including increases in permits and inspections. Councilman Hinterlong asked when the EnerGov component of the ERP system will be made available to TED. Mr. Novack said the module will go live in about a year. Councilwoman Gustin asked about transportation efforts by City staff and if any consideration was being given to expansion. Ms. Loudon said staff regularly communicates with Metra and is expected to continue discussions next year regarding potential commuter increases due to an apartment complex added near a Metra station along Route 59.

Mr. Novack preceded to provide the financial details of TED, including \$173,000 in reductions found during the budget review process. Mr. Novack also explained the proposed service enhancements the department removed to assist in meeting the city's overall budget goals. Baseline operations for the department increased \$82,696, which was related to increase in personnel, contracted services and supplies. Mr. Novack also explained \$12,000 was added as a technology initiative for EnerGov implementation to the ERP system. Councilwoman Gustin asked about the marketing for Ogden Avenue façade improvements. Mr. Novack assured her the department continues to market and the program and received one application in late 2017. Councilman Hinterlong inquired about the townships involvement in new developments. Mr. Novack said they are a partner and provide what they can.

Following the questions, Mr. Novack moved to the department's capital expense summary. The department is requesting \$17.28 million in capital improvement expenses, including \$2.75 million in unfunded capital. Highlighting the projects was design and engineering for the downtown Washington Street bridge and land acquisitions and design for various projects along North Aurora Road. Councilman Hinterlong asked about the percentage of funds the city must provide for traffic signals at the intersection of Mill Street and Commons Road and 95th Street and Knoch Knolls Road. Mr. Novack said three quarters of the expenses for Mill and Commons were covered by a developer and the City covered 100-percent of the 95th and Knoch Knolls light. This lead into a discussion about the percentage Will County provides to the city overall in relation to development. Mr. Krieger said the City would have

to look into this for an official number, but ventured to guess the City is at a net loss when it comes to how much it provides to Will County in comparison to how much is received. Councilman Coyne asked about the budget allocated to the Carillon. Mr. Novack said for the Carillon was to spend between \$3.5 and \$3.8 million in 2019 and resident had recently volunteered to further assess the structure. The plan is to have a recommendation next summer on necessary repairs.

Mr. Novack also provided a four-year overview of the Street Maintenance Improvement Program, which will be phased with \$10.5 million proposed in CY2018 and a \$500,000 increase each year through 2022. Mr. Novack also explained several project deferrals, which totaled \$4.16 million, including \$186,000 in unfunded capital. Councilman Krummen asked about a stormwater improvement project deferred along 8th, Ellsworth and Main totaling \$75,000. Mr. Novack said the project was deferred because the department believes the only way to make actual improvements will require significantly more money and the City will need to look at a larger project to have any impact in the area.

Mr. Novack followed by highlighting the delayed projects, which totaled \$2.93 million. These projects are will not occur in CY2018, but were noted as delayed because they are expected to cost more money in the future. One of the delayed projects was \$175,000 for an Ogden Avenue enhancement initiative. This project received a comment from Councilman Coyne, who expressed his desire for the area to remain a high priority for the City moving forward. Mr. Novack said only engineering for potential redevelopment was planned for 2018 with construction possible in 2019 at the earliest.

### **Fire Department**

Mark Puknaitis (Fire Chief) and Andrew Dina (Fire Division Chief) presented the Fire Department budget. Chief Puknaitis thanked staff for their work on the budget and highlighted the department's revenue generating initiatives, such as the ambulance fee and recovery, CPAT and CPR courses. Chief Puknaitis also noted a reduction in overtime through the 7G Program. Chief Puknaitis then discussed ongoing initiative within the department, including development of the Crisis Intervention Team (CIT), fire station alerting and a \$1.3 million grant under the Continuity of Operations Plan (COOP).

Chief Puknaitis then presented reductions applied to the department totaling \$109,500. Overall, the department increased \$1.57 million in baseline operations, primarily driven by increase pension obligations. Councilwoman Gustin asked about paying staff overtime through the 7(g) pay rate and if only Fire was allowed to provide this structure. Mr. Krieger explained this structure is not isolated to Fire, but it requires certain specifications and a similar model was used for employees with commercial drivers' licenses in Public Works. Chief Puknaitis proceeded with a list of service enhancement increases totaling \$38,500. Councilman White asked if the state was providing any assistance to the department through grants. Chief Puknaitis said the department is regularly looking into grant opportunities.

The Fire Department's capital request totaled \$2.03 million, including \$350,000 in unfunded expenses. The department deferred \$238,000 in building modifications and vehicle replacements.

Councilman Krummen asked about some significant swings in benefits and related and internal services. Mr. Krieger said the increases to the benefits and related portion was related to a \$1.6 million pension obligation. Mr. Krieger also said the 22.1-percent increase to internal services was actually just \$10,000 and related to worker's compensation. Councilman Coyne asked about the use of Food and Beverage dollars for the pension. Additional comments regarding the department's pensions were provided by Mayor Chirico and Paul Hinterlong. The discussion centered around the level of funding for the pension system and if the City should consider modeling payments closer to the state requirements.

### **BREAK**

Mayor Chirico called for a break from the presentation at 7:50 p.m. The workshop returned to order at 8:01 p.m.

### **Police Department**

Robert Marshall (Police Chief), Heather Knight (Police Budget and Administration Services Coordinator), Jason Arres (Deputy Chief) and Michau Williams (Police Commander) presented the Police Department budget. Chief Marshall thanked staff for a collaborative effort in developing the budget. Chief Marshall then presented the Police Department's current initiatives for next year, including several programs detailed by Mr. Arres (Connect for Life, Victims Advocate, Crisis Intervention Team (CIT) and Workload Analysis) and Mr. Williams (Peer Support Training). During the discussion several questions were received from Council related to the department's prescription drug takeback program.

Ms. Knight then presented a list of reductions made to the department's budget totaling \$502,435. Included in the reductions was four additional officers to expand traffic and the impact team. Councilwoman Boyd-Obarski asked about a reclassification of a special events overtime to the Food & Beverage Fund. Mr. Hallgren explained this was due to a shift in how the Christkindlmarket event will be funded starting in 2018. Previously, the event was considered a billable item and was directly charged to the Police Department's reimbursable overtime for city services used. The expense was then offset by a revenue collected through billing to the Christkindlmarket organizers. In 2018, city services for the event will be directly applied to the Food & Beverage Fund, which supports special events and cultural amenities.

Ms. Knight continued the presentation with an overview of the baseline operations increases within the department totaling \$1.47 million. The increases include \$1.06 million in personnel, \$93,000 in contracted services and \$366,000 in internal services. Mayor Chirico if the personnel increases were tied to the pensions. Ms. Knight confirmed. The presentation continued with details on the departments service enhancements totaling \$172,055, including \$28,000 for increased social services, \$74,400 for Connect for Life response to drug grants and \$69,595 for peer support wellness conferences. Councilman Hinterlong asked

about the increase in overtime. Ms. Knight said the increases are primarily tied to mandatory overtime related to floating holidays. Councilwoman Gustin followed with a question about 7(g) being an option for Police. Mr. Krieger said staff would further detail the mandatory overtime expenses and include further details on options.

Mr. Arres presented the department's capital request, which totaled \$460,000, including \$430,000 in unfunded expenses. All the expenses were tied to 12 vehicle replacements. Chief Marshall then detailed deferrals of the Next Generation 9-1-1 system and rollcall room upgrades totaling \$2.07 million. Councilman Krummen asked if the department would meet the 2021 deadline by deferring the project. Chief Marshall said the plan was to start next year with a request for information and start funding in 2019. Councilman White followed with a question regarding the use of Narcan by the department and potential impacts from the state making the drug available on the open market. Chief Marshall said opioids have been deemed an epidemic and the City experienced five deaths related to drug overdose in the past two years. Chief Marshall also said the City is continuing to explore ways to assist the public.

### **Information Technology**

Jeff Anderson (Director of Information Technology) presented the Information Technology department budget. Mr. Anderson detailed several current initiatives the department will undertake in the coming years, including continuing implementation of the City's new enterprise resource system. Mr. Anderson noted a reduction of \$899,937 to the department's budget discovered during the initial review phases. The decrease included \$88,000 in support services, 30,000 in conferences and training, more than \$310,000 in personnel, \$275,000 in contracted services and \$47,000 in supplies. The reductions in personnel expenses included three proposed positions, which garnered a question from Councilman Krummen, who inquired about the potential impact on the ERP system without a proposed business analyst. Mr. Anderson said the analyst position was not being considered for EPR work, but for other projects within IT. Overall, IT's budget increased \$225,449 in baseline expenses from CY2017 with an additional \$214,000 in service enhancements. Enhancements included \$135,000 in support services for a single sign-on program to integrate various new software and dark fiber consulting. An additional \$79,000 was included for purchase of additional cell phones for the police department and TED. Mr. Anderson proceeded to explain IT's capital budget, which totaled \$3.35 million, including \$1.71 million in unfunded projects. The majority of the budget was associated with the City's ongoing transition to a new Enterprise Resource Planning (ERP) software, which is budgeted for \$2 million in CY2018. Fiber cabling for the police department and Naper Settlement accounted for an additional \$235,000. Mr. Anderson concluded the presentation with an overview of his department's capital initiatives and detailed projects that would be deferred and phased. IT proposed deferring \$390,000 in projects original schedule for CY2018, including \$100,000 for Geographic Information System (GIS) additions, \$150,000 to replace datacenter switches and \$240,000 in conference room upgrades. The department also saved \$182,000 by phasing a fiber cabling project for the police department and Naper Settlement. By phasing, the City will budget \$235,000 for the project in CY2018 and the remainder will be expensed in later years. IT saved \$175,000 through a connection with the City of Aurora on a \$347,000 project for Naper Settlement. The City will also budget \$30,000 for dark fiber connections within the



police department. Overall, IT proposed an operating budget of \$5.87 million and a capital budget of \$3.58 million.

Councilman Krummen asked when the ERP system would be fully implemented. Mr. Anderson said the project would be complete by the end of 2019 with ongoing phases. Councilman Krummen followed with a question about the proposed budget hinder the project. Mr. Anderson said none of the budget reductions would impact the project's timeline. Councilwoman Gustin asked about the salary increases. Mr. Krieger said the increases for staffed personnel were the at the standard rate, but the total was increased due to vacancies, which the City budgets at the highest benefit category to ensure costs are covered in the event of a hiring. Councilwoman Gustin followed with a question about the possibility of gauging savings on the implementation of new technology. Mr. Krieger said no single measure was readily available, but the hope is to see some benefits through the use of smart technology in saving employees and residents time for matters related to inspections and permits. However, Mr. Krieger said it is very difficult to track.

### **Conclusion**

Council unanimously decided to conclude the meeting at 9:30 p.m. and push the schedule department presentations to the second workshop on November 13.

### **Follow-up Items**

- a. Councilman Krummen requests explanation of why the City should not fund pensions based on State minimum
- b. Mayor gives directive to look into consolidation of functions with Settlement and Library following unanimous approval by Council.
- c. Council requests discussion points on early retirement incentives
- d. Councilman Hinterlong requests listing of vehicle replacement and history
- e. Councilwoman Obarski requests explanation of reclassification of reimbursable overtime to Food & Beverage fund
- f. Councilwoman Obarski requests breakdown of salary and benefits increases for IT

Meeting adjourned at 9:30 p.m.

Minutes taken by Andrew Guerrero, Kyle Moss, Franco Bottalico and Judy Lyons.