



John M. Duguay
Assistant City Manager

To: The Honorable Mayor and City Council

Date: March 13, 2018

Subject: SY2018 Budget Workshop, March 10, 2018

Those attending the March 10, 2018 City Council Budget Workshop included Mayor Gresk, Councilman Barbier, Councilwoman Fitch, Councilman Prendiville, Councilman Rutledge and Councilman Scalzo. Councilman Suess arrived at 9:07 a.m. Also, in attendance were City Manager Dzugan, Assistant City Manager Duguay and Department Heads. The Workshop was held in the Council Chambers, Wheaton City Hall, 303 W. Wesley Street. The meeting began at 9:00 a.m. and concluded at 11:50 a.m.

I. Budget Overview

City Manager Dzugan provided an overview of significant elements of the budget and recommended reading Director of Finance Lehnhardt's Transmittal Letter for a thorough review of revenues and expenditures. He explained the format for the budget hearings and the upcoming budget hearing schedule. City Manager Dzugan stated the presentation would provide an overview of the current fiscal environment, detail on the SY18 challenges, overall expenditures and revenues and departments would share accomplishments from FY2017-18 and goals for SY18.

City Manager Dzugan stated the Downtown Streetscape has had a significant impact on personnel resources and the Capital Projects Fund. He also reviewed the difficulty comparing budgeted amounts between a 12-month fiscal year and the upcoming 8-month short fiscal year due to the ebb and flow of fund balances depending on the point in time that the balances are viewed.

City Manager Dzugan stated that no new operating programs or services are recommended in the budget, and that the number of full-time employees (231) and full-time equivalents (246.4) remains unchanged. Regarding salaries/wages, he stated that a 2% increase is budgeted for non-union employees and the represented employee increases are based on the approved contractual agreements. Significant operational increases were provided: Pension increase - \$227,000, Health Insurance increase - \$257,000 and restoring the Liability insurance fund balance - \$520,000.

Regarding revenues, City Manager Dzugan compared current projected revenues with those received from four years ago (FY2014-15), showing a \$440,950 decrease during that time frame. He stated that many other communities are experiencing a similar negative trend in revenues. An explanation in part which is changing the revenue landscape is the sale of goods

through the internet. This has resulted in a revenue decrease of \$600,000 and is expected to continue. The current legal case: South Dakota v. Wayfair may soon be reviewed by the Supreme Court and could provide positive results for the State and local governments. Other areas contributing to the negative trend are: zero population growth (per capita flat), the service economy (not taxed in Illinois), the “one-time” 10% state decrease in the income tax distribution, energy efficient buildings and the proliferation of cell phones (decrease in “land lines”).

Regarding expenditures, City Manager Dzugan stated that salaries increased an average of 1.8% over the past four years. He added that pensions increased 7.4% on average over the past four years. He stated that over 66% of expenditures in the General Fund relate to personnel and that in general, as revenues are flat or decreasing, expenses are increasing. The difference between revenues and expenditures provides funding for capital projects, and that amount is expected to be \$600,000 for 2019.

City Manager Dzugan stated staff uses four valuing method when considering services: statistically significant survey, feedback, metrics (comparison) and levels of service benchmarking. He discussed the 2014 survey where the City received very high remarks from participants, the many ways that residents provide feedback, metric comparison (Carol Stream financial profile) and the ongoing levels of service analysis as part of our strategic goals.

Regarding Councilman Barbier’s question on Wheaton real estate on/off the tax rolls, City Manager Dzugan stated that a significant percentage of properties are not taxed, adding that approximately 85% of our property tax receipts come from residential properties.

Mayor Gresk appreciated the Carol Stream financial analysis presented. He suggested that the City may want to consider spending down reserves or borrowing money.

Councilman Rutledge observed that, in many cases, our reserves were above 25% and that other communities are also challenged by similar issues.

Councilman Prendiville stated that the 2014 survey showed that residents are satisfied with the current service levels and is not in favor of lowering any levels. He stated that the City must maintain infrastructure and services to entice people to move into Wheaton.

Councilman Suess stated that there is a limit as to how high the taxes go and shared his concern that the City might price prospective homeowners out of the market if taxes continue to rise.

II. Review of Short Year 2018 Draft Budget

The Mayor called for a short break at 9:47 a.m. At 10:02 a.m., the hearing commenced with Director of Finance Bob Lehnhardt discussing revenues and expenditures for SY2018. He stated that revenues were expected to be \$77,960,297 and expenditures expected at \$77,802,639; a difference of \$157,658. He stated that taxes made up 40% of revenues, with charges for services at approximately 21% of all revenues. He reiterated that over 66% of expenditures are related to personnel.

Councilman Suess asked that staff provide the Council with an exhibit showing capital expenses over the past 5 years.

Director Lehnhardt presented pension costs for the past several years detailing the costs for each pension plan. There was general discussion among the Council regarding the option of funding pensions via a bond issue with the idea that the City would be borrowing money at a lower percentage than the interest cost of the pensions. Director Lehnhardt stated that he would research that option.

Director Lehnhardt stated that the 2016 property tax levy showed that the City received 13% of the total levy for Wheaton residents. In response to a Council question, Director Lehnhardt stated that IMRF costs are not shown because the City doesn't levy IMRF, it is funded through the General Fund. Councilman Rutledge asked that staff provide information as to how much the levy has increased due to new construction each year.

Director Lehnhardt stated that General Fund anticipated revenues for SY2018 are \$32,607,711 with expenditures at \$31,530,568. Staff is recommending transferring \$2,000,000 to the Capital Projects Fund. He stated that approximately 60% of taxes (\$13.3MM) are from property taxes. In response to a Council question, he stated the line "charges for services" includes building permits and ambulance fees. Director Lehnhardt explained in detail the general negative trend and possible reasons for the decrease in: Sales Tax, Local (Home-Rule) Sales Tax, Income Tax, Utility Tax, Natural Gas Use Tax, Electricity Tax and Telecommunications Tax. He stated that there are positive numbers related to the Use Tax and Real Estate Transfer Tax which generally fluctuate on a yearly basis.

He stated that the Motor Fuel tax is currently allocated for road improvements on a per capita basis with the rate being 19 cents per gallon. This rate has remained unchanged since 1990 and staff has not heard of any impending changes.

Director Lehnhardt discussed the Water Fund service charges. Councilman Suess asked if the increase reflected the DuPage Water Commission increase (1.6%). Director Lehnhardt stated he budgeted a 2% increase.

Director Lehnhardt discussed the Sanitary and Storm Sewer Fund. He reminded the Council that the funds were split in FY2016-17, so there is limited history to show. In response to a Council question, he stated the Sanitary Sewer rate has remained unchanged since 2007. He stated that effective in May 2018, the Storm Sewer increase will take effect.

a. Public Works

i. General Fund

Director of Public Works Laoang described last year's accomplishments for those divisions supported through the General Fund. He stated that over 5 miles of pavement were overlaid and over 22,000 square yards of pavement patched,

along with 2966 trees pruned. Goals for next year: Install 110 new LED light fixtures, overlay 5 miles of pavement, patch 27,000 square yards of pavement, prune 1,800 trees and plant over 300 trees.

ii. Water Fund

Within the Water Division, accomplishments included: replacing 2,600 water meters as part of the multi-year Meter Replacement Program and replacing 6,400 feet of water main. Goals stated were: complete replacement of standby generator at Countryside Pump Station and replace 2,700 feet of water main.

iii. Sanitary Sewer Fund

Within the Sanitary Sewer Division, accomplishments included: executing design/build contract for Lorraine & Eaton lift station rehabilitation and 64 sanitary manholes were repaired by the Sewer Division and 26 repaired by contractors. Goals stated were: Morse Street list station wet well replacement, Blacksmith list station forcemain replacement and divisional cleaning of 22% of the sanitary sewers.

iv. Storm Sewer Fund

Within the Storm Sewer Division, accomplishments included: established “Core Tasks” and staffing requirements and replacement of 15 catch basins, 138 catch basins were repaired, and 112 storm sewer structures were repaired or replaced for the Annual Road Program. Goals stated were: execute and manage contract for large diameter storm sewer cleaning and continue existing maintenance strategy to vacuum clean 20% of catch basins annually (2,000 basins) including 800 critical low-lying area basins.

v. Parking Fund

Director Lehnhardt stated that he estimated contractual snow removal expenses for the end of the year for parking maintenance outside of the CBD. He stated that the only change for parking maintenance inside the CBD is \$10,000 budgeted for asphalt repairs of Lot #3.

vi. Municipal Garage Fund

Within the Fleet Maintenance Division, accomplishments included: purchasing 14 vehicles and associated equipment and establishing benchmarks for high volume inventory items. Goals stated were: purchase 3 vehicles including the Fire Department Ladder Truck and continuing to establish inventory level benchmarks.

vii. Building Renewal Fund

Director Lehnhardt stated that among the projects budget through the Building Renewal Fund were \$80,000 for Vehicle Hoists in the Public Works garage and \$255,000 for work related to the Public Works Material Yard.

viii. Capital Equipment Replacement Fund

Director Lehnhardt stated that the Winter Liquid Station Mixer was in the draft budget but will not be replaced this year due to the work being completed in the Material Yard. It is expected to be placed in the 2019 budget request.

b. Police Department

i. General Fund

Police Chief Volpe described last year's accomplishments for those divisions supported through the General Fund. He stated they performed a resource allocation study of the CSO positions by analyzing four years of data and collaborated with the Police Labor Union to adopt 12-hour work schedule in Operations Division. Goals stated were: improve response to various criminal investigations and incidents through enhanced digital forensics and respond to information on residential speed concerns raised in the KLOA Collector Road Study.

In response to Council questions, Chief Volpe stated that:

- The work shift is 0700 – 1900 hours.
- This shift change has made the officers more productive and it is easier to schedule training.
- The Police Department has sent officers to some of the State-required training with the intent of that officer being certified, then training the rest of the department.
- He did not feel the need to implement body cameras at this time.
- There are cameras on our police squad vehicles.
- The School Liaison Officers (WNHS & WWSHS) and patrol officers train on "active shooter" scenarios four times annually.
- Officers have the authority to enforce our building/code ordinances.
- State Drug Task Force (NARCINT) does not have "carte blanche" jurisdiction in Wheaton. There is a protocol that is followed with good coordination.
- The Police Department is fully staffed, but there are three officers currently in training at the Police Academy or are participating in the Field Training Officer program which means they are not yet prepared for individual patrolling.

ii. Parking Fund

Regarding parking support and enforcement, City Manager Dzugan stated that License Plate Recognition technology, proposed through the Parking Payment Study, would enhance enforcement abilities. He added that the CBD parking enforcement position is currently vacant.

c. General Fund – Wireless Alarm Network

Director Lehnhardt stated that there was very little change in this budget. The difference in budget dollars was the result of the short fiscal year budget timing.

d. Debt Service Fund

Director Lehnhardt stated that the City has four bonds outstanding: three General Obligation and one TIF. He stated that the City paid off one bond issue in this current fiscal year.

e. Liability Insurance Fund

Director Lehnhardt stated that the fund balance in the fund was \$300,000 below our policy of \$1,000,000. In response to Council questions, he stated this was the result of several significant Workers' Compensation claims outstanding. Director of Human Resources Schulz stated that there are 3 significant claims that have been open for several years.

f. Health Insurance Fund

Director Lehnhardt and Director Schulz stated that the City's health insurance experience and related rate increases over the past many years has been very good. The PPO is expected to increase 7.9% and HMO is expected to remain flat this year. Director Schulz stated that Local 150 costs are capped at 5% annual increases, but that the employee will be responsible for up to an additional 5% annually. In response to Council questions, Director Schulz stated that State law requires that the City provide retirement health insurance, but that the retiree is responsible for 100% of the cost.

City Manager Dzugan stated that he and Director Schulz met with a consultant who believes that the City could save money by changing from the current insurance brokers (Gallagher) and the Intergovernmental Personnel Benefits Consortium (IPBC) "pool". City Manager Dzugan stated that the City would look this in the next year. He stated that the City has been a member of IPBC since 2003.

g. Fire Pension Fund

In response to Council questions, Director Lehnhardt stated that the end balance of \$34,000 was as of 12/31/2018, and the current balance was approximately \$32,000.

h. Police Pension Fund

Director Lehnhardt stated that costs in this fund have increased mainly due to five Police Officers retiring in the past year.

III. Public Comment

None.

IV. Council Questions/Comments

None.

V. Adjournment

The Budget Workshop was adjourned at 11:40 a.m.

cc: Mayor and City Council
City Manager
City Clerk
Department Heads