

TO: RECORD

Date: March 19, 2018

SUBJECT: March 17, 2018 Budget Workshop

Those attending the March 17, 2018 City Council Budget Workshop included Mayor Gresk, Councilman Barbier, Councilwoman Fitch, Councilman Prendiville, Councilman Rutledge, and Councilman Suess. Also in attendance were City Manager Dzugan, Assistant City Manager Duguay, Director of Finance Lehnhardt, Director of Public Works Laoang, Public Works Superintendents, Fire Chief Schultz, Director of Engineering Redman, Facilities Manager Schefske, Senior Project Engineer Lagvankar, Band Commission Chair Dottie Mackie and Municipal Band President and Business Manager Don Cavalli. 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 10:30a.m.

I. **Review of Short Year 2018 Draft Budget**

a. **Municipal Band**

Municipal Band President and Business Manager Cavalli stated they are requesting a 1% increase over last year due to contractual obligations for the conductor. He stated they are in the fourth year of a five-year contract. Mr. Cavalli also stated their budget reflects costs for uniform cleaning, which has not been shown in previous budgets. Overall, he stated the budget remains essentially the same.

In response to Councilman Rutledge's question, Mr. Cavalli stated approximately \$10,000 to \$15,000 is raised by the 501_{3c} Friends of the Band.

Dottie Mackie, Chair of the Band Commission, thanked the Council for their continued support. She advised that the Band was invited, for the second time, to the Midwest Clinic. She stated this was a huge honor for the Band and she presented a photograph of the Band to the Mayor.

In response to Councilwoman Fitch's question, Mr. Cavalli stated they have had discussions with the Wheaton Park District regarding proposed plans for Memorial Park.

b. Capital Improvement Plan

City Manager Dzugan stated the overall operating expenses are \$70MM for Short Year 2018 and \$17.5MM of that is in the Capital Improvement Plan (CIP), representing 17.5% of operating expenses. He stated most of the Capital Improvement funds will be spent in the short year and the Downtown Streetscape Plan is part of this budget. City Manager Dzugan advised that the City survey showed that the public is looking for more information on finances and the presentation today is meant to also inform the public.

Assistant City Manager Duguay indicated that a big part of Strategic Priority #1 is Financial Stability and ensuring the City's needs match funding for those needs. He stated the budget has been broken in funded and unfunded projects which are identified by year, category, funding and cost. Strategic Priority #2 is Quality Infrastructure and capital improvements are found throughout this Priority.

Director Lehnhardt explained there are four ways to fund capital improvements: pay as you go, debt financing, funding sources and capital projects which are included in the General Fund, Capital Projects Fund, Motor Fuel Tax Fund, TIF District Funds and Debt Service Fund. He also reviewed the City's Enterprise Funds and Replacement Funds.

Assistant City Manager Duguay stated studies have been completed which staff utilizes to identify and prioritize capital improvement projects. For example, the 2015 Pavement Management Report called for repaving eight miles of road per year at a cost of approximately \$3.5MM.

In response to Council's questions regarding the wet well replacement, Public Works Director Laoang replied that upstream tributary areas carry sewage to the wet well on Morse, which is then carried to the treatment plant by the lift station.

Assistant City Manager Duguay stated Department Heads were asked to review projects for Year 2 of the CIP. He stated the City will receive Federal funding for street resurfacing and the City will pay approximately 35% of the \$5MM cost over 4 years for this work.

Director Lehnhardt reviewed funding for the Downtown Streetscape Plan and its impact on the CIP Fund. In response to Councilman Prendiville, Director Lehnhardt stated \$9.3MM is needed for the downtown project and confirmed there are monies available in the reserves; however, the project is dwindling resources.

Assistant City Manager Duguay reviewed five years of the Water Fund and the funded and unfunded projects. Projections show the fund is healthy, with a "gap" or difference between revenues and expenditures for each of the five years. He indicated that money would be transferred back into the fund and applied towards other water-related projects; \$1.7MM in SY18, \$2.6MM in CY19, \$2.3MM in CY20, \$2.1MM in CY21 and \$1.9MM in CY22.

The next fund reviewed was the Capital Projects Fund, which was also reviewed for a five-year period. He pointed out the difference between revenues and expenditures transferred

to

this fund is \$2.1MM in SY18, \$350K in CY2019, with no funds transferred in CY20, CY21 or CY22, resulting in a growing list of unfunded capital improvement projects.

In response to Council questions, Director Lehnhardt confirmed the original budget for this fund was \$3MM and we are still within that range. He also stated that the City currently invests reserve funds.

With regard to Council questions regarding the \$200K budgeted to repair and stabilize the pedestrian tunnel, Assistant Manager Duguay indicated it would cost \$66K to fill in the tunnel, \$200K to make it safe for at least five years, and \$950K to reconstruct it. He stated the City has received one complaint about the tunnel being closed. Councilman Rutledge indicated the projected five-year life of the repairs/stabilization is speculative and could possibly last longer.

Assistant Manager Duguay confirmed that without additional funding, the Road Program and the Ash Tree Replacement Project would be unfunded starting in CY19.

Councilman Barbier asked what savings the City has realized from the LED Replacement Program. City Manager Dzugan stated that there is not a significant amount of savings realized, and that savings only marginally lowers the expenditure line. Director Laoang informed the Council the LED light replacements are being done on a proactive basis, and they replace adjacent lights at the same time because of the difference in lighting. Director Laoang also advised that the City installs the replaced high-pressure sodium lights in other areas that are not yet scheduled for LED replacement.

Assistant City Manager Duguay provided a three-year review of the Sanitary Fund, which shows the difference between revenues and expenditures transferred back into the fund as \$710K in SY18, \$846K in CY19 and \$779K in CY20. He indicated the Capacity Assurance Plan is shown as unfunded as the City needs more information prior to funding that project.

Assistant City Manager Duguay provided a three-year review of the Storm Fund with \$215K transferred in SY18, \$237K in CY19 and \$183K in CY20. He considers it an "immature" fund that is hard to project past CY20. In response to Council's questions regarding the large diameter cleaning, Director Laoang confirmed the flow is restricted. Councilman Suess feels that the area by Mariano's is a choke point and feels the diameter cleaning work should be given a higher priority.

Assistant City Manager Duguay also provided a three-year review of the Parking Fund. He stated it is a healthy fund and has no unfunded projects. He stated \$68K would transfer back to the fund in SY18, \$107K in CY19 and \$93K in CY20.

Councilman Suess questioned if there was a sense that revenues would increase. Director Lehnhardt believes that they will and indicated that an analysis is being conducted with regard to parking meters and parking rates.

With regard to the Streetscape TIF 2 revenues and expenses, City Manager Dzugan stated the analysis shown is based on EAV and staff's best guess as to what EAV will be. He advised the City realized a cost savings on first year costs and by going out to bid, hope to realize savings in the future.

City Manager Dzugan reviewed information showing a \$400K shortage of funds in CY19, \$1.2MM in CY20 and \$2.2MM in CY21. He believes TIF 2 should cover costs for the Streetscape Project with some borrowing from the General Fund and TIF 3.

In response to Councilman Suess regarding the difference between the estimated and actual expenses, Director Lehnhardt stated it is \$33.1MM actual vs. \$34.7MM originally projected.

City Manager Dzugan stated a possibility would be to sell bonds to cover the Downtown Streetscape Plan. He advised that would allow more funding for capital improvement projects and also pay for the debt service on the bonds until that liability drops off in 2024. He also suggested the City consider looking at another revenue source, such as increasing the sales tax by .25% which could raise approximately \$900K. City Manager Dzugan stated one of the reasons to switch to a calendar year budget is for staff to look at the levy to maintain a difference between the various fund revenues and expenditures. He suggested the City could also look at increasing the levy to cover inflationary costs. Staff will continue to look at reducing operating costs but too much of a reduction will affect service levels.

City Manager Dzugan asked for direction regarding bonding. Councilman Prendiville expressed his support to enable the City to maintain infrastructure. He is also in support in increasing the sales tax.

Councilman Barbier commented that the City is doing a lot of storm studies, but there are no projects associated with those studies. He stated he would like to see more projects completed. Assistant City Manager Duguay reiterated the Storm and Sanitary Funds are not mature and he is reluctant to discuss projects until those funds are mature and the studies are completed. He said those projects are very expensive and those costs cannot be incorporated into the current funding structure. Councilman Barbier indicated he does not like the idea of bonding to pay for the Downtown Streetscape Plan.

Councilman Rutledge stated the improvements being done in the Downtown will last decades and he does not have a problem have them paid for through the sale of bonds. He also supports a sales tax increase.

In response to Councilman Rutledge, City Manager Dzugan advised the Parking Fund will be needed for maintenance of the two parking garages and parking lots. City Manager Dzugan advised that monies from the Water Fund and Parking Fund may not be used to support projects in other funds.

Councilman Suess indicated he is comfortable with bonding. He feels it is appropriate to bond against the Downtown Streetscape cost in order to He reminded everyone that the

level of debt goes away in 2023 and would like to look at going forward on major reconstruction projects after that time. He stated he is not in favor of increasing the sales tax and feels that should be discussed at a later time.

Councilwoman Fitch indicated she has no issue with selling bonds. She would like to make sure that every dollar of taxpayer money is within the City's mission and taxpayer money is not put at risk. In response to her questions about the French Market and if the operator is willing to contribute to those costs, City Manager Dzugan replied staff has not yet reached out to the French Market operator but plans to do so. She feels costs for the French Market should be separated out. Assistant City Manager Duguay stated the French Market phase of the Streetscape Plan occurs in Year 4, so there is time to look at that further. Mayor Gresk indicated the French Market operation has a history of contributing financially to improve the site.

Councilman Suess said a decision will need to be made with respect to Special Service Area #7 and there may be a component with regard to parking and perhaps contributing to the Downtown development. He feels that should be part of the conversation before raising the sales tax.

Councilman Prendiville stated he is supportive of keeping the French Market part of the plan with the thought that the operator may contribute.

Mayor Gresk expressed his support for bonding. He stated he is also in favor of raising the sales tax but agrees that could be done later. City Manager Dzugan suggested that be part of the CY19 budget discussion.

II. Other Budget Related Items

City Manager Dzugan indicated the only other issue is the pedestrian tunnel. Council members indicated their support for repairing the tunnel for \$200K.

III. Public Comments
None.

IV. Council Questions, Comments, Other Issues Regarding Draft Budget
None.

V. Adjournment

The Budget Workshop adjourned at 10:30 a.m.

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