



WHEATON CITY COUNCIL PLANNING SESSION MINUTES

MAYOR PHILIP J. SUESS

COUNCILMAN MICHAEL BARBIER | COUNCILWOMAN ERICA BRAY-PARKER | COUNCILWOMAN SUZANNE FITCH

COUNCILMAN JOHN RUTLEDGE | COUNCILMAN TODD SCALZO

WHEATON CITY HALL, COUNCIL CHAMBERS, 303 W WESLEY STREET, WHEATON, ILLINOIS 60187

Monday, June 10, 2019

1. Call to Order

The Wheaton City Council Planning Session was called to order at 6:58 p.m. by Mayor Suess. The following were:

Physically Present: Mayor Suess
Councilman Barbier
Councilwoman Bray-Parker
Councilman Rutledge
Councilman Scalzo

Absent: Councilwoman Fitch

City Staff Present: Michael Dzugan, City Manager
John Duguay, Assistant City Manager
Robert Lehnhardt, Director of Finance
Susan Bishel, Public Relations Coordinator

2. Approval of May 28, 2019 Planning Session Minutes

The Council approved the May 28, 2019 Planning Session Minutes.

3. Comprehensive Annual Financial Report

Jamie Wilkey, a representative for auditors Lauterbach and Amen, presented a summary of the City's Comprehensive Annual Financial Report for the 8 months ending December 31, 2018. Ms. Wilkey stated this was a very clean audit process, and the auditors did not need to make a single material journal entry, which is excellent. She stated this was an unmodified opinion, which is the highest opinion auditors can give. It states that the City's financial statements are materially correct, and it assesses the internal control environment. The audit did not recommend any changes for internal processes.

Ms. Wilkey reviewed the management discussion and analysis section, which highlights key transactions. The overall report showed increases in overall equity, with operating surpluses in the General Fund.

Ms. Wilkey reviewed the new requirement for municipal governments to have actuarial verification completed, outlining future potential liability for employees. For this year's audit, the total potential liability is \$4.5 million for future retiree health insurance.

In response to a Council question, Ms. Wilkey stated while the cost of health benefits for retirees are borne by the participant, this figure quantifies implicit costs. This is because the rate passed along to retirees is a blended rate. Jason Franken, a representative for Foster and Foster, explained that

retirees would have a higher premium if they were in a separate plan from active employees, so this number reflects that including retirees in a combined pool raises rates for active employees while lowering the rate for retirees in the pool. He stated the City has fairly low participation rate for retirees included in the City's health plan. City Manager Dzugan stated the City is required by state statute to offer this coverage to retirees.

Ms. Wilkey stated the report acknowledges the City's work toward ongoing software implementation for tracking City services. To answer a Council question about whether the City should have a detailed audit of internal controls performed at this point, City Manager Dzugan stated due to the number of projects happening right now, another project would need to be paused in order to have the staff time to work on this.

In response to a Council question, Ms. Wilkey stated the auditors confirm the City's cash holdings through third parties and look for any other accounts by FEIN number.

4. 2019 Actuarial Reports

Mr. Franken reviewed Foster and Foster's annual actuarial valuations for the City's Police and Firefighter pension funds. He stated because of the City's switch to a fiscal year starting January 1 versus May 1, this review is for an 8-month period. He stated there was a very large downturn in the market in December, and the timing of this valuation does not reflect that the market rebounded quite a bit shortly thereafter. This resulted in an assumption of a gain of approximately 6.75%, versus an actual loss of approximately 5%.

Mr. Franken explained that the actuarial valuations calculate two types of numbers: the Governmental Accounting Standards Board's (GASB) pension standards for the Comprehensive Annual Financial Report, and the other to determine the tax levy amount to fund the City's plan. The difference is that numbers for the tax levy are smoothed over 5 years to eliminate some of the volatility of the market.

In addition, Foster and Foster adopted a new mortality table in its calculations, and the figures are based on years of data specifically regarding public safety employees. In response to a Council question, Mr. Franken stated the Illinois Pension Code does not give requirements for which mortality table is used. He explained how they build in an improvement scale to have more accurate mortality assumptions.

The required City contribution for the Police Pension Fund shows an increase from approximately \$3 million to \$3.4 million, and the Firefighters Pension Fund contribution shows an increase from \$1.5 million to \$1.7 million.

In response to Council questions, Mr. Franken reviewed the differences in the amortization period for tax levy purposes versus GASB standards and the differences in figures for unfunded liabilities.

Mr. Franken reviewed how the state is using a target of pension funds being 100% funded by 2040, and he discussed how negative amortization could affect this over the longer term. He suggested the City be forward-thinking in establishing sound funding policies to address unfunded liability as it arises.

In response to a Council question about whether there is any benefit to borrowing at a lower percentage to pay the increases in pension required contributions, Mr. Franken stated the main issue would be the risk involved in borrowing money and then investing it, with the possibility of a downturn.

5. City Council/City Staff Comments

Councilman Barbier stated the Warrenville Post Office was dedicated and named after his former classmate Jeffrey Allen Williams, and he expressed appreciation that this honor was bestowed upon him.

Councilwoman Bray-Parker noted the 100th anniversary of the 19th amendment, and she thanked the League of Women Voters for their work in the community.

Mayor Suess thanked the Wheaton Municipal Band for 90 years in the community and congratulated Bruce Moss for his 40th year directing the band. Mayor Suess also thanked Councilman Barbier for his actions to help get the Warrenville Post Office named after Jeffrey Allen Williams.

6. Adjournment

The meeting was adjourned at 7:50 p.m.

Respectfully submitted,

Susan Bishel