

CITY COUNCIL WORKSHOP MINUTES

CITY COUNCIL WORKSHOP: FY12 UPDATE AND REVENUE OUTLOOK (HSA) HEALTH SAVINGS ACCOUNTS & INCENTIVIZED WELLNESS PROGRAMS

Date: September 13, 2011

Place: Municipal Center – Council Chambers

Councilmen Present: Councilman Doug Krause, Councilman Judy Brodhead, Councilman Chirico, Councilman Paul Hinterlong, Councilman Kenn Miller, Councilman Grant Wehrli, Councilman Robert Fieseler, Councilman McElroy and Mayor A. George Pradel

Councilmen Absent: None

Staff Present: Doug Krieger, (City Manager), Karen DeAngelis (Director of Finance), Chris Smith (Assistant Finance Director), Pam LaFeber (City Clerk), Marcie Schatz (Director of TED), Margo Ely (City Attorney), Robert Marshall (Assistant City Manager), David Dial (Police Chief) and Mark Puknaitis (Fire Chief)

Finance began presentation at 5:00

FY12 and Preliminary FY13 Budget Gap

Karen DeAngelis stated that the gap has decreased from \$11.2 million in February 2011 to \$3.4 million summarized as follows:

- Excess Fund Balance of \$3.0 mil from FY11
- Improvement in assumptions such as favorable contract terms

Karen stated that for FY12 there are indications that the economic environment is recovering:

- Improved retail sales tax revenues forecasted to be \$1.0 mil over budget
- Revenue cushion expected to be sufficient to cover potential shortfalls in other revenue sources
- Expenditures are meeting budget, if not below in most departments.

These items will have about a \$1.0 million excess that can carry forward to FY13 which means that only \$900,000 of fund balance will be used for FY12.

Karen stated that the FY11 audited general fund fund balance is \$23.1 mil. We have a short fall in the General Trust in Agency Fund of \$200,000 that will come from the General Fund. Our reserve policy is 20% or \$19.0 million. We then arrive at excess fund balance of \$3.9 million. When we use the projected \$900,000 for FY12, our fund balance available for FY13 is \$3.0 mil.

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Karen reviewed the change in assumptions for FY13.

Revenue Increases

- Library & Settlement to use FY11 fund balance to reduce the FY13 levy requests, thereby increasing the General Corporate component of the levy by \$900,000.
- Further revenue upsides of \$500,000

Revenue Decreases

- Suspension of red light program mid- year of \$600,000 during construction on Rt. 59

Expenditure Reductions

- Transfer reductions to other funds totaling of \$5.0 mil. Reductions driven by use of available FY11 fund balances, roadway grant awards and favorable negotiated roadway contracts.
- Mid-year suspension of red light maintenance of \$200,000

Expenditure Increases

- Assumed cost increases of \$1,200,000

Karen grounded the Council in stating that there are assumptions included for a 2% wage increase across all employee groups not currently under a contract for FY13, and an increase in the employee healthcare contribution to 20% (vs. 15%) for all employee groups.

Karen stated that the above mentioned changes in assumptions improved the overall projection for FY13 by \$4.8 million.

Council requested that a cushion be established against the \$600,000 (third payment) of the State Jobs Now grant (summer 2012) given the trend in delinquencies in State of IL payments. This will increase the projected FY13 financial gap by \$0.6 million to \$4.0 million.

Karen requested that staff receive direction for the use of the \$2.0 excess fund balance from FY11. The two options are either to pay a portion of FY13 debt service payment (allowing for the abatement of the debt component and increase General Corporate component of the property tax levy), or to maintain the excess fund balance in the General Fund for use in balancing FY13 budget. After discussion, Council deferred providing direction until the October Levy Workshop.

EAV and Property Tax Levy Implications

Karen reviewed the implications of the lowering EAV on the property tax levy. The assessors are suggesting that the overall reduction over 3 years will be 15%. FY12 actual was reduced by 5.4%; FY13 is projected to be 5.5% and FY14 is projected to be 4.0%

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Karen reviewed the rate implication of a flat dollar levy

- Flat Dollar: FY13 - .7821 and FY14- .8147

And the implications of reduced property tax dollars from a flat rate levy

- Flat Rate: FY13 \$(2.7 million) and FY14 \$(4.7 million)

This topic was presented for discussion purposes only. The property tax levy will be the topic of the next budget workshop on October 24, 2011.

Proposed Emergency Reserve Policy

Karen directed the Council that we are sufficient with our current General Reserve policy. The purpose of the current discussion is to see if we could add clarity and understanding to the policy, to facilitate discussion and simplify usage if needed in the future. Karen stated that this is up to Council's discretion and would be cutting edge.

The rating agencies should not see this as change in policy, but as an enhancement and is expected to be looked at in a positive manner.

Karen highlighted the Financial Advisory Board's recommendation:

- Maintain the 20% target reserve
- Maintain excess fund transfer process
- At a minimum rename to "Emergency Reserve"
- Define Purpose
- Define Emergency Events
- Define Significant
- Establish Usage Rules – how much can be used, how it can be authorized by Council and allowing usage to cover a lag in insurance coverage
- Establish Recovery and Restoration Plans

Council requested the policy to be brought back as an agenda item at a later date. Karen requested some feedback to be able to incorporate for first agenda.

Emergency Response Cost Recovery Program

Karen stated the objective of this program.

- Modeled after ambulance billing structure
- Program seeks to recover variable cost of fire suppression and fire response services

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Mark Puknaitis (Fire Chief) gave some background that these programs are not new and are becoming more common in municipalities.

Council would have discretion to define fee for specific services, discretion to set resident and non-resident rate.

These cost recoveries are generally recoverable from insurance providers.

Chief Puknaitis reiterated to Council that we were only seeking directive to continue to gather information to bring back to council for future consideration.

Inspection Process and Billing options are available general fire inspection and mechanical fire inspection services. Karen stated that this is not a revenue initiative, any program fees would recover the program costs. Council gave consensus that all of the options should be researched further and brought back to Council for discussion at a later date.

Motion to adjourn finance portion at 7:20 pm, and to reconvene at the end of the HR presentation for questions only on the two remaining finance topic areas.

Finance portion reconvened at 7:58PM

Other Revenue Streams

Topic opened for Council questions, none were asked.

Municipal Taxes and Fees

Topic opened for Council questions, none were asked.

Motion to adjourn workshop 8:00 PM.

Minutes taken by Amy M. Ramer
Ex 6054