

SYCAMORE CITY COUNCIL

AGENDA

November 4, 2002

City Council Committee Meetings

6:30 Water and Sewer Committee Meeting

The Water and Sewer Committee will hear a report regarding the extent to which current user fees are covering current expenses, and consider some options for fee revisions. The following notes will provide some background for the meeting.

In 1998 the City Council approved a three-year package of user fee increases prompted by an operating deficit that had existed on the Water side for several years, and a projected operating deficit on the Sewer side by the end of the FY99 fiscal year. The Council action increased the average monthly residential water bill from about \$8.50 to \$11.30 (33%) on January 1, 1999; and increased the average monthly residential bill from about \$11.30 to \$15.02 (33%) on January 1, 2000. In the fall of 1998, the extent to which expenses were surpassing operating revenues was disguised by the mixing of water connection fees and water user fees, and the commingling of water and sewer user fees. When the Council enacted the fee increases in December 1998, it also established separate water and sewer funds, and ended the commingling of enterprise fund monies and impact fee monies. Now it is very clear how revenues are lining up against expenditures. The chart below shows the story for the Water Fund only.

	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02	FY02-03 Est.
Revenues						
User Fees	469,349	494,290	718,455	880,701	868,048	902,682
Meters	16,503	15,661	23,421	31,789	37,289	33,153
Other*	8,123	666,288+	108,027	40,268	36,931	34,165
Total	493,975	1,176,239+	849,903	952,758	942,268	970,000
Expenditures	869,588	888,585	662,577	808,467	922,224	955,000
Surplus/Deficit	-375,613	+287,654	+187,326	+144,291	+20,044	+15,000
Fund Balance**	\$15,353	303,007	490,033	634,324	654,368	669,368

*Includes inspection fees, tap fees, reimbursements, interest. Excludes connection or impact fees.

**As of April 30.

+Includes one-time transfer of \$306,257 from the Sewer Fund and \$344,750 transfer from the Interest Fund (closed thereafter) to establish positive balance.

As our independent auditor recently explained, our enterprise funds (Water and Sewer) should be operated in a manner similar to private business enterprises where the intent is that the costs of providing services on a continuing basis, including depreciation, are recovered through user charges. As the chart above indicates, after restoring solvency to the Water Fund through substantial user fee increases and over \$650,000 in one-time interfund transfers, the Water Fund balance grew for two fiscal years. Then without any

increase in user fees, the fund balance basically hit a plateau in 2000-2001 that has been preserved by slowing expenditures. The fund balance is the repository of monies that can be used for system expansion, on top of the required fiduciary reserves for accrued leave balances earned by the five-member department staff (about \$225,000).

As the Committee considers how we price our services to support our planned expenditures, it will be interested to know that

- a) actual revenues since mid-2000 have not kept pace with budgeted expenditures. See the table below:

	FY01 Budget	FY01 Actual	Difference	FY02 Budget	FY02 Actual	Difference	FY03 Budget	FY03 Estimate	Difference
Rev	917,700	952,758	+35,058	971,350	942,268	-29,082	995,000	970,000	-25,000
Exp	906,067	808,467	-97,600	970,755	922,224	-48,531	989,945	955,000	-34,945

- b) What we charge for meter maintenance on our water bills covers less than one-half of the City's cost for new meters. See the table below:

Meter Maintenance Fees					
Size	Billing Fee (Two Months)	Annual Fee	Meter Cost (City's Cost)	8-Yr Replacement Cost	Deficit
5/8"	\$1.18	\$7.08	\$175.00	\$56.64	-\$118.36
3/4"	1.46	8.76	203.00	70.08	-132.92
1"	2.35	14.10	238.50	112.80	-125.70
1-1/2"	4.72	28.32	405.00	226.56	-178.44
2"	8.21	49.26	546.00	394.08	-151.92
3"	11.80	70.80	1,505.00	566.40	-938.60
4"	17.70	106.20	2,223.00	849.60	-1,373.40
6"	35.38	212.28	3,098.00	1,698.24	-1,399.76

It has traditionally been assumed that meters have an eight-year life, which explains the eight-year replacement schedule. New meters for single-family homes are at least 3/4" today. Numerous older homes still have 5/8" meters.

Recommendation for Further Review:

We could explore some options for user fee increases over the next two months. Additionally, we could explore some changes in the tiers of charges we apply to residential and commercial/industrial users. However, one glaring area in which we are not meeting our cost is the meter maintenance fee. An immediate increase to cover our costs for meter replacement would net an additional \$75,000 per year. However, the increase would be dramatic, as shown in the table below. A phased increase over several years would be less dramatic and would be justifiable in terms of the premise behind enterprise funds—namely, to cover their costs.

Meter Maintenance Fee Increase					
Size	Billing Fee (Two Months)	Annual Fee	Meter Cost (City's Cost)	8-Yr Replacement Cost	Increase
5/8"	\$3.75	\$22.50	\$175.00	\$180.00	\$123.36
3/4"	4.25	25.50	203.00	204.00	133.92
1"	5.00	30.00	238.50	240.00	127.20
1-1/2"	8.50	51.00	405.00	408.00	181.44
2"	11.40	68.40	546.00	547.20	153.12
3"	31.50	189.00	1,505.00	1,512.00	945.60
4"	46.50	279.00	2,223.00	2,232.00	1,382.40
6"	64.55	387.30	3,098.00	3,098.40	1,400.16

Committee direction is requested.

7:00 Streets and Walks Committee Meeting

The Streets and Walks Committee will hear a report from Dave Newkirk, the president and CEO of Hampton, Lenzini, and Renwick (HLR), regarding his firm's consulting work in advance of the Bethany Road reconstruction project. In February 2001, the firm of Hampton, Lenzini, and Renwock was selected from among four qualified engineering consulting firms to perform a number of tasks in accordance with federal guidelines.

These tasks included the Phase I engineering report; intersection design studies for the intersections of Bethany Road and IL 23 and Bethany Road and Peace Road; and air quality and traffic analyses. The cost of this consultant assistance was \$118,364.79. The intersection studies were submitted to IDOT on July 31, 2002. A final project report is to be submitted to IDOT in March of 2003, but actual bidding will not occur until November, 2003 with construction beginning in the early spring of 2004.

Mr. Newkirk will be on hand to summarize the firm's findings and answer any questions the City Council might wish to ask about this project. The Bethany Road project will involve the total reconstruction and widening of the roadway from Sycamore Road to Peace Road at an estimated cost of \$2 million, including about \$1 million in federal funds.

Regular City Council Meeting

7:30 P.M.

- 1. CALL TO ORDER**
- 2. INVOCATION**
- 3. PLEDGE OF ALLEGIANCE**
- 4. APPROVAL OF AGENDA**
- 5. AUDIENCE TO VISITORS**

6. CONSENT AGENDA

- A. Approval of the Minutes of the Regular City Council Meeting of October 21, 2002;
- B. Payment of the Bills for November 4, 2002.

7. PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.

- A. Introduction of new laborers Brad Dewey and Keith Fabrizius.
- B. Introduction of new full-time firefighter Bill Reynolds.

8. REPORTS OF OFFICERS

9. REPORTS OF STANDING COMMITTEES

10. PUBLIC HEARINGS--None

11. ORDINANCES

A. Ordinance No. 2002.49—An Ordinance Amending the Combined Annual Budget and Appropriation Ordinance for Fiscal Year 2002 to 2003 in the City of Sycamore, Illinois. First and Second Reading.

After the annual independent audit of the City's financial statements is completed, the City Administrator suggests amendments to the fiscal year budget to record the actual audited totals for the year just ended. The revised FY03 Budget, which will be distributed under separate cover, shows the FY02 audited numbers and makes the following changes to the FY03 budget:

- ◆ A one-time equity transfer of \$1.4 million from the General Fund reserve to a new Public Buildings Fund (Fund 11) will finance the acquisition and remodeling of the former Henderson department store building and nearby parking lot. A principal purpose of this downtown redevelopment project is to provide new and expanded space for the City's administrative offices and Council chambers. The relocation of such space will also create room for the Fire and Police departments at 535 DeKalb Avenue and lead to the conversion of that structure to a true public safety building.
- ◆ A one-time equity transfer of \$50,000 from the General Fund reserve to a new Downtown Revolving Loan Fund (Fund 13) to provide short-term loans at no interest in support of downtown façade improvements.
- ◆ A one-time equity transfer of surplus FY02 funds in the amount of \$135,000 to finance the City's share of capital improvements necessary to create a new Central Dispatch center and to install a new Police record keeping system that is consistent with the DeKalb County record keeping system.
- ◆ A revision of the Police department budget to reflect the City's transition to a centralized dispatch system in cooperation with the County of DeKalb. The Communications Program has been adjusted to reflect a monthly payment to DeKalb County (line item 714-8492) in place of regular personnel expenditures later this winter.

- ◆ The hiring of a new laborer with funding support from the Sewer Fund. Based on the Council's direction of September 3, 2002, the annual allocation for new piping, lining, or appurtenances associated with the sewage collection system (line item 651-8633) will be decreased from \$125,000 to \$75,000, with the difference going to fund one new hire to help carry out the system improvements. In other words, the overall allocation for system improvements will remain the same, but the human side of such repairs and maintenance will be recognized as an integral part of the annual commitment. The reservation of a portion of this annual commitment to "hands" that can actually make the necessary repairs will also help the Public Works superintendent carry out a more aggressive public works maintenance schedule in general.

Spending within the FY2003 Budget totals \$21,381,134, inclusive of all City operating, enterprise, special, capital, and bond funds. The General Fund expenditure budget remains \$7,636,192. These expenditures are offset by \$7,673,304 in anticipated General Fund revenues. The estimated General Fund operating reserve or ending fund balance on April 30, 2003 will total \$2,357,167 or 30.9 percent of the planned General Fund expenditures for FY2003.

City Council approval is recommended.

B. Ordinance No. 2002.50—An Ordinance Amending Title 1, “Administration,” Chapter 6, “City Council,” Section 1-6-9, “Contingency Fund,” of the City Code of the City of Sycamore, Illinois to Establish a General Fund Reserve Balance in the Amount of \$1.5 Million From Which Only the City Council May Authorize Expenditures. First and Second Reading.

On September 4, 2001, the City Council approved Ordinance 2001.35 that defined all of the accumulated General Fund balance as “reserved.” The balance of course accounts for all of the unexpended surplus funds that accumulate from year to year. The City's present auditor, Clifton Gunderson, pointed out in its recent City audit that setting aside all of the fund balance was a noble gesture, but creates some unforeseen accounting dilemmas. Specifically, in the early months of the fiscal year when expenditures routinely run ahead of revenues (especially before the property tax receipts are received), the City dips into its reserve cash which is held in the Illinois Funds to earn a relatively higher rate of interest. Technically, it should not do so if the entire balance is “reserved.” To remedy this accounting issue, the City Council can designate a portion of the fund balance as “reserved” and a portion as “unreserved.” The City could then draw funds from the “unreserved” balance and repay the fund balance as general operating revenues flow into City accounts. The recommended “reserved” amount is \$1.5 million, which would cover all of the City's accrued leave balances.

The attached ordinance would rescind Ordinance 2001.35 and establish an accounting reserve in line with the recommendations of our auditor.

City Council approval is recommended.

C. Ordinance No. 2002.51—An Ordinance Amending Ordinance 2001.84 to Create a New Management Position of Deputy Budget Officer As an Appointed Office of the City of Sycamore. First and Second Reading.

Accounting Supervisor Steven Garland has announced his resignation, effective in early December. After reviewing several options to pick up the range of duties presently assumed by Mr. Garland, and after consideration of the financial resources available, the City Administrator recommends the creation of an interim deputy budget officer position that will assume most of the duties presently assigned to the accounting supervisor at least until the end of the current fiscal year. As detailed in the attached job description, the deputy budget officer would be a management position working under the direct supervision of the City Administrator but also working closely with the Human Resources Director, especially in the area of payroll. The position would specifically center on the following responsibilities:

- a) the calculation and preparation of payroll checks and payroll accounting;
- b) the implementation of GASB 34 accounting procedures by April 30, 2002;
- c) the supervision of the monthly reconciliation of bank balances with the general ledger;
- d) the coordination of preparations for the FY03 audit;
- e) assistance with the preparation of the FY04 City Budget.

The logical candidate for this position is the City's intern, Brian Gregory, who is completing his second and final year as a master's student in public administration at Northern Illinois University. Since his assignment to the Finance Office, Mr. Gregory has shown much promise in financial management and has already been at work with Mr. Garland in the establishment of a new system of fixed asset accounting (GASB 34). The City Administrator recommends the waiver of the usual search for someone to fill such a position, and to proceed to hire Mr. Gregory. A gross salary of \$3,000 per month has been suggested for this interim position.

Because Mr. Gregory's promise exceeds his experience at present, the City Administrator recommends a probationary period of service until the end of April, 2003, during which time both Mr. Gregory and the City could mutually assess his skills and abilities in the aforementioned accounting areas.

The City Administrator recommends the following:

- ◆ approval of the attached ordinance to create the position of deputy budget officer; and
- ◆ the appointment of Brian Gregory to this position, effective December 16, 2002.

D. Ordinance No. 2002.52—An Ordinance Awarding a Contract in the Amount of Up To \$107,105 to Open Software Solutions, Inc. (OSSI) for a New Computerized Police and Fire Records Management System. First and Second Reading.

The Police department has investigated computer software that would link the City's Police and Fire records management system with the DeKalb County Sheriff's Police and Central Dispatch system. Such a system would also substantially upgrade the City's ability to process records internally.

DeKalb County presently uses software from Open Software Solutions, Inc. This system is also widely used in Northern Illinois. Other software systems were investigated but according to Police Chief Thomas none could be integrated with the County's advanced system. The system has the following components for Police needs:

- ◆ A property and evidence module;
- ◆ A mug shot display module;
- ◆ A parking ticket administration module;
- ◆ A residential security module.

The Fire department would have integrated workstations with a shift scheduling module and a CAD system. The purchase of the basic records management system for 10 Sycamore Police workstations and 5 Sycamore Fire workstations would cost \$54,410 with the required licensing.

The training supplied by the vendor for all Police and Fire personnel would carry an additional cost of up to \$52,695, depending on the pace our employees can follow. It is estimated that the training cost will not reach this total. The sum of \$100,000 is available for the new record system, with \$40,000 coming from the 2002 Bond Fund (24-8515) and \$60,000 coming from the Capital Assistance Fund (06-8639). An additional \$40,000 is available in the 2002 Bond Fund for a fiber optic connection to DeKalb County.

The estimated annual software maintenance budget will be approximately \$8,700 for the new system. This amount will be proportionally funded by the Police and Fire department budgets in FY2004.

City Council approval of the Police Chief's recommendation is requested.

12. RESOLUTIONS--None

13. CONSIDERATIONS

A. Consideration of a Request From Knodle's Appliance Service Company for the Use of a Non-Metered Parking Stall In a Public Lot.

Paul Salvatore of Knodle's Appliance Service Company has requested the twenty-four hour use of one of the presently metered spaces in the public parking lot to the west of the White Hen Pantry. A number of spaces parallel the rear of his firm's property, and he would like to have unhindered access to one space, at no metering cost, for a service truck year round.

City Council direction is requested.

B. Consideration of a Request for Direction Regarding Interest in the Council-Manager Form of Government.

In early October, in the context of the discussion of the City Administrator's contract, several aldermen expressed an interest in pursuing a referendum that would ask voters to express themselves about the idea of a council-manager form of local government. It would be unethical for the City Administrator to influence this interest in any way. This matter is put on a public agenda to prompt Council discussion and to help arrive at a direction for this interest.

C. Consideration of a Closed Session to Discuss Personnel Matters, Pending Litigation, and Land Acquisition.

14. APPOINTMENTS

15. ADJOURNMENT