

SYCAMORE CITY COUNCIL

AGENDA

November 18, 2002

City Council Committee Meetings

7:00 Water and Sewer Committee Meeting

At its last meeting on November 4, the Water and Sewer Committee reviewed an Administration report regarding the extent to which current user fees are covering current expenses, and considered some options for fee revisions including the possibility of raising the fee charged for the replacement of water meters. The Committee asked for more information on the development of the present user fee rates, and a comparison of local rates with other municipal rates.

Based on research completed by Water Superintendent Ebe Smith and City Clerk Candy Smith, it appears that a multi-tiered system of water rates was introduced in 1963. A ten-tier system lasted from that date until 1968, when the present seven-step structure was introduced. For properties within the city limits, the following rates were established in 2001:

First	400 cubic feet	for	\$7.97 minimum bill
Next	300 cubic feet	at	\$1.88 per 100 cubic feet
Next	700 cubic feet	at	\$1.60 per 100 cubic feet
Next	1,300 cubic feet	at	\$1.33 per 100 cubic feet
Next	6,900 cubic feet	at	\$0.90 per 100 cubic feet
Next	7,400 cubic feet	at	\$0.73 per 100 cubic feet
All over	17,000 cubic feet	at	\$0.53 per 100 cubic feet

The 2001 rate structure evolved from a three-year package of water and sewer rate increases approved in 1998 and implemented in January 1999. The City Council approved the increases in the context of 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 table 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 further increases 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 ¾" today. Numerous older homes still have 5/8" meters.

- c) We appear to be competitive with other northern Illinois municipalities. A sampling of rates is depicted below:

Municipality	Standard Residential Fee
DeKalb	\$2.00 per 100 cubic feet beginning April 2003
Sycamore	\$1.80 per 100 cubic feet used by average new home
Hampshire	\$1.84 per 100 cubic feet
Genoa	\$1.45 per 100 cubic feet
Rochelle*	\$1.37 per 100 cubic feet
Belvidere	\$1.09 per 100 cubic feet

*Rochelle has a separate system of commercial and industrial rates.

Options

1. Implement an Across-the-Board Increase in User Fees. If, for instance, the Council were to implement a 5% across-the-board increase, the resulting impact would be as follows:

Five Percent (5%) Across-the-Board Increase				
Category and Usage (Cu. Ft.)		Current Billing (Two Months)	5% Increase	Estimated Yearly Increase
Mobile Home Park	3690	\$2,059.20	\$2,162.16 (+\$103.16)	\$618.96
Food Processor	2907	\$1,644.21	\$1,726.42 (+\$82.21)	\$493.26
Industrial	1077	\$647.14	\$679.50 (+\$32.36)	\$194.16
Hotel/Motel	400	\$288.33	\$302.75 (+\$14.42)	\$86.52
Restaurant	298	\$226.82	\$238.16 (\$11.34)	\$68.04
School	98	\$117.46	\$123.33 (+\$5.87)	\$35.22
Resident	17	\$29.98	\$31.48 (+\$1.50)	\$9.00

2. Reduce the Number of Tiers in the Rate Schedule. The table below illustrates a four-tier system and its impact in comparison with an across-the-board hike. To construct this table, it was assumed that the first four tiers shown on the first page of this report would be retained, and that all usage over 1,300 cubic feet would be billed at the same rate (presently \$1.33 per cubic feet).

Four-Tier Schedule				
Category and Usage (Cu. Ft.)		Current Billing (Two Months)	5% Increase (Impact per Billing Period)	Four-Tier Rate (Impact per Billing Period)
Mobile Home Park	3690	\$2,059.20	\$2,162.16 (+\$103.16)	\$3,379.14 (+\$1,320.14)
Food Processor	2907	\$1,644.21	\$1,726.42 (+\$82.21)	\$2,674.44 (+\$1,030.23)
Industrial	1077	\$647.14	\$679.50 (+\$32.36)	\$999.27 (+\$352.13)
Hotel/Motel	400	\$288.33	\$302.75 (+\$14.42)	\$389.97 (+\$101.64)
Restaurant	298	\$226.82	\$238.16 (+\$11.34)	\$290.61 (+\$63.79)
School	98	\$117.46	\$123.33 (+\$5.87)	\$122.76 (+\$5.30)
Resident	17	\$29.98	\$31.48 (+\$1.50)	\$29.98 (+\$0.00)

3. Increase the Fees for Meter Replacement.

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

RECOMMENDATION

The City Administrator and Water Superintendent Ebe Smith recommend two concurrent steps: (1) moving toward a recovery of 100% of the City's cost for meter replacement over a three year cycle and (2) implementing an inflationary increase in water user fees over a two year cycle. The CPI for all urban consumers rose 3.4 percent in the period December 1999 through December 2000, and 1.6% for the period December 2000 through December 2001. The last water rate increase was implemented in January 2000 and was designed to make up for past shortfalls rather than to keep pace with projected inflation. As noted on page two, above, actual water revenues started slipping off projections during mid-2000.

The proposed three-year cycle of increases in water meter replacement costs would yield an estimated additional \$17,500 in year one, an additional \$28,000 in year two, and an additional \$28,000 in year three. At the end of three years, an additional \$73,500 would have been generated. The proposed water user fee increases of 2.5% in 2003 and 2.5% in 2004 would yield an additional estimated \$23,000 in year one and \$24,000 in year two.

Here are some tables to illustrate the proposed changes:

Revised User Fee Schedule after 2.5% Increase in 2003	
First 400 cubic feet	\$8.17 minimum bill
Next 300 cubic feet	\$1.93 per 100 cubic feet
Next 700 cubic feet	\$1.64 per 100 cubic feet
Next 1,300 cubic feet	\$1.36 per 100 cubic feet
Next 6,900 cubic feet	\$0.92 per 100 cubic feet
Next 7,400 cubic feet	\$0.75 per 100 cubic feet
Over 17,000 cubic feet	\$0.54 per 100 cubic feet

Revised User Fee Schedule after 2.5% Increase in 2004	
First 400 cubic feet	\$8.37 minimum bill
Next 300 cubic feet	\$1.98 per 100 cubic feet
Next 700 cubic feet	\$1.68 per 100 cubic feet
Next 1,300 cubic feet	\$1.39 per 100 cubic feet
Next 6,900 cubic feet	\$0.94 per 100 cubic feet
Next 7,400 cubic feet	\$0.77 per 100 cubic feet
Over 17,000 cubic feet	\$0.55 per 100 cubic feet

Impact of Proposed Changes:

User Fee Increases and Meter Replacement Fee Increases Combined					
Category and Usage (Cu.Ft.)	Current (Two Months)	2003 (Two Months)	Yearly Increase	2004 (Two Months)	Yearly Increase
Mobile Home Park 3,690	\$2,059.20	\$2,107.90	\$292.20	\$2,156.98	\$294.48
Food Processor 2,907	\$1,644.21	\$1,685.08	\$245.22	\$1,726.33	\$247.50
Industrial 1,077	\$647.14	\$661.13	\$83.94	\$675.08	\$83.70
Hotel /Motel 400	\$288.33	\$295.55	\$43.32	\$302.73	\$43.08
Restaurant 298	\$226.82	\$232.60	\$34.68	\$238.73	\$36.78
School 98	\$117.46	\$126.10	\$51.84	\$135.54	\$56.64
Resident 17	\$29.98	\$31.27	\$7.74	\$32.99	\$10.32

Committee direction is recommended.

**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 November 4, 2002;
 - B. Payment of the Bills for November 18, 2002.
 - C. Plan Commission Minutes for the Meeting of October 14, 2002.
- 7. PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
 - A. Proclamation Honoring Pete Johnson on the occasion of his 80th birthday.
 - B. Recognition of Kirk Lundbeck, acting Park District Director, on the occasion of his being named one of America's "Top Golf Instructors" by the Consumers Research Council of America.
- 8. REPORTS OF OFFICERS**
- 9. REPORTS OF STANDING COMMITTEES**

10. PUBLIC HEARINGS--None

11. ORDINANCES

A. 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. Second Reading.

This matter was heard only on first reading on November 4. As reported at that meeting, 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 so effectively 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.

In Chief Thomas's absence during the November 4 meeting, no one was on hand to address the Council's concerns about the "training" component of the OSSI contract, which was reported to be \$52,695. Chief Thomas has addressed this issue in the attached memorandum. In fact, the \$52,695 is a not-to-exceed number that includes both training (about \$25,000 in all) and "implementation services." The "implementation services" include the actual installation of the software by OSSI representatives. The training allocation would include "training the trainer" classes for up to 8 department employees so they can train the rest of our officers and staff. It is estimated that the training cost will not approach the projected total. Chief Thomas has researched the experience of seven other Illinois police agencies that are presently using OSSI software. He reports that all of these agencies have been satisfied with the software and the support services.

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 OSSI contract also includes an estimated annual software maintenance budget of 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.

B. Ordinance No. 2002.53—An Ordinance Approving the Execution of an Agreement Between the City of Sycamore, Illinois and IMLRMA for Worker's Compensation and Liability Coverage for City Employees. First and Second Reading.

The City's worker's compensation and liability insurance coverage will soon expire. For the past five years the City has had an agreement with the Illinois Municipal League Risk Management Association (IMLRMA) for worker's compensation and liability insurance coverage. The IMLRMA is the largest public risk pool operating in Illinois.

In 1999, after searching the private insurance market and determining that IMLRMA offered the best coverage and price, the City entered a two year commitment that carried a two-percent discount and a guaranteed rate for two years. With the commitment, the City also participated in IMLRMA's "minimum/maximum" program that rewards cities with lower premiums if they do not register claims above a certain threshold. Because the City's performance in 1999-2000 was well within industry loss ratios, the City was only obliged to pay the "minimum" premium of \$149,470 (vs. \$205,928 if the City had approached the "maximum" exposure in claims). In the second year (2000-2001) of its commitment to IMLRMA, the City's "minimum" premium remained the same--\$149,470.

In recent months, Human Resource Director Jean Tritle has tested the private insurance market for our business and has also investigated the option of self-insurance. No private bids were received. We did receive one bid from another public risk pool, the Illinois Program Managers Group, LLC, which is the managing agency for the Illinois County Risk Management Trust (ICRMT). The ICRMT is the second largest public risk pool operating in Illinois and last submitted a proposal in 1999. The ICRMT proposal was \$300,000 (\$182,000 for worker's comp coverage and \$118,000 for property liability coverage). The response to our request for a self-insurance price was even less promising. The Employee Benefit Corporation, which is the third party administrator for a number of self-insured taxing bodies in northern Illinois, estimated that Sycamore would need to budget in the vicinity of \$500,000, including a fee of \$54,182 for third-party administration, because of the level of our history of risk.

In FY2002, the IMLRMA "minimum" premium including a two percent discount was \$181,500 (vs. \$233,310 if the City approached its maximum exposure in claims). The proposed FY03 "minimum" premium from IMLRMA, inclusive of the 2% discount, is **\$189,052**. If the attached agreement is approved and mailed by November 20, the two-percent discount would remain in effect. With the

present premium the City would continue a slightly higher level of coverage than that offered by private risk pools. Because of the growing size of IML's public risk pool, the insurer is able to maintain the general and automobile liability limit at \$8 million rather than the industry average of \$6.75 million. In addition, the policy would further indemnify the City against damage or injury caused by underinsured motorists.

City Council approval is recommended.

12. RESOLUTIONS--None

13. CONSIDERATIONS

A. Consideration of An Administration Report on City Tax Levy Options for the 2002 Tax Year.

By December 31 of each calendar year, the City Council must adopt an annual property tax levy. The City of Sycamore uses the monies raised through property taxes primarily to fund the general operations of the city departments, but also uses a substantial portion of the collected taxes to fund the city's pension or fiduciary obligations. In FY2003, the taxes collected to meet the fire and police pension obligations will be directly deposited in the respective pension funds for a clearer accounting trail. The table below illustrates the breakdown of operational and pension obligations in recent years:

Category	1998 Actual	1999 Actual	2000 Actual	2001 Actual
Property Tax— General Operating	\$1,491,660*	\$1,505,393*	\$1,540,685*	\$1,524,794*
Property Tax— FICA/IMRF	\$180,000	\$189,000	\$205,000	\$220,000
Property Tax— Police Pension	\$85,000	\$73,200	\$77,600	\$87,300
Property Tax—Fire Pension	\$120,000	\$147,000	\$130,000	\$180,390
Crossing Guards	\$20,000	\$20,000	\$20,000	\$20,000
Totals	\$1,896,660	\$1,934,593	\$1,973,285	\$2,032,484

*Includes \$155,000 for debt service and, until 2002, about \$240,000 to subsidize the cost of residential refuse collection. The increase in monthly refuse fees from \$7 to \$10 per month that was approved in December 2001 and implemented in March 2002 reduces the subsidy to about \$135,000 per year.

Pension Costs

The City's pension obligations are annually determined by an independent actuary. The city's IMRF and FICA (Social Security) obligations are calculated by the City Administrator. In recent years, the FICA/IMRF obligations for Water Department and Treatment Plant employees have been paid from the Sewer/Water Fund.

The actuarial recommendations have been submitted by the City's long-time actuary, Timothy Sharpe. In order to maintain a credible level of funding in the Fire and Police pension funds, he has proposed significantly higher levies this year, reflecting another twelve months of substantial equity losses. The

investment returns for the Police Pension fund were down 8.57%, and the returns for the Fire Pension Fund were down 1.66%. Even with significantly higher levies, the percentage of liabilities that are funded will still decrease from 98.2% to 84.3% in the Police pension fund, and will decrease from 82.2% to 76.6% in the Fire Pension Fund. The recommended Police pension obligation is \$152,883 (an increase of 75% over the 2001 levy of \$87,300), and the recommended Fire pension levy is \$213,142 (an increase of 18.2% over the 2001 levy of \$180,390). The pension funding is a collaborative effort involving a city contribution, employee contributions, and sound investment. Clearly, the pension funds have to be more vigilant than ever before about their investment holdings, in order to avoid even higher employee and city contributions in 2003. The City's FICA or social security obligation includes Medicare withholding costs as well. The combined FICA/Medicare rate remains 7.65%.

Apart from Fire and Police personnel, our full-time employees contribute to the Illinois Municipal Retirement Fund (IMRF). The fund announced on November 1 that municipalities should use an employer contribution rate of 9.5% against eligible employee earnings, an increase of 12.3% over the 2001 contribution rate of 8.46%. As with the local pension funds, the IMRF has experienced serious investment losses in recent years. For the first time since its inception in 1941, the IMRF failed to post interest to employer accounts in 2001.

Calculating the Levy and Rate

The starting point is estimating the City's equalized assessed valuation (EAV) for the coming year. Sycamore's final EAV in 2001 was \$201,706,953. The County Supervisor of Assessments has completed a preliminary estimate of the value of new construction in the City in 2002. Other variables in the calculation of the new community-wide EAV include the value of homestead and senior exemptions and any equalizing "multiplier" established to maintain uniform assessments across all township districts. The EAV estimate must also allow for Board of Review actions following complaints about real property assessments later this fall.

Margaret Whitwell, DeKalb County's chief assessment officer, estimates that Sycamore's "net" EAV for 2002 will be \$215,565,312 which is \$13,858,359 (6.87%) higher than the 2001 EAV of \$201,706,953. This estimate includes deductions for exemptions, appeals, and TIF (which had an EAV of \$1,841,593 in 2001 or an increment of \$195,148 over 2000). The County estimate also assumes an equalization factor of 1.0323 for Sycamore Township and 1.0104 for Cortland Township and \$6,337,057 in new construction in 2002. To be conservative, this total has been rounded downward to **\$215,000,000** for our calculations. Since the actual EAV growth for 2002 will not be known until the final tax extension is published next spring, the actual City tax rate, determined by dividing the City levy by the City EAV, will be uncertain. If the actual EAV published next spring is not as high as the projected level, the final City rate may be higher than expectations.

Historic City EAV, City Levy, and City Tax Rate totals:

Year	EAV	City Levy*	City Tax Rate* Per \$100 EAV
1966	\$27,220,176	\$216,252	.7945
1976	\$44,278,153	\$679,882	1.5355
1986	\$56,800,908	\$934,248	1.6448
1996	\$145,647,122	\$1,792,999	1.2318
1997	\$155,861,773 (+7%)	\$1,822,000 (+2%)	1.1689 (-5%)
1998	\$165,664,346 (+6.29%)	\$1,896,660 (+4%)	1.1449 (-2%)
1999	\$172,022,591 (+3.84%)	\$1,934,593 (+2%)	1.1246 (-2%)
2000	\$185,519,631 (+7.85%)	\$1,973,285 (+2%)	1.0648 (-5%)
2001	\$201,706,953 (+8.7%)	\$2,032,484 (+3%)	1.0076 (-5.37%)

*Excludes Sycamore Public Library and Sycamore Hospital.

Although as a home rule community the City is not subject to the provisions of the Property Tax Extension Limitation Law, previous City Councils have chosen to levy within the extension limitation for the year, which for “capped” taxing bodies means “the lesser of 5% or the percentage increase in the Consumer Price Index during the twelve month calendar year preceding the levy year.” For 2002 extensions, the CPI change is measured from December 2000 to December 2001. According to the Illinois Department of Revenue the U.S. City average Consumer Price Index (CPI) increase for that twelve-month period was **1.6%**. For the same period (12/2000-12/2001), the average price of all existing and new homes sold in Sycamore was about \$143,370 according to the DeKalb Area Association of Realtors, an increase of \$3,728 (2.7%) over the previous twelve-month period.

Five City Levy Options**Option #1: No Increase in City Levy**

	1999	2000	2001	2002
Total Levy	1,934,593	1,973,285	2,032,484	2,032,484
Police Pension	73,200	77,600	87,300	152,883
Fire Pension	147,000	130,000	180,390	213,142
FICA/IMRF	189,000	205,000	220,000	247,500
Crossing Guards	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,398,959
City-Wide EAV	172,022,591	185,519,631	201,706,953	215,000,000
City Tax Rate	1.1246	1.0648	1.0076	.9453

Resulting Impact on Single-Family Homeowner. The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002
Property EAV	45,150	46,550	47,800
City Tax Rate	1.0648	1.0076	.9453
City Tax Bill	480.76	469.04	451.85

Overall Impact:

- Should result in a City tax rate decrease of 6.2%.

- Should result in a reduction in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police pension funds) would represent 21.8% of all budgeted FY2002-2003 General Fund expenditures (\$7,636,192). They presently represent 23.1%.
- Reduce the monies available for general operations by \$125,835 (8.3%). This will result in some service reductions, or a deferral in new hiring, unless new revenues of a like amount are found.

Option #2: Two Percent (2%) Increase in City Levy

	1999	2000	2001	2002
Total Levy	1,934,593	1,973,285	2,032,484	2,073,134
Police Pension	73,200	77,600	87,300	152,883
Fire Pension	147,000	130,000	180,390	213,142
FICA/IMRF	189,000	205,000	220,000	247,500
Crossing Guards	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,439,609
City-Wide EAV	172,022,591	185,519,631	201,706,953	215,000,000
City Tax Rate	1.1246	1.0648	1.0076	.9642

Resulting Impact on Single-Family Homeowner. The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002
Property EAV	45,150	46,550	47,800
City Tax Rate	1.0648	1.0076	.9642
City Tax Bill	480.76	469.04	460.89

Overall Impact:

- Should result in a City tax rate decrease of 4.3%.
- Should result in a reduction in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police pension funds) would represent 22.3% of all budgeted FY2002-2003 General Fund expenditures (\$7,636,192). They presently represent 23.1%.
- Reduce the monies available for general operations by \$85,185 (5.6%). This would also result in some service reductions, or a deferral in new hiring, unless a like amount of new revenues was found.

Option #3: Three (3%) Increase in City Levy

	1999	2000	2001	2002
Total Levy	1,934,593	1,973,285	2,032,484	2,093,459
Police Pension	73,200	77,600	87,300	152,883
Fire Pension	147,000	130,000	180,390	213,142
FICA/IMRF	189,000	205,000	220,000	247,500
Crossing Guards	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,459,934
City-Wide EAV	172,022,591	185,519,631	201,706,953	215,000,000
City Tax Rate	1.1246	1.0648	1.0076	.9737

Resulting Impact on Single-Family Homeowner. The “Property EAV” is derived from the average price of all homes sold in Sycamore during the previous year.

	2000	2001	2002
Property EAV	45,150	46,550	47,800
City Tax Rate	1.0648	1.0076	.9737
City Tax Bill	480.76	469.04	465.43

Overall Impact:

- Should result in a City tax rate decrease of 3.36%.
- Should result in a slight reduction in actual City taxes paid.
- Property taxes (minus the portion going directly to the Fire and Police pension funds) would represent 22.6% of all budgeted FY2002-2003 General Fund expenditures (\$7,636,192). They presently represent 23.1%.
- Reduce the monies available for general operations by \$64,860 (4.25%). This decrease would lead to service reductions, or a deferral in new hiring, unless a like amount of new revenue was found.

Option #4: Four Percent (4%) Increase in City Levy

	1999	2000	2001	2002
Total Levy	1,934,593	1,973,285	2,032,484	2,113,783
Police Pension	73,200	77,600	87,300	152,883
Fire Pension	147,000	130,000	180,390	213,142
FICA/IMRF	189,000	205,000	220,000	247,500
Crossing Guards	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,480,258
City-Wide EAV	172,022,591	185,519,631	201,706,953	215,000,000
City Tax Rate	1.1246	1.0648	1.0076	.9832

Resulting Impact on Single-Family Homeowner. The “Property EAV” is derived from the average price of all homes sold in Sycamore during the previous year.

	2000	2001	2002
Property EAV	45,150	46,550	47,800
City Tax Rate	1.0648	1.0076	.9832
City Tax Bill	480.76	469.04	469.97

Overall Impact:

- Should result in a City tax rate decrease of 2.4%.
- Should result in about the same taxes paid as in 2002.
- Property taxes (minus the portion going directly to the Fire and Police pension funds) would represent 22.9% of all budgeted FY2002-2003 General Fund expenditures (\$7,636,192). They presently represent 23.1%.
- Reduce the monies available for general operations by \$44,536 (2.9%). This would equate to one new hire in the Police department.

Option #5: Five Percent (5 %) Increase in City Levy

	1999	2000	2001	2002
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108
Police Pension	73,200	77,600	87,300	152,883
Fire Pension	147,000	130,000	180,390	213,142
FICA/IMRF	189,000	205,000	220,000	247,500
Crossing Guards	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,500,583
City-Wide EAV	172,022,591	185,519,631	201,706,953	215,000,000
City Tax Rate	1.1246	1.0648	1.0076	.9926

Resulting Impact on Single-Family Homeowner. The “Property EAV” is derived from the average price of all homes sold in Sycamore during the previous year.

	2000	2001	2002
Property EAV	45,150	46,550	47,800
City Tax Rate	1.0648	1.0076	.9926
City Tax Bill	480.76	469.04	474.46

Overall Impact:

- Should result in a City tax rate decrease of 1.5%.
- Property taxes (minus the portion going directly to the Fire and Police pension funds) would represent 23.2% of all budgeted FY2002-2003 General Fund expenditures (\$7,636,192). They presently represent 23.1%.
- Reduce the monies available for general operations by \$24,211 (1.6%). This would be the second straight year that the portion of property taxes allocated for general operations declined. In FY02, the reduction was \$15,891.

RECOMMENDATION:

The City has aggressively reduced its portion of the property owner’s annual tax bill for the past four years. Until the 2000 levy year when the levies of other local taxing bodies were legally capped, the City’s reduction in its tax rate in effect subsidized other taxing bodies by offsetting the impact of levies that exceeded the inflation rate. Today, the City’s property tax rate is lower than at any time since the early 1970s. By way of reference, in 1975 the City’s EAV was \$38,902,799 and the City levy was \$431,542, which resulted in a City tax rate of \$1.11 per \$100 EAV. The City’s levy increased by \$1,541,743 (3.57 times) in that 25-year period, while operational spending increased \$5,499,194 (6.15 times). As a proportion of overall general revenues, the property tax constituted 46.4% in FY1976 and 23% in FY2003. Clearly, the long-term historic trend, accelerated in recent years, is toward less reliance on property taxes for essential services notwithstanding the rising demand for services.

Given the increases in mandated retirement contributions this year, even the largest levy increase proposal of 5% would not maintain last year’s level of general operational spending for the City’s departments. The good news is that all five options would result in a reduction in the City’s property tax rate. **The City Administrator recommends Option #5.** This option would reduce the City tax

rate by an estimated 1.5% and continue the long-term trend of lower City tax rates. It would also maintain the relative proportion of property taxes to other sources of General Fund revenues. However, it would not maintain the level of general operating support provided by property taxes in FY02.

The City's levy increases have been 2%, 4%, 2%, 2%, and 3% from 1997 through 2001, respectively. So why the relatively higher increase now? Because we would otherwise risk our ability to maintain the present level of services at a time of increasing public demand for more attention to our neighborhoods, our downtown area, and planning services. The City Council's efforts to keep the City levy at or below the rate of inflation in recent years has been remarkable, considering the legitimate claim for more contractual and personnel resources to address Sycamore's outward growth. The Council's efforts, which have offset the relatively higher percentage increases of other local taxing bodies, have incrementally reduced the overall tax burden of local taxpayers and have made Sycamore slightly more competitive in attracting business to the region.

However, with even a 5% levy increase, the portion of our property tax revenue available for operating purposes will be reduced below the level of three years ago! In 1999 the operating levy was \$1,505,393; the proposed 2002 operating levy is \$1,500,583. There is a point at which the City cannot afford to further reduce one of its three key operating revenue sources. That point is when the reduction is not likely to be offset by a measurable improvement in our competitiveness, or an offsetting increase in other revenues, and may lead to a reduction in City services. With over one-half of the FY03 fiscal year behind us, with state income tax proceeds dropping and home rule sales tax revenues running over 7% below projections, offsetting revenues are not apparent.

The Annual Sycamore Library Levy

The City annually levies property taxes for the Sycamore Library. The combined City and Library levies are considered the *corporate levy*.

Until the Sycamore Public Library has established a separate taxing authority through referendum, the Council is obliged to "pass through" the Library's levy request, provided the annual tax does not exceed .60% of the community's EAV (estimated to be \$1,290,000 in 2002). Whenever a community plans a *corporate levy* increase of more than 4.9%, the Truth in Taxation Act requires a public hearing. The corporate levy in 2001 was \$2,533,354. This year, the proposed Library levy of \$566,221 combined with Options 3, 4 or 5 outlined above will exceed the 4.9% threshold. Even if this were not the case, the strong and legitimate public concern about relatively high property tax rates in Sycamore would recommend a public hearing. Such a hearing will be scheduled for the December 2 Council meeting.

The FY2002-2003 Library levy recommendation of \$566,221 is \$65,351 (13%) higher than the FY2001-2002 Library levy of \$500,870 and should result in a Library rate of .2646, which is 6.56% higher than the Library rate of .2483/\$100

EAV in 2001. The proposed 2002 Library levy represents 84% of the Library's proposed FY2002-2003 operating budget of \$674,218. The Library's 2001 levy of \$500,870 represented 77% of the FY03 budget of \$651,101.

The Library levies of recent years are shown in the table that follows:

Recent Library Levy History	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Operating & Insurance	\$387,980	\$407,324	\$428,930	\$458,603	\$526,501
FICA	\$19,254	\$19,853	\$22,438	\$22,621	\$23,438
IMRF	\$28,000	\$20,389	\$20,294	\$19,396	\$15,627
Audit	\$2,500	\$2,091	\$500	\$250	\$655
Total Library Levy	\$437,734 (+32.7%)	\$449,657 (+2.7%)	\$472,162 (+5%)	\$500,870 (+6%)	\$566,221 (+13%)
Library Rate	.2642 (+25%)	.2614 (-1.1%)	.2545 (-2.64%)	.2483 (-2.4%)	.2646 (+6.56%)

The impact of the proposed Library levy on the average single-family homeowner is shown below:

	1999	2000	2001	2002
Library Levy	449,657	472,162	\$500,870	\$566,221
City-Wide EAV	172,022,591	185,519,631	201,706,953	214,000,000
Library Tax Rate	.2614	.2545	.2483	.2646
EAV of Average Home Sold in Sycamore	43,800	45,150	46,550	47,800
Library Tax Bill	114.49	114.91	115.58	126.47

City Council direction is requested. Once the City portion of the levy is determined, the corporate levy—the combined City and Library levies—can be determined. The Administrator hopes to hold a public hearing on the corporate levy proposal on December 2 along with a first reading on the levy ordinances. The second and final reading of the 2002 levy ordinances will be on December 16.

B. Consideration of an Administration Recommendation to Request Action by the Sycamore Fire and Police Commission.

The City Administrator recommends Council authorization to request action by the Sycamore Fire and Police Commission to fill certain vacancies in the Police Department. As the City Council is aware, Lt. Patrick Solar has been appointed Police Chief in the City of Genoa and his effective retirement date is December 31, 2002. Additionally, the Circuit Court recently ruled that Sgt. Thomas Scott should be returned to the rank of Lieutenant. The City Administrator recommends the following action by the Fire and Police Commission:

- 1) The confirmation of Thomas Scott in the civil service rank of lieutenant, with all of the rights and duties assigned to that management position;
- 2) the promotion of Steve Cook to the rank of sergeant, to replace Tom Scott. Steve Cook is at the top of the new sergeant's hiring list;

- 3) the hiring of the next eligible person on the Police hiring list, to bring the department strength back to 22 sworn officers. If this action was not taken, the retirement of Pat Solar would leave the department at 21 sworn officers. The new hire would start on or about January 1.

A City Council recommendation consistent with the three steps outlined above is requested.

C. Consideration of an Administration Recommendation Concerning the Timing of Community Planning Events.

As discussed at the joint Council/Plan Commission meeting of November 11, the next steps in our comprehensive planning process involve three January dates: one for the image preference survey, one for the charrette, and one for the subsequent consensus plan presentation. The actual dates, times, and places are as follows:

1. Image Preference Survey: Tuesday, January 7, at 7:00 p.m. at the Sycamore Public Library;
2. Sycamore Charrette: Saturday, January 11, from 8:00 a.m. to 2:00 p.m. at the South Prairie School;
3. Consensus Plan Presentation: Monday, January 13, at 7:00 p.m. during the regular Sycamore Plan Commission meeting at the Sycamore Municipal building.

City Council direction is recommended.

D. Consideration of an Administration Recommendation for a Closed Session to Review Closed Session Minutes.

14. APPOINTMENTS

15. ADJOURNMENT