

SYCAMORE CITY COUNCIL

AGENDA

January 7, 2002

City Council Workshop Meeting

6:30 P.M.

Consideration of an Administration Report on the Status of the Midwest Museum of Natural History.

Since the City Council resolved to accept the Schelkopf collection on October 15, a flurry of activity has occurred among local residents and businesses toward the creation of a regional museum. The founding meeting of the Midwest Museum of Natural History's Board of Directors was held on October 26. At that time, an executive committee was elected and a number of standing committees were appointed. The Legislative Committee set about creating by-laws for the organization and preparing the appropriate documents for the creation of a not-for-profit corporation. The Development Committee devised a business plan and development budget for the forthcoming capital campaign and set about the design and production of promotional materials for the campaign. The Executive Committee has met twice monthly to coordinate the Board's work, develop a campaign budget, connect with previous donors, and develop short-term contracts with Durrant Architects and Museum Explorer to coordinate the architectural and museum design work. A black and white copy of the first promotional brochure is attached for the Council's review.

To date, all persons and organizations that previously pledged support for the renovation of the Community Center have been contacted and asked to consider a commitment to the new museum. As a result of these conversations, a total of over \$550,000 has been secured for the renovation of the Community Center as the new Midwest Museum of Natural History. The kickoff for the Museum's \$1.2 million capital campaign will be on Friday, January 11, at 5:30 p.m. at the Fargo Banquet Room. Invitations will be mailed this week.

When the debate over whether to accept the Schelkopf donation occurred last fall, local supporters of the museum effort approached several prominent firms to guide them through the discussion. Contracts have since been entered with Durrant Architects and Museum Explorer. Gregory Baum of Durrant Architects has provided the floor plans that will be on display Monday night, and Rich Faron of Museum Explorer has provided the artistic renderings of the exhibits and much of the content in the attached brochure. Mr. Faron will be on hand to apprise the Council of the thinking behind the museum design and the possibilities represented by the Community Center's space.

The regular interaction between the new Board and these gentlemen over the past three months has led to a more creative understanding of the cultural value of such a museum for Sycamore. The Board has had a first-hand opportunity to work with some of the best

experts in the field of museum design and development. They have come to realize that, to be successful, the museum must invite its visitors to see how Sycamore is connected to a regional environment, a continent, and the world. As the attached schematic diagrams suggest, the museum layout will stimulate the mind as well as the eyes, and inspire visitors to learn more about their environment and how to preserve it.

**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 December 17, 2001;
 - B. Payment of the Bills for January 7, 2002.
7. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
8. **REPORTS OF OFFICERS**
9. **REPORTS OF STANDING COMMITTEES**
10. **PUBLIC HEARINGS--None**
11. **ORDINANCES**
 - A. **Ordinance No. 2001.56—An Ordinance Amending Title 9, “Building Regulations,” Chapter 2, “Building Codes,” Section 9-2-3, “Plan Review Fees,” Subsection A, Residential; Section 9-2-4, “Building Permit Fees,” Subsection B, Miscellaneous; Section 9-4-4, “Permit and Inspection Fees,” Subsection A, Permit Fees, and B, Rewiring Inspection Fees; and Title 8, “Water and Sewer,” Chapter 2, “Water Use and Service,” Section 8-2-8, “Taps and Water Service Pipes,” Subsection E, Water Tap Fees, Permit, of the City Code of the City of Sycamore, Illinois. First and Second Reading.**

The Ordinance Committee considered some suggestions for permit fee increases on December 17 that were originally proposed by Lyle Doty, Building

Commissioner, at the Ordinance Committee meeting of November 19. At the December 17 meeting, Mr. Doty reviewed a chart contrasting current fees, his proposed increases, and the comparable fees charged by the City of DeKalb. After a discussion of the chart, Alderman Tripp moved and the Committee approved a recommendation to incorporate Mr. Doty's suggestions into an ordinance with the following changes:

- (a) The plan review fee for one-story residences should be increased to \$80;
- (b) The plan review fee for two-story residences should be increased to \$120.

City Council approval of the attached ordinance, which codifies the Committee's recommendations, is requested.

B. Ordinance No. 2001.57—An Ordinance Amending Title 6, “Motor Vehicles and Traffic,” Chapter 2, “Parking Regulations,” Section 7, “Parking After Snowfall,” Subsection A, Parking Restricted, of the City Code of the City of Sycamore, Illinois. First and Second Reading.

On December 17 the Ordinance Committee also considered a report from Police Chief Don Thomas and Public Works Superintendent Fred Busse proposing a new approach to the removal of parked cars from the public ways during snowstorms. The present system outlined in the City Code makes it unlawful to park any vehicle on any street eight hours after a snowfall of two or more inches, unless the snow has been plowed from the street. Chief Thomas, Superintendent Busse, and the Committee agreed that this system is ineffective, since most City streets have been plowed within eight hours after a snowfall of two or more inches has been experienced.

As an alternative, the proposition that emerged from the discussion at the Ordinance Committee discussion on December 17 was to identify two categories of streets with differing classification in terms of the frequency of their use as emergency routes. Generally speaking, all arterials and collectors would be considered emergency snow routes that had to be cleared of vehicles after a two-inch snowfall, and the balance of City streets—the minor residential streets-- would need to be cleared of vehicles four hours after an accumulation of two or more inches of snow. The ticketing and, if necessary, towing of vehicles would be authorized as these different thresholds were reached.

The attached ordinance would revise the City's parking regulations to codify such changes. City Council approval is recommended.

C. Ordinance No. 2001.58—An Ordinance Amending Title 9, “Building Regulations,” Chapter 4, “Electricity and Fire Protection,” Section 9-4-2, “Codes Adopted,” Subsection A, Electrical Code Adopted, of the City Code of the City of Sycamore, Illinois. First and Second Reading.

In recent months, Building Commissioner Lyle Doty and Building Inspector Dennis Winclawski have conducted a review of the 1999 National Electric Code, which is the latest edition of that codebook. In November, they notified all local

electrical inspectors of the changes in the new code, and held an informational meeting on November 8 to discuss these changes with local contractors. Of the 17 locally licensed contractors who were invited, only 5 attended. The specific code additions and deletions discussed with the contractors are listed in the attached ordinance. No objections were registered.

This matter could be referred to the Ordinance Committee. However, given the technical nature of the changes and the efforts taken to inform the local practitioners of the code, the City Administrator recommends that the Council consider the proposed revisions in committee of the whole. City Council approval of the attached ordinance that adopts the 1999 Electric Code, with revisions, is recommended.

12. RESOLUTIONS--None

13. CONSIDERATIONS

A. Consideration of an Administration Recommendation Regarding a New General Obligation Offering to Finance Capital Expenditures.

Within the rhythm of the City's fiscal year, the winter holidays are coincidentally a busy time for planning the next fiscal year's spending priorities and revenue needs. This planning involves a close look at operational needs as well as more general capital or "big ticket" items.

After reviewing a number of options with the City's department heads, the City Administrator has concluded that it is prudent to borrow money in 2002 to pay for capital and equipment that cannot be purchased "out of pocket" without crimping services or imposing a larger burden on local taxpayers. Although the interest incurred through such borrowing would be an additional cost, an annual debt service consistent with annual revenue projections would spread that cost over many years and allow our municipality to maintain services and enhance the tools we need to do so. As it happens every five years or so, it is advantageous to leverage our income to purchase goods or services with large price tags, not unlike what local households do when they pursue the purchase of vehicles, large household appliances, or substantial home improvements.

Now is the best time in about ten years to go into the municipal bond market in terms of interest rates. This circumstance is likely to change later in the first quarter according to most financial prognosticators. The purpose of this agenda item is to invite the Council to consider a new borrowing in terms of our municipal capital needs. Because the assumption of new debt is a matter for careful public consideration and debate, a detailed analysis of the City's present financial strength and spending priorities follows.

How do we assess our capital needs? What can we afford?

This question might be broken into several parts: what are the tools or small capital items our organization needs, and what are the large capital improvements

that our residents desire? The related question is: do we have the annual revenue streams to finance these purchases without borrowing?

The answer to the last question is: no. We do not arrive at that conclusion as a result of revelations about poor financial planning or management. The opposite is the case. We are financially stronger than we have been in memory, in no small part because we have "lived within our means" in terms of personnel and operational spending. However, our capital needs of all stripes are growing without sufficient dedicated revenues to fund them.

The Financial Landscape

Since 1996, City Councils have taken a number of methodical steps to better account for our spending, to better plan our future operational and capital needs, and to raise new revenue where necessary. Specifically, the following steps have been taken:

- ◆ In November 1996 the City Council adopted home rule status.
- ◆ In September 1997 the City Council adopted a .50 percent home rule sales tax.
- ◆ In December 1998 after months of public debate the Council raised water and sewer rates to remedy an operating deficit on the water side and an impending deficit on the sewer side.
- ◆ In March of 1999 the Council approved a refinancing bond to reduce the interest on the outstanding 1996 general obligation bonds. This action also established a respectable bond rating--Aaa--for the first time in several decades.
- ◆ In April 1999 separate funds were established for water and sewer impact fee proceeds to end the commingling with water and sewer user fees that masked true operating revenue flows in the water and sewer funds.
- ◆ In April 1999 the City Council adopted a new budget format and chart of accounts to track operating expenses in greater detail. In addition, the City moved from a cash basis of accounting to a modified accrual basis of accounting. In this way, the City was able to record receivables and liabilities on its general ledger and show a clearer picture of what is owed or to be received.
- ◆ In August 1999 the City Council established a new Finance Division to ensure more accurate and timely financial reporting by the organization.
- ◆ In March 2000 the Council increased the home rule sales tax from .50 percent to .75 percent and dedicated the increase to capital projects.
- ◆ In June 2001 the Council approved a revenue-sharing agreement with United Aviation Fuels to provide additional revenue for general capital needs.
- ◆ In each of the past three years the Council has approved a revised budget based on the annual audit within three to four months of the approval of the fiscal year budget in order to stay on top of the City's fund balances and program accounting. During the same period the Council has also

annually authorized a three-year capital spending plan to address infrastructure needs.

In brief, we are more accountable for our capital expenditures than ever before and we have only reluctantly increased taxes with a special concern for the impact on local household budgets (note: home rule taxes do not affect food, drugs, or automobiles). On the spending side, our programmatic budgeting has allowed us to wring out duplicative and unfocused spending. Specifically, we have resisted personnel expenditures that could not be financed by natural or inflationary revenue growth, and we have budgeted with a ruthless check on non-personnel expenditures. In the past three years spending on equipment and vehicles (excluding the Treatment Plant and Water Department) has decreased from \$544,420 in 1998 to \$292,760 in 2001.

This fiscal constraint has established strong fund balances. In May 1998, the General Fund’s reserve stood at \$437,541 or less than one month’s operational costs, far below the optimal cushion for public bodies. In May 2001 the reserve had increased to \$2,772,766 or more than four months of our operating needs—in excess of the unofficial standard for public bodies. This fact bodes well for us as we consider a new bond offering. Rating agencies are particularly interested in large fund balances to conservatively cushion municipal funds against unforeseen economic challenges. This is especially the case with a municipality such as Sycamore that relies heavily on sales tax revenues to fund departmental operations.

The Capital Needs

However, fiscal constraint has created a growing list of deferred equipment and vehicle purchases and minor capital improvements. The list below provides a very preliminary accounting of the highest priority items, and is only a short version of a longer list drafted by our City's department heads.

Projects--Operational Services	Cost
A. General	
New Phone System	\$50,000.00
Accounting Software (Finance; Water)	\$45,000.00
Remodel Council Chambers	\$50,000.00
Remodel Former Street Division Garages	\$65,000.00
New City Hall Roofs	\$85,000.00
New City Hall Window Glazing	\$65,000.00
Subtotal	\$360,000.00
B. Police Department	
2 Patrol Vehicles (equipped)	\$48,000.00
1 Detective vehicle	\$18,000.00
In-Car Video Cameras	\$25,000.00
In-Car Computers	\$80,000.00
Create Evidence Room in Former Street Garage	\$25,000.00
Facility Planning Study	\$10,000.00

	Subtotal	\$206,000.00
C. Fire Department		
	Remodel Fire Department Living Quarters	\$75,000.00
	New Ambulance	\$120,000.00
	New Command Vehicle	\$30,000.00
	New Rescue Equipment (jaws of life; monitors)	\$45,000.00
	Subtotal	\$275,000.00
D. Public Works Department		
	Dump Truck w/Spreader (Replace 79 Ford)	\$66,000.00
	Winged Mower (for City retention ponds & property)	\$32,000.00
	Bucket Truck (to save money on traffic light repairs)	\$18,000.00
	Sign Shop Equipment (Create City Signs)	\$12,000.00
	Snow Blower (to Replace 58 model)	\$60,000.00
	Subtotal	\$188,000.00
	Total, Operational Services	\$1,029,000.00
	Projects--Infrastructure Improvements	Cost
A. Street Reconstruction (w/new Street Lights; Trees)		
	North Maple, State to Exchange	\$333,000.00
	South Maple, State to Elm	\$370,000.00
	Somonauk, State to Elm	\$200,000.00
	Somonauk, Turner Place to Becker Place	\$277,000.00
	Subtotal	\$1,180,000.00
B. Replace Streetlights and Plant Trees, Main to Locust		
	Subtotal	\$165,000.00
	Total, Infrastructure Projects	\$1,345,000.00
	Contingency (5%)	\$126,000.00
	Total For All Projects	\$2,500,000.00

What are our options?

We have several. They are listed below in no certain order:

- 1) We could resist a borrowing at this time on the assumption that we will "grow" our dedicated capital revenues over the near term. This assumption is insupportable in terms of any obvious or identifiable circumstances that will dramatically increase our general revenues in the near term. We are publicly committed to reducing our portion of the composite local property tax rate, so future substantial property tax increases are out of the question. Of the three largest general revenue flows (property tax, sales tax, and income tax), the income tax revenues will likely fall substantially this year because of a state budget shortfall. Instead of \$79 per capita the latest state reports predict state income tax sharing in the range of \$73 per capita. This amounts to a shortfall of about \$80,000 in the current fiscal year. Finally, the combined 1.75% local sales taxes will bear the burden of any contractual wage increases. So, it does

not appear that current general revenues will be available for the deferred list of capital projects and equipment.

- 2) We could establish a new revenue source but hold off on any borrowing until we see the financial impact. This approach would understandably create unease among our constituents because there would be no obvious connection between the cost and the benefit.
- 3) We can establish a new revenue source and dedicate it toward a specific list of capital projects. This list can be substantial and the impact can be felt immediately if the new revenue source is devoted to debt service, rather than an incremental "pay as we go" strategy that extends the purchase of deferred needs over a longer period of years.

Recommendation

The City Administrator recommends the Council's consideration of Option #3. What would the new revenue source be? The logical options are use taxes such as a restaurant/bar tax or a utility tax. A utility tax is regressive in the sense that it falls on all businesses and households without regard to disposable income. More important, a utility tax would place a further burden on local industry and would be a disincentive to new industrial prospects. Presently, in terms of the regional competition for new industry, the lack of a utility tax in Sycamore offsets our relatively higher property tax rate when we make our pitch to industrial prospects.

A restaurant/bar tax was considered in 1996 as the City debated the pros and cons of home rule status. The Council then in office resisted the imposition of such a tax until the impact of the new home rule sales tax could be measured in terms of municipal needs. Adequate time has elapsed since the mid-1990s to fairly assess the benefit of the home rule tax, and its limitations in terms of operational and capital needs. Based on the foregoing analysis, a restaurant/bar tax that only touches discretionary spending and falls more progressively on consumers according to their spending capacity may be the fairest and least intrusive option. The City Administrator estimates that \$160,000 could be raised in FY2002-2003 if a **one percent (1%) restaurant/bar tax** was imposed. This level of new revenue would be adequate to finance the General Fund's portion of the debt service obligation on a \$2.5 million bond. Based on our preliminary review, the overall debt service on a \$2.5 million general obligation bond would be slightly less than \$250,000 a year. One-half of this debt service would need to come from the General Fund whose departments would directly benefit from the purchase of new equipment and vehicles. The other half would presumably come from the Capital Assistance Fund (Fund 6) which would finance the infrastructure improvements. The Capital Fund currently has a dedicated general revenue source (one-third of the monthly home rule tax proceeds) that generates about \$225,000 per year. The other general source of capital dollars is the Sales Tax Distributive Fund (Fund 22) that currently receives a minimum monthly revenue of \$25,000 from the United Aviation Fuel Company's sales. Because this revenue source is only assured for ten years and any general obligation bond would have a life of at

least fifteen years, we should consider reserving the UAL sales tax proceeds for more routine annual capital repairs or special projects.

The City Administrator further recommends the referral of this matter to the Council Finance Committee for discussion on January 21. If the Council is inclined to pursue a bond offering to support FY03 capital projects, timing will be important. Based on the trade paper forecasts for the first quarter of 2002, it appears that the optimal moment for entering the municipal bond market will be sometime in late January or early February.

B. Consideration of an Administration Report on a Proposed FY2002-2003 Budget Schedule.

A preliminary schedule of thresholds in the annual budget process is presented below for the Council's consideration:

- ◆ January 7: The Administrator circulates target spending numbers to City department heads.
- ◆ February 4: Very preliminary General Fund revenue and expenditure numbers are presented to the Council for comment at the monthly workshop meeting. The Council will also be asked to advise the staff concerning proposed FY03 capital projects and the annual street maintenance list.
- ◆ February 18: The Preliminary FY03 Budget is presented to the Council for review and comment.
- ◆ March 18: The revised Preliminary City Budget is formally presented to the Council and placed on file.
- ◆ March 19-27: Finance Committee meetings are held to review each budget fund and department.
- ◆ April 1: The Budget hearing is held.
- ◆ April 15. The Council approves the Final FY03 City Budget.

C. Consideration of a Closed Session to Discuss Collective Bargaining.

14. APPOINTMENTS

15. ADJOURNMENT