

SYCAMORE CITY COUNCIL
AGENDA
January 20, 2009

CITY COUNCIL COMMITTEE MEETINGS
No Meetings Are Scheduled

REGULAR CITY COUNCIL MEETING
7:00 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 for the Regular City Council Meeting of January 5, 2009.
 - B. Payment of the Bills for January 20, 2009.
 - C. Plan Commission Minutes for the Meeting of December 8, 2008.
 - D. Building & Zoning Department Annual Report for 2008.
7. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
8. **REPORTS OF OFFICERS**
9. **REPORTS OF STANDING COMMITTEES**
10. **PUBLIC HEARINGS**
 - A. **Public Hearing on a Petition to Annex Property Owned by Laura and Eric Mathey at 403 N. Main Street and to Rezone the Property to "M-1," Light Manufacturing District.**
See Ordinance No. 2008.68

11. ORDINANCES

A. Ordinance No. 2008.66—An Ordinance Amending the Fiscal Year 2008-2009 Budget. First and Second Reading.

On January 5 the Council authorized the use of Motor Fuel Tax funds for salt purchases (Resolution No. 513). The specific authorization was for \$74,852.00. The attached ordinance amends the FY09 Motor Fuel Tax budget to increase Line Item 7-8637 in an equal amount to provide for the salt allocation.

City Council approval is recommended.

B. Ordinance No. 2008.68—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to the Petition to Annex the Mathey Property at 403 N. Main Street and to Rezone the Property to “M-1,” Light Manufacturing District. First and Second Reading.

This parcel is located at the northwest corner of the Jerome Johnson property at 401 N. Main Street and consists of a fractional land area of .03 acres that was not annexed to the larger Mathey parcel to the north when the former railroad right-of-way was purchased many years ago. With the cooperation of the owners, it is proposed that this parcel be annexed with a designated zoning that for the present conforms to the zoning of the larger adjacent parcel to the north. In the City’s long-term planning scheme, this parcel and the remaining parcels to the north that are presently zoned “M-1,” Light Manufacturing will be gradually rezoned for commercial purposes, as the parcels in the vicinity of North Avenue and N. Main Street have been in recent years. However, the proposed zoning is appropriate in the short run given the present contractor uses of the larger adjacent parcel.

The Plan Commission considered this annexation at its last meeting on January 12. By a vote of 11-0, the Commission recommended City Council approval.

C. Ordinance No. 2008.69—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to a Special Use Permit Application from DeKalb County Youth Services for the Property at 203 E. State Street. First and Second Reading.

The former Drendel (Merle Norman Cosmetics) property at 203 E. State Street has been purchased by the County of DeKalb, consistent with the County’s campus plan for the Locust Street corridor between E. State Street and Sycamore Street. DeKalb County Court Services proposes to remodel the building to accommodate a residential facility or “safe house” for juvenile offenders. The male and female youth (13-17 years of age) assigned to the facility would range from young persons temporarily relocated from very stressful and toxic home environments to young persons whose encounters with local police have required that they be detained outside the home but also outside of permanent detention centers. The proposed residence would be staffed full-time with either a foster family or full-time supervision from County authorities. This program would provide a structured and safe place in crisis situations and also a motivating environment for those who have not had positive lessons in conflict resolution at home. The facility would not house persons with

severe mental health disabilities, substance abuse problems, sex offenders, or persons who have committed assault offenses with weapons.

DeKalb County Youth Services was initially interested in the Engh Farm, but the City Council dedicated that property for museum purposes in July 2008. A facility in proximity to the County Sheriff's department and DeKalb County court services would seem a very appropriate alternative location.

At the regular Plan Commission meeting of January 12, the Commission voted 11-0 to recommend Council approval of the petition. City Council approval of the Plan Commission recommendation is requested.

D. Ordinance No. 2008.70—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to a Rezoning Petition from Commonwealth Edison for the Property at 385 South Avenue, with a Special Use Permit for a Utility Substation. First and Second Reading.

The above-referenced property already contains a Com Ed substation. Immediately north of the property is a parcel that formerly contained a structure that was set ablaze in March 2007 with a tragic loss of life. The substation, which provides service to a substantial part of the Sycamore corporate area, was damaged by that fire. Partly as a result of that fire and in consideration of the company's increased concern for safety, Com Ed has proposed the erection of a fire wall to separate its facility from the residential properties to the south and west. This brick wall would also screen Com Ed's high voltage equipment from the view of these homeowners.

The rezoning request would bring the substation in line with its current and future use. The parcel is presently zoned "R-3," Multiple Family Residence District, and would more appropriately be zoned "M-2," Heavy Manufacturing which is consistent with the utility use. A special use permit would be required to legitimize the proposed fence height. Some graphics depicting the location and design of the new 10-inch thick, 15.6 foot tall fence are attached.

The Plan Commission considered this petition at its last regular meeting of January 12 and recommended the Council's approval by a vote of 11-0. City Council approval of the Plan Commission recommendation is requested.

E. Ordinance No. 2008.72—An Ordinance Amending Title 5, "Police Regulations," Chapter 3, "Dogs," Section 5-3-1, "Licensing and Rabies Inoculation Requirements; Fees," of the City Code of the City of Sycamore, Illinois. First and Second Reading.

The attached ordinance amends the City Code provision detailing the requirement for the inoculation of dogs for rabies. The ordinance would not change the basic requirement for rabies inoculation, but would substitute a "serum vaccine antibody titer test" demonstrating a rabies immune response for the annual certificate of inoculation. The reasoning is simple: veterinarians now believe annual inoculations can have adverse long-term effects on dogs, and increasingly see annual antibody tests as an appropriate way to affirm immunity once

the initial inoculation is administered. If the animal test does not meet the clinical threshold, then inoculation would be the appropriate result. For humans the same logic has long prevailed; children and adults are not immunized for measles or other ailments every year of their lives in order to maintain immunity.

City Council approval is recommended.

12. RESOLUTIONS--None

13. CONSIDERATIONS

A. Consideration of an Administration Recommendation Regarding Sealed Bids for a Demolition Project at the Former Harvester Square Facility on South Avenue.

On December 23, 2008 the City of Sycamore advertised for competitive bids for the removal of contaminated soils from designated areas at the former Harvester Square facility at 400-450 South Avenue. This City-owned property is anchored at the south end by Blumen Gardens and at the north end by Blackhawk Moving and Storage. The plans and specifications for the project were prepared by Tom Mangan of Atwell-Hicks, an environmental consultant, and address the last major category of environmental contamination on the former Harvester site.

The attached graphic outlines the affected areas. The soil excavation immediately adjacent to the Blumen Gardens nursery area will involve excavation to a depth of 3 to 4 feet or until contact with the underlying concrete pad. This triangular-shaped area may generate an estimated 1200 to 1600 tons of special waste. On the adjacent elevated platform the excavation will focus on a number of previously identified hot spots that may generate another 200 to 400 tons. All contaminated soils will be removed by a licensed waste hauler and will be considered non-hazardous special waste. The environmental consultant will monitor the excavation and assure that all appropriate waste disposal manifests are submitted for late submittal to the IEPA.

On January 7, 2009 a mandatory pre-bid meeting was held with interested contractors on the site. On Wednesday, January 14, bids for this project were opened. The bidders and prices are shown on the attached spreadsheet. The lowest responsible bidder was Robinette Demolition of Oakbrook Terrace who submitted a base bid in the amount of \$66,340. Funding for this project is allocated in the Sales Tax Distributive Fund (Line Item 22-8622). The City Manager recommends the award of the contract to Robinette Demolition.

B. Consideration of an Administration Request for Direction on the Proposed FY2009-2010 Fiscal Year Budget.

In January each year the City Manager presents assumptions about General Fund, Water Fund, and Sewer Fund revenues and expenditures for the new fiscal year beginning on May 1. This year, for an abundance of reasons that are discussed daily in the media but are not perfectly understood by the most renowned experts, the regional and national economic climate is dismal and will have a profound impact on what might be accomplished in terms of municipal services. This background report will provide some in-depth analysis of the outlook for Sycamore's Fiscal Year 2009-2010.

GENERAL FUND

A. Revenues

On the revenue side, the principal assumptions for FY2009-2010 are as follows:

- FY10 revenues are expected to be below the projected year-end revenues for FY09.** A table displaying the key General Fund revenues and projected FY10 revenues on a cash basis is shown below:

	FY03	FY04	FY05	FY06	FY07	FY08	FY09**	FY10 Budget
Key Revenues								
Property Tax*	\$1,762,608	\$1,771,489	\$1,771,901	\$1,839,096	\$1,820,775	\$1,850,728	\$1,887,337	\$1,898,501
Home Rule Tax	\$658,057	\$722,120	\$762,522	\$1,029,606	\$1,209,879	\$951,090	\$975,000	\$985,000
1% State Sales Tax	\$2,060,349	\$2,247,894	\$2,499,105	\$2,634,542	\$3,011,590	\$2,834,383	\$2,920,356	\$3,120,000
Restaurant/Bar Tax	\$447,211	\$512,957	\$551,834	\$644,111	\$709,492	\$738,492	\$790,000	\$735,000
Telecommunication Tax	\$0	\$405,183	\$528,962	\$562,038	\$543,661	\$571,475	\$536,059	\$565,000
Income Tax	\$781,869	\$725,100	\$877,388	\$1,076,867	\$1,217,530	\$1,367,203	\$1,337,000	\$1,380,000
Subtotal	\$5,710,094	\$6,384,743	\$6,991,712	\$7,786,260	\$8,512,927	\$8,313,371	\$8,445,752	\$8,683,501
All General Fund Rev	\$8,084,211	\$9,425,257	\$9,689,513	\$11,346,037	\$11,887,325	\$11,615,304	\$11,863,401	\$11,827,501
Difference from Previous Yr		16.59%	2.80%	17.10%	4.77%	-2.29%	2.14%	-0.30%
General Fund Spending	\$7,395,346	\$8,015,401	\$8,652,696	\$9,831,746	\$10,121,866	\$11,164,216	\$11,860,000	\$12,264,908
Surplus/(Deficit)	688,865	1,409,856	1,036,817	1,514,291	1,765,459	451,088	3,401	(437,407)

- No new taxes or fee increases are proposed.**
- Development revenues will continue to be flat.** The steady decline in most categories continues, as shown below:

	FY03	FY04	FY05	FY06	FY07	FY08	FY09*	FY10 Budget
Planning/Zoning	\$6,450	\$8,355	\$5,400	\$7,950	\$5,100	\$2,700	\$3,470	\$5,000
Engineering Inspection	\$17,452	\$231,871	\$163,497	\$233,630	\$234,571	\$143,037	\$86,000	\$50,000
Building Inspection	\$56,348	\$107,164	\$141,155	\$246,941	\$104,635	\$94,930	\$52,342	\$65,000
Electrical Inspection	\$14,803	\$29,571	\$35,128	\$75,440	\$24,813	\$24,633	\$16,530	\$25,000
Plumbing Inspection	\$19,970	\$27,975	\$34,130	\$65,083	\$20,880	\$19,305	\$11,948	\$18,000
Other Inspection	\$22,638	\$32,725	\$43,281	\$78,779	\$27,510	\$33,314	\$22,858	\$20,000
Subtotal	\$137,661	\$437,661	\$422,591	\$707,823	\$417,509	\$317,919	\$193,148	\$183,000
All General Fund Revenue	\$8,084,211	\$9,425,257	\$9,689,513	\$11,346,037	\$11,887,325	\$11,615,304	\$11,863,401	\$11,827,501
% of Overall Rev	1.70%	4.64%	4.36%	6.24%	3.51%	2.74%	1.63%	1.55%
Difference from Previous Yr		16.59%	2.80%	17.10%	4.77%	-2.29%	2.14%	-0.30%
*Estimate								

The projected FY2010 totals for building inspections, electrical inspections and plumbing inspections will compare more closely with the actual totals for FY2003. In 2008, residential housing sales collapsed in Sycamore. Some previously committed commercial and industrial starts added some welcome local investment but could not offset the lowest number of housing starts in ten years. The total new value added to the Sycamore tax base, based on building permit records (which do not necessarily translate to EAV numbers), was \$30,483,700—a sharp drop from the 2007 total of \$49,372,087 and the lowest annual increase in valuation since 2000. A summary of the 2008 residential permits is shown in the table below:

Year	Single Family Detached		Single Family Attached		Multiple Family		Total Dwellings	
	No.	Valuation	No.	Valuation	No.	Valuation	No.	Valuation
1995	32	\$4,098,045	16	\$1,190,000	22	\$890,000	70	\$6,178,045
1996	38	\$3,908,650	32	\$2,147,000	42	\$1,656,304	112	\$7,711,954
1997	45	\$5,734,300	17	\$1,275,000	26	\$1,290,000	88	\$8,299,300
1998	65	\$8,753,100	35	\$2,445,767	40	\$2,354,304	140	\$13,553,171
1999	64	\$8,469,000	49	\$3,200,000	30	\$2,316,000	143	\$13,985,000
2000	88	\$13,059,400	20	\$1,975,000	20	\$1,818,000	128	\$16,852,400
2001	78	\$12,677,600	35	\$2,731,000	31	\$2,416,000	144	\$17,824,600
2002	114	\$20,004,600	69	\$6,874,000	14	\$732,000	197	\$27,610,600
2003	139	\$27,601,170	76	\$7,053,000	43	\$2,575,000	258	\$37,229,170
2004	197	\$36,118,212	44	\$4,067,000	90	\$5,791,650	331	\$45,976,862
2005	248	\$63,837,224	165	\$14,193,000	292	\$15,440,625	705	\$93,470,849
2006	159	\$40,346,932	79	\$8,067,500	127	\$6,424,250	365	\$54,838,682
2007	75	\$15,025,398	57	\$5,815,000	95	\$4,870,000	227	\$25,710,398
2008	14	\$3,279,220	46	\$4,278,000	48	\$2,548,000	108	\$10,105,220

The overall residential, commercial and industrial totals are shown in the table below:

Year	Residential		Commercial		Industrial		Total
	No.	Valuation	No.	Valuation	No.	Valuation	All Structures
1995	70	\$6,178,045	11	\$11,693,000	7	\$1,808,000	\$19,679,045
1996	112	\$7,711,954	8	\$2,266,500	1	\$97,000	\$10,075,454
1997	88	\$8,299,300	5	\$5,550,000	9	\$2,100,000	\$15,949,300
1998	140	\$13,553,171	23	\$10,829,250	2	\$194,000	\$24,576,421
1999	143	\$13,985,000	33	\$11,584,000	3	\$1,237,000	\$26,806,000
2000	128	\$16,852,400	22	\$5,324,066	3	\$196,000	\$22,372,466
2001	144	\$17,824,600	22	\$9,341,867	4	\$3,993,000	\$31,159,467
2002	197	\$27,610,600	33	\$7,582,420	2	\$3,905,000	\$39,098,020
2003	258	\$37,229,170	24	\$3,881,300	3	\$1,437,000	\$42,547,470
2004	331	\$45,976,862	20	\$8,817,012	5	\$6,805,000	\$61,598,874
2005	705	\$93,470,849	50	\$14,472,556	6	\$1,719,000	\$109,662,405
2006	365	\$54,838,682	54	\$9,779,554	6	\$2,651,800	\$67,270,036
2007	227	\$25,710,398	66	\$19,801,296	9	\$3,860,393	\$49,372,087
2008	108	\$10,105,220	43	\$15,398,500	11	\$4,980,000	\$30,483,700

- As in each of the last twelve years, the increase in the annual **City property tax** levy has been constrained to result in a decrease in the City's property tax rate. The general portion of the 2008 levy (excluding fire and police pension allocations) will

be \$1,898,501 or only \$11,164 more than the 2007 levy. The resulting 2008 City tax rate should be \$0.58178 per \$100 EAV, or 3% lower than the 2007 rate.

5. The local share of the combined **state income tax** proceeds is expected to be \$92.83 per capita (the state uses the official city census of 14,866). This number is of course dependent upon local employment and local wages and salaries. In addition, there is a real threat that the state legislature will consider action to appropriate an 8%-10% slice of the Local Government Distributive Fund, as evidenced by SB 3077 and the amendment to SB 2083 in the last legislative session. Such action would dramatically affect this revenue stream and damage the City's ability to maintain current operational services.
6. Based on year-to-date trends and a month-by-month comparison with the past three fiscal years, our overall **sales and use taxes** are projected to slightly increase, if only because the General Fund will receive a full year of revenue from Jewel/Osco and smaller commercial retail establishments that opened in 2008 on Peace Road and DeKalb Avenue. However, it should be noted that the estimate of revenue from the 1% state sales tax may be optimistic if the local sales in November and December are found to be as flat as national trend watchers predict.
7. **No new dollars will be added to the General Fund in FY2010!** The projected FY09 year-end revenues will be \$11,863,401 and the projected FY2010 General Fund revenues will be \$11,827,501.

B. Expenditures

In light of the foregoing analysis of General Fund revenues for FY2009-2010, departmental expenditures will need to be tightly controlled. Because employee wages, salaries, and insurance (e.g. health, life and worker comp) typically constitute two-thirds of the City's General Fund expenditures (\$7,980,604 out of a total of \$12,106,913 in FY09), projections of cost in these areas are critical to any overall conclusions about General Fund spending.

- 1) **Labor Costs.** The City's contractual relationships with locals of three national unions (FOP, IAFF and AFSCME) largely define the annual economic impact of the City's human services. In FY2009-2010, the City's collective bargaining agreements with AFSCME Local 3957 and FOP Lodge 133 will be re-negotiated. Rulings by an arbitrator received on January 5, 2009 regarding the City's agreement with IAFF Local 3046 will shape key economic obligations with the City's firefighters until a re-opener for the year May 1, 2010 through April 30, 2011 (more on this below).

The City currently has 99 full-time and 52 part-time positions. The breakdown of full-time exempt and union employees is shown below:

Management: 17

IAFF: 26

FOP: 27

AFSCME: 29 (also, 3 PT)

Other part-time exempt employees include 10 crossing guards; 15 paid-on-call firefighters; 12 auxiliary police; 2 ICE interns and 10 elected officials.

In FY2009-2010, the following assumptions are included in this preliminary estimate of General Fund personnel costs:

- **No new hires are included.**
- **No layoffs are included.**
- **No new debt service is included.** This means there are no dedicated general revenue funds for debt service to fund bonds for the new Police addition.
- **Automatic step increases are included.** All three union contracts contain automatic step increases for members with the least seniority who are moving through annual “steps” in the direction of the base pay of senior members. The top step in the IAFF scale will be reached after 8 years; FOP members reach the top of their scale in 7 years and AFSCME members reach their top step in 8 years. The value of these increases affecting a total of 35 full-time and 2 part-time union members is **\$98,302** without any across-the-board percentage increases for all members.
- **An across-the-board 2% wage and salary increase is included, effective May 1, 2009.** This raises the new costs to the General Fund by another **\$106,268 in base wages not including any increased overtime costs.**
- **A wild card is present in the form of an independent arbitrator’s ruling that the IAFF local should receive a 3.75% increase in the fiscal year beginning on May 1, 2009.** At best, this stunning decision is based on a naïve understanding of the City’s declining revenues and the general slump in the local and regional economy. In response to the City’s argument that any increase after May 1, 2009 should be negotiable based on actual economic circumstances, the arbitrator stated that *“no Firefighter (or police officer or AFSCME member) holds any kind of tenure with the City. A severe downturn presumptively can be remedied with appropriate manpower or other cuts.”* The arbitrator suggests that an alternative to layoffs may be the mutual agreement of the parties to a different wage accord, based on changed circumstances. The latter suggestion will be pursued by the City management, but any outcome other than what the arbitrator has ruled must be the result of a mutual agreement arising from collective bargaining. **The cost of this additional 1.75% for the firefighters alone is \$43,448 in base wages plus an additional increment of about \$20,000 in increased overtime costs. This additional cost is not included in the General Fund deficit projection on page 9.**

2) **Insurance Costs.** The following increases are included:

- **Worker Comp Increase: \$85,552.**
- **Health Insurance Increase (active employees): \$56,511.**
- **Life Insurance Increase: \$2,410.**
- **Retiree Insurance Increase: \$65,961.**

3) **Training Costs.** No conferences or seminars will be authorized unless such training expenses are directly associated with the maintenance of certifications or licenses. Examples of such exceptions would include continuing education credits to maintain paramedic licenses and the city engineer’s license, as well as IEPA-required

certifications for water operators and wastewater operators, and ISO-relevant certifications for building inspectors.

- 4) **Small Tools and Equipment.** Any tool or piece of equipment with a useful life of more than one year will be weighted with other annual capital priorities in various City capital funds and will not be funded by the General Fund. As always, the availability of funds will align with priorities set by the Council in the budget process. This means that a variety of commodities such as fire hose, investigator supplies, truck parts, computers, etc. will be weighed against larger capital expenditures that have an obvious and visible public impact in the next fiscal year. The caveat is this: the City Manager, in consultation with the Assistant City Manager and each department head, will carefully consider the extent to which the failure to make routine purchases may jeopardize a vital public service. In other words, each line item in every department budget will be scrutinized as never before, and will need to be justified.
- 5) **Salt Costs.** The funding for all salt purchases will come from the Motor Fuel Tax Fund.
- 6) **Cost-Shifting.** More than one-half of the Public Works department personnel costs will be shared by the Water and Sewer Funds, which are served by Public Works personnel. It should be noted that in the present fiscal year (FY2009), the annual street maintenance expenditures in the Public Works budget (line item 731-8316) were shifted to several capital funds and this pattern will continue in FY2010 to lighten the burden on the General Fund.

C. Addressing the Deficit

Including the additional personnel and insurance costs outlined above—but excluding the impact of the arbitrator’s decision regarding the IAFF contract—the total General Fund spending projected for FY2009-2010 is \$12,264,908.00, an increase of \$157,995 (1.3%) over the FY2009 General Fund expenditure budget of \$12,106,913 and 3.41% above the projected year-end spending for FY2009. Relative increases in General Fund spending in recent years are shown in the table below:

General Fund Expenditures, FY03-FY09 (Cash Basis)								
	FY03	FY04	FY05	FY06	FY07	FY08	FY09*	FY10 Budget
General Fund Spending	\$7,395,346	\$8,015,401	\$8,652,696	\$9,831,746	\$10,121,866	\$11,164,216	\$11,860,000	\$12,264,908
% Difference		8.38%	7.95%	13.63%	2.95%	10.30%	6.23%	3.41%
*Estimate								

In light of the diminished General Fund revenues detailed earlier, the FY2010 General Fund spending target of \$12,264,908 would result in a deficit of \$437,407.

To close this projected deficit, the following options are suggested for the Council's review:

Option A: Bring the overall budget into balance by allocating \$437,407 from the General Fund reserve.

Discussion:

The General Fund "reserve" or fund balance consists of retained earnings resulting from a surplus of revenues over expenditures in previous fiscal years. The table on the top of page 5, above, displays the surpluses since FY03. By Council policy, the fund balance has a restricted and an unrestricted component. By Council direction an amount equivalent to the sum of all compensated employee leave balances is restricted. This amount includes the cash equivalent of accrued sick leave, comp time, and vacation time owed to full-time city employees. That amount is roughly \$1,850,000 at present. In addition, \$1,500,000 is restricted for emergency uses. The sum of the restricted portion of the fund balance is about \$3,350,000. The audited fund balance in cash terms for the fiscal year ending April 30, 2008 was \$4,974,389.

Although the unrestricted portion of the General Fund balance can be used for operational purposes, since the late 1990's City Councils have designated the unrestricted portion of the General Fund balance for capital projects that would otherwise compete for funding with such annual needs as street maintenance, storm water improvements, street reconstruction, etc. Examples of such capital uses include the purchase of the former Henderson parking lot (\$265,000) and former Henderson department store (\$533,000) and remodeling of the former Henderson department store (now the Sycamore Center) for a total of \$1,057,000 in 2003, and the construction of the second fire station for a total of \$2,150,000 in 2007-2008. Capital allocations of this size take years to accrue and each allocation substantially diminishes the balance for a time. The next targeted building construction project is the Police department addition and remodeling estimated to cost \$3,500,000.

Despite the substantial reserve allocations for public building projects since 2002, the City's General Fund reserve has rebounded on the basis of rising community wealth and prudent operational expenditures. Perhaps the most reputable judgment on the City's conservative use of its General Fund reserve has been rendered on several occasions by Moody's Investor's Service, which has upgraded the City's bond rating twice since 1999 as the reserve has been built and re-built. This measure of financial stability translates into lower debt obligations whenever the City must borrow to finance larger capital projects.

Given the historic resistance shown by City Councils to the use of reserve monies for operating purposes, it would seem that only extraordinary operating shortfalls should be addressed by resort to the fund balance. The looming operating deficit is distressing, but it would be unfounded to call it evidence of a trend at this time. In this light, a reflexive resort to the use of the General Fund balance to erase the deficit may be unwarranted. Should the City's revenues continue to decline relatively and absolutely in the next fiscal year, a reconsideration of the use of unrestricted reserve funds may be in order.

Option B: Cut Spending by authorizing no wage and salary increases with the exception of contractual step increases (savings: \$106,268) and allocate \$331,139 from the General Fund reserve to erase the deficit.

Discussion:

Because the largest number of full-time city employees are members of collective bargaining groups under contract with the City, and because wages are a legitimate subject for bargaining, any assumptions regarding wages for non-exempt employees are not reliable until they are bargained and mutually agreed. Management employees are at-will employees and their salaries may be frozen by unilateral Council action. However, the erasure of the proposed 2% increase for the management staff would only save \$27,327. Based on a management salary survey performed in the fall of 2008 (see attached) using the comparable cities Sycamore uses in collective bargaining, the City's management staff are in general well below the mid-range of comparable positions elsewhere. The City's managers are willing to lead on this issue, but zeroing any increase for managers without some reliable assumptions about union wages would not be equitable.

Option C: Cut spending by authorizing no wage and salary increases with the exception of contractual step increases (savings: \$106,268) and lay off one person from the Management, IAFF, FOP and AFSCME ranks for the next fiscal year (savings: \$238,007.70) for a total savings of \$344,275.70 and allocate \$93,131.30 from the General Fund reserve to erase the deficit. According to the City's union contracts the layoffs would affect part-time and probationary employees first, then members in accordance with seniority.

Discussion:

Again, one key component of this option—the prospect of zeroing wage increases for union employees—is a matter for negotiation and cannot be determined by fiat. Layoffs may be made by the Council through the budgetary process. The question for the City as for many business and governments today is whether the forced reduction in staffing and talent is justified by projected revenue trends and also whether such layoffs may result in unintended consequences. Unlike much of the private sector, a City cannot liquidate or go out of business. Public expectations for service in Sycamore have not diminished as the economic climate has darkened. Calls for service from the Fire, Police, and Public Works departments in particular are up, not down. If the City had recently launched some experimental or innovative programs beyond its basic statutory obligations for service, some benefit might be derived from pulling back. Over the past ten years, City Councils have supported personnel increases when responses have lagged significantly behind demand, rather than pursuing increases that might be needed in the future. This has been true in the case of Police and Fire shift strengths, as well as the ability of Public Works to respond to a broader geography with better trained personnel.

Additionally, in the case of the Fire and Police departments, a reduction in staffing would likely mean an increase in overtime unless contractual agreements with the respective union personnel were modified to reflect new shift minimums and call-back criteria. The outcome

of any negotiations over such modifications is at this point uncertain, making budget planning difficult at best.

Option D: Transfer an amount equal to the deficit from the home rule tax proceeds accruing in the new Street Maintenance Fund (Fund 30) to the General Fund in FY2010. The potential impact on the Street Maintenance Fund is shown in the table below:

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Revenue*										
Beg. Balance	0	\$585,000	\$38,000	\$800	\$36,856	\$96,633	\$80,606	\$89,258	\$98,083	\$1,025,236
Sales Tax*	\$525,000	\$915,000	\$933,300	\$951,966	\$971,005	\$990,425	\$1,010,234	\$1,030,439	\$1,051,047	\$8,378,417
Gas Tax*	\$210,000	\$225,000	\$229,500	\$234,090	\$238,772	\$243,547	\$248,418	\$253,387	\$258,454	\$2,141,168
Total	\$735,000	\$1,725,000	\$1,200,800	\$1,186,856	\$1,246,633	\$1,330,606	\$1,339,258	\$1,373,083	\$1,407,585	\$11,544,821
Expenses										
Street Maint	\$150,000	\$1,250,000	\$1,200,000	\$1,150,000	\$1,150,000	\$1,250,000	\$1,250,000	\$1,275,000	\$1,300,000	\$9,975,000
Trsf to GF	\$0	\$437,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$437,000
Total	\$150,000	\$1,687,000	\$1,200,000	\$1,150,000	\$1,150,000	\$1,250,000	\$1,250,000	\$1,275,000	\$1,300,000	\$10,412,000
Balance	\$585,000	\$38,000	\$800	\$36,856	\$96,633	\$80,606	\$89,258	\$98,083	\$107,585	

*A 2% annual increase in revenue is assumed.

Discussion:

In the present fiscal year (FY09), the new Street Maintenance Fund (Fund 30) did not accrue sufficient revenue to finance the annual street maintenance program which had a total cost of \$577,261.39. The fund’s actual contribution (\$150,000) was approximately \$430,000 shy of the targeted budgetary contribution. The shortfall was effectively “loaned” by other City capital funds (the Capital Fund, 2002 Bond Fund, 2003 Bond Fund, and 2007 Bond Fund). These contributions from other funds have effectively been “forgiven.” As a result, the continuing accrual of home rule sales tax and gas tax revenues in the Fund during the fall, winter, and spring will create a comfortable balance going into the new fiscal year that begins on May 1. This balance, coupled with projected FY2010 revenues, will build a maintenance program in the range of \$1.2 million in 2009, even if the Council were to choose to transfer a portion of the home rule tax component to the General Fund.

Alternatively, the dedication of any portion of the Street Maintenance Fund reserve would be contrary to the Council’s purpose, as stated in the public process of creating and then implementing the new revenue sources in 2008. Two compensating points may be raised: First, the potential transfer would not slow the City’s commitment to an aggressive annual street maintenance program over time. An annual program of about \$1.2 million which was envisioned when the new revenue sources were approved is at the upper limit of the design and inspection work that can be performed by our engineering department annually. Second, the use of the Fund 30 reserve would not potentially diminish the City’s credit rating, as the use of the General Fund reserve might.

Option E: Transfer an amount equal to one-half of the estimated deficit from the home rule tax proceeds accruing in the new Street Maintenance Fund (Fund 30) to the General Fund in FY2010, and erase the balance of the deficit by cutting spending using variations of Options B and C or other options.

Discussion:

Apart from the use of home rule funds in this option, a number of variations can be figured that would have varying impacts on City operations and personnel. Further Council direction would be needed to arrive at a more precise estimate of such impacts. It should be noted that one way that governments and businesses may cut spending is to freeze positions upon the retirement of senior employees. Such retirements are not anticipated at this point, so the potential savings would not come into play. "Buying out" employees in some early retirement scheme is also pursued in the public and private sectors, but in FY2010 such an investment would have to come from the General Fund reserve rather than any surplus of revenues over expenditures.

SUMMARY AND RECOMMENDATION

The General Fund deficit needs to be closed. How is this to be done? Neither the City Manager, the Council, nor any of the foremost economic forecasters can reliably predict economic outcomes in 2009, much less the City's next fiscal year which extends until April 30, 2010. In the northern Illinois region, municipal governments are generally planning on a continuation of sagging revenues and tighter spending goals. Such disparate sources as Crain's Chicago Business and the Illinois Municipal League are now forecasting no measurable "bounce-back" before the opening months of 2010 at the earliest. The sectors likely to suffer the most pain in 2009 are the same as in 2008: retail, real estate, and finance, but few sectors will remain unscathed. Each of these economic sectors impacts the City's key general revenue sources, as noted above. In this context, it is prudent to move deliberately but thoughtfully toward a course of action. **The City Manager recommends a thorough Council discussion of the foregoing options regarding the General Fund on January 20, but no firm direction until the February 2 Council meeting, to allow the community and the City organization to digest the possible options and their impacts.**

WATER AND SEWER FUNDS

More work needs to be done to calculate FY2010 costs because of the significant capital projects (e.g. water tower construction and treatment plant upgrades) underway, but it appears that both funds will be in balance. Some general assumptions about both enterprise funds are noted below:

1. There will be no fee increases.
2. There will be no new hires.
3. The commitment to two part-time temporary positions associated with the Sycamore High School's Interrelated Cooperative Education ("ICE") program will be maintained.

14. OTHER NEW BUSINESS

15. APPOINTMENTS

16. ADJOURNMENT