

**MINUTES OF A COMMITTEE OF THE WHOLE MEETING
OSWEGO VILLAGE PRESIDENT AND BOARD OF TRUSTEES
OSWEGO VILLAGE HALL
100 PARKERS MILL, OSWEGO, ILLINOIS
June 6, 2017**

CALL TO ORDER

President Gail Johnson called the meeting to order at 6:04 p.m.

ROLL CALL

Physically Present: President Gail Johnson; Trustees Ryan Kauffman, Karin McCarthy-Lange, Pam Parr, Luis Perez, Judy Sollinger and Joe West (attended at 6:20 p.m.).

Staff Present: Dan Di Santo, Village Administrator; Christina Burns, AVA/HR Director; Tina Touchette, Village Clerk; Jennifer Hughes, Public Works Director; Jeff Burgner, Police Chief; Rod Zenner, Community Development Director; Michele Brown, Community Relations Manager; Mark Horton, Finance Director; Corinna Cole, Economic Development Director; Jay Hoover, Building & Zoning Manager; Joe Renzetti, IT/GIS Manager; David Silverman, Village Attorney; and Greg Jones, Village Attorney.

CONSIDERATION OF AND POSSIBLE ACTIONS ON-ANY REQUESTS FOR ELECTRONIC PARTICIPATION IN MEETING

There was no one who participated electronically.

PUBLIC FORUM

Public Forum was opened at 6:04 p.m.

Gerald Sternberg addressed the Board regarding Delta Sonic. He went to the Delta Sonic at Route 59 and North Aurora Road; would like to see the same design and layout here in Oswego; it would take care of the questions and concerns the residents that live in the subdivision behind the proposed development have. He also asked the Board to think of the future that they want for Oswego; take initiative and input before bringing to the Board; think creatively and get ahead of the game.

There was no one else who requested to speak; the Public Forum was closed at 6:07 p.m.

OLD BUSINESS

There was no Old Business.

NEW BUSINESS

F.1. Fiscal Year 2017 Year End Financial Update

Director Horton addressed the Board regarding the FY17 yearend financial update as of April 30, 2017. These are unaudited results and will change slightly after all year end accounting entries and chargebacks are recorded. Chargebacks are usually completed with the first Bill List in July. Chargebacks are expenses for services or products purchased and received in the fiscal year, but not invoiced until after the fiscal year has ended. The financial audit will be completed by the end of September and final Fiscal Year 2017 financial results will be presented to the Village Board in October. The General Fund and the Water & Sewer Fund is the focus of the discussion.

General Fund

- Revenue exceeds expenditures
- Tax revenue down
- Franchise revenue down
- Reduction in transition fees

- Information Technology expenditures moved to the Technology Fund
- Capital expenditures moved out of the General Fund to the Capital Improvement Fund
- Total revenues down \$303,931
- Total expenditures less than last year

Water & Sewer Fund

- Big jump in revenue in 2013 due to charges for services being up
- 2011 and 2013 funds transferred from the General Fund per prior Village Board direction; transfer used for capital projects
- Total revenues \$87,676
- Total expenses higher than last year
- Fund overall is going well

There was no further discussion.

F.2. Financial Forecast Presentation and Discussion

Director Horton addressed the Board regarding the financial forecast. Overall, the forecast shows that the current revenue streams will not be sufficient to support the ongoing expenditures over the next five years and beyond. Staff provided an overview of the Village's finances now and into the future to assist in obtaining a consensus from the Board on how to plan for the fiscal future.

Background

- Forecast discussed at the budget workshop; based on the FY18 budget
- Strategic Plan initiatives
 - Review revenues
 - Reduce reliance on sales tax
 - Plan for mega projects such as Wolf's Crossing, water source and Metra
- State of Illinois
 - LGDF reduction (income tax); money received from the State always in flux
 - Property tax freeze
- Retail
 - Online shopping and impact on sales tax

Fiscal Years 2019-2023

- Forecast based on FY18 budget; starting with current numbers and working forward
- Capital projects included; only projects identified and adopted by the Board
- Business as usual
 - Staffing and service levels
 - Five years of payroll and insurance data included
- Existing revenues will not support expenditures; this is a trend

Assumptions

- Revenues estimated on historical trends/estimation techniques
- Expenditures/expenses based on actual known amounts, projections and trends
- Current actuarial report used
- Calendar 2016 tax levy
- Current labor contracts; contracts end in April 2018; percentage increase used for going forward

Debt Service Fund

- Revenue greater than expenditures
- Transfers from the General, MFT and CIP Funds pay the debt service

Garbage collection Fund

- Pass through Fund
- Small surplus
- Break even every year
- What gets billed, gets paid out

Police Pension Fund

- Revenue exceeds expenditures
- Paid by property taxes and Village contribution
- Increases every year
- Based on assumptions
- Benefits go up each year
- Ending net assets in FY19= \$29,579,609
- Ending net assets in FY23= \$41,049,665

Motor Fuel Tax Fund

- State allotments received every year; may go down each year
- Pays for annual road program
- Using and extra \$300,000 in surplus for roads this year

Tax Increment Financing Fund

- Numbers are only guesses
- May increase a bit over the years
- Numbers based on assuming nothing happens in the next five years

Capital Improvement Fund

- Revenues are flat
- Comes from the Home Rule Sales Tax
- New stores will help the Fund
- Online sales tax does not get distributed down to the local level
- Only have revenue through FY19
- Can stop transferring \$700,000 in Funds to the General Fund
- CIP projects include:
 - General bridge repairs
 - US 30- Village Share (IDOT)
 - Minkler Rd. bridge repair
 - Other capital outlay
 - New Police facility
 - Rt. 34 west of the Village limits
 - Wolf's Crossing not included; do not have the money to do the project

Water & Sewer Capital Fund

- Growth related Fund
- Expenditures exceed revenue
- Numbers are flat
- Building will increase the Fund
- Spending more than taking in
- Need a transfer to do projects
 - If we don't transfer, still an issue in FY21 to FY23
- Projects include:
 - Generator installation
 - Sanitary sewer lining program

- Water meter & reader replacement
- Water tower washing
- Water plant improvements
- Rood replacement- Wells 3 & 6
- Biggest revenue source is charges for services
- Largest cost is for personnel services, contractual services and debt service
- Water usage will decline going forward
- Need to raise the water rates; waiting for water study results
- Fee to every household per month to keep the Fund going

Vehicle Fund

- Need to come up with a funding source
- Projected purchases:
 - B&Z vehicle, Police vehicle R&B vehicle

General Fund

- Not enough revenue
- Largest source of revenue is from taxes
- General corporate, road and bridge, and Police are the largest expenditures
- Sales tax numbers include a 1% increase for projection purposes

Issues

- Rising pension costs
- General Fund needs to support the Pension Fund
- Revenues for the MFT Fund; need to keep at \$600,000
- Revenues for CIP Fund
- Revenues for Water & Sewer Capital Fund
- Revenues for Water & Sewer Fund
- No revenue source for Vehicle Fund
- Revenues for General Fund

Solutions

- Increase revenues
- Decrease/control expenditures
- CIP Fund needs \$400,000 if \$700,000 transfer to General Fund is eliminated beginning in FY2022
- Vehicle Fund needs \$1 million from General Fund and \$500,000 from Water & Sewer Fund
- General Fund needs \$2 million; increasing to \$3.3 million by FY2022

Expenditures

- Personnel
 - Maintain current staffing
 - Determine maximum pay for service; max pay for a position
- Programs
 - Prioritize current services provided
 - Cost/benefits of each service
- Capital
 - Eliminate
 - Long term effects
 - Pay as you go strategy
 - Uncertainty with residential development impact fees

FY18 Potential Budget Reductions

- Department Head provided input on what can be eliminated
- Non-personnel related items
- Total reductions- \$443,555

Revenues

- Property Tax
 - Increase for operating
 - Increase for pensions; 2016 levy \$1,848,675
 - ✓ Consider a 40% increase on property taxes
 - Stop abating debt service levies; FY19 \$1,139,973
- Increase existing revenue sources
 - Water & sewer rates/capital charge for FY19- \$21/month
- Increase existing rates
 - Utility tax for electric and natural gas- increase rate from 3% to 5%; generates estimated \$300,000
 - Hotel tax- \$25,000 per 1%; current tax is at 3%
 - Charges for services; does it cover 100% of Village costs
 - Permits
 - Fines
 - Grants
- New sources
 - 31 property tax type revenue sources which do not require referenda
 - 20 of the 31 sources could be imposed by the Village
 - 35 property tax type revenue sources will require referenda; all would require voter approval
 - 12 non-property tax revenue sources; most widely used
 - What's feasible
 - ✓ Local MFT tax
 - Per gallon tax
 - No limiting rate
 - Use locally determined
 - Locally collected
 - Estimated 1% generates \$150,000
 - ✓ Amusement & entertainment tax
 - Per item tax (ticket, game, venue)
 - No limiting rate
 - Use locally determined
 - Locally collected
 - Estimated 3% generates \$167,000
 - ✓ Liquor tax
 - Use locally determined
 - Locally collected
 - Estimated 1% generates \$80,000
 - ✓ Food and beverage tax
 - Unlimited tax rate
 - Generally on retail sale of prepared food/beverages
 - Beverages include served liquor and can include packaged liquor
 - Locally collected
 - Estimated \$500,000 new revenue
 - ✓ Vehicle sticker
 - Per vehicle tax
 - Locally collected
 - \$45 fee estimated to generate \$980,000
 - Not a popular tax to residents
 - ✓ Checkout bag tax

- Per item tax
 - Use locally determined
 - Locally collected
 - Administration burden for staff; enforcement and tracking
 - Could decrease annually unless population increases
 - Could see reductions as customers choose to go green
 - Estimated 7% generates \$100,000; inclusive of vendors keeping 2%
 - Suggestion came to the Village Board from the ECO Commission
 - Not a revenue generator; more ecological
- ✓ Video gaming terminal fee/tax
 - Locally administered and enforced
 - Currently charge \$200 annual license fee and \$50 per terminal/redemption machine
- ✓ Hotel tax
 - Can have a rate in excess of 5%
 - Use is locally determined; does not have to be for tourism
 - Many communities designate for Chamber of Commerce or Tourism Bureaus
 - Locally collected
 - Can rebate collection costs
 - FY17= \$75,000; \$25,000 per 1%
- Locally controlled revenues used by the Village
 - Administrative towing fees
 - Electric utility tax
 - Garbage collection fee
 - Hotel/motel tax
 - Local sales tax
 - Motor fuel tax
 - Property tax
 - Sewer tap on fees
 - Telecommunications tax
 - Development fees
- License/fee revenues
 - Vehicle stickers
 - Business registration
 - Liquor licenses contractor licenses
 - Water/sewer connection fee
 - Cable franchise fees
 - Building permits
 - Engineering fees
 - Plan review fees
 - Escrow development fees
 - Revenue gap/transition fees
- Service fees
 - Contracted services (police, snow plowing)
 - Water/sewer collection rates
 - Resident/non-resident rates
 - False alarm fees
 - School liaison/DARE reimbursements
 - Sidewalk replacement/parkway tree cost sharing
- Other options
 - Rent facilities, right-of-way, cell towers
 - Property sales, used vehicles, right-of-way dispositions
 - Advertising
 - Grants, TIF Districts, CDAP loan programs, County STP funding, SSA's, SA's
- What to consider

- What is the cost of administration of a new fee/charge/tax relative to revenue gains
- What affect does locally administered mean for current staff
- Effect on property tax and sales tax
- Does it help the ratio of elastic versus inelastic revenues

Tax Levy Versus Pension Costs

- Tax levy not enough going forward
- Debt levy does not include the 2016 issuance for the new Police Headquarters

Property Tax Comparisons- Oswego

- Median value (2015)= \$224,100
- Tax rate (2015)= 0.104011
- Taxes at \$224,100= \$7,769.62
- Village median taxes (2015)= \$115.11
- Total Municipal taxes (2015) =\$1,033.03;
- Village rate (2015)= 0.001541
- Total Municipal % of rate (2015)= 13.30%
- Total Municipal rate (2015)= 0.013829

Property Tax Breakdown by Taxing District

- School District- 67.02%
- Fire Protection District- 7.23%
- Kendall County- 7.19%
- Jr. College #516- 5.38%
- Park District- 4.58%
- Library District- 2.75%
- Road District- 1.84%
- Forest Preserve- 1.69%
- Village of Oswego- 1.48%
- Oswego Township- .82%

Total Sales Tax Rate per Community

- Sales tax rate includes home rule/non-home rule rate, county rate
- Can raise the utility tax for gas to max
- Aurora- 8.5%
- Montgomery- 8.25%
- Naperville- 7.5%
 - Downtown has a 1.5% F&B tax rate
- Oswego- 8.5%
- Plainfield- 8.75%
- Yorkville- 8.25%
 - Two business districts with a rate of 9.25% and one with a 8.75% rate

Board and staff discussion focused on issues with revenues; needing a game plan on how to move forward; no federal laws in place to require sales tax distribution to the local level; statutory change in Springfield; pension funding policy changed to allow for 90%; funding the pension at 100%; long term liability; making lower payments now; was able to pay the pension in years 2014 through 2016; have no control over the market; can't take advantage of growth if keeping it flat; rate will increase when population increases; levied enough to keep the rate the same; there is never enough funds to support the pensions; property tax is the easiest tax to increase.

Due to time constraints, item was moved to the June 6, 2017 Regular Village Board meeting, under Staff Reports, to allow for additional discussion.

CLOSED SESSION

There was no Closed Session held.

ADJOURNMENT

The Committee of the Whole meeting adjourned at 7:05 p.m.

Tina Touchette
Village Clerk