

**MINUTES OF A COMMITTEE OF THE WHOLE MEETING
OSWEGO VILLAGE PRESIDENT AND BOARD OF TRUSTEES
OSWEGO VILLAGE HALL
100 PARKERS MILL, OSWEGO, ILLINOIS
August 15, 2017**

CALL TO ORDER

President Gail E. Johnson called the meeting to order at 6:00 p.m.

ROLL CALL

Physically Present: President Gail Johnson and Trustees Ryan Kauffman (attended at 6:16 p.m.), Karin McCarthy-Lange, Pam Parr, Judy Sollinger and Joe West.

Absent: Trustee Luis Perez

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 Engagement Coordinator; Mark Horton, Finance Director; Corinna Cole, Economic Development Director; Jay Hoover, Building & Zoning Manager; and David Silverman, 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 6:01 p.m.

There was no one who requested to speak; the Public Forum was closed at 6:01 p.m.

OLD BUSINESS

There was no Old Business.

NEW BUSINESS

F.1. Fiscal Sustainability Workshop

Staff presented a Five Year Financial Forecast to the Village Board on June 6, 2017. Results of the forecast suggested revenues would not be sufficient to cover expenditures. Last fall, the Strategic Plan was implemented. The Plan is consistent with the Board's future and plans for growth. Administrator Di Santo addressed the Board regarding revenue issues:

- State of Illinois
 - Losing \$400,000 this year
 - Sales tax deduction of 2% from HRST
 - Losing \$116,000 forever; this number will increase going forward
- Flat sales tax returns each year
 - Expenditures rise to cover employees
 - Change in retail environment
- Income tax proceeds
 - Flattening out from the State
- Flat property taxes
 - Property taxes pay for the Police Pension
- Rising costs of pensions

\$700,000 was transferred from the Capital Fund to the General Fund to balance the budget in May. The Village needs a change in revenue structure.

What Can We Do

- During the recession, the Village had 135 employees; have 119 employees now
 - Will need more employees down the road
- Kept the payroll flat
- Cut out leaf and brush services
 - Cost would go back to the resident
- Try to keep expenditures flat
- Keep up with CIP
- Haven't added many programs
- Oswego is leading the way for shared services and shared employees
- ERP system is being implemented this Fall
- Trying to use innovations
- Working on long-term plan for economic development
- Need to address \$700,000 transfer from Capital Improvement Fund and future revenues
- Continue with an aggressive plan for growth
- Long-term plan in investing
- Look at how technology can help

Director Horton addressed the Board regarding the revenue workshop:

Goals of Workshop

- Discuss revenue options
- Build consensus on how the Village provides fiscal sustainability
- Strategic Plan
 - Revenues exceed expenditures
 - Reduces reliance on sales tax
 - Funding for mega projects

Revenue Workshop

- Considerations
 - What is the cost of administration of a new fee/charge/tax relative to revenue gains
 - What effect does locally administered mean for current staff
 - Effect on property tax, sales tax and other revenues
 - Does it help the ratio of elastic versus inelastic revenues
 - ✓ Not being dependent on the economy going forward
- Issues
 - General Fund
 - ✓ State reductions of sales tax and income tax
 - FY18= \$416,000
 - Subsequent fiscal years= \$116,000
 - ✓ 2% admin fee kept by the State
 - ✓ Flat sales and income taxes
 - ✓ Pension Funds' rising pension costs
 - CIP Fund
 - ✓ Flat sales tax revenues
 - Have more projects that need to be addressed
 - ✓ Reserve balance used up in FY20 and FY21 with no transfer to General and Vehicle Fund
 - ✓ Breakeven in FY23 with no transfer to General and Vehicle Fund
 - ✓ May have big projects the Village cannot fund
 - Vehicle Fund
 - ✓ No current dedicated revenue source; currently paying out of CIP Fund
 - ✓ Flat over the next couple years
 - ✓ Need to come up with a funding source
- Revenues

- Should the Village use property taxes to fully fund pensions
 - ✓ 2016 levy would have been \$1,848,675 rather than \$1,280,500
 - Isn't sufficient
 - ✓ 2017 levy estimated at \$1,876,338
 - IMRF= \$476,338
 - Police Pension= \$1,400,000
 - ✓ 2017 levy based on 5% increase= \$1,344,525
- Only fund Police Pension Fund via property taxes (\$1,400,000)
 - ✓ \$0.2182 increase= \$11.34 annually
- If levying the full pension, annual increase will be \$55.45 on a home value of \$250,000
- Concerns
 - ✓ Rising pension costs

Property Tax Comparisons

	County	Median Value (2015)	Median Taxes
Montgomery	Kane	\$185,800	\$6,036.22
Montgomery	Kendall	\$185,800	\$6,680.19
Oswego	Kendall	\$224,100	\$7,769.62
New Lenox	Will	\$270,400	\$7,838.99
Batavia	Kane	\$274,700	\$8,437.15
Plainfield	Will	\$283,000	\$8,462.64
Naperville	DuPage	\$379,000	\$8,552.26
Yorkville	Kendall	\$232,600	\$8,644.89
Geneva	Kane	\$305,400	\$9,091.00
Sugar Grove	Kane	\$262,300	\$9,204.33
Naperville	Will	\$379,000	\$9,777.44

	County	Tax Rate (2015)	Taxes at \$224,100
Naperville	DuPage	0.067696	\$5,056.89
Naperville	Will	0.077394	\$5,781.33
New Lenox	Will	0.086971	\$6,496.73
Geneva	Kane	0.08930253	\$6,670.90
Plainfield	Will	0.08971	\$6,701.34
Batavia	Kane	0.0921422	\$6,883.02
Montgomery	Kane	0.09746316	\$7,280.50
Oswego	Kendall	0.104011	\$7,769.62
Sugar Grove	Kane	0.1052725	\$7,863.86
Montgomery	Kendall	0.107861	\$8,057.22
Yorkville	Kendall	0.111499	\$8,328.98

	County	Village Median Taxes (2015)	Total Municipal Taxes (2015)
New Lenox	Will	\$378.56	\$948.02
Naperville	Will	\$617.01	\$1,019.76
Naperville	DuPage	\$617.14	\$1,020.77
Oswego	Kendall	\$115.11	\$1,033.03
Montgomery	Kendall	\$333.88	\$1,094.92
Yorkville	Kendall	\$526.84	\$1,115.47
Batavia	Kane	\$638.23	\$1,145.53
Montgomery	Kane	\$333.63	\$1,163.71
Geneva	Kane	\$721.32	\$1,263.86
Sugar Grove	Kane	\$532.55	\$1,376.00
Plainfield	Will	\$444.88	\$1,598.95

**Oswego's total municipal taxes are still the lowest as compared to what others are getting

	County	Tax Rate (2015)	Village Rate (2015)	TOTAL Municipal % of Rate (2015)	TOTAL Municipal Rate (2015)
Naperville	Will	0.077394	0.004884	10.43%	0.008072
Naperville	DuPage	0.067696	0.004885	11.94%	0.00808
New Lenox	Will	0.086971	0.0042	12.09%	0.010518
Geneva	Kane	0.08930253	0.00708564	13.90%	0.01241509
Batavia	Kane	0.0921422	0.00697011	13.58%	0.0125103
Oswego	Kendall	0.104011	0.001541	13.30%	0.013829
Yorkville	Kendall	0.111499	0.006795	12.90%	0.014387
Sugar Grove	Kane	0.1052725	0.00609096	14.79%	0.01556616
Plainfield	Will	0.08971	0.004716	18.89%	0.01695
Montgomery	Kendall	0.107861	0.005391	16.39%	0.017679
Montgomery	Kane	0.09746316	0.005387	19.28%	0.01878975

** Total municipal rate includes Park and Fire Districts

Tax Rate Comparison						
Oswego Area Communities						
June, 2017						
Tax	Aurora	Montgomery	Oswego	Plainfield	Yorkville	Naperville
Home rule sales tax	1.25%	1.00%	1.25%	1.50%	1.00%	0.50%
Local fuel tax	\$0.04	none	none	\$0.04	none	\$0.04
Food & beverage tax	1.75%	none	none	none	none	1.00%
Liquor tax (retail)	2.75%	none	none	none	none	none
Utility tax-Gas	0.0%	5.0%	3.0%	5.0%	5.0%	5.2%
Gas use tax	\$0.01	none	\$0.05	\$0.05	none	\$0.04
Utility tax-electricity	3.0%	5.0%	3.0%	5.0%	5.0%	5.0%
Hotel/Motel tax	3.0%	none	3.0%	5.0%	3.0%	4.4%
Check out Bag tax	None	none	none	none	none	none
Garbage Admin fee	none	none	none	none	none	none
Amusement tax	none	none	none	1.0%	3.0%	none
Kendall County	Aurora	Montgomery	Oswego	Plainfield	Yorkville	Naperville
TOTAL SALES TAX RATE *	8.50%	8.25%	8.50%	8.75%	8.25%	7.50%
* NOTE: Sales tax rate includes home rule/non-home rule rate, county rate.						
-Yorkville has two business district with a rate of 9.25 % and one district with an 8.75% rate.						
-Naperville downtown has a 1.5% F&B tax rate						

Tax Rate Comparison									
Comparable Communities									
Tax	Woodridge	Lockport	Westmont	Bartlett	Glen Ellyn	New Lenox	Carol Stream	Bloomingtondale	Batavia
Home rule sales tax	1.75%	1.00%	0.50%	none	1.00%	1.50%	0.75%	0.50%	1.00%
Local fuel tax	\$0.04	none	none	none	none	none	none	\$0.02	\$0.03
Food & beverage tax	none	none	none	none	none	none	none	none	none
Liquor tax (retail)	none	none	none	none	none	none	none	none	2.00%
Utility tax-Gas	none	none	none	none	none	5.00%	none	none	none
Gas use tax	\$0.05	none	none	\$0.03	\$0.02	none	\$0.03	none	\$0.04
Utility tax-electricity	Yes	Yes	none	0.074	yes	5.00%	yes	none	4.00%
Hotel/Motel tax	none	5.00%	none	none	5.00%	5.00%	5.00%	6.00%	3.00%
Check out Bag tax	none	none	none	none	none	none	none	none	none
Garbage Admin fee	none	none	none	5% franchise fee	\$1.25	none	none	none	none
Amusement tax	none	none	none	none	none	none	varies by device	none	none
***Batavia and Woodridge have a water utility tax at 4% and 5% respectively.									

**Bag tax to be discussed at a future date

Revenues- New Sources

- Ideas
 - Increase Local Sales Tax
 - ✓ Current rate is 1.25%
 - ✓ Increase existing rate by .25%
 - Generates \$900,000, less State admin fee of 2%= \$882,000
 - ✓ Revenue collected by State
 - ✓ No additional staff burden
 - ✓ Burden on residents and non-residents
 - ✓ Total sales tax rate with increase= 8.75%
 - Local MFT tax
 - ✓ Per gallon tax
 - ✓ No limiting rate
 - ✓ Use locally determined; dedicate to roadway improvements or use in General Funds
 - ✓ Locally collected
 - ✓ Additional burden on staff
 - ✓ Estimated 1 cent generates \$150,000
 - ✓ Staff recommends 4 cent tax generating \$600,000
 - ✓ Residents and non-residents pay
 - Amusement & Entertainment tax
 - ✓ Per item (ticket, game, venue) tax
 - Could write ordinance to include video gaming café businesses
 - ✓ No limiting rate
 - ✓ Use locally determined; support Village marketing
 - ✓ Locally collected
 - ✓ Additional staff burden
 - ✓ Estimated 3% generates \$167,000
 - ✓ Not a big generator of taxes
 - ✓ Residents and non-residents pay
 - Liquor tax
 - ✓ Use locally determined
 - ✓ Locally collected
 - ✓ Estimated 1% generates \$80,000
 - Food & Beverage tax
 - ✓ Unlimited tax rate
 - ✓ Generally on retail sale of prepared food/beverages
 - ✓ Beverages include served liquor and can include packaged liquor
 - ✓ Locally collected
 - ✓ Additional burden on staff
 - ✓ Estimated 1% generates \$500,000
 - ✓ Residents and non-residents pay
 - Vehicle tax
 - ✓ Per vehicle tax registered to Oswego address
 - ✓ Locally collected
 - ✓ \$10 per month per residence/business; doesn't matter how many vehicles in the household
 - Billed onto the monthly water bill
 - Estimated revenue of \$1.4 million
 - ✓ Moderate increase in burden on staff
 - ✓ Yorkville charges \$8/month
 - Increase Utility taxes on use of electricity and natural gas
 - ✓ Currently tax electricity and natural gas
 - Electricity is tiered kilowatt-hour based tax= to 3% of gross charges
 - Natural gas rate 3% rate of gross revenues
 - Natural gas use tax of \$.045 cents per therm
 - ✓ Increase rate to 5%= additional \$415,000 in revenue
 - Max rate by State statute

- ✓ Usage based tax
- ✓ Collected by utility companies
- ✓ No burden on staff
- ✓ Tax on only residents
- Increase Hotel/Motel tax rate
 - ✓ Currently 3% rate of gross revenues
 - ✓ Can have a rate in excess of 5%
 - ✓ Use is locally determined; does not have to be for tourism
 - ✓ Locally collected
 - ✓ Can rebate collection costs
 - ✓ FY17= \$75,000
 - \$25,000 per 1% of gross revenue
 - Recommended 5% to generate \$125,000
 - ✓ Does the tax increase hurt vacancy rates?

Recommendations

- 1) Increase property tax for pensions
 - ✓ IMRF and Police pensions- levy increase of \$595,000
 - Tax rate would be 0.2257 (7.2 cent increase)
 - ✓ Police Pension only- \$119,500
 - Tax rate would be 0.1685 (1.5 cent increase)
 - 2) Increase utility tax rate to 5% (electric & gas)
 - 3) Establish vehicle tax
 - ✓ In FY20- General Fund= \$1.0 million, CIP Fund- \$400,000
 - 4) Establish local MFT tax
- New revenue for General Fund
 - Eliminates the need for \$700,000 transfer from CIP Fund
 - \$415,000 increase in FY19 plus property tax (utility tax)
 - \$1.4 million increase in FY20 plus property tax (vehicle tax)
 - Forecast
 - ✓ FY19 only \$299,000 new revenue, then \$1,299,000
 - ✓ Reserves help balance FY21 and FY22
 - ✓ In FY23, start to see gap; will need to revisit every year
 - New revenue for CIP Fund
 - \$600,000 increase in FY19 (MFT tax)
 - \$1.0 million increase in FY20 (MFT and vehicle tax)
 - New revenue provides funding for vehicle replacements= \$800,000; could be less; depends on what needs to be transferred
 - Elimination of \$700,000 transfer to General Fund reestablishes full \$1.4 million supplemental road program funding
 - Forecast
 - ✓ \$600,000 new revenue and in FY20 additional \$400,000
 - ✓ Reserves sufficient to get gap covered through FY23

Board and staff discussion focused on pensions depend on investment return; whether the police pension fund needs to be fully funded; police pension 70% funded now, will be fully funded in 2040; State statute allows to fund at 90%; Village is required to give what the actuarial report says; penalties are in place if the Village does not pay what the report says; can't control pensions; 3.5% EAV increase; home sales are higher; property taxes tied in with police pension; how to keep property taxes steady; how to pay the pensions if not enough property taxes coming in; would need to pay out of the General Fund; 2% increase in property tax levy to cover the fluctuating market; current property tax levy is so low; keeping up with inflation; increase in property taxes does not change the Villages overall ranking; IMRF funding comes from General Funds if not funding through property taxes; State has not changed statute to allow for 401k; Village cannot change to a 401K on its own; Tier 2 pension is not as rich of a pension system; Tier 2 isn't enough; not heard of a Tier 3; not

having many options for funding the pensions; needing to find another source or another way of funding the pensions; willing to look at funding the police pension; skepticism on funding IMRF; Yorkville brings in \$700,000 per year in vehicle taxes; helps to pay for roadway improvements; growth funds go to the CIP Fund; new revenues go the CIP Fund; do not have funds for downtown improvements; needing new revenue streams; establishing an MFT tax with funds going to road costs; 2 cents on a dollar food & beverage tax instead of increasing the property taxes; 64 of the 92 Village vehicles are over ten years old; previous Boards did not address vehicle replacement issues; senior citizens drive less so they should pay less; newer vehicles are better and last longer; trucks get a lot of heavy miles; looking at innovative ways to extend the lives of the vehicles with less wear and tear; still down 16 employees; not hitting just the residents with increases; putting off hiring employees; keeping staff at a minimum level; not understaffed; Purchasing Manager is shared with Yorkville; did not hire a Project Manager; whether someone internally can take on the Assistant Public Works Director of Utilities position; currently do not have an employee with the required water license; if an employee does not qualify, then they need to be replaced; why the Public Works Director can't do the job; remarkable job by Administrator Di Santo and staff in filling or not filling positions; so low in staff a couple years ago, 2,000 light bulbs were not replaced; Board has direction and a plan; not wanting to end up like Springfield and Chicago; cross training employees; continuing to move forward with getting an internal employee with proper water license; succession planning.

Staff instructed to bring the establishing of a local MFT tax and food & beverage tax to the Board for vote at a future Board meeting.

There was no further discussion.

CLOSED SESSION

There was no Closed Session held.

ADJOURNMENT

The Committee of the Whole meeting adjourned at 7:16 p.m.

Tina Touchette
Village Clerk