Monday, June 12, 2023

I. Call to Order
The Wheaton City Council Planning Session was called to order at 6:59 p.m. by Mayor Suess. The following were:

Physically Present: Mayor Suess
Councilman Barbier
Councilwoman Bray-Parker
Councilman Brown
Councilman Clousing
Councilwoman Robbins
Councilman Weller

Absent: None

City Staff Present: Michael Dzugan, City Manager
John Duguay, Assistant City Manager
Robert Lehnhardt, Director of Finance
Jim Kozik, Director of Planning & Economic Development
Halie Cardinal, Public Relations Coordinator

II. Public Comment
There were no public comments.

III. Approval of Planning Session Minutes – May 8, 2023
The City Council approved the May 8, 2023 City Council Planning Session Minutes.

IV. Police and Firefighters’ Pension Funding Policy and Review of 2023 Draft Actuarial Results
City Manager Dzugan stated that in March 2023, City staff presented three options for a formal pension funding policy, and the City Council favored the 15-year open, level dollar amortization. The City’s Actuary (Foster & Foster) has completed the actuarial reports that will be used to dictate funding for the 2024 budget. City Manager Dzugan suggested the Council incorporate the significant increases the City will see in its 2024 funding and salary increases into budget framework discussions in August before finalizing the Police and Firefighters’ Pension Funding Policy.

Director of Finance Lehnhardt stated that the Illinois Municipal Retirement Fund (IMRF) plan’s results were the following: in 2021, the plan was overfunded at 115% ($14.8 million over), and in 2022, the plan was underfunded at 92.1% ($8.3 million under). He stated that this is a $23 million dollar change and that significant changes occurred last year.

Jason Franken of Foster & Foster stated that in 2022, the investment returns were significantly less than the 6.75% assumption. He stated that the returns for the plans were between -12% and -17%, which
equates to investment losses of approximately $30 million. The bonds issued were approximately $46 million. The plans are currently not 100% funded because of the investment loss, with the fire plan being 90.4% funded, and the police plan 90.6% funded on an actuarial value basis.

Mr. Franken reviewed the current approach – an 18-year closed amortization with a 4% payroll growth assumption versus a suggested alternative approach, which is 15-year open, level dollar amortization. The alternative approach analysis assumes the funds earn 5% investment rate of return in 2023; and earn 6.75% in all other years.

Regarding the impact of the 15-year open level dollar amortization, Mr. Franken reviewed the required annual pension contributions for both methods, which have the same pattern of increases for the first five years. After the fifth year, the current method continues to increase while the 15-year open, level dollar method decreases through 2041. He noted that 2023’s contribution was significantly lower than the 2024 contribution. The 2023 contribution was calculated based upon the assumption that the unfunded liability would be negated by the influx of bond proceeds in 2022. The funded ratios for both methods have the same pattern of decrease for the first five years and then begin increasing. By year 2041, the current method is 100% funded, while the 15-year open, level dollar option is approximately 95% funded. He stated that using the 15-year open, level dollar amortization approach has a more stable and predictable contribution pattern.

In response to a Council question, Mr. Franken stated that the funded ratio declines from 90% to below 85% before it rebounds due to the aforementioned $30 million in investment losses in 2022.

The Council discussion noted the actuarial report launches from a difficult year, however the City expects these losses to be negated over time.

In response to a Council question, Mr. Franken stated that the significant loss in 2022 was due to it being an extremely difficult investment year, as many different sectors experienced significant investment losses.

He stated that Foster & Foster performs an evaluation each year of the audited financial assets and liabilities of the plan to determine the required contribution. To the extent that there is a shortfall of the assets, an amortization payment of the unfunded liability is required, and that amount is contributed starting 12 months later.

City Manager Dzugan added due to the timing of the market downturn and the issuance of bonds, it created an unfunded liability that the City anticipated would be resolved by investment returns. However, because of investment losses, these liabilities carry into the following year.

In response to a Council question, Mr. Franken stated that the discussion focuses on the benefits being earned by current employees (current contributions) and the smoothing of the investment losses.

Further regarding the impact of the 15-year open, level dollar amortization, Mr. Franken stated that the City’s required contribution for the 2024 budget for the fire plan using the current amortization approach would be $1.3 million, and the new approach would require $1.5 million. The City’s required contribution for the 2024 budget for the police plan using the current amortization approach is $2 million, and the new approach would require $2.4 million.
Mr. Franken stated that the 15-year open, level dollar amortization approach is ideal since the unfunded liability is addressed sooner rather than being deferred to several years later. One option Mr. Franken suggested was the possibility of phasing in the 15-year open, level dollar amortization approach over time.

In response to a Council question, Director of Finance Lehnhardt stated that this year the police plan growth assumption was around 5% and fire plan was around 7%.

In response to a Council question, Mr. Franken stated that the unfunded liability across both plans is approximately $17 million.

Some Council members discussed that a decision on the approach will likely be made in August once the budget framework is in place. Year-to-date performance will be evaluated at that time, and the City Council’s decision on the pension funding approach will allow Foster & Foster to finalize the report. Some Council members discussed that there are many options to fulfill the obligations and that the City of Wheaton is in a good position.

Mr. Franken stated that the goal is to execute a funding policy that results in generational equity from a pension perspective. He stated that based on fiscal information from 2022, the average funded ratio for police and fire funds across Illinois is around 64% and that the City of Wheaton is considerably higher than that average.

V. Glen Ellyn/Wheaton Boundary Agreement
City Manager Dzugan stated that since 1963, the Village of Glen Ellyn and the City of Wheaton have had a Boundary Agreement, with the most recent one expiring in 2016. The City recently initiated discussions with Glen Ellyn based on a request from Wheaton College, which is seeking a boundary change to allow nine Scripture Press properties that it owns to be within one municipal jurisdiction. Five of the parcels are within Wheaton and four are within Glen Ellyn. Working with the Glen Ellyn administrative staff, City Manager Dzugan stated it was agreed the best approach to address Wheaton College’s request was through the development of a new Boundary Agreement.

Highlights of the proposed agreement include right-of-way maintenance clarification related to Ott Avenue and Harwarden Street. Additionally, Section 3 calls for four of the parcels that are currently in Glen Ellyn to disconnect from Glen Ellyn and then annex to Wheaton. To encourage that, staff discussed that any redevelopment of the properties will have stormwater improvements approved by the Village Engineer and the Village Board. Redevelopment would be residential in nature, or a use currently permitted by the City’s institutional zoning district. Glen Ellyn would receive 1/3 of the City’s annual property tax revenue received from the parcel for the next 20 years. Additionally, Section 6 would have two properties that are currently in Wheaton disconnect from Wheaton and annex to Glen Ellyn.

In response to a Council question, City Manager Dzugan stated that the Wheaton College property does not currently pay property taxes, but they pay water and sewer usage fees.

In response to a Council question, City Manager Dzugan stated there are no additional expenses to the City of Wheaton should the parcels remain nonprofit. However, much of the property is in a flood plain and the property owner will face challenges due to flooding.

In response to a Council question, City Manager Dzugan stated that there are no other properties divided by Glen Ellyn and the City of Wheaton.
VI. City Council/Staff Comments
Councilwoman Bray-Parker stated that she attended a golf fundraiser with the Rotary Club of Wheaton and encouraged everyone to attend events like this one and other community outings. She also wished the City Council and the community a Happy Father’s Day.

VII. Adjournment
The meeting was adjourned at 7:51 p.m.

Respectfully submitted,

Halie Cardinal