



WHEATON CITY COUNCIL PLANNING SESSION MINUTES

MAYOR PHILIP J. SUESS

COUNCILMAN MICHAEL BARBIER | COUNCILWOMAN ERICA BRAY-PARKER | COUNCILMAN SCOTT BROWN
COUNCILWOMAN SUZANNE FITCH | COUNCILWOMAN LYNN ROBBINS | COUNCILMAN SCOTT WELLER

WHEATON CITY HALL, COUNCIL CHAMBERS, 303 W WESLEY STREET, WHEATON, ILLINOIS 60187

Monday, July 26, 2021

1. Call to Order

The Wheaton City Council Planning Session was called to order at 7:00 p.m. by Mayor Suess. The following were:

Physically Present:

Councilman Barbier
Councilwoman Bray-Parker
Councilman Brown
Councilwoman Fitch
Councilwoman Robbins
Mayor Suess
Councilman Weller

City Staff Physically Present:

Mike Dzugan, City Manager
John Duguay, Assistant City Manager
Robert Lehnhardt, Director of Finance
Daniel Peck, Public Relations Coordinator

2. Approval of June 28, 2021 Minutes

The Council approved the June 28, 2021 City Council Planning Session minutes.

3. Public Comment

There were no public comments.

4. American Rescue Plan Act (ARPA) - Overview and Spending Proposal

City Manager Dzugan stated that he would be presenting an overview of the American Rescue Plan Act (ARPA) along with a spending proposal that will have an impact on the City's budgets for 2022, 2023, and 2024.

City Manager Dzugan provided an overview of the \$1.9 trillion APRA package signed into law on March 11, 2021, which includes \$362 billion in direct federal fiscal recovery aid for state and local governments through the State and Local Fiscal Recovery Fund (SLFRF). Of this amount, \$45.6 billion of the SLFRF funding will be provided to communities with populations 50,000+ through direct payments from the U.S. Department of Treasury based on the federal government's Community Development Block Grant (CDBG) formula. The City will receive \$4.9 million in two equal installments in which the City has already received the first funding installment in May 2021 and will receive the second half of funding in May 2022.

City Manager Dzugan stated that the City must provide quarterly reports of how it is allocating these funds to the U.S. Department of Treasury. He stated Dec. 24, 2024 is the final date to obligate funds towards projects and all projects must be completed with final payments made by Dec. 26, 2026.

City Manager Dzugan provided an overview of the spending categories that municipalities can allocate ARPA funding toward, which include: supporting public health response efforts; addressing negative economic impacts; providing premium pay for essential workers; replacement of lost public sector revenue; water and sewer infrastructure; and broadband infrastructure. City staff recommends allocating ARPA funding under the category of replacement of lost public sector revenue.

City Manager Dzugan presented proposed local guiding principles to assist the City in determining the allocation of ARPA funding, which include: acknowledging the funds are one-time monies and should be spent in a way to avoid reoccurring costs; funds should be spent to achieve long-lasting benefits; funds should be allocated toward activities or projects that promote fiscal stability and enhanced infrastructure by furthering the City's strategic goals and priorities; funds should be used in a manner consistent with the guidance and intent of ARPA, with a focus to keep the administrative burden low; and maintaining flexibility to reallocate funding as need and federal guidance evolves.

Using the U.S. Department of Treasury's formula for calculating reductions in revenue comparing pre-pandemic revenues to an alternative revenue environment, City Manager Dzugan stated the City could spend up to \$3,875,644 immediately for costs incurred after March 3, 2021.

City Manager Dzugan provided a list of potential projects toward which the City could allocate ARPA funding.

City Manager Dzugan explained that special purpose units of local government (i.e., park districts, sanitary districts, fire protection districts, etc.) will not receive federally allocated ARPA funds, but funds can be transferred by local government municipalities and county governments to special units of local government. Special purpose units of government seeking funds must first seek municipal dollars first through local government municipalities prior to seeking funding from county governments. He stated that the City has received two requests from special units of local governments inquiring about how the City would be allocating its funds, and DuPage County is determining how it will administer approximately \$77 million in unallocated funds.

City Manager Dzugan stated that City staff is seeking Council input on the proposed local guiding principles for allocating ARPA funding; a consensus in using the replacement of lost public sector revenue as the City's allocation category; and a consensus on focusing on City infrastructure when identifying projects that could be ARPA funded.

In response to Council questions, City Manager Dzugan stated that the presented list of potential projects that the City could allocate ARPA funding toward were example infrastructure projects, and the Council could ultimately choose which projects they deemed appropriate.

The Council directed staff to proceed with using the replacement of lost public sector revenue as the City's allocation category for ARPA funding.

The Council directed staff to proceed with focusing on City infrastructure when identifying projects that could be ARPA funded.

5. Wheaton Benchmark Study

Director of Finance Lehnhardt stated that City staff developed a Benchmark Study to supply useful financial information for the City's residents, businesses, Council members, and management with the goal of

providing an additional perspective and understanding of Wheaton's financial performance. He stated that the Benchmark Study also aligns with the City's Strategic Priority of Financial Stability and effectively communicating the City's finances.

Director of Finance Lehnhardt stated that the study highlights the City's performance in providing essential services to the community in an efficient and cost-effective manner, and residents and businesses receive exceptional value, with the City having the lowest expenditures and revenues per capita.

Director of Finance Lehnhardt provided an overview of the scope of the Benchmark Study and the data utilized.

Peer communities included within the study were identified based on comparable characteristics to the City of Wheaton, including population, location, demographics, and communities currently used by the City for its compensation benchmarks.

The data metrics used within the study to evaluate the City's financial performance and service delivery include demographics, revenues, expenditures, and personnel. The data was compiled from various sources including Comprehensive Annual Financial Reports, Annual Budgets, U.S. Census Bureau, Cook County, and DuPage County. Director of Finance Lehnhardt stated that some of the data in the study is normalized to make it more comparable, as each community is unique in its services, offerings, and property mixes.

The financial data used in the study reflects 2015 and 2019 actual numbers. The study includes Governmental Fund types, as they represent functions that are principally supported by taxes and intergovernmental revenues. Governmental Fund types include: General Fund, Motor Fuel Tax, Capital Projects, Debt Service, Special Revenue Funds, and Fire Protection District. The study excludes Proprietary Fund types, because their functions are intended to recover all or a significant portion of their costs from user fees and charges. Excluded financial activities include: enterprise funds, TIF Districts, Economic Development Areas, Internal Service Funds, Trash Disposal Service, and Libraries (presented separately).

Director of Finance Lehnhardt presented the different components of the Benchmark Study.

Director of Finance Lehnhardt reviewed the City's demographics data presented in the Benchmark Study.

Demographic data highlights include: Wheaton ranks 27th in the State as the most populated community in 2019; the median age for Wheaton is 37.3 years old compared to the average median age of 39.5 for all peer communities; the City's median household income of \$103,376 ranks higher than the average median household income of \$95,466 for all peer communities; and the City's median property value of \$358,000 ranks higher than the average median property value of \$339,988 for all peer communities.

Director of Finance Lehnhardt reviewed the City's revenue data presented in the Benchmark Study.

Revenue data highlights include: the City ranks in the middle of peer communities at 9.2% revenue growth; the City's total governmental fund revenues per capita of \$889 is the lowest of the peer communities; the City's property tax revenues per capita of \$285 rank in the middle of the peer communities; and the City's total sales tax revenues per capita of \$189 rank the lowest of the peer communities.

In response to Council questions, Director of Finance Lehnhardt stated that income tax, state-use tax, transfer stamp tax, food and beverage tax, hotel/motel tax, and motor fuel tax are included in the City's 23% of "Other Taxes" included within the governmental funds revenues by type portion of the Benchmark Study.

In response to Council questions, Director of Finance Lehnhardt stated that the City's 9.2% revenue growth from 2015 to 2019 is primarily from increases in per capita distributions of income tax from the State; police and fire pension property tax revenues; and investment income.

Director of Finance Lehnhardt reviewed the City's expenditures data presented in the Benchmark Study.

Expenditures data highlights include: the City had the second lowest increase in expenditures from 2015 to 2019 at 2.5% amongst peer communities; and the City's governmental fund expenditures per capita of \$920 is the lowest of the peer communities.

In response to Council questions, Director of Finance Lehnhardt stated that TIF District revenues and expenditures are not included within the Benchmark Study.

Director of Finance Lehnhardt reviewed the City's personnel data presented in the Benchmark Study.

Director of Finance Lehnhardt highlighted that the City has had 30 fewer full-time positions since 2008, a decrease of 11.5%. He stated that the City has maintained full-time staffing levels even during periods of growth thru reorganizations and reallocation of resources.

In response to Council questions, City Manager Dzugan stated that full-time equivalent (FTE) employees per capita data does not include contracted services and stated that the governmental funds expenditures per capita data provides a stronger analysis of costs for services per capita.

6. CY 2022 Budget Framework

Director of Finance Lehnhardt stated that developing a budget framework is part of the City's Strategic Priority: Financial Stability of maintaining structurally balanced budgets with a continued focus on operating expenditures and infrastructure investment.

Director of Finance Lehnhardt provided an overview of the current and projected national economy.

Director of Finance Lehnhardt presented forecast models for the City's 2021 and 2022 General Fund revenues and expenditures. He stated that allocated funds from the American Rescue Plan Act (\$4.9 million) and the liquidation of 2010 General Obligation Bonds using \$2.5 million in General Fund excess reserves were not included in the projections. There is no projected increase for the 2021 Property Tax Levy for the 2022 Budget and the Levy does not reflect a pending issuance of a Pension Obligation Bond. Staff is recommending transferring \$1.3 million to the Capital Projects Fund due to the projected increase in operating revenues in 2021.

Director of Finance Lehnhardt stated that the City projects a balanced budget going into 2022.

In response to Council questions, Director of Finance Lehnhardt stated that the 2021 expenditure projections incorporate a \$1.3 million transfer from the General Fund to the Capital Projects Fund.

Director of Finance Lehnhardt presented 5-year projections for the General Fund. He stated that operating expenditures are projected to exceed operating revenues beginning in 2023.

Director of Finance Lehnhardt reviewed the General Fund Balance Excess Reserves. The City's General Fund reserve policy is to maintain a minimum total fund balance reserve equal to 40% of annual operating expenditures excluding capital improvements and transfers for capital projects. Director of Finance Lehnhardt stated that the fund balance reserve on December 31, 2021 is projected to be 60.1% of annual operating expenditures, providing approximately \$8.9 million in excess reserves. Staff is recommending the City Council consider distributing \$7.5 million of excess reserves to the Building Renewal Fund (\$2 million); Storm Sewer Fund (\$1.5 million); Capital Projects Fund (\$1.5 million); and Debt Service Fund (\$2.5 million).

7. City Council/City Staff Comments

There were no City Council/City Staff comments.

8. Adjournment

The meeting was adjourned at 9:02 p.m.

Respectfully submitted,

Daniel J. Peck