1. **Call to Order:** The meeting was called to order at 5:30 pm.

2. **Roll Call:** Chairman Alderman Curry, Alderman Schaefer, and Alderman Mihevc.

   Also in attendance Alderman Santi, City Administrator Morefield, Director of Finance Lynch, Human Resources Manager Campanella, Director of Community Development Polerecky, Director of Public Works Schmitt, Chief of Police Birk, Director of Parks and Recreation Hobson, Deputy Chief Walsh, Street Division Superintendent Schweda, Wastewater Division Superintendent Ruzicka, Water Division Superintendent Palmer, and Utility Division Superintendent Wirch, and Deputy Clerk Geraghty.

3. **Public Comment:**
   None.

4. **Motion to approve the February 5, 2018 Finance and Personnel Committee Meeting Report.**

   Alderman Schaefer made a motion, second by Alderman Mihevc, to approve the February 5, 2018 Finance and Personnel Committee meeting report.

   Voting Aye: Schaefer, Mihevc, Curry
   Motion carried.

5. **Motion to approve the February 19, 2018 Special Finance and Personnel Committee Meeting Report.**

   Alderman Schaefer made a motion, second by Alderman Mihevc to approve the February 19, 2018 Special Finance and Personnel Committee meeting report.

   Voting Aye: Schaefer, Mihevc, Curry
   Motion carried.

6. **Discussion on Proposed FY 18/19 Budget for General Fund (100) General Fund Operating Departments, Recreation Center Fund (400), Water Fund (510.31), Sewer Fund (510.32) and Utility Fund (510.35).**

   Discussion highlights:

   City Administrator Morefield presented the proposed FY 18/19 Budget and announced Department Directors were present to answer questions regarding their proposed budget requests. The discussion did not include a review of every fund that comprises the annual budget however, the funds include operational and personnel costs and serve as a basis for determining how the remaining municipal fund budget are developed.
FY 18/19 proposed General Fund Revenues and Expenditures reflect total revenues of $22,309,740, which is an increase of $749,423 or 2.2% from FY 17/18.

FY 18/19 total proposed operating expenditures of $22,188,850 represents an increase of $374,206 or 1.72% less capital from the FY 17/18 budget amount for a net difference of revenues over expenditures of $101,240. City Administrator Morefield announced the proposed General Fund Operating Budget was presented is balanced.

Chairman Curry asked if we know why we are receiving less state income tax. Director Lynch answered the decrease was due to the reduction in LGDF.

Chairman Curry inquired if Townships assesses the Road and Bridge Levy every year. Director Lynch stated Townships could reduce the amount to $0. The city is covered by two townships and only one has reduced its levy every year. City Administrator Morefield added there is nothing the city can do to stop Townships from decreasing the levy.

**Revenues:**
City Administrator Morefield reported the total estimated revenue proposed for FY 18/19 increased by $479,423, or 2.20% from the actual amount budgeted in FY 17/18. The most significant increases include $523,001 or 7.29% in sales tax receipts and $55,000 increase in video gaming receipts. Noteworthy reasons for decreases in revenue were due to State Income Tax reduction of $140,000 or 5.51%, and $29,000 or 7.37% reduction in fines and forfeiture receipts.

Property, Sales, and State Income Tax totals are 77.1% of General Fund Revenues. In FY 17/18, the budget amount was $76.7 and this year the budget is proposed at $77.1. The main contributor to the increase is proposed increases in sales tax amounts.

Chairman Curry asked why each year it seems we show $4.9M but always come in at $5.1M. Director Lynch said the city does not levy the road and bridge. The levy presented to the Council is the city’s levy; we add approximately $250,000 for the two road districts including the total we will receive in property taxes. This year, Nunda Township took away approximately $40,000 and the city’s levy was reduced by 3%.

**Expenditures:**
General Fund expenditures include all personnel, contractual, supply, capital outlay Internal Fund Transfers and Other expenses related to the functions of the city with the exception of Water/Sewer, Recreation Center, and Capital Improvement Projects funds. Total FY 17/18 expenditures were estimated at $10,000 higher than what was budgeted and covered by budget amendments approved throughout the year.

Alderman Schaefer asked about the variance between Column H and I in Personnel and City Administrator Morefield answered it was due to the Dispatch Center. Row 22 Reimbursements reflects the amounts received for personnel. Chief Birk noted the city went from nine full time dispatchers to 21. The new employees were phased in with the first five hired in December 2016 and the remainder hired after May 2017.
Proposed expenditures for FY 18/19 are $374,206, an increase of 1.7% from FY 17/18 budget amount. The reasons for the increase were personnel costs related to salaries for employees covered by collective bargaining units, and Police Pension costs, which are proposed to increase by $145,484.

Overall costs for employee health insurance decreased by $152,100 due to changes in Local 150 Union insurance plan and the new employee health insurance consortium.

Chairman Curry stated the presentation of the budget has improved over the years however, we still tend to look at budget to budget instead of budget to actual.

**General Fund Balance:**
The budgeted beginning FY 17/18 Fund Balance was $7,303,780. The ending fund balance was estimated to be $7,305,053. There was not much revenue over expenditures last year.

The estimated beginning FY 18/19 Fund Balance is proposed at $7,283,317, with an assigned for capital amount of $21,736. We are estimated to end the year at $7,557,987, with an assigned for capital amount of $274,670.

City Administrator Morefield stated staff continues to be conservative when estimating revenues and approving expenditures. Director Lynch added this amount is what would be utilized for FY 18/19 capital projects.

FY 18/19 Proposed Fund Balance is $7,659,227 less unassigned 120 days $7,450,000 and $209,227 for assigned capital.

**Personnel Summary of Wages- All Funds:**
Spreadsheets were distributed to the Committee depicting a summary of wages for each department that identified non-bargaining and bargaining employees separately, including the FY 17/18 budgeted wages, estimated wages, proposed wages, and monetary variance from FY 17/18 and FY 18/19.

Significant increases and decreases in dollar amounts and percentages as identified are the result of employee reassignments, reclassifications, or increases and decreases. Separate budget accounts for Human Resources and Economic Development were created for FY 18/19 and salaries for these positions were moved into corresponding budgets.

Alderman Schaefer asked if this was the first time, the Economic Development Department was a separate budget and City Administrator Morefield answered yes.

Chairman Curry noted the Finance and Park Departments exchanged an employee and one budget shows an increase of $56,000 and the other shows less. Director Lynch noted one employee was moved from parks and a part time employee became a full time employee. Director Hobson noted that his salary was moved from Administration to half Parks and Recreation and half Recreation Fund.
Chairman Curry inquired about the variances in wages for police non-bargaining and City Administrator Morefield noted adjustments were made for the new Chief, Deputy Chief, and Commander.

**General Fund Operating Departments:**
General Fund Operating Departments include personnel, contractual, supplies and other operating expenses for Administration, Elected Officials, Community Development, Finance, Human Resources, Economic Development, Police Commission, Police, Police Dispatch, Public Works Administration, Public Works streets, and parks and Recreation.

Chairman Curry noted that many budget line items reflect $0 for expenditures yet we continue to re-budget an expense for this line item each year and asked if staff reviews the actual expenditures. For example, the training budget for Elected Officials and questioned if the repeated line items are necessary.

Alderman Schaefer stated he is aware that in the past, the city decreased Elected Officials training and he is not certain that all Elected Officials are aware that they could attend government training functions such as the annual IML Conference in Chicago. At some point, if three or more Alderman decided to attend the IML Conference, this budget would be spent.

City Administrator Morefield stated staff reviews each line item carefully.

Director Schmitt noted Public Works has had success in attaining scholarships for training conferences, however at the time the budget is approved, it is not known if scholarships would be awarded. He also stated that he is concerned about lowering the training budget because Water/Sewer and Wastewater training is open to employees to achieve certifications.

Director Polerecky noted inspectors are required to achieve a certain amount of CEU’s each year. If free training courses are not available, we need to have those funds available in the budget to maintain required certifications and the amount can vary from each to year.

Alderman Schaefer noted in his opinion there is not a lot of fluff in the budget when you consider that 80% is dedicated to salary and benefits.

Alderman Schaefer asked what the city’s required contribution to IMRF was and Director Lynch answered 12.5%, and employees pay 4.5%.

Alderman Santi joined the meeting at 6:25 PM.

Chairman Curry asked why health insurance costs decreased in all departments except Police. Chief Birk stated the number of fulltime employees in the department fluctuates from time to time due to retirements, resignations, and changes in coverages for marriages, births, etc.
In Public Works Streets, line 21 Contractual, Chairman Curry noted the write up indicates an increase for mowing however, versus what we are actually spending this year it is actually a significant decrease. Director Schmitt said in contractual, we had about $14,000 charged for the Green Street Bridge design, which should have been charged to Capital not Contractual. Also for the Lakeland Park Drainage project, we had about $10,000 out of Contractual.

City Administrator Morefield reported the FY 17/18 budgeted revenues and expenses were developed for the McHenry Recreation Center based on FY 16/17 actuals and on the business plan and best estimates available at that time. With more than 800 memberships sold prior to the opening date in February 2016, and more than 2,600 active memberships to date, the McHenry Recreation Center has exceeded all expectations through its second full year of operation. It is estimated that the Recreation Center will continue to generate sufficient revenues to pay all operational costs, provide for the $135,756 transfer to the Debt Service Fund for the construction loan payment, and finish the year with a $13,891 surplus.

Chairman Curry asked when the debt service would end and Director Lynch stated in 2035.

Chairman Curry asked if the parking lot expansion was included in the FY 18/19 budget and Director Hobson answered yes, with a portion charged to the Water/Sewer Fund for extension of the city water main.

**Capital Improvement/Capital Equipment Projects:**
As identified in past discussions, the capital projects were identified for implementation and funding through the FY 18/19 General Fund budget for a total of $2,754,500, which includes $773,000 from the Capital Improvements Fund with the remainder coming from various other funding sources such as Township, State and Federal funding.

**Compensation Study and New Position Requests:**
City Administrator Morefield reported that the Finance and Personnel Committee is currently reviewing the results of the Compensation Study and at this time, new adjustments have been included in this budget request. However should the City Council concur with the results of the study, the net General Fund Revenue over Expenditure amount of $101,240 is sufficient to implement the recommended wage adjustments of $64,460.

New Position Requests include:
City Planner with salary and benefits = $100,166.
Human Resources and Finance Assistant with salary and benefits = $74,694.
Parks Maintenance Worker with salary and benefits = $78,623.

Chairman Curry announced this study would be discussed at the April 2\(^{nd}\) Finance and Personnel Committee and suggested the committee ask questions or provide comments to staff prior to the meeting.
City Administrator Morefield concluded that based on input from the Finance and Personnel Committee, this information would be updated and the results used to complete the remaining municipal funds. All of this information will be transmitted to the Council on March 19 with a discussion of the remaining funds at the March 26 Finance and Personnel Committee meeting. From that point, the financial information will be combined with all budget narrative information into a final proposed FY 18/19 Annual Budget document. This document will be transmitted to the Council on April 2 followed by a Committee of the Whole meeting rescheduled to April 11 at 6:30 PM.

Alderman Schaefer confirmed that the proposed salary ranges would not affect the FY 18/19 budget.

Chairman Curry stated that at the last Finance and Personnel Committee meeting, the Vehicle Sticker program was discussed noting that the $131,000 in estimated revenue from the program is included in the proposed FY 18/19. If we were to proceed and eliminate the program, the proposed budget would be less $131,000 and suggested that the Committee revisit the program on April 2 again and possibly reconsider the program prior to proceeding to the full Council.

7. **Motion to Adjourn:**

Alderman Mihevc made a motion, second by Alderman Schaefer, to adjourn the meeting. Voting Aye: Mihevc, Schaefer, Curry

Motion carried.

The meeting adjourned at 7:03 pm.

Respectfully submitted,

Marci Geraghty, Executive Assistant/Deputy City Clerk

Reviewed and approved this \(\text{2nd} \) day of \(\text{April} \) 2018.

Alderman Scott Curry, Chairman