



MINUTES OF AN OFFICIAL MEETING:

Regular / Special Meeting: Finance Committee

Date and Time: Tuesday, June 2, 2020 at 7:00 pm

Location: City Hall, 2000 N Calhoun Rd, Parks and Recreation Activity Room

Members Present: Alderman Scott Berg, Alderman Mike Hallquist, Alderman Jerry Mellone, Alderman Bob Reddin, Alderman Dan Sutton, Alderman Kathryn Wilson

Members Excused: None

Others Present: Director of Finance and Administration Robert Scott, Director of Human Resources James Zwerlein, Director of Public Works Tom Grisa, Director of Parks and Recreation John Kelliher, Director of Community Development Dan Ertl, Alderman Chris Blackburn and Prospective 3rd District Alderman Appointee – Mike Jurken

1. Roll Call

Alderman Scott Berg noted a quorum present and called the Finance Committee meeting to order at 7:00 pm.

2. Announcements

The next regularly scheduled meeting will be held on Tuesday, June 16 2020.

3. Minutes of the May 19, 2020 regular Finance Committee meeting.

Motion by Alderman Dan Sutton, second by Alderman Bob Reddin to approve the minutes of the May 19, 2020 regular Finance Committee meeting. Motion carried 6-0.

4. Unfinished Business

a) None.

5. New Business

a) Vouchers exceeding \$50,000 requiring immediate action.

Motion by Alderman Mike Hallquist, second by Alderman Bob Reddin to approve vouchers exceeding \$50,000 requiring immediate action. Motion carried 6-0.

b) Resolution authorizing the issuance and sale of up to \$4,474,506 Taxable Sewerage System Revenue Bonds, Series 2020A and providing for other details and covenants with respect thereto.

Motion by Alderman Dan Sutton, second by Alderman Jerry Mellone to approve the resolution authorizing the issuance and sale of up to \$4,474,506 Taxable Sewerage System Revenue Bonds, Series 2020A and providing for other details and covenants with respect thereto. Motion carried 6-0.

- c) Finance Committee Only Item: Continued review of options to address 2020 and future year budgetary impact resulting from COVID-19 pandemic response and associated economic effects.

Director Scott provided a summary of the updated staff report regarding budgetary impact of the COVID-19 pandemic response and related economic effects (copy of written report available for review in the Finance department offices or in the agenda packet on the City website). He noted the following updates to the analysis of potential budgetary shortfalls:

- Hotel room tax projected shortfall has been revised upward to range of \$2.5-3 million, based on April collections of only \$23,000 (compared to \$272,000 in the prior year).
- Recommendation to reallocate \$70,000 in North Avenue sales proceeds from the Community Development Authority fund to the General fund.
- Fire department has indicated that they will be foregoing a budgeted software purchase totaling \$40,000.
- Savings from cancelled training (travel, etc.) is now estimated at \$82,000.

Director Scott then outlined the following staff recommendations relative to addressing the 2020 revenue gap.

Room taxes – room taxes are allocated to three purposes in the City budget: (a) general fund, (b) conference center debt, and (c) economic development/Visit Brookfield. Within these purposes, there are two legal obligations for which room tax revenues are the intended funding source: (a) the contract with Visit Brookfield for tourism promotion (which includes marketing of the conference center), with a base amount of \$432,000 per year; and (b) conference center debt service. Although the conference center debt service is intended to be funded via room taxes, the debt is a general obligation of the City for which the Council has pledged to levy property taxes should other revenues not be sufficient. As the conference center costs came in under the estimated budget including contingency, there will be some unspent conference center debt proceeds available to apply to the 2021 conference center debt service. Given the projected shortfall in room taxes, staff's recommendation is to direct all room tax collections towards general City operations and the Visit Brookfield contractual obligation and to plan for 2021 tax levy allocation for the conference center debt service payments, with the amount of such allocation to be refined as 2020 progresses.

Transfers from other funds and revenue sources – First, the fleet services internal service fund has accumulated a liquid (available in cash) fund balance of approximately \$500,000 over the past several years from charges to user departments. Net of a budgeted deficit for 2020, \$400,000 could be available to transfer to the general fund, and staff recommended as such. Second, the revenue the City receives from wireless carriers for the placement of their equipment on City owned land or facilities other than water towers is designated for Greenway Corridor construction. Starting in 2017, a portion of the lease revenues were allocated to pay for parks maintenance staff. The Greenway Corridor fund had a balance of \$3.1 million at the end of 2019. Current year wireless lease revenues (net of the park maintenance allocation) are \$500,000. Those funds have not been earmarked for specific projects as ongoing projects were funded with prior year allocations of funds. Given the healthy fund balance, staff recommended that the net lease revenues be transferred to the general fund on a one-time basis as another element of addressing the 2020 shortfall. Future re-allocation of wireless lease revenues would only be considered after completion of a long-range analysis of Greenway Corridor construction and maintenance needs.

Employee Retirement fund – The City allocates tax levy to this segregated account to pay for its obligations for retiree health stipends resulting from collective bargaining agreements or City policy. The 2020 tax levy allocation was \$350,000, and the fund balance had grown to approximately \$6.5 million as of the end of 2019 as tax levy and interest earnings have exceeded the health stipend payments, even with increasing numbers of retirements. Historically, the health stipends have been the only expenditures charged against this fund, but the possibility has always existed to also use the fund as a source to fund payouts of terminal leave (accumulated sick leave balances) as per collective bargaining agreements or City policy. Such terminal leave payments have typically been charged against department budgets, with an expectation that

salary savings from positions being vacant temporarily and lower salary levels for the replacement employee would largely offset the leave payout. That has not been the case in recent years. To date in 2020 there have been payments totaling approximately \$148,000. Staff recommends that a policy change to charge terminal leave payments to the Employee Retirement fund vs. department operating budgets be instituted now to provide savings to the general fund for 2020, and to continue for future years, based on an analysis staff is finalizing that would indicate the Employee Retirement fund would have sufficient resources to bear both the retiree health stipends and terminal leave payments, assuming the tax levy allocation continues in the future.

Use of general fund balance – Given the nature of the circumstances the City is facing, a portion of the general fund balance will need to be utilized to pay for 2020 budgeted expenditures, absent an unlikely quick upturn in revenues, receipt of federal or state funds (uncertain at this time), or large reductions in expenditures. City departments have been instructed to carefully monitor expenditures, and filling of any position vacancies are being analyzed carefully. If all of the above recommendations are taken, staff estimates a range for the use of fund balance could range from \$800,000 to \$1,000,000 based on the estimated ranges of revenue losses. This amount of fund balance usage would still maintain strong balances to provide flexibility for the City to address ongoing budget challenges.

Discussion and questions from the aldermen then ensued regarding the options and recommendations, including a suggestion that the remaining departments examine their budgets similar to the Fire department example to determine if like savings could be garnered. No specific action was requested for this item, but the general consensus of the committee was that staff should proceed with the plans as outlined, including preparation of legislation as necessary to effectuate certain of the options.

6. Adjournment

***Motion by Alderman Dan Sutton, second by Alderman Mike Hallquist to adjourn the meeting at 7:52 pm.
Motion carried 6-0.***

Respectfully Submitted:

Robert Scott

Director of Finance and Administration