CITY OF
WEST CHICAGO

WHERE HISTORY & PROGRESS MEET

FINANCE COMMITTEE

MONDAY, JUNE 2, 2025
6:00 P.M. – CITY COUNCIL CHAMBERS

AGENDA

1. Call to Order, Roll Call, and Establishment of a Quorum
2. Selection of a Chair and Vice-Chair
3. Approval of Minutes
   A. Finance Committee Meeting Minutes of March 3, 2025
   B. Finance Committee Executive Session Minutes of March 3, 2025
4. Public Participation / Presentations
5. Items for Consent
6. Items for Discussion
   A. Elimination of the State Grocery Tax
7. Unfinished Business
8. New Business
9. Reports from Staff
10. Executive Session (if needed)
11. Adjournment

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Daniel Bovey
MAYOR

Tia Messino
INTERIM CITY ADMINISTRATOR

DRAFT MINUTES-
Pending Approval

CITY OF WEST CHICAGO – 475 Main Street
FINANCE COMMITTEE MINUTES
Regular Meeting
March 3, 2025

1. **Call to Order, Roll Call and Establishment of a Quorum**
   Alderman Dimas called the meeting to order at 6:00 p.m. on March 3, 2025. Roll call found Daniel M. Beebe, Christine Dettmann, Sandy Dimas, Jayme Sheahan, Rebecca Stout and Chris Swiatek present. Alderman Joseph Morano was absent. Alderman Dimas announced a quorum.

   Staff in attendance: City Administrator Michael Guttman, Assistant City Administrator Tia Messino and Finance Director Nikki Giles.

2. **Finance Committee Meeting Minutes of December 2, 2024.**
   Alderman Swiatek made a motion, seconded by Alderman Stout, to approve the minutes of December 2, 2024. Voting Aye: Alderman Beebe, Dettmann, Dimas, Swiatek, Stout and Sheahan. Voting Nay: 0. Absent: Alderman Morano. Motion carried.

3. **Public Participation / Presentations.** None

4. **Items for Consent**

   A. Resolution No. 25-R-0019 – VEBA – Group 2
   B. Resolution No. 25-R-0020 – ERI Program
   C. Resolution No. 25-R-0021 – Amortization Schedule
   D. Resolution No. 25-R-0022 – Authorizing Mayor to Sign Engagement Letter with Auditors for Fiscal Years 2025, 2026, and 2027

   Alderman Swiatek moved and Alderman Stout seconded a motion to approve the Consent Agenda. Voting Aye: Alderman Sheahan, Dimas, Dettmann, Beebe, Swiatek and Stout. Voting Nay: 0. Absent: Alderman Morano. Motion carried.

5. **Items for Discussion.** None

6. **Unfinished Business.** None

7. **New Business.** None

8. **Reports from Staff.** None

9. **Executive Session (if needed).**

   A. Land Acquisition – 5 ILCS 120/2 (C) (5) (6)

B. Litigation – 5 ILCS 120/2 (C) (11)
C. Personnel Matters – 5 ILCS 120/2 (C) (1)
D. Review of Official Record

City Administrator Guttman informed there is a need for an Executive Session regarding Personnel Matters – 5 ILCS 120/2 (C) (1). City Administrator Guttman informed there is no final action required so the Committee is welcome to adjourn into Executive Session.

10. Adjournment.

At 6:03p.m., Alderman Dettmann made a motion, seconded by Alderman Sheahan, to adjourn the meeting into Executive Session. Voting Aye: Alderman Dettmann, Dimas, Beebe, Sheahan, Stout and Swiatek. Voting Nay: 0. Absent: Alderman Morano. Motion carried.

Respectfully submitted,

Josie Avilez

CITY OF
WEST CHICAGO

WHERE HISTORY & PROGRESS MEET

TO: Finance Committee Members

FROM: Nikki Giles, Finance Director

DATE: June 2, 2025

RE: State Grocery Tax Elimination

Background and Financial Impact:

On August 5, 2024, Governor Pritzker signed into law Public Act 103-0781, codified as 65 ILCS 5/8-11-24, which eliminated the statewide 1% tax on groceries, effective January 1, 2026. While the law eliminated the Statewide tax, it granted both home rule and non-home rule municipalities the authority to implement a local 1% grocery tax by Ordinance. The projected annual financial loss of General Fund revenue to the City of West Chicago from the repeal of this tax is $425,000.00.

Revenue Options for Discussion

Implement a Local Grocery Tax
The City may implement a 1% municipal grocery retailers' and service occupation tax ("municipal grocery tax"), which would apply to gross receipts on the sale of groceries at retail and the sales of service that include the transfer of groceries as an incident to the sale of service. The State has defined groceries as *"food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, food consisting of or infused with adult use cannabis, soft drinks, candy and food that has been prepared for immediate consumption)"*. The State of Illinois will administer the municipal grocery tax for all municipalities that have adopted one. Should the City Council wish to implement this tax, a copy of the Ordinance enacting a 1% municipal grocery retailers' and service occupation tax would need to be filed with the Illinois Department of Revenue prior to October 1, 2025, to ensure an effective date of January 1, 2026. The anticipated revenue would be approximately $425,000.00. As of May 15, 2025, 187 municipalities have chosen to implement a local grocery sales tax, including the following DuPage County communities: Batavia, Carol Stream, Downers Grove, Elk Grove Village, Glen Ellyn, Schaumburg, Westmont, and Wheaton. Communities that have declined to implement a local grocery sales tax include Naperville and Crystal Lake, which either opted to increase, or recently had already increased, their Home Rule Sales Tax rate instead. Bartlett and Streamwood have also declined at this time, citing sufficient revenue streams from other sources.

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Home Rule Sales Tax Increase

The City's current Home Rule Sales Tax rate is 1.50%, with all proceeds deposited into the Capital Projects Fund. The rate was last increased from 1.0% in 2023 to fund the principal and interest associated with the upcoming bond issuance for industrial roadway improvements. Home Rule Sales Tax is applicable to the same general merchandise items subject to sales tax. It does not apply to most groceries, prescription medicine and other non-taxable medical items, vehicles, and titled property. Should the City Council wish to increase the City's Home Rule Sales Tax rate, a copy of the Ordinance increasing the rate would need to be filed with the Illinois Department of Revenue prior to October 1, 2025, to ensure the effective date of January 1, 2026. The Home Rule Sales Tax may only be adjusted in ¼% increments. The anticipated revenue from a one-quarter percent increase in the home rule sales tax rate would be approximately $1.2 million. If this option is chosen, the City Council could then decide what to do with the monies received in excess of the $425,000, adjusted annually for COLA etc. or adjust other revenue sources downward, or some combination of these two options.

Expenditure Reduction Options for Discussion

The State's elimination of its Grocery Tax presents a long-term structural budgeting challenge for local governments. Because the resulting revenue gap is ongoing, short-term fixes such as one-time transfers or cuts are not sustainable solutions. The Finance Committee has previously advised staff to avoid relying on temporary measures when addressing recurring financial shortfalls.

That said, there are a few annual expenditure eliminations/reductions that may want to be considered, as follows:

- There is an anticipated decrease in salary and payroll-related expenses attributable to the Early Retirement Incentive Program (ERI) that will partially offset the loss in revenue. A conservative estimate of General Fund savings from the ERI Program is projected at $75,000.00, but the figure will not be known until the end of the year window once the participating employees have made their decision(s).

- Reducing or eliminating the City's Railroad Days contribution could result in annual savings up to $50,000.00.

- Reducing or eliminating the City's Railroad Days contribution for fireworks could result in annual savings up to $40,000.00.

- Portions of revenues currently earmarked for the Capital Projects Fund could be redirected to the General Fund, which would result in fewer capital projects being undertaken in any given year. Currently, the City receives approximately $5.5 million in home rule sales tax and $745,000.00 in natural gas use tax annually.

- Currently $195,000 is budgeted in the Capital Projects Fund for street striping and sidewalk, curb, and gutter replacement. These programs meet the qualifications to be considered Motor Fuel Tax Fund (MFT) eligible expenses. Transferring these expenses to the MFT Fund would then allow for General Fund expenses to be transferred to the Capital Projects Fund, such as the Façade Program expenses ($125,000.00). However, the MFT Fund has a projected fund balance that is already earmarked for projects scheduled over the next five years. Transferring additional expenses to this fund would accelerate the drawdown of that balance and should therefore be considered cautiously to avoid future funding shortfalls.

Final Thought

When considering your direction to staff, please also keep in mind that we need to consider the totality of the financial picture and not make this decision in a vacuum. Legislative developments at the state level continue to create uncertainty and potential strain on municipal budgets. For example, Senate Bill 1937 currently under consideration—would roll back Tier 2 pension reforms for Downstate Police Pension and IMRF participants. Should legislation like this pass, it will have a monumental impact on local government budgets across the State, including West Chicago. While staff would need time to fully quantify the impact, it is expected to place substantial pressure on future budgets.

Year after year, unfunded mandates such as this one threaten the financially sound planning and budgeting that the West Chicago City Council and staff have worked diligently to uphold. These actions leave us in a constant mode of scrambling defensively to find stability in the face of external challenges. Given these uncertainties, one possible approach would be for the Finance Committee to recommend the adoption of a 1% local grocery tax with a sunset clause ending December 31, 2027. This option offers the following advantages:

(1) It allows the Ordinance to be timely filed with the State of Illinois.
(2) It allows the City Council to work through two Budget cycles to determine funding priorities, something that cannot realistically be done prior to when this Ordinance would need to be filed for 2026.
(3) It allows us to fully calculate the financial impact of the ERI Program.
(4) It allows us to monitor what is ultimately done with the Tier 2 rollback and other legislation that could have negative financial implications to the City.
(5) It requires the City Council to revisit the issue prior to December 31, 2027.

I look forward to discussing the matter on Monday.

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Senate Bill 1937, House Amendment 1
NWMC Summary and Analysis

On May 27, State Rep. Jay Hoffman introduced an amendment to Senate Bill 1937. The bill would substantially enhance Tier 2 Police, Fire and the Illinois Municipal Retirement Fund (IMRF) pensions. Additionally, the bill makes similar changes to the statewide pension systems. The enhancements follow those introduced last year (HB 5909/SB 3988). The following is an outline of the bill's components relating to municipalities and the NWMC staff analysis:

Pensionable Salary Cap (Sec. 1-163)

- Applies to Articles 3 through 17 (starting on page 43).
- Beginning January 1, 2027, ties pensionable salary cap to Social Security wage base.
- If an employee was making over the current pensionable salary cap, they do not have to retroactively make additional contributions.

Final Average Salary / Final Rate of Earnings

- IMRF (page 117) "final rate of earning" changes to the highest 6 out of last 10 years. Tier 2 is currently highest 8 out last 10 years.

Increase in Pension (Cost of Living Adjustment – COLA)

- Police (page 184) and Fire (page 189) and IMRF (204): Changes the Tier 2 COLA from lesser of 3% or ½ the CPI-U increase to 3% on the originally granted pension.
- The COLA remains uncompounded.
- Police (page 570) and Fire (page 578) COLA increases for Tier 2 would be begin the year following retirement (current Tier 2 starts the COLA at age 60, which is 5 years after the current retirement age of 55).

Retirement Age and Service Eligibility

- Fire (page 233): Deletes the penalty (1% for each month under 55) for retirement between 50 and 55. There is no minimum retirement age if a firefighter is entitled to the maximum pension. After Jan. 1, 2027, firefighters can retire at age 52 with 20 years of service (page 572).
- Changes the age of eligible employment for firefighters from 21 to 18 (pages 240, 260).
- IMRF retirement age (page 454) changed to 65 with 20 years of service and 62 if entitled to maximum pension.
- Police (page 565): After Jan. 1, 2027, police officer may retire at age 52 with 20 years of service. Maintains 1% per month penalty.

Reciprocity

- Makes Article 3 and 4 pensions (pages 224-225) part of the Retirement Systems Reciprocal Act.

De Facto Firefighter (page 229)

- Defines "de facto firefighter" as someone who spends a majority of the working time controlling and extinguishing fires, preparing for such work or waiting to respond to calls for such work.

Senate Bill 1937, House Amendment 1
NWMC Summary and Analysis

Reamortization

- Moves back the statutory funding date from 2040 to 2055 for Police (page 367) and Fire (page 371) pensions.
- Funding target remains at 90% of the total actuarial liabilities.
- Actuarial cost method changed from projected unit credit to entry age normal.

Pension Board Composition

- Police pension board (page 378) and fire pension board (page 388) gains a municipal representative and IML Chief Executive Officer listed as permanent member (rather than "one member recommended by the IML who shall be appointed by the Governor").
- Changes voting requirements (6 instead of 5 trustees).

Police Chief Pension (page 606)

- Deletes provision from 2019 that prohibited a police chief from choosing to participate in IMRF.
- Municipalities no longer required to establish defined contribution plans for certain police officers.

Coordination of Benefits with Workers' Compensation (page 617)

- Under Article 3, there shall be no reduction in the pension survivor benefit in coordination with workers' compensation.

Deferred Retirement Option Plan

- Police (page 642)
  - DROP election no later than July 1, 2031
  - DROP shall be available no later than July 1, 2026
  - DROP period may not exceed 5 years.
  - Language appears to minimize investment risk to funds (still not zero).