

**CITY OF MT. VERNON, ILLINOIS
CITY COUNCIL WORKSHOP MEETING
Monday, November 27, 2017**

The Mt. Vernon City Council met in a Workshop Meeting on Monday, November 27, 2017 at 3:00 p.m. at City Hall, 1100 Main Street, Council Chamber Room, 2nd Floor, Mt. Vernon, IL.

CALL TO ORDER

Mayor John Lewis called the meeting to order. Present: Council Member Jeff May, Council Member Donte Moore, Council Member Jim Rippey, Council Member Mike Young, and Mayor John Lewis. Also present were City Manager Mary Ellen Bechtel and Finance Director Merle Hollmann.

VISITORS/CITIZEN REQUEST/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

REVIEW OF 2012 BOND FUNDS AND PROJECTS

City Manager Mary Ellen Bechtel distributed a chart showing the projected expenditures of capital projects funded with the 2012 Bond proceeds. To date, the projected expenditures are \$33,180,877.72. The proposed balance of the 2012 Bond projects is \$35,841,804.72. The proposed projects consist of:

1.	Armory Improvements (net of associated funding sources) Bechtel stated that the City has not heard from the State of Illinois regarding permission for the City to enter into an agreement with the YMCA. The matter is still in the hands of the attorney for the State of Illinois to see if the agreement is consistent with the grant requirements.	(\$325,513.00)
2.	North and South 44 th Street Roadway	2,084,785.00
3.	North 44 th Street Water Line	200,000.00
4.	Park Plaza Demolition Bechtel explained around \$100,000.00 has been spent to separate the walls between the Post Office and the former Montgomery Wards building and ongoing maintenance.	496,655.00
5.	City Hall Billing Services Remodeling Bechtel reported that currently, the City is accepting proposals on this project.	40,000.00
6.	City Hall Remaining Flooring Replacement Bechtel explained that this expense is for the replacement of flooring in the Engineering Department.	15,000.00

7.	Ambassador Road Bridge Replacement	150,000.00
8.	To date, projected expenditures	33,180,877.72
	Total Projected Expenses Funded by 2012 Bonds	\$35,841,804.72

Council Member Jim Rippy asked about funding for the water and sewer survey estimates. Bechtel explained that the funds will come from the Utility Meter Fee Tax Fund or the new 1% Sales Tax revenue designated for the improvement of utilities. Council Member Donte Moore asked for the balance of the Utility Meter Fee Tax Fund. Bechtel replied about \$900,000.00.

Council Member Jeff May asked for a status update on the North and South 44th Street Roadway. Bechtel explained that Rhutasel and Associates are contracted for engineering. Since the City keeps changing what they want to do, the engineering is taking a while. The \$2,084,785.00 amount includes Rhutasel’s engineering costs and improvements with concrete curb and gutter.

Council Member Jeff May asked about the Park Plaza Demolition. Bechtel explained that there are four contractors who are interested in doing the demolition. Estimates have been received from a demolition company and it is time to be in contact with the contractors. All the contractors differ on what sections to repair or demolish. This project is complex and across the board. Council Member Donte Moore asked if there is a timeframe. Bechtel feels that the Council should be able to decide on to proceed by February. Council Member Jim Rippy stated evaluation of the proposals should boil down to who will provide jobs and an economic benefit to the City. Bechtel stated that it will depend on how much the contractors want the City to invest in this project to create jobs.

Council Member Donte Moore spoke on Sewer Lift Station #14. City Manager Mary Ellen Bechtel stated that the City is one step closer to repairing Lift Station #14. The collection system going into the Treatment Plant and the rerouting of 28th Street sewer lines to Lift Station #14 were the first steps. Bechtel said that soon the City will employ someone to design a plan for the Illinois Environmental Protection Agency’s application for the Lift Station #14 and the force main.

Council Member Jim Rippy stated that infrastructure should take precedent and the City needs to only spend what is necessary until it is determined how much money it is going to cost to repair the infrastructure.

Council Member Donte Moore asked if the water line on 44th Street will be installed before the roadway improvements on 44th Street. City Manager Mary Ellen Bechtel explained that with Council’s approval, these projects should be ready to bid and begin construction at the start of next year. Mayor John Lewis stated that this project will be difficult, because the topography of the road will be changed.

Mayor John Lewis felt that the Council was in consensus on the projects to be funded with the balance of the 2012 Bonds. City Manager Mary Ellen Bechtel stated some questions remain if the State of Illinois does not approve the City’s request to enter into an agreement with the YMCA for the former Armory. Council Member Jim Rippy stated he thought the City agreed not to spend anymore money on the Armory. Bechtel explained that the City will still need to match the State grant of \$1.5 million with \$500,000.00. After the City matches the grant, the YMCA will spend their funds to outfit the Armory for their use. Lewis said that the City will spend \$500,000.00 by matching the grant or by

demolishing the Armory. Council Member Jeff May said that the real key is that the YMCA is willing to own and operate the Armory to benefit the citizens of Mt. Vernon.

Council Member Jim Rippy spoke on the Park Plaza demolition and asked if there is anyone interested in taking over the Park Plaza or does the City need to pay for the demolition. Mayor John Lewis said that several proposals have been received. Some desire to have only certain sections demolished and other desire to have more demolished. Lewis said that a Workshop will be held later to discuss the proposals. City Manager Mary Ellen Bechtel explained that the proposals are not final. One proposal asks that the City issue bonds through the Downtown TIF. Bechtel said that recently she received proposals on what it will take to demolish each section. It will take time to organize the proposals.

SECOND QUARTER BUDGET REVIEW

Finance Director Merle Hollman distributed handouts representing the Operating Cash Balance and Operating Working Fund Balance for the General Corporate Fund and the Public Utilities Fund. Hollmann explained that the General Corporate Operating Surplus after 6 months is \$124,408.00 and the originally budgeted General Corporate Operating Surplus for the entire Fiscal year 2017-2018 is \$6,119.00. He stated that even though revenue is running 1.5% behind, the expenses are 2.5% behind and that is why there is a surplus. Council Member Jeff May asked if there are any deferred expenses that have not been posted. Hollmann explained that he takes all deferred expenses and accruals in consideration. Council Member Donte Moore stated that since the City recently hired two new police officers will these numbers change. Hollmann explained that due to the time it takes to replace police officers, the Police Budget is at 46% instead of 50%. City Manager Mary Ellen Bechtel stated that the City is not expecting the reduction in expenses to continue. Hollmann said that there are no plans to hire anyone that are not budgeted for, resulting in a break-even year.

In the Public Utilities Fund, Hollmann stated that the fund is in good shape cash-wise. He explained that the Public Utilities Fund Operating Surplus after 6 months is \$52,585.00 and the originally budgeted Public Utilities Fund Operating Surplus for the entire Fiscal year 2017-2018 is \$37,255.00. He stated that the revenue is running 1.0% higher and the expenses are 1.4% higher. Council Member Donte Moore accredited Department Heads for their management of overtime costs for the good financial condition.

Council Member Jim Rippy asked how the City accounts for the huge unfunded pension liability. Hollmann explained that this is factored in on a pay-as-you-go basis. The City is budgeting based on what the City is going to pay on that liability. The extra liability is not accounted for in the budget, even though the City owes that money. City Manager Mary Ellen Bechtel explained that the amount due is levied by the City's property taxes. May stated that it is better to pay what the City needs to pay instead of paying ahead. Rippy asked if the City will ever be in a position that the pension is funded for everyone. Hollmann explained that \$20 million of the \$30 million unfunded pension liability is for Police and Fire pensions. Rippy asked if it is law that property tax funds are for pension liability. Hollmann clarified that the law says that property tax could be used. Bechtel reported that the State actuaries provide numbers to pay off the pension liability in thirty years. Mayor John Lewis stated that the State mandates that municipalities fund pension liability, but the State does not fund their liability.

CITY OF MT. VERNON, ILLINOIS FIRST QUARTER BUDGET REVIEW AS OF OCTOBER 31, 2017					11/27/2017
Description	General Corporate Fund	Comments	Public Utilities Fund	Comments	
Operating Cash Balance @ 4/30/2017	\$ 2,553,513		\$ 404,757		
Operating Cash Balance @ 7/31/2017	\$ 2,731,812		\$ 415,103		
Operating Cash Balance @ 10/31/2017	\$ 2,957,472		\$ 484,839		
Operating Working Fund Balance @ 4/30/2017	\$ 3,393,052	Projected in 2017-18 Budget to be \$3,393,163	\$ 743,997	Projected in 2017-18 Budget to be \$725,522	
Operating Working Fund Balance @ 7/31/2017	\$ 3,371,931		\$ 759,703		
Operating Working Fund Balance @ 10/31/2017	\$ 3,517,460		\$ 796,582		
Actual Revenues as % of Budget	48.5% Should be 50.0%		51.0% Should be 50.0%		
Actual Expenditures as % of Budget	47.5% Should be 50.0%		51.4% Should be 50.0%		
Originally Budgeted Operating Surplus(Deficit) FY 2017-2018	<u>\$ 6,119</u>		<u>\$ 37,255</u>		
Actual Operating Surplus (Deficit) after 6 months	<u>\$ 124,408</u>		<u>\$ 52,585</u>		

Merle Hollmann presented worksheets showing multi-year comparisons for the 1% Sales Tax, the 1% Home Rule Sales Tax, and the State Income Tax. These are the three biggest General Corporate revenue sources.

Hollmann reported that for the 1% Sales Tax, there was a 1.2% decrease in 2015-2016, a 3.4% decrease in 2016-2017, and this fiscal year the revenue is down 1.7% and 1.8% underbudget. This represents a decrease of \$37,000 this fiscal year. Last year at this point, the revenue was down about \$300,000. Council Member Jeff May stated that currently, the City is budgeting a flat revenue income. He feels the City should begin budgeting the decrease in revenue due to the downward trend in the Sales Tax Revenue. Council Member Jim Rippey stated that he feels that this revenue will continue to go down. Council Member Donte Moore stated that the City needs to watch these numbers and tow the line on expenditures.

Hollmann reported that for the 1% Home Rule Sales Tax, the State of Illinois is charging a 2% administrative fee. The City was unaware of this fee and the decrease was not budgeted. There was a 1.9% decrease in 2015-2016, a 3.0% decrease in 2016-2017, and this fiscal year the revenue is down 1.8% and 1.7% underbudget

Hollmann reported that for the State Income Tax, the State of Illinois is charging a 10% administrative fee. The City was also unaware of this fee and the decrease was not budgeted. The fee is scheduled to be in place for 12 months. There was a 1.5% increase in 2015-2016, a 7.8% decrease in 2016-2017, and this fiscal year the revenue is down 5.6% and 6.6% underbudget. This tax does not reflect the City's economy. This is a State-wide allocation divided on the City's census. The City does not receive any of the recent Income Tax increase. It goes directly to the State.

City Manager Mary Ellen Bechtel spoke on Working Fund balance projections over the next four years. She stated that the Working Fund balance at April 30, 2018 should remain flat at \$3.2 million. She reviewed the revenue and expenditure assumptions listed below on the worksheet. Council Member Jeff May asked on average what has been the increase in expenses. Hollmann replied that expenses increase about 2% each year, but this does not include salaries. Bechtel stated that there is still a lot of work to be done and the City must remain vigilant.

CITY OF MT. VERNON, IL
WORKING FUND BALANCE PROJECTIONS
ASSUMING SPENDING CUTS CONTINUE AFTER 5/1/2017
11/27/2017

	Year Ending 4/30/2018	Year Ending 4/30/2019	Year Ending 4/30/2020	Year Ending 4/30/2021
NOT CALLING 4 LAID OFF EMPLOYEES BACK				
GENERAL CORPORATE FUND				
Working Fund Balance at Beginning of Year	\$ 3,393,052	\$ 3,260,669	\$ 3,434,620	\$ 3,416,272
Revenues	\$ 13,437,671	\$ 14,014,317	\$ 13,988,340	\$ 13,965,283
Expenses	\$ (13,570,054)	\$ (13,840,366)	\$ (14,006,688)	\$ (14,179,236)
Working Fund Balance at End of Year	\$ 3,260,669	\$ 3,434,620	\$ 3,416,272	\$ 3,202,318

2.7 month's expenses

Revenue Assumptions

- 1) Assuming no increase in sales or home rule taxes
- 2) Assuming Menards will generate \$300,000 sales tax per year starting FYE 4/30/2019
- 3) Assuming Harley-Davidson will generate \$30,000 sales tax per year starting FYE 4/30/2018
- 4) Assuming a 2% state home rule sales tax collection fee will continue all 4 years
- 5) Assuming no increase in state income tax
- 6) Assuming 10% reduction in state income tax will only last for 12 months
- 7) Assuming \$102,000 increase each year in liquor licenses
- 8) Assuming \$53,150 increase each year in video game machine licenses
- 9) Assuming \$80,000 increase each year in video gaming tax

Expenditure Assumptions

- 1) Assuming that we do not hire back 4 people
- 2) Assuming just a 1% step increase each year in wages
- 3) Assuming 0% increase each year in self-funded health insurance
- 4) Assuming 4% increase each year in Plan F health insurance
- 5) Assuming 4% increase each year in commercial insurance
- 6) Assuming no demolition expenses each year (we spent \$59,000 in FYE 4/30/2017)
- 7) Assuming that MFT reimbursement will be \$0 each year (we budgeted \$142,500 for FYE 4/30/2018)
- 8) Assuming that we will continue to fund JCDC at \$100,000 each year (we funded them at \$150,000 in prior years)
- 9) Assuming that we will continue to fund DMDC at \$76,667 each year (we funded them at \$115,000 in prior years)
- 10) Assuming 2% increase each year in all other expenses
- 11) Assuming no transfer for Capital Items

The next worksheet shows the revenue projections. Council Member Jim Rippe requested that the worksheets be sent in an Excel format to give the Council a way to insert other assumptions.

CITY OF MT VERNON, IL
REVENUE PROJECTIONS
11/27/2017

	Year Ending 4/30/2018	Year Ending 4/30/2019	Year Ending 4/30/2020	Year Ending 4/30/2021	
Originally budgeted operating revenue	\$ 13,578,023	\$ -	\$ -	\$ -	
Adjusted Revenue Year Ending 4/30/2018	\$ -	\$ 13,437,671	\$ 14,014,317	\$ 13,988,340	
1% Sales tax adjustment	\$ -	\$ -	\$ -	\$ -	
Menards 1% Sales tax adjustment	\$ 37,500	\$ 112,500	\$ -	\$ -	
1% Home Rule tax adjustment	\$ -	\$ -	\$ -	\$ -	
Menards 1% Home Rule tax adjustment	\$ 36,750	\$ 110,250	\$ -	\$ -	
Harley-Davidson 1% Home Rule tax adj.	\$ 22,050	\$ 7,350	\$ -	\$ -	
Estimated 2% State Collection Fee	\$ (64,176)	\$ (5,784)	\$ -	\$ -	
State Income Tax adjustment	\$ -	\$ -	\$ -	\$ -	
Estimated State Income Tax 10% Reduction	\$ (135,476)	\$ 125,412	\$ 10,064	\$ -	
Sale of fixed assets will go down	\$ -	\$ (30,000)	\$ -	\$ -	\$40,000 budgeted FYE 4/30/2018
Funding from Revolving Loan will go down	\$ -	\$ (13,500)	\$ -	\$ -	
Increase in liquor licenses	\$ -	\$ 102,000	\$ -	\$ -	
Increase in video gaming tax	\$ -	\$ 80,000	\$ -	\$ -	This represents a 31% increase from FYE 4/30/2018
Increase in video game machine licenses	\$ -	\$ 53,150	\$ -	\$ -	
Deferred Property Tax for IMRF/FICA/Medic	\$ -	\$ 64,268	\$ (36,041)	\$ (23,057)	
Reduction of Post Office Rental	\$ -	\$ (29,000)	\$ -	\$ -	Assuming Post Office will only be owned until 4/30/2018.
Reduction of State Traffic Signal Reimbursement	\$ (37,000)	\$ -	\$ -	\$ -	\$57,000 budgeted FYE 4/30/18, will only be \$20,000
Estimated increases in other revenues	\$ -	\$ -	\$ -	\$ -	
	<u>\$ 13,437,671</u>	<u>\$ 14,014,317</u>	<u>\$ 13,988,340</u>	<u>\$ 13,965,283</u>	

CITY OF MT. VERNON, IL
EXPENSE PROJECTIONS
ASSUMING SPENDING CUTS CONTINUE AFTER 5/1/17
11/27/2017

	Year Ending	Year Ending 4/30/2019	Year Ending 4/30/2020	Year Ending 4/30/2021	
NOT CALLING 4 LAID OFF EMPLOYEES BACK					
Originally budgeted operating expenses for 4/30/18	\$ 13,571,904	\$ -	\$ -	\$ -	
Adjusted Expenses from previous year	\$ -	\$ 13,570,054	\$ 13,840,366	\$ 14,006,688	
Estimated Fire Dept Overtime over budget	\$ -	\$ -	\$ -	\$ -	
Wage & Benefit Savings from 4 layoffs	included above	included above	included above	included above	
Savings from cut to JCDC	included above	included above	included above	included above	4/30/2018 Budget was \$100,000
Savings from cut to DMDC	included above	included above	included above	included above	4/30/2018 Budget was \$76,667
Cost of increasing Demo expenses	\$ -	\$ -	\$ -	\$ -	4/30/2018 Budget was \$0
Adjust to anticipated ending WFB at 4/30/18	\$ -	\$ -	\$ -	\$ -	
Estimated increase in wages and benefits @ 1%, 1%, 1%	\$ -	\$ 82,551	\$ 83,377	\$ 84,211	Exclusive of Police & Fire Pension Expenses
Estimated increase in Plan D & F health ins @ 4%, 4%, 4%	\$ -	\$ 10,975	\$ 11,414	\$ 11,870	
Estimated increase in Self Insured health ins @ 0%, 0%, 0%	\$ -	\$ -	\$ -	\$ -	
Estimated savings from employees switching to Plan F	\$ (1,850)	\$ (38,850)	\$ (3,700)	\$ (925)	
Estimated savings from decrease in Plan F employees	\$ -	\$ -	\$ -	\$ -	
Estimated increase/decrease in commercial insurance @ 4%, 4%, 4%	\$ -	\$ 31,591	\$ 32,855	\$ 34,169	
Estimated increase in commercial insurance deductibles	\$ -	\$ -	\$ -	\$ -	4/30/2018 Budget was \$50,000
Estimated increase in Holiday Inn Express Funding	\$ -	\$ -	\$ -	\$ -	Add revenue will offset expense
Estimated increases in other expenses	\$ -	\$ 41,545	\$ 42,376	\$ 43,223	
ERI Annual Debt Service Payments	\$ -	\$ -	\$ -	\$ -	4/30/2018 Budget was \$139,751
Estimated increase in transfer for Capital Items	\$ -	\$ -	\$ -	\$ -	
Assuming MFT will not reimburse Genl Corp at \$142,500	\$ -	\$ 142,500	\$ -	\$ -	4/30/2018 Budget was (\$142,500)
	<u>\$ 13,570,054</u>	<u>\$ 13,840,366</u>	<u>\$ 14,006,688</u>	<u>\$ 14,179,236</u>	

Council Member Jeff May stated that City Manager Mary Ellen Bechtel and Merle Hollmann made some very serious reductions last year to enable the City to break even. Bechtel said that the big savings was due to the reduction of the City's commercial insurance rates. May said that bond investors look at the cities' revenue trends, expense trends, and most importantly Working Fund Balances. This shows the financial health of cities.

Mayor John Lewis asked why it is assumed a zero percent increase in the City's self-funded health insurance and if it was realistic. Hollmann stated that there were two back-to-back years of horrendous claim experience which resulted in a 40% increase each year. The City premiums are now comparable with a fully insured health plan. He said this is the ninth year of the City being self-funded. Out of the nine years, the City has experienced three bad years of claim experience. If the City sees some years of good claim experience, then money could be built up in the fund to help pay for any future increases. Council Member Jim Rippy said that the health insurance problem will never change until there is a direct pay, single payor method.

VISITORS/CITIZEN REQUEST/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

ADJOURNMENT

Council Member Jeff May motioned to adjourn. Seconded by Council Member Donte Moore. Yeas: May, Moore, Rippy, Young, and Lewis.

The meeting was adjourned at 3:55 p.m.

Respectfully submitted,



Mary Jo Pemberton
City Clerk