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**City of Mt. Vernon, Illinois  
City Council Workshop Meeting  
Monday, February 27, 2012**

The Mt. Vernon City Council held a Workshop Meeting on Monday, February 27, 2012, at 3:30 p.m. at City Hall, 1100 Main Street, Mt. Vernon, Illinois.

Mayor Mary Jane Chesley called the Workshop Meeting to order.

Roll call showed present: Council Member Dennis McEnaney, Council Member Todd Piper and Mayor Mary Jane Chesley. Council Members Ron Lash and David Wood were absent. Also present: City Manager Ron Neibert, Finance Director Merle Hollmann and City Clerk Jerilee Hopkins.

**THIRD QUARTER BUDGET REVIEW**

City Manager Ron Neibert commented that he is very happy with the condition of the City's budget at this point in time.

Concentrating on the General Corporate Fund at the beginning of the fiscal year the Operating Cash Balance was \$2,090,854. At the end of the first quarter the cash balance was \$1,881,714. At the halfway point the cash balance is \$2,497,851. At the end of the third quarter the City is right on track with a balance of \$2,005,922. In terms of cash basis, we are staying even with the cash balance at the beginning of the fiscal year.

The Working Fund Balance at the beginning of the fiscal year had a balance of \$2,885,390. The Working Fund Balance is cash on hand plus anticipated revenues over the next 60 days less payables. At the end of the first quarter the Working Fund Balance was \$2,665,373. At the halfway point a balance of \$2,953,796. At the end of the third quarter the Working Fund balance was \$3,407,242. Actual Revenues as Percent of Budget are at 79% of anticipated budgeted revenue. Revenues are coming in at about 4% higher than what we anticipated. Sales taxes are coming in higher than anticipated. The Non-Home Rule Tax is coming in about 6.6% higher than last year. The Home Rule Tax is coming in about 3.3% higher than last year. The local economy continues to be strong. Another reason for the increase in revenues is that we had \$100,000 in net revenue for the sale of property to Magnum Steel so that's being reflected in these numbers. We sold the property to Magnum Steel for \$150,000 but we had a \$50,000 cost in the acquisition of that property back from Dan Black. Pepsi was sold in the previous fiscal year.

Actual Expenditures as Percent of Budget at the end of the third quarter are at 74% just a little below where we should be in terms of trend. Looking at our original budgeted surplus in the

Corporate Fund at the beginning of the fiscal year we anticipated a deficit of (\$132,593). Actual budget surplus for nine months ending 1/31/12 is \$512,852. Through cost-cutting measures, through some fortunate projects and having a good, strong economy locally we are able to get out of that projected deficit and have a reasonable surplus. City Manager Neibert expects to follow the same trend for the end of the fiscal year at about \$600,000. The surplus will stay in the General Corporate Fund. The surplus allows the City to absorb a small deficit budget if the City chooses to operate under one in any future fiscal year. These numbers are well in line with the proposed guidelines that we want to adopt for the City's fiscal policy.

### **1% SALES TAX**

The 1% Sales Tax year-to-date is \$3,586,907 which represents a 6.1% increase over last year's actual receipts and a 2.4% increase over what we thought we would receive as part of the budget. In November, 2011 the sales tax increased 24.1% over previous year. Council Member Piper noted that some of the increase can be attributed to Shop It Local, Shop It Here and the Kohl's Department Store.

### **1% HOME RULE TAX**

The Home Rule Tax represents everything but groceries, medical and pharmaceutical supplies and titled vehicles, primarily automobiles including mobile homes. The 1% Home Rule Tax year-to-date is \$2,489,187 which represents a 3.3% increase over last year's revenue and .3% increase over what we thought we would receive. Note that the comparison between the November, 2011 regular sales tax at 24% more than the previous November and November Home Rule Tax is only 3% higher. City Manager Neibert stated that the majority of that tax was probably in automobiles.

### **STATE INCOME TAX**

The State Income Tax year-to-date is \$757,422 which represents a 3.2% reduction and 6.8% below what we anticipated on the budget. The City had about a 6% reduction in population via the Census. The State's economy has strengthened a bit or we would have an approximate 6% reduction based on per capita. The City uses the Illinois Municipal League projections, and it's not coming to fruition. Other municipalities are probably seeing reductions in State Income Tax revenues unless they had population increases.

### **1% SALES TAX BY STANDARD INDUSTRIAL CLASSIFICATION (SIC)**

City Manager Neibert disseminated a chart representing the 1% Sales Tax for 2010 and 2011. The following major use categories were highlighted: general merchandise, food, drinking and eating places, apparel, furniture & radio, lumber & hardware, automotive & filling stations, drugs & miscellaneous retail, agriculture, and manufacturers. These categories aren't based on the sales of the actual items, but based on the classification of the business that is selling them. Everything at Wal-Mart will fall under the general merchandise category except for the food which is taxed separately. Comparing the third quarter 2010 and 2011 automotive & filling stations, 2011 increased a bit, but during second quarter 2010 and 2011 automotive & filling stations increased significantly in 2011. City Finance Director Hollmann noted that is probably attributable to the "cash for clunkers" automobile promotion.

Mayor Chesley inquired if these are the same numbers contained in the Southern Illinois Business Journal. Yes they are. Two charts from the Journal were disseminated containing

retail sales for Southern Illinois cities from 2006 to 2011. These figures are from the Illinois Department of Revenue. Since 2006 the City has increased retail sales taxes by 1.2%. Retail sales for the State of Illinois are down 15.1%. Murphysboro experienced a 40.4% increase which in part is due to the new Wal-Mart. Overall, City Manager Neibert noted the City's economy is still doing well. The City is typical in terms of the make of our revenues for a similar sized City. The City is not relying on any one sector for revenues, and well balanced.

### **PUBLIC UTILITIES FUND**

At the beginning of the fiscal year we had an Operating Cash Balance of \$44,296. At the end of the first quarter there was a reduction of \$15,625. At the halfway point we had a cash balance of \$531,203 from property tax proceeds and hadn't paid the Commercial Insurance yet. At the end of the third quarter the Public Utilities Operating Cash Balance is \$152,029. The City has \$331,419 in the Public Utilities Working Fund at the beginning of the fiscal year; \$344,164 at the end of the first quarter; \$442,302 half-way through the fiscal year; and \$633,299 at the end of the third quarter. Actual Revenues as percent of Budget at 77% which means the City is selling about 2% more water than anticipated and expenditures are at 72%. If the revenues are up then way are expenses down? That is attributed to the maintenance and replacement programs the City is not losing as much water. Reinforcing the findings in the previous year's audit, the City is now capturing a higher percentage of the bulk water than is being sold. Addressing leaks and getting lines repaired is having the desired effect. Council Member McEnaney inquired how the numbers of leaks compare to the third quarter figures. According to City Manager Neibert at the last staff meeting City Water Director Alan Troutt noted there were no water breaks during the month of January.

The Original Budgeted Surplus at the end of the fiscal year is \$2,417. Based on the City's current financial condition the Actual Budget Surplus is at \$301,880. Council Member Piper asked if the City will use the surplus for additional capital projects. City Manager Neibert commented the surplus could be transferred to the Capital Fund for capital projects or the City gives a cost-of-living increase on May 1 based on the increases in costs for Rend Lake, EMC and staff increases based on the City's collective-bargaining contracts or reduce the amount that the City increases the water rates this year or a combination of the two. The outstanding projects are taken into consideration.

Council Member McEnaney requested a detailed analysis of the water breaks to use during the budgeting process. It may be possible to step-up the water line maintenance for the next fiscal year.

### **1% FOOD & BEVERAGE TAX**

The 1% Food & Beverage Tax year-to-date is \$472,770 which represents a 2.5% increase over last year's actual revenues and a 2.4% increase over what was budgeted. Growth in the food & beverage industry in the City is going well. Overall, more people from out of town are going to eat out than people in town.

### **2 CENT DIESEL FUEL TAX**

The 2 Center per gallon Diesel Fuel Tax year-to-date is \$417,755 which represents a 22.2% increase over last year's actual revenues and a 24.1% increase over what was budgeted. Diesel sales in the City are going strong. This tax is not a reflection of price but a reflection of actual gallons sold.

**TELECOMMUNICATION TAX**

City Finance Director Merle Hollmann reported that the telecommunication tax is coming in at about \$110,000 per year. No handout was provided.

Council Member McEnaney inquired about projects being paid with these taxes. City Manager Neibert noted the 34<sup>th</sup> Street project, purchase of new platform truck, new fire truck, capital equipment, and parts of the Veterans/Davidson road projects.

City Manager Neibert stated there has been over \$1.5 billion invested in Mt. Vernon over the past year including Pepsi, Magnum Steel, two hospital building projects and \$1.3 million spent on downtown TIF projects.

Council Member Piper commented that the City Manager coined a phrase – *Mt. Vernon is creating a business friendly culture of success.*

Copies of the handouts from today's Workshop will be forwarded to Council Members Lash and Wood.

Motion by Council Member Piper to adjourn. Second by Council Member McEnaney. Yeas: McEnaney, Piper, and Chesley. Absent Council Members Lash and Wood.

The Council adjourned at 4:08 p.m.

Respectfully submitted,

Jerilee Hopkins  
City Clerk