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## **City of Mt. Vernon, Illinois Special City Council Meeting Monday, March 26, 2012**

The Mt. Vernon City Council met for a Special City Council Meeting on Monday, March 26, 2012 at 3:00 p.m. in the Council Chambers at City Hall, 1100 Main Street, Mt. Vernon, Illinois.

Mayor Mary Jane Chesley called the meeting to order.

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

City Manager Ron Neibert presented for Council's consideration Second Reading on Ordinance Amending Article 23, the Mt. Vernon Municipal and Service Occupation Tax.

### **Mt. Vernon Municipal and Service Occupation Tax**

Council Member Piper made a motion to approve Ordinance No. 2012-10 Amending Article 23, the Mt. Vernon Municipal and Service Occupation Tax. Second by Council Member Wood. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

### **Review of General Corporate and Public utilities Operating Budgets**

City Manager Ron Neibert and Finance Director Merle Hollmann presented the General Corporate Fund Annual Operating Proposed Budget Summary for FY 2012-2013. The fund balance at the end of the year is \$476,323 giving the City a Working Fund balance of \$3.36 million. For the next fiscal year anticipated revenue is at \$13.6 million with an operating fund transfer of \$142,500 with \$17.1 million in available funds. Operating expenses are estimated at \$14 million with a fund deficit for next fiscal year of (\$297,020). A majority of the increases in this budget are related to three main items: 1) insurance costs, 2) increasing fuel costs, and 3) increased personnel costs based on Union contracts that are being negotiated now. The Police Officers ratified their Union Contract last Monday and anticipate a tentative agreement with the Telecommunicators this week and the remaining Units have decided to go to mediation. However, we anticipate trying to negotiate those contracts at the same terms as the Police Officers. Hopefully the mediations will be scheduled in the next couple of weeks.

Finance Director Hollmann noted that these worksheets were emailed to the Mayor and City Council last week and minor changes have been made to the worksheets since then. The biggest change is in Engineering where it is anticipated that as much demolition will not be completed this year as originally projected. The left over

demolition funds totaling \$50,000 will be carried over into next year's demolition budget, and \$170,000 additional funds will be budgeted next year for demolition. The demolition budget has increased from \$50,000 a couple of years ago to \$170,000 for next fiscal year. Council Member Wood requested the Council review the demolition budget so that it increases every year until the City is cleaned of deteriorated houses/buildings. At last count there are 30-50 structures to be demolished. The process was slowed because of an EPA requirement to perform asbestos inspections. If asbestos is found, it must be demolished by an EPA approved contractor. That is the reason that the wall is still standing next to Main Street Records. That contract has been awarded, and we're waiting for them to complete the job. The approximate cost of a demolition with asbestos inspection is \$5,000. It was suggested that additional asbestos approved contractors be sought to complete the work in the timely manner. Council Member Wood suggested waiting until a future workshop to discuss the demolition budget and requested a quarterly review on demolitions. Due to the large amount of commercial construction (hospitals, churches, etc.) going on the City's Engineering and Inspection Department are very busy and that coupled with the rental housing inspections, the City is proposing to add an additional Inspector to the Department. In construction supervision this year the City will save about \$400,000 by having Nate on staff and using an in-house Inspector as well. Given the large size and scope of the Veterans and Davidson Project and the other commercial construction on going this summer, it will be necessary to contract with an Engineering firm.

Mayor Chesley added that the number of building permits for January and February of 2011 compared to this past January and February numbers have doubled in a year's time. Also, it's about ten times more in the value of the construction compared to last year.

City Manager Neibert noted that obviously the City doesn't want to go into a budget year with a deficit, but the City has been successful the last previous three years in budgeting deficits but still have positive operating revenues at the end of the year. He expects to do the same for next fiscal year. He noted that they have taken a little more aggressive approach at estimating revenues, but he believes there is still room for extra revenues.

Council Member Wood suggested that the Council discuss the City's contribution to JCDC at a future budget workshop. From the currently budgeted revenue, we budgeted \$12.6 million and came in at \$13 million. Finance Director Hollmann noted that is contributed mostly to sales tax. He added that \$150,000 was for the sale of the Industrial Park property so \$150,000 was not budgeted. Sales tax is up \$152,000 and the Home Rule tax is up \$57,000, add \$150,000 for the sale of the property, and that leaves about \$300,000 in increased revenues. The next step up takes the City from \$13 million to \$13.6 million with about \$600,000 in increased revenues. Finance Director Hollmann stated that a large part of the increase is the IMRF tax levy.

Council Member Wood noted that the City budgeted \$12,851,609, and the City spent \$12,721,582 which is \$132,594 less than we budgeted so the City actually spent less than was budgeted. That's the reason we went from a projected deficit of (\$132,594) up to \$476,323. That means that our fund balance at \$2.5 million is sufficient. Finance Director Hollmann added that there was discussion that one month's worth of operating expenditures. When you take next year's \$14 million for operating expenditures and divide that by 12 months that leaves a little over \$1.2 million for a targeted fund balance or one month's worth of operating expenditures. Council Member Wood believes the Council should consider having an emergency reserve fund or putting the taxpayer's money to work in the City. Also, the Council should consider what to do with any excess. Council Member McEnaney also wants to further discuss the fund balance at a later date.

Finance Director Hollmann is estimating a 40% reduction in telephone expense due to the new telephone system.

Mike Shannon, Director of Fleet Services, drafted the fuel cost estimates by referencing Federal estimates for the next year.

City Manager Ron Neibert and Finance Director Merle Hollmann presented the Public Utilities Fund Annual Proposed Budget Summary for FY 2012-2013 with a 0% increase in water and sewer rates. The fund balance at the end of the 2011 fiscal year is \$331,473. We budgeted \$2,417 for surplus in the current fiscal year. The fund balance that we began the year with of \$331,419, the revenues received at \$6.6 million, expenses at \$6.4 million leaving a positive change in fund balance of \$92,085. During the Third Quarter Budget Review the City originally proposed about a \$300,000 positive fund balance. There were two unfortunate circumstances that changed that. One was a misallocation of some revenues into the unobligated operating fund that should have been in restricted capital. The other was a billing received from Rend Lake for water that was received after the posting period so that it was not posted within the Third Quarter Review so the two equal about \$200,000. But we do have a positive cash balance of about \$92,000. For next fiscal year, we have proposed revenues of a little over \$6.6 million. Operating expenses about (\$6.7 million.) Most of that is through proposed increases with bargaining unit contracts. Finance Director Hollmann noted that the City figured a 7.3% increase in revenues for last fiscal year because we had understated the increase from the previous year.

On page 2 with a 1.75% increase in the operating revenues there would be a negative change in fund balance of about (\$36,000) leaving a fund balance of \$387,012. Obviously that is below what our one month's expenses are in public utilities which is about \$560,000.

On page 3 with a 2.5% increase in the operating revenues there would be a positive change in the fund balance of \$6,121 with the ending fund balance of \$429,625 which is still lower than one month's expenses of \$560,000. Council Member Wood thought the fiscal policy on water and sewer was less than for the general fund because it is pay-as-you-go. If it isn't, he suggested the Council revisit that.

Finance Director Hollmann noted that originally the general corporate fund balance was set at two month's expenses and public utilities was set at two month's expenses, but then cut back public utilities to one month's expenses, and eventually cut back general corporate to one month's also.

City Manager Neibert stated he is comfortable recommending the 1.75% increase even though it is not consistent with the fiscal policy. We've had good luck in making sure that expenses come in below budgeted levels. Council Member Wood asked for a worksheet reflecting a 2% increase.

The line item for Rend Lake water is Account 300 under non-operating charges and titled Merchandise for Resale.

This November will be the last water and sewer rate increase.

Council Member McEnaney asked for an analysis of savings to the City because of less water loss or leakage. He wants to see how effective is the money being spent on repairs.

The Mayor completed the City Update for April which includes the I57 lane reduction due to construction.

Mayor Chesley is also working on a brochure focusing on jobs. Council Member Wood requested that the brochures be sent to the Council Members in PDF format so they can be reproduced when needed.

**EXECUTIVE SESSION**

City Manager Neibert requested an Executive Session for the purpose of discussing land acquisition. Council Member Wood made a motion for Council to meet in Executive Session in order to discuss land acquisition. Second by Council Member Lash. Yeas: Lash, McEnaney, Piper, Wood and Chesley. Time is 4:00 p.m.

**ADJOURNMENT**

At 5:30 p.m. a motion to adjourn was made by Council Member McEnaney. Second by Council Member Piper. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

Respectfully submitted,

Jerilee Hopkins  
City Clerk