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**City of Mt. Vernon, Illinois
City Council Workshop Meeting
Tuesday, April 16, 2013
MINUTES**

The Mt. Vernon City Council held a City Council Workshop Meeting on Tuesday, April 16, 2013, at 3:00 p.m. at City Hall, 1100 Main Street, Mt. Vernon, IL.

Mayor Mary Jane Chesley called the meeting to order.

ROLL CALL

Roll call showed present: Council Members Ron Lash, Dennis McEnaney, Todd Piper and Mayor Mary Jane Chesley. Council Member David Wood was absent.

The purpose of the Workshop Meeting was to discuss the 2013-2014 Budget, including General Corporate Operating Budget, Motor Fuel Tax Budget and Public Utilities Operating Budget. In absence of a full panel City Manager Neibert began with discussion of the Motor Fuel Tax Budget.

MOTOR FUEL TAX BUDGET

MOTOR FUEL TAX
ANNUAL BUDGET SUMMARY

	FY 2012-2013 CURRENTLY BUDGETED	FY 2012-2013 ESTIMATED OPERATING REVENUE (EXPENDITURES)	FY 2012-2013 TOTAL ESTIMATES	FY 2013-2014 ESTIMATED OPERATING REVENUE (EXPENDITURES)	FY 2013-2014 TOTAL PROPOSED
WORKING FUND BALANCE BEGINNING	\$296,871	\$289,422	\$289,422	\$71,993	\$71,993
REVENUE	\$439,167	\$435,386	\$435,386	\$434,921	\$434,921
REVENUE ALLOCATED TO CAPITAL	\$0	\$0		\$0	
TOTAL REVENUES	\$439,167	\$435,386	\$435,386	\$434,921	\$434,921
EXPENDITURES	(\$686,697)	(\$652,815)	(\$652,815)	(\$486,025)	(\$486,025)
ANNUAL CHANGES IN WORKING FUND BALANCE	(\$247,530)	(\$217,429)	(\$217,429)	(\$51,104)	(\$51,104)
WORKING FUND BALANCE ENDING	\$49,341	\$71,993	\$71,993	\$20,889	\$20,889

Council Member Wood entered at 3:05pm.

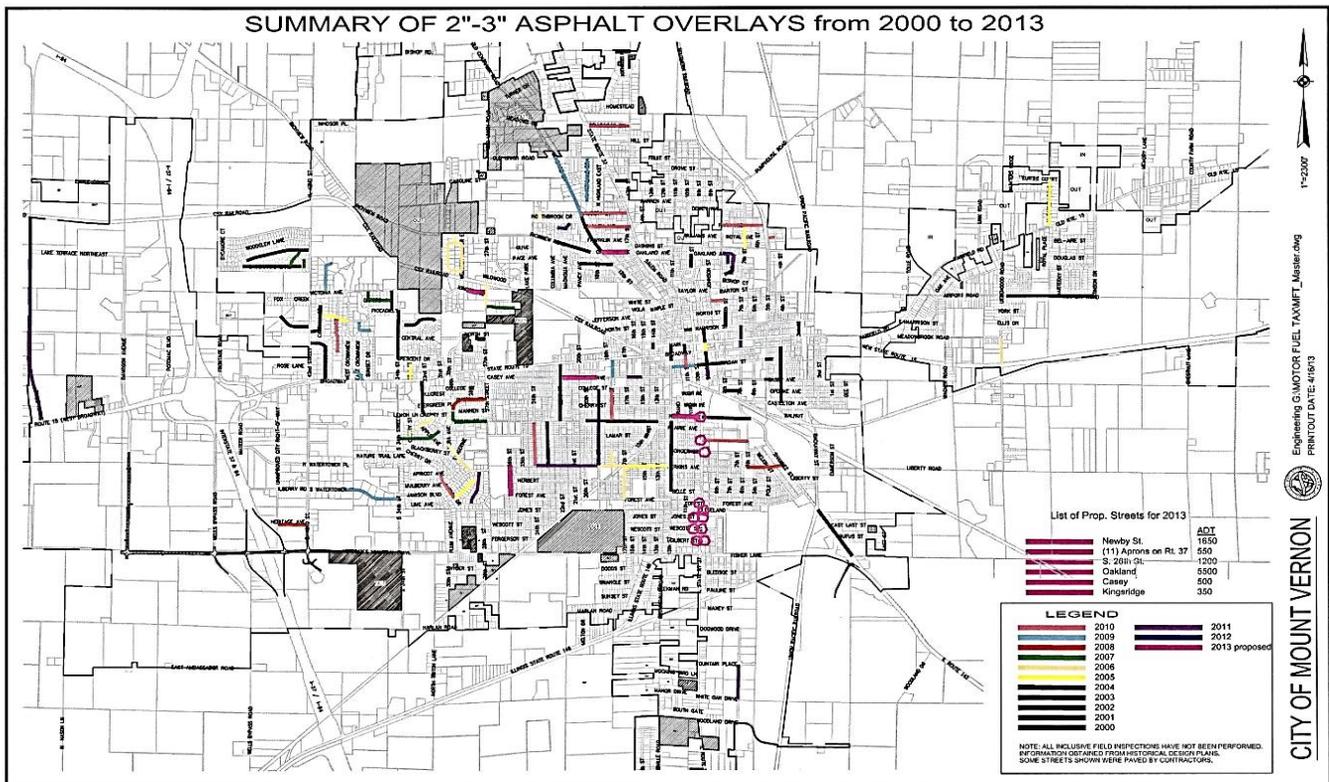
City Manager Neibert explained that there are a number of items that are eligible for payment under Motor Fuel Tax such as road repairs and road upgrades. However with the implementation of the Capital Funds given circumstances in this fiscal year they have chosen to utilize the Motor Fuel Tax expenditures in two main categories. The first being payment to Ameren Illinois and Tri-County Electric for electrical costs for the City street lighting system in the annual amount of \$185,000.00. The second is payment for personnel costs and benefits for doing roadwork.

Finance Director Merle Hollmann presented to Council the 2013 Annual Street Maintenance Programs.

4/16/2013

CITY OF MOUNT VERNON
 2013 ANNUAL STREET MAINTENANCE PROGRAM for ASPHALT OVERLAYS

SECTION	SECTION CHARACTERISTICS						PROPOSED MILLING			PROPOSED ASPHALT										
	Traffic ADT Units	Cond. Rate	surface/curb	width ft	length ft	area sq yd	factor	area sq yd	cost	Revised Area		Thickness of			Binder tons	Surf. (tons)	MC90 gal.	HFE 90 gal.	cost	
										Factor	area sq yd	binder in	surface in	in						
MFT SECTIONS																				
1	S. 26th - Perkins to Forest	1200	5	asphalt	ditch	24.0	920	2453	0.00	0	\$0	1.15	2821.3	0.0	2.0	0	316	n/a	254	\$22,705
2	Newby - 10th to 12th St.	1650	5	asphalt	curb	24.0	835	2227	0.00	0	\$0	1.15	2560.7	0.0	2.0	0	287	n/a	230	\$20,607
3	Oakland - 17th St. to 12th St.	5500	5	asphalt	curb	24	730	1947	1.00	1947	\$2,920	1.15	2238.7	0.0	2.0	0	251	n/a	201	\$18,016
4	Casey 19th to 22nd	1050	5	asphalt	curb	24.0	1050	2800	0.00	0	\$0	1.15	3220.0	0.0	2.0	0	361	n/a	290	\$25,913
5	(11) Aprons on S. Rt. 37			asphalt	curb		600	0.00	0	\$0	1.15	690.0	0.0	2.0	0	77	n/a	62	\$10,400	
6	Kingsridge Entrance		5	asphalt	curb	42.0	566	2641	1.00	2641	\$3,962	1.15	3037.5	0.0	2.0	0	340	n/a	273	\$24,445
TOTALS						12668	2.00	4588.00	\$6,882	6.90	14568	0	12	0	1632	1311	\$122,085			



Neibert concluded that more would be spent this year and it would be coming out of General Corporate Capital.

Council Member Piper asked where Motor Fuel Tax came from. Neibert explained that a portion of the State Fuel Tax goes into a State pot of Motor Fuel Taxes and a portion of that pot of money gets distributed to local governments on a per capita basis.

PUBLIC UTILITIES FUND

PUBLIC UTILITIES FUND
 ANNUAL BUDGET SUMMARY

	FY 2012-2013 CURRENTLY BUDGETED FOR OPERATIONS	FY 2012-2013 ESTIMATED OPERATING REVENUE (EXPENDITURES) W/ 2.33% INCREASE	FY 2012-2013 ESTIMATED RESTRICTED REVENUES & LOANS (DEBT SERVICE EXPEND.) (CAPITAL EXPENDITURES)	FY 2012-2013 TOTAL ESTIMATES	FY 2013-2014 ESTIMATED OPERATING REVENUE (EXPENDITURES) W/ 1% INCREASE	FY 2013-2014 ESTIMATED RESTRICTED REVENUES & LOANS (DEBT SERVICE EXPEND.) (CAPITAL EXPENDITURES)	FY 2013-2014 TOTAL PROPOSED
WORKING FUND BALANCE BEGINNING	\$410,415	\$408,259		\$408,259	\$402,855	\$0	\$402,855
REVENUE	\$6,695,133	\$6,953,777		\$6,953,777	\$6,807,346		\$6,807,346
REVENUE ALLOCATED TO CAPITAL	\$0	\$0		\$0	\$0		\$0
TOTAL REVENUES	\$6,695,133	\$6,953,777	\$0	\$6,953,777	\$6,807,346	\$0	\$6,807,346
EXPENDITURES							
PUBLIC UTILITIES - OPERATING	(\$6,492,990)	(\$6,752,818)		(\$6,752,818)	(\$6,590,096)		(\$6,590,096)
PUBLIC UTILITIES - BILLING SERVICES	(\$212,220)	(\$206,363)		(\$206,363)	(\$215,379)		(\$215,379)
TOTAL EXPENDITURES	(\$6,705,210)	(\$6,959,181)	\$0	(\$6,959,181)	(\$6,805,475)	\$0	(\$6,805,475)
ANNUAL CHANGES IN WORKING FUND BALANCE	(\$10,077)	(\$5,404)	\$0	(\$5,404)	\$1,871	\$0	\$1,871
WORKING FUND BALANCE ENDING	\$400,338	\$402,855	\$0	\$402,855	\$404,726	\$0	\$404,726

City Manager Neibert noted that as of the past five years they like to have a balanced budget meaning a dollar in and a dollar out; no change in the Working Fund Balance from the beginning of the year to the end. This year there would be a \$56,000.00 dollar difference.

Council Member Wood mentioned that he would like to make sure that the revenues could be adjusted midstream if need be. Neibert stated they could.

Council Member McEnaney asked for a description of the expenditures shown. Neibert stated they were straight operations of the Water Administration and Public Utility Department in terms of their street work and the City's share of the operations under the EMC contract at the waste water plant. Hollmann stated that \$2 million of the \$6.7 million accounted for purchases from Rend Lake, \$2.3 million is paid to EMC and the other accounts mostly for salaries.

City Manager Neibert concluded that with an increase of 1% they would still be short about \$163,000.00 of the target under the fiscal policy.

Council Member Wood asked the total rate increase for 2012-13 broken down into the increase for the operations and increase in November 2012 for Capital. Neibert stated a 3% increase in November and 2.35% was implemented last May 1st. Wood concluded that those combined totaled 5.35% and if 3% is implemented and the reserve increased it would get them close to the goal and one more good year would allow them to reach that goal. The 3% increase would still be 2.35% less than what they had in the preceding year. The rate of the increase would be considerably less than it has been for the past number of years. Neibert concurred. Council Member Wood expressed his concern of getting those projects done that needed to be done and being able to address those mid-budget if needed. Neibert stated that projects could be addressed mid-budget.

Council Member Piper asked if a time table was set to achieve the fiscal policy. Council agreed on a reasonable amount of time to reach the goal upon the audit findings and suggested review a year from then at the next budget.

Council Member McEnaney mentioned his strong feelings regarding the continued cast-iron main replacement involving Public Utilities Capital.

Council Member Lash asked what the average 3% increase on the water bill would look like. Hollmann stated it would be an additional 1.80/month if the water bill was \$60.00.

Council Member McEnaney stated that he would like to see a plan and a date in the near future to address the issues of the cast-iron main replacement. City Manager Neibert recommended sometime in July or August of this year.

A 3% rate increase was agreed upon by the Council.

Council Member Lash stated that if the 3% increase is implemented the City should let the public know why this rate is taking place and the direction the City and Council is headed to validate why the rate is needed. Council Member Wood suggested putting the notice on the City Update section of the water bill.

Council Member Piper noted that the bottom line was that just a few years ago the City had a negative fund balance of \$1.9 million. Neibert elaborated that the City wrote that off making the decision that there was no way they were going to raise rates to try and recoup that \$1.9 million in revenues that had been lost. If the policy had not been put into place the City would have continued to lose money and also not incorporate any new projects.

Council Member Lash stated that another significant issue when talking about the replacement of the cast-iron water mains is the fact that a lot of people are not aware of the loss of water that can be recouped by updating the water system and how that much water loss affects their water bill.

Council Member Wood stated when rates have been raised over the years the City's essential policy has been to just charge citizens for the cost alone. The City has not done what other communities have done in that they raise water and sewer rates to pay for Police and Fire protection. It is the City's commitment not to do that. The 3% increase does not violate that commitment.

An informal recommendation was given to City Manager Neibert for an Ordinance to be drafted to pass at the April 29, 2013 Council Meeting to increase water and sewer rates by 3%. Notice of the increase along with the explanation will be placed on the back of the water bill.

GENERAL CORPORATE FUND

	GENERAL CORPORATE FUND ANNUAL OPERATING BUDGET SUMMARY							
	FY 2012-2013 CURRENTLY BUDGETED	FY 2012-2013 ESTIMATED OPERATING REVENUE (EXPENDITURES)	FY 2012-2013 ESTIMATED CAPITAL RELATED REVENUES AND EXPENDITURES	FY 2012-2013 ESTIMATED RESTRICTED OPERATING REVENUE (EXPENDITURES)	FY 2012-2013 ESTIMATED TOTAL REVENUE AND (EXPENDITURES)	FY 2013-2014 PROPOSED OPERATING REVENUE (EXPENDITURES)	FY 2013-2014 PROPOSED RESTRICTED OPERATING REVENUE (EXPENDITURES)	FY 2013-2014 PROPOSED TOTAL REVENUE AND (EXPENDITURES)
WORKING FUND BALANCE BEGINNING	3,471,991	3,827,866	2,858,830	104,301	6,790,997	3,610,798	60,895	3,671,693
REVENUE	13,659,168	13,369,978	0	29,926	13,399,904	13,779,480	22,170	13,801,650
OPERATING TRANSFERS IN	142,560	175,571	0	0	175,571	158,817	0	158,817
TOTAL REVENUES	13,801,668	13,545,549	0	29,926	13,575,475	13,938,297	22,170	13,960,467
EXPENDITURES								
MAYOR AND COUNCIL	(34,427)	(33,398)			(33,398)	(39,428)		(39,428)
CITY MANAGER	(211,463)	(271,309)			(271,309)	(225,481)		(225,481)
CITY CLERK	(83,264)	(83,736)			(83,736)	(88,322)		(88,322)
CITY TREASURER	(9,007)	(8,626)			(8,626)	(9,544)		(9,544)
HUMAN RESOURCES	(164,803)	(166,243)			(166,243)	(133,382)		(133,382)
LEGAL	(147,117)	(132,486)			(132,486)	(150,916)		(150,916)
PARK	(925,587)	(888,625)		(2,977)	(891,602)	(895,849)		(895,849)
AQUATIC CENTER	0	0			0	(309,534)		(309,534)
FINANCE	(284,619)	(276,200)			(276,200)	(285,597)		(285,597)
ENGINEERING	(661,188)	(645,916)			(645,916)	(627,855)		(627,855)
POLICE	(4,924,354)	(4,675,382)		(25,698)	(4,701,080)	(4,947,037)		(4,947,037)
FIRE	(3,152,984)	(3,179,379)			(3,179,379)	(3,215,753)		(3,215,753)
EMERGENCY MANAGEMENT AGENCY	(13,036)	(12,784)			(12,784)	(17,426)		(17,426)
PUBLIC WORKS	(1,633,557)	(1,631,275)			(1,631,275)	(1,598,240)		(1,598,240)
FLEET SERVICES	(646,241)	(621,750)			(621,750)	(650,658)		(650,658)
GENERAL GOVERNMENT	(1,224,301)	(1,170,175)	(2,858,830)	(10,000)	(4,039,005)	(1,296,510)		(1,296,510)
ALLOCATED EXPENSES AT 1801 CASEY	(1)	1			1	0		0
RECLASSIFY DMRF, FICA & MEDICARE EXPENSES	30,662	34,657			34,657	0		0
	(14,089,283)	(13,762,617)	(2,858,830)	(34,657)	(16,694,779)	(14,491,532)	0	(14,491,532)
ANNUAL CHANGES IN WORKING FUND BALANCE	(287,615)	(217,068)	(2,858,830)	(43,406)	(3,119,304)	(553,235)	22,170	(531,065)
WORKING FUND BALANCE ENDING	3,184,376	3,610,798	0	60,895	3,671,693	3,057,563	83,065	3,140,628

corporate revenues are going to be down about \$300,000.00. According to research this is due to the interstate construction on I-57. Additional research showed that there are similar trends in revenues of

communities that are having similar types of construction. Revenues in communities like Mt. Vernon with no construction are remaining flat or increasing by two to three percent. Some of the deficit includes the aquatic facility, pension requirements paid from the General Corporate Fund rather than being placed on the tax bill. The increase in General Corporate contribution to pensions amount to about \$100,000.00. Neibert concluded that a similar deficit would be seen this year. The benefit, he stated, is that the fiscal policy shows that the City is only required to maintain \$1.2 million in the reserves.

Council Member Piper stated that they have seen this coming with the quarterly interviews they have seen that the interstate construction has adversely affected the revenues for the City along with Marion and Effingham. With the sound fiscal policy the City is prepared for this.

City Manager Neibert stated that costs have been cut in all departments. The City did what a good municipality should do addressing those expenses to streamline services and get more with less. In order to do certain things revenues had to be raised; overall a good balance. With the balance of the fiscal year the City can see how the revenues rebound and address it next fiscal year if need be.

Council Member Wood stated there is no debt that is being financed out of this. All the debt is on the capital side. The biggest difference between the City and all the other cities that struggle with debt is they have used debt to finance operations. The City of Mt. Vernon has not funded its operations with debt we have only funded the capital improvements. The cities that are struggling with debt are doing so because they funded operations. Taxes will not be raised this year. The City is going to dip into the reserve and not cut services. Wood stated discretionary expenditures by the City must come to a grinding halt until they get a handle on this. City Manager Neibert stated that department budgets were cut.

Mayor Chesley commented that she would like to have a detailed record of difference in expenditures from last year to this year. City Manager Neibert stated that he could give a line item per department showing what was spent on personnel last year and what was spent on programmatic expenses and will have the breakout and will highlight under each department what the new proposed programmatic items are. Half a million dollars spent on discretionary expenditures were cut from the departments budgets.

Council Member McEnaney asked why the monetary change in General Government. Hollmann explained that the decrease was due to street lighting expenses being moved to Motor Fuel Tax; approximately \$144,000.00. The property tax levy subsidy for the Police and Fire Pension went up \$98,000.00. The retiree health insurance was \$23,000.00. McEnaney stated that had the City not subsidized the Fire and Police Pension, the way the City did, property taxes would have went up to over 13%.

Council Member Wood stated that he would like to look at the Fire and Police Pensions really hard this summer. The Mayor feels that Springfield will get around to doing something. Wood would still like to take a look at it and have some public hearings to get some input from members of the community and businesses. The City has been catching things before they happen, but this one is just an unfortunate deal that has been thrust on the City stated Wood. The biggest thing the City did was start funding it faster than the state required. Things just don't balance out and a solution will have to occur.

Mayor Chesley stated it is not just the City of Mt. Vernon, it's across the board, other towns are hurting, they are going to lose their Fire Departments.

City Manager Neibert explained that the problem some communities made is that the Department of Insurance or an Actuarial comes in and tells them what their contributions are and in some areas they

were not making full contributions. The City can never be criticized for underfunding the pension funds below what the City was told to fund. The City has kept the policy of funding at the quicker, more aggressive amortization so that the City either slows down the gap in percentage of funding or tries to make up ground. At some point, the City may have to decide to fund it at an aggressive level or only fund the minimum statutory requirement. In his opinion even under the investment policies and funding policies the benefit schedules for those two funds are still outstripping the City's ability to maintain those funding levels.

Mayor Chesley stated that mayors all over are looking for a unified approach they can make to the IML to take to legislature. 1,200 communities working together make a big noise.

Council Member McEnaney asked about the differences in revenue expenditures for the Police Department between the current and proposed budget. Hollmann stated the Police Department came in at \$250,000.00 under budget due to the fact that officers retired and people left the force. The department was working below authorized levels. Neibert concluded there are also some pending retirements that may have the same net effect this year. The City is budgeting at 100% as if no one is going to leave.

Council Member Wood asked if the City would be looking at the decision to replace the retired officers. Neibert stated that two years ago the City received a Federal Grant to fund at a certain level. The grant paid three years of the officers' salaries and benefits. This coming fiscal year is the third year of the grant funding program. The City is required under the grant funding program to maintain that at our costs for one additional year.

Mayor Chesley asked for background as to whether or not the City and County Telecommunications can be combined and if there is a savings involved. Neibert stated these are things that he has been exploring. There is obviously some programmatic things to work around in terms of operation and agreement between the two entities, it is something that should be explored.

EXECUTIVE SESSION

Motion by Council Member Lash to go into Executive Session. Seconded by Council Member McEnaney. Yeas: Lash McEnaney, Piper, Wood and Chesley. An Executive Session was held to discuss Land Acquisition and Sale of Real Estate at 4:26 pm.

ADJOURNMENT

Motion by Council Member Wood to adjourn. Seconded by Council Member Lash. Yeas: Lash, McEnaney, Wood and Chesley. Council Member Piper absent.

The meeting was adjourned at 5:09 p.m.
Respectfully submitted,

Jerilee Hopkins
City Clerk