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**City of Mt. Vernon, Illinois
Public Budget Hearing
Old Council Chambers — City Hall
Monday, April 30, 2012
3:00 p.m.**

**City of Mt. Vernon, Illinois
Special City Council Meeting
Old Council Chambers — City Hall
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**MINUTES
PUBLIC BUDGET HEARING**

The Mt. Vernon City Council met for a Public Budget Hearing on Monday, April 30, 2012, at 3:00 p.m. in the Old Council Chambers, City Hall, 1100 Main Street, Mt. Vernon, Illinois.

City Manager Ron Neibert stated that after about three months of hard work by the Mayor, City Council, Finance Director Merle Hollmann and staff, City Department Directors and himself, the highlights of the proposed budget for fiscal year ending April 30, 2013 are as follows:

The proposed budget for FY 2012/2013 is a new City record in terms of the total amount of the budget — \$43,367,584.00. This is obviously reflective of the large amount of capital expenditures that the City will be doing this year. The Veterans/Davidson project in total equates to about \$6.5 to \$7 million of the \$10 million difference from last year's budget. The activities that the City has long-envisioned are coming to fruition this year.

GENERAL CORPORATE FUND BUDGETARY HIGHLIGHTS

The general corporate budget for FY 2012/2013 will have a proposed working fund balance at the end of the fiscal year of \$3,184,376. This will be reflected after projected expenditures of \$14,089,283 in the fiscal year.

SPECIAL REVENUE FUNDS BUDGETARY HIGHLIGHTS

The City has nine "Special Revenue" funds whose revenues are earmarked for specific purposes and are not to be used for general operating purposes. We now have four TIF (Tax Increment Financing) funds that are included in these funds. The working fund balance of all the Special Revenue Funds at April 30, 2013 is projected to be \$1,353,688. The Revolving Loan Fund and the Tourism Fund make up \$1,338,332 of this total.

CAPITAL PROJECTS FUND BUDGETARY HIGHLIGHTS

A new Capital Projects Fund will be created May 1, 2012 to account for restricted capital revenue and bond proceeds. We are projecting a fund balance for restricted capital revenue of \$125,905. We are also projecting a deficit fund balance of \$1,738,636 for debt that represents part of a new bond issue that will be borrowed in 2012-2013. This does not include the \$6 million for the Aquatic Center because the Quality of Life/Economic Development fund expenses are not in this budget, nor do we have the bond proceeds that will fund all of those items.

PROPRIETARY FUNDS BUDGETARY HIGHLIGHTS

The City has three "Proprietary" funds whose operating expenses are intended to be funded by their operating revenues.

The Sanitation Fund became a Proprietary Fund on May 1, 2008 when its operating rates were increased enough to pay its operating costs and thereby support itself. Effective May 1, 2011 the garbage rates were changed to \$10.99 per month and will remain at that monthly rate until April 30, 2014. This fund is operating at a virtual break-even amount.

The City maintains a self-insured health insurance fund, which is also treated as a Proprietary Fund. The City's health insurance is one of its largest line item expenses. We had no increase in our self-imposed rates on January 1, 2012. We are estimating an 8% increase in our rates effective January 1, 2013 and a working fund balance of \$457,826 on April 30, 2013.

The Public Utilities Fund operates the water distribution and sanitary sewer systems of the City. We are projecting a working fund balance for operations at April 30, 2013 of \$400,338 with total expenditures for operations projected at \$6,705,210. As in the General Corporate Fund, we have restricted revenue from a 3% rate increase on May 1, 2009, 3% rate increases on November 1, 2009, 2010 and 2011, and a future 3% rate increase on November 1, 2012 that have been restricted by the City Council for capital and infrastructure expenses. These improvements greatly increase the City's ability to upgrade the water and sewer distribution and collection systems. These system upgrades will ultimately reduce water losses through leaks, and the City will reduce costs of water purchases and operating and overtime expenses. We are proposing \$3.0 million of capital expenses in the Public Utilities Fund for the next fiscal year that will be funded by \$.2 million from the above mentioned restricted revenues, by \$2.3 from the proceeds of the 2010 bonds, and by \$.4 million from proceeds of a new debt. There is a 2.35% increase in the water and sewer rates for operations proposed in this budget effective May 1, 2012.

Council Member Wood inquired the following: The Quality of Life/Economic Development Fund is not included in this budget and, therefore, the \$43 million does not include any of those numbers - correct. And the \$43 million does include all capital expenditures so while it was stated that the City hit a new record when you don't include capital projects the City's budget is substantially less - correct. Can you

give an estimate of that number because it sounds like the City is two and one-half times the size than in previous years when in fact we're at the same level of employees? We want to be sure and give an accurate reflection of the City's budget. City Manager Neibert noted that the increase in the City's operations side of the budget would probably increase 4% or 5% over last year. Of the 33% increase in the overall budget from last year, probably 3% to 4% would be reflective of operations. City Financial Director Hollmann stated he would give the Mayor and Council the exact number.

Council Member Piper inquired if there is a timeframe established for the Mayor and Council to review the possible capital projects. City Manager Neibert stated he will send out this week a proposed schedule for the categories of projects to be reviewed in May, June and July. He understands the Council's concern to move these projects along and to take advantage of the construction season as well as low bond rates. City Manager Neibert will be advancing those projects that the Council can make quick decisions about and a quick turnaround timeline in terms of design and other related issues.

Council Member McEnaney noted that he spoke with Finance Director Merle Hollmann earlier in the day regarding the Cover Letter versus the ALL FUNDS BUDGET SUMMARY on Page 1 that includes everything which is what Council Member Wood is alluding to. Finance Director Hollmann will give the Mayor and Council a grand total of the operations part of the budget. In addition, Council Member McEnaney noted that the estimated revenues of \$16.1 million going down to \$13.8 million this year which is reflective of monies going from general corporate into the capital fund. Finance Director Hollmann commented that the capital projects fund will have all the food & beverage tax revenue, diesel tax revenues and the 1% telecommunications revenues this year whereas they were in the general corporate fund last year.

City Manager Neibert advised that the City received a determination from the Auditors that the City is allowed to take the general corporate capital fund and budget for those items. Next year's audit will be reflective of the capital funds and the quality of life funds being audited separately from the general corporate fund as it had been done in the past. The Auditors could not find a way to justify splitting out the public utilities capital from the public utilities operations so we still have to work with them from a combined standpoint.

Council Member Wood questioned if the reason the funds are split is because the difference is being reflected now on Page 1 under ALL FUNDS BUDGET SUMMARY.

Council Member McEnaney asked Finance Director Hollmann to breakdown the \$8.7 million in the capital projects fund.

Finance Director Hollmann noted on Page 55 entitled CAPITAL PROJECTS REVENUE SUMMARY the following subtotals make up the capital projects revenue:

New telecommunication tax, food & beverage tax, 2-cent diesel tax	\$1,375,900
Grants	4,637,784
(IDOT Grant – Davidson/Veterans Construction \$3,480,000)	
Interest Income	4,200
From General Corporate (one-time transfer)	2,556,459
Other Income	<u>129,125</u>
Total Operating Revenue	\$8,703,518

New telecommunication tax, food & beverage tax, 2-cent diesel tax	\$1,375,900
Grants	4,637,784
	<u>16,600,000</u>
	\$22,613,684

If the capital projects fund wasn't created then the total in the general corporate revenue fund would have been \$22,613,684. About \$1.8 has not been spent of the 2010 bonds from the general corporate fund but will be spent by the end of this fiscal year.

Council Member David Wood commented that he believes this budget to be the longest, with 80 pages, and heaviest in history. He complimented Finance Manager Merle Hollmann on the new format with the separation of the capital funds. Job well done!

With no other comments or questions, Mayor Chesley closed the Public Budget Hearing at 3:16 p.m.

**City of Mt. Vernon, Illinois
Special City Council Meeting
Old Council Chambers — City Hall
Monday, April 30, 2012
3:00 p.m.**

MINUTES

The Mt. Vernon City Council held a Special City Council Meeting on Monday, April 30, 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

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

CITY MANAGER

City Manager Ron Neibert presented for Council's consideration First Reading on an Ordinance Regarding Water and Sewer Rates. Based on the Council's request that the City maintain a \$400,000 working fund balance and based on the proposed revenues from that increase and proposed expenses in the operating budget, he requested that the Council approve a water and sewer rate increase of 2.35%. He also requested a suspension of the rules so the Ordinance may be voted upon at today's meeting. City Manager Neibert noted there are increases from Rend Lake included in this Ordinance. Three items to into making up the rate increases: 1) the rate passed on by Rend Lake Conservancy District; 2) the contract increases from both our bargaining unit contracts; and 3) our operations contract at the waste water plant.

Council Member Wood observed the City made a commitment that the water and sewer utility rates would essentially be equal to the amount of expenses on an annual basis. In the past the rate increase

has been at 3% to 4%, and it is appropriate that the rate be reduced from where it might have been down to the 2.35%. City Manager Neibert noted this is a cost of living increase. Obviously, based on future budgets, the City will consider rate adjustments every May 1st. The City Council initiated a series of 3% increases strictly earmarked for public utility projects that are implemented every November 1. November 1, 2012 is the last 3% increase.

Council Member Wood made a motion to suspend the Rules to act on the issue at today's meeting. Second by Council Member McEnaney. Yeas: Lash, McEnaney, Piper, Wood and Chesley. Council Member Wood made a motion to approve Ordinance No. 2012-13 regarding the water and sewer rate increase of 2.35% as presented by the City Manager. Second by Council Member McEnaney. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

City Manager Neibert presented for Council's consideration First Reading on Ordinance Authorizing the Ceding of Private Activity Bonding Authority and he requested a suspension of the Rules so that the issue may be addressed at today's meeting. He stated this is a benefit to the community by having Home Rule status in that via the Internal Revenue Service Code and State Statute, the City has the ability to issue tax-exempt private activity bonds (Industrial Revenue Bonds). The City has the right to issue via its' tax-exempt status in this case a little over \$1.4 million in private activity bonds. If there was a qualified business that met the requirements in terms of funding their project and in terms of meeting credit worthiness, the City can issue bonds on their behalf and hopefully help them to expand their business in Mt. Vernon. There is no obligation to the City for those bonds. The credit worthiness and the responsibility to pay them back is solely on the company that is financed. Unfortunately, there have been no projects this year that qualify for the funding so before we lose the ability to make the determination of the funding at the end of the fiscal year and the money returns to the State, the City will grant that bonding authority to Southeastern Illinois Economic Development Authority (SIEDA) who is allowed for the next 12 months to utilize the \$1.4 million in their SIEDA region which includes southeastern Illinois. This is a good opportunity to provide low interest financing and certainly a benefit of having home rule in the City. Without home rule, the City would not get the money at all. The expansion at Continental Tire was partly financed with SIEDA funds. Mayor Chesley noted that the City has taken this similar action the last five or six years. Council Member Piper noted this is just another tool in the City's economic tool belt.

Council Member McEnaney made a motion to suspend the Rules to act on the issue at today's meeting. Second by Council Member Lash. Yeas: Lash, McEnaney, Piper, Wood and Chesley. Council Member McEnaney made a motion to approve Ordinance No. 2012-14 Authorizing the Ceding of Private Activity Bonding Authority with a volume cap allocation of \$1,451,315 to the SIEDA organization. Second by Council Member Lash. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

City Manager Neibert presented for Council's consideration First Reading on Ordinance Approving the 2012-2013 Budget, and he requested a suspension of the rules. The Finance Director Hollmann noted that the operations part of this budget equals \$22.8 million. Last year's operations part of the budget was \$21.1 million.

Council Member Piper made a motion to suspend the Rule to act on the issue at today's meeting. Second by Council Member Wood. Yeas: Lash, McEnaney, Piper, Wood and Chesley. Council Member Piper made a motion to approve Ordinance No. 2012-15 Approving the 2012/2013 Budget. Second by Council Member Wood. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

City Manager Neibert presented for Council's consideration the First Reading on Ordinance Approving Right-of-Way License Agreement with Delta Communications, LLC dba Clearwave Communication.) This is a similar license agreement previously adopted by the City Council to run fiber optic cable throughout the City. This right-of-way license agreement will allow Clearwave to run the remainder of the cable in Mt. Vernon. He negotiated in exchange for this license agreement free Internet service for the City Hall and the Municipal West Building. The City will receive free Internet service for City Hall and Municipal West Building for as long as Clearware Communications is operating within the City.

Council Member Wood made a motion to suspend the Rules to act on the issue at today's meeting. Second by Council Member Piper. Yeas: Lash, McEnaney, Piper, Wood and Chesley. Council Member Wood made a motion to approve Ordinance No. 2012-16 Approving the Right-of-Way License Agreement with Delta Communications, LLC dba Clearwave Communication. Second by Council Member Piper. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

City Manager Neibert presented for Council's consideration the Re-appointment of Stan Fowler to the TIF Board. The TIF Board was created in 2008. Individual board members serve staggered terms. Council Member Lash made a motion to re-appointment Stan Fowler to the TIF Board. Second by Council Member Wood. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

EXECUTIVE SESSION

City Manager Neibert requested an Executive Session in order to discuss collective bargaining. Council Member Wood made a motion to go into Executive Session in order to discuss collective bargaining. Second by Council Member McEnaney. Yeas: Lash, McEnaney, Piper, Wood and Chesley.

ADJOURNMENT

Motion for adjournment was made by Council Member Piper. Second by Council Member Lash. Yeas: Lash, McEnaney, Piper, Wood and Chesley. The meeting adjourned at 3:55 p.m.

Respectfully submitted,

Jerilee Hopkins
City Clerk