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CITY OF MT. VERNON, ILLINOIS
CITY COUNCIL WORKSHOP MEETING
Friday, April 5, 2019

The Mt. Vernon City Council met in a Workshop Meeting on Friday, April 5, 2019 at 9:30 a.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 Rippy, Council Member Mike Young, and Mayor John Lewis. Also present were City Manager Mary Ellen Bechtel, Finance Director Merle Hollmann, and City Clerk Mary Jo Pemberton.

Mayor John Lewis asked for the Council's consent to allow Councilman-Elect Ray Botch to sit at the table. All were in favor.

VISITORS/CITIZEN'S REQUESTS/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

FISCAL YEAR 2019-2020 PRELIMINARY BUDGET REVIEW

City Manager Mary Ellen Bechtel stated that the budget needs approval no later than April 30, 2019 and a balanced budget will be presented for approval. She presented an Analysis of the General Corporate Surplus. Total Operating Revenues is projected to have a surplus of S648,199 on April 30, 2019 plus the Total Operating Expenses show a surplus of $729,332. Finance Director Merle Hollmann stated that the 1% State Sales Tax, State of Illinois Use Tax, 1% Home Rule Tax, and the Illinois State Income account for the bulk of the surplus. The tax revenue had an 8% increase in the last nine months. Council Member Donte Moore noted that the Motel/Hotel Tax shows a decrease of ($29,649) and the Personal Property Replacement Tax decreased ($34,594). Hollmann stated that the Personal Property Tax is a state wide tax which is allocated to the cities based on population. The funding from Tourism is down ($14,825) due to the decrease in the Hotel/Motel Tax. Mayor Lewis reported that no reason has been determined for the decrease in Hotel/Motel Tax. Council Member Jim Rippy noted that interest on the checking accounts increased $74,963. Hollmann reported that Police Department operating expenses for salaries were down $217,678 because when an officer resigns, it takes awhile to hire a new trained officer. The Fire Department operating expenses for salaries were down $107,917 mainly due to not filling the Assistant Fire Chief's position. Ray Botch asked if the Public Works increase of $26,011 in expenditures include the hiring back of the three laid-off employees. Hollmann replied yes. Moore asked about the $12,607 of increase in Retiree Insurance. Bechtel explained that the premiums increased more than expected and more employees became eligible for the insurance. Discussion continued on the other expenditure accounts that showed increases. The Total Operating Surplus is $1,324,472.

City Manager Mary Ellen Bechtel explained that it was difficult to budget for the tax revenue projections. There is no reason the tax revenue has increased significantly. She presented a graph showing that, historically, every time there was a significant increase in tax revenue in the following years, the City experienced a couple of years of revenue decline. Bechtel stated that instead of budgeting a flat increase in tax revenue, a 2% reduction in revenues was budgeted for next fiscal year.

Bechtel stated that one option for the increase of funds in the Operating Surplus is to transfer $1,000,000 to the Capital Projects Fund. This would leave a General Corporate Working Fund Balance ending April 30, 2019 at $3,746,100. This represents 3.5 months of operating expenses. With the $1,000,000 transfer and the 2% budget reduction in tax revenues, the General Corporate Working Fund Balance ending April 30, 2020 is projected to increase $59,895.

Bechtel presented a chart showing the Working Fund Balance Projections with revenue and expenditure assumptions.

CITY OF MT. VERNON, IL GENERAL CORPORATE FUND WORKING FUND BALANCE PROJECTIONS 4/3/2019

	Year Ending 4/30/2019	Year Ending 4/30/2020	Year Ending 4/30/2021	Year Ending 4/30/2022	Year Ending 4/30/2023
Working Fund Balance at Beginning of Year	3,421,628	3,746,100	3,805,995	3,427,034	2,632,321
Revenues	14,290,048	14,181,205	14,181,205	14,181,205	14,181,205
Expenses	(13,965,576)	(14,121,310)	(14,560,166)	(14,975,918)	(15,421,335)
Working Fund Balance at End of Year	3,746,100	3,805,995	3,427,034	2,632,321	1,392,190
Months of Operating Expense	3.5	3.2	2.8	2.1	1.1

Revenue Assumptions

1. Assuming a 2% decrease in 2019-20 Sales and Home Rules Taxes from 2018-19 and 0% increase thereafter
2. Assuming a 1% decrease in 2019-20 State Income Tax from 2018-19 and 0% thereafter
3. Assuming 10% reduction in state income tax will continue indefinitely
4. Assuming all other revenue will remain constant

Expenditure Assumptions

1. Assuming staffing levels budgeted in 2019-20 will continue through 4/30/2023
2. Assuming a 2.77% increase each year in wages
3. Assuming 4% increase each year in self-funded health insurance
4. Assuming 4% increase each year in Plan F health insurance
5. Assuming 3% increase each year in property casualty
6. Assuming 5% increase each year in work comp insurance
7. Assuming no reimbursements will be received from MFT for Public Works labor and equipment
8. Assuming that we will continue to fund JCDC at $100,000 each year
9. Assuming that we will continue to fund DMDC at $77,000 each year
10. Assuming 2% increase each year in all other expenses
11. Assuming no transfer for Capital Items

Bechtel explained that the proposed budget includes personnel changes for the Inspection Mowing Crew, replacement for the retiring Finance Director, and six union part-time summer employees. Bechtel is unsure how the new minimum wage schedule will affect the City in upcoming years.

Council Member Donte Moore stated that he is concerned with the Operating Expenses at 1.1 months in 2023. He cautioned everyone to continue to watch this number.

Bechtel reported that Fleet Services Director Mike Shannon has been researching how to manage the City's fleet better. She introduced Mike Shannon and Kamil Koscik, Enterprise Account Executive, to present an option to lease non-emergency vehicles. Koscik presented the Council with a written in-depth analysis of how Enterprise Fleet Management will benefit the City. He stated that the City's current fleet age of non-emergency vehicles is negatively impacting the City's overall budget and fleet operations. Ninety (90%) of the City's fleet is older than 10 years. The average age of the fleet is 15.9 years. Older vehicles have higher fuel costs, maintenance costs, and tend to be unreliable. He stated that it would take forty-eight (48) years to cycle the entire fleet at the current acquisition rates.

Koscik listed the benefits of leasing:

- Reduction of downtime associated with vehicles being inoperable due to maintenance
- Increased employee satisfaction with reliable vehicles that can be a dependable tool
- Increase employee safety with newer vehicles
- Improve City image with clean, branded, well maintained fleet

Koscik listed the objectives of leasing:

- Identify a cost-neutral strategy to update City vehicles while minimizing cash impact to City budget
- Shorten current vehicle cycle from 48 years to 4 years
- Proposed average maintenance cost at $28.02 per month per vehicle vs. current average of $225.88 per month per vehicle; equaling $115,649 in annual maintenance savings once implemented fully
- Anticipated 43% reduction of fuel expense through Federal Café Standards
- Utilize an open-end lease as a funding mechanism, allowing the City to acquire additional vehicles avoiding a large capital budget outlay
- Replace aged vehicles with newer models to increase fuel efficiency and reduce maintenance expense.
- Maintenance and repairs will be outsourced to local businesses to further stimulate economic growth and the integration of more fuel-efficient vehicles will reduce carbon footprint.
- Establish a proactive replacement plan that maximizes potential equity at time of resale, reduces operational expenses, and increases safety.

Mike Shannon reported that the last major quantity of vehicles purchased was in 1999. Out of the nine trucks purchased five are still in use.

Koscik stated that the City would be assigned an Enterprise dedicated fleet account manager. The pricing of the vehicles with Enterprise is flat; factory invoice minus the best possible incentives including State purchasing contracts. After the vehicles are purchased, the vehicles are placed on an "open-end lease which means that there are no early termination, mileage, or abnormal wear and tear penalties. Since the vehicle's equity stays with the City, the City is incentivized to take care of the vehicle. The lease rate is based on the three-year "T" bill, plus 300 basis points. Council Member Jeff May asked why the City cannot borrow the money in the upper 2% rate versus an implied rate of almost double. He asked what the benefit to this leasing program is instead of buying the vehicles, financing at 2%, and trading in at five years. Koscik replied that first, the account management is the key, second Enterprises technology platform which tracks all vehicle information, and third is the fixed maintenance program.

The maintenance is performed by local service providers (dealers, national chains, and mom/pop shops). Koscik stated that tires and brakes are the only two items not included in the full maintenance program.

The average maintenance cost is $28.02 per month per vehicle. The maintenance includes all preventive and non-preventive maintenance except for brakes, tires, and oblivious neglect or abuse.

Ray Botch asked what the Fleet Services Department will do. Mike Shannon explained that personnel was reduced by 40% three years ago. Mayor Lewis stated the lease would cover 48 vehicles leaving 150 vehicles to for the department to maintain.

Council Member Donte Moore asked if all 48 vehicles would be replaced at one time. Koscik stated that the key is to replace the older vehicles first. He estimated that during the first year, 34 of the 48 vehicles will be replaced with leased vehicles.

Shannon reported that over the past five years, the City invested over $520,000 in repairs on the 48 vehicles.

Koscik stated that Enterprises' warranty covers everything maintenance-related to the vehicle - bumper to bumper. If a leased vehicle is damaged in an accident, the City's insurance would pay for repair. If the air conditioning, electrical system, transmission, etc. goes out, the cost would be covered under the warranty. All maintenance bills are sent directly to Enterprise for payment.

Koscik spoke on the Fleet Administrator Resources such as the customer website and mobile app. Discussion was held on whether to retain the current Verizon GPS units or switch to Enterprises' recommended company – Geo Tech. Shannon stated the current Verizon GPS units are outdated and recently he received a notice about updating the units.

Council Member Mike Young asked if the proposed 48 leased vehicles have any extra vehicles included in the proposal. Shannon said that one is built into the proposal. Currently, the City has one loaner vehicle too.

Ray Botch asked if the City is responsible for installing beds on chassis trucks. Koscik replied that the City can install the beds or Enterprise will assist with their purchase or leasing at an additional cost.

Council Member Donte Moore asked what the upfront cost would be the first year if 34 vehicles were replaced. Koscik stated that using the State Contract Purchasing, the total would be $1,103,618. He presented an analysis showing that if the City would go with the leased vehicles, in eight years the City should save over $520,000. The current Fleet Services budget for the 48 existing vehicles is $218,999 per year. If the lease program is implemented and 34 new vehicles are obtained in 2019, the Fleet Services budget would be estimated at $206,129.

The Council agreed that the leasing program seems like a worthwhile investment.

City Manager Mary Ellen Bechtel presented charts showing two options for the Capital Plans paid from the 1% Sales Tax Account. Bechtel explained that the funds in the Home Rule Sales Tax Fund are divided evenly between Water/Sewer projects and capital improvements, demolition, debt reduction, and equipment. Below are the charts. Plan A shows the scenario if the City plans to continue setting aside funds to pay down the debt. Plan B shows the scenario if the City does not set aside the funds.

Mayor John Lewis reported on a recent meeting with State Leaders. The leaders stated that there may not be any money available for any local capital projects. The money will be allocated mostly for improving existing roads unless it can be showed that building a road will be a betterment to the community. Lewis said that having engineering completed on pending projects that have a huge return on investment may qualify for funds, but the City had to prove that they had "skin in the game." The State will be looking for projects which are "shovel-ready".

CAPITAL PLAN - PLAN A					
Paid from Quality of Life					
Stormwater Projects	$ 205,000				
Lincoln Park Parking lot/Klein Field	$ 150,000				
Veterans Park Accessible Picnic Table Concrete	$ 3,800				
Veterans Park - Baseball to Soccer Field	$ 7,200				
TOTAL COSTS	$ 366,000				
Paid from Capital Projects Account			Paid from 1% Sales Tax Account		
			Set aside for early repmt of 2012 Bonds		$ 2,400,000
Potomac Blvd, Impts./Turn lane/Patches	$ 50,000		Enterprise Leasing		$ 259,000
Fire Station 4 Concrete Apron	$ 33,000				
Police Department Server	$ 18,000		Engineering- Mowing Crew- Mower		$ 15,000
Engineering for 44th Street Construction	$ 500,000	*	Dump Trucks	2	$ 240,000
Various Road Improvements based on Water Line Consructrion Projects	$ 500,000	*			
Surveillence Cameras/services/etc.	$ 150,000				
TOTAL COSTS	$ 1,251,000		TOTAL COSTS		$ 2,914,000
* May require Engineering					

CAPITAL PLAN - PLAN B						
Paid from Quality of Life						
Stormwater Projects	$ 205,000					
Lincoln Park Parking lot/Klein Field	$ 150,000					
Veterans Park Accessible Picnic Table Concrete	$ 3,800					
Veterans Park - Baseball to Soccer Field	$ 7,200					
TOTAL COSTS	$ 366,000					
Paid from Capital Projects Account			Paid from 1% Sales Tax Account			
Sidewalk Repairs -	$ 100,000		Radios ($86,000)		$ 250,000	
New Construction Potomac Bvd. To Davidson	$ 600,000	*	Enterprise Leasing		$ 259,000	
Engineering for 44th Street Construction	$ 500,000	*	Muni West Bldg- Doors		$ 18,000	
Repairs to North and South Davidson	$ 52,000		Engineering- Mowing Crew- Mower		$ 15,000	
Engineering Department - Flooring	$ 18,000		Potomac Blvd, Impts./Turn lane/Patches		$ 50,000	
			Fire Station 4 Concrete Apron		$ 33,000	
			Police Department Server		$ 18,000	
			Surveillence Cameras/services/etc.		$ 200,000	
			Fleet Services - Vehicle Lift		$ 18,000	
			Various Road Improvements based on Water Line Consructrion Projects		$ 1,200,000	*
			Bridge Replacement/Forest Ave/Vet. Pk		$ 195,000	*
			Dump Trucks	2	$ 240,000	
			So. 26th Street Reconstruction		$ 300,000	* MFT will pay remainder
TOTAL COSTS	$ 1,270,000		TOTAL COSTS		$ 2,796,000	
* May require Engineering						

Mayor John Lewis spoke on the eastside overpass study and the hope that the SIU Engineering Department would get involved with the project to develop an idea that is “outside of the box”. Council Member Jim Rippy stated that Mike Bullard is scheduled to speak with the SIU committee that selects engineering projects.

A worksheet regarding the debt pay down was distributed. In December 2020, the City can make the first principal payment. Bechtel estimates that the City will have $3,600,000 in 2020 for the payment. Interest savings will be added to the debt reduction. The debt may be paid off in December 2027, which is five years earlier.

Council Member Donte Moore asked that instead of paying the debt in advance should the money be used for current City needs. Council Member Jeff May stated that there needs to be a comprehensive capital plan in place if the debt is not paid off in advance. The refinancing of the debt while paying the debt down was discussed.

Council Member Jeff May spoke on a third plan (C). He stated any bond on the list over $350,000 could be refinanced by 2020 with a better rate. He explained that the City could do some pre-refinancing now and use the liquidity for other projects.

Council Member Donte Moore stated the City needs to have long-term plan on road maintenance. Mayor Lewis stated that the road plan will correspond with the long-term water and sewer replacement plans.

City Manager Mary Ellen Bechtel will develop a Plan C which will include parts of Plans A and B with the refinancing of bonds at a lower rate.

PUBLIC UTILTIES – WATER AND SEWER – OPERATING & CAPITAL FUND

Merle Hollmann stated that in the 2018-2019 Water Operating Fund, a $574,540 increase is projected. In the 2018-2019 Sewer Operating Fund, a ($413,582) decrease is projected. This shows that the Water Fund is subsiding the Sewer Fund. He is proposing transferring money from the Water Fund to the Sewer Fund to eliminate the deficit. In the 2019-2020 Water Operating Fund, a $405,835 increase is projected. In the 2019-2020 Sewer Operating Fund, a ($438,633) decrease is projected. Because the Water Fund can subside the Sewer Fund, there will be no need for a utility rate increase for operations on May 1st. A 2% rate increase will occur in November for the utility infrastructure projects. The estimated restricted funds which includes a 2% rate increase and the ¼% Home Rule Tax is projected to have a Working Fund Balance ending April 30, 2020 of $1.5 million. The estimated restricted refund of EMC Facility Payment is projected to have a Working Fund Balance ending April 30, 2020 of $663,293. These funds are restricted for use for major projects to extend the life of the Sewer Treatment Plant.

Ray Botch distributed the projects for the Utilities Infrastructure Revenues and Expenditures for 5/1/2018 through 4/30/2024. Most of the projects will be financed by the Illinois Environmental Protection Agency (IEPA).

Merle Hollmann presented the Annual Budget Summary for the Home Rule Sales Tax Fund and Quality of Life/Economic Development Fund.

Hollmann presented the Annual Budget Summary for the Motor Fuel Tax (MFT). The 2019-2020 Estimated Operating Revenue Working Fund Balance is \$606,695. No money from the MFT Fund has been transferred to the General Corporate Fund for the past two years. MFT Funds will be used for the South 26th Reconstruction Project. City Manager Mary Ellen Bechtel distributed a list of proposed roads to be fixed using the MFT Funds. Engineering of the roadways will be done in-house.

Hollmann presented the Annual Budget Summary for the Sanitation Fund. The City is in the second year of the 5- year contract with Republic Services for trash pick-up. No increase in refuse rates are proposed for the third year straight.

The Annual Budget Summary for the Aquatic Zoo was presented. Hollmann explained that there were many problems last year with pumps, diving boards, and other repairs. The Working Fund Balance ending 4/30/2019 shows a (\$101,359) deficit. Assistant City Manager Nathan McKenna reported several projects are planned for next year including a concrete pad extension, new lounge chairs, umbrella replacements, sand filter replacements, and the increase in minimum wage. City Manager Mary Ellen Bechtel stated in future years the General Corporate Fund may need to subsidize the Aquatic Zoo.

Hollmann presented the Annual Budget Summary for the Tourism Fund. This fund is breaking even this year. Next year, a (\$46,477) loss is projected. This is attributed to the Tourism revenue being down.

The CDAP Fund Annual Budget Summary represents the grant money received for housing rehabilitation.

Hollmann presented the Annual Budget Summary for the Health Insurance Fund. He explained that this fund is healthy again following two bad years in a row. The City's health self-insurance policies have saved the City millions of dollars since its inception in 2008. Bechtel stated that three years out of every ten years will have catastrophic claims, but it cannot be determined what years will be catastrophic. There has been no rate increase in the past two years.

Hollmann presented the Special Service Area #1 Fund Annual Budget Summary. This is the tax on property in the Downtown Area for services and improvements. Revenue is about \$84,000 per year and the cost of one Public Works employee salary is charged to this account.

Hollmann presented the Annual Budget Summaries for the DOWNTOWN TIF FUND, INDUSTRIAL PARK CONSERVATION AREA (WESTSIDE) TIF Fund, and the ROUTE 15/INTERSTATE 57 (EASTSIDE) TIF. Bechtel stated that if the City uses the remaining balance of the 2012 Bond money for the new Post Office, only \$250,000 would be needed from the Downtown TIF Fund for the construction. She explained that all the City's TIF Districts are almost in the ten-year range. This makes it difficult for long range development in the districts and the tax-bodies may be asked to extend the terms of the TIF. To extend the TIFs would require legislative action.

EXECUTIVE SESSION

No Executive Session was held.

VISITORS/CITIZEN'S REQUESTS/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

ADJOURNMENT

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

The meeting was adjourned at 12:25 p.m.

Respectfully submitted,

Mary Jo Pemberton

Mary Jo Pemberton
City Clerk