

**CITY OF MT. VERNON, ILLINOIS
CITY COUNCIL WORKSHOP MEETING
Friday, September 15, 2017**

The Mt. Vernon City Council met in a Workshop Meeting on Friday, September 15, 2017 at 9:00 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 Donte Moore, Council Member Jim Rippey, Council Member Mike Young, and Mayor John Lewis. Absent: Council Member Jeff May. Also present were City Manager Mary Ellen Bechtel and Finance Director Merle Hollmann.

VISITORS/CITIZEN REQUEST/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

DISCUSSION OF FISCAL YEAR 2016-2017 AUDIT AND CAPITAL PURCHASES

City Manager Mary Ellen Bechtel distributed charts regarding the 2016-17 Audit and Capital Purchases. Bechtel explained that the audit is not finished yet, but the audit is far enough along to give the City Council an accurate update. She explained that in the General Corporate Fund, the estimated total operating revenues for fiscal year ending April 30, 2017 was \$14,787,730. The audit shows an ending balance of \$14,103,612, down (\$684,118). The biggest losses of revenue occurred in the 1% State Sales Tax, 1% Home Rule Tax, and Illinois State Income Tax.

Bechtel explained in the General Corporate Fund, the estimated total operating expenses for fiscal year ending April 30, 2017 was \$14,761,831. The audit shows an ending balance of \$13,175,976, underbudget by \$1,585,854. The largest variances are due to the decrease in worker's compensation and general liability premiums. The City saved about \$500,000 by bidding the insurance and increasing the deductible from \$500 per incident to \$5,000 per incident. Funds have been set aside to manage the deductible increase. Layoffs and furloughs saved around \$175,000. Other cost savings came from: no Department Head raises, reduced funding to JCDC and DMDC, the early lay-off of summer part-time employees, and the elimination of the demolition program. An increase in the City's health insurance premiums by \$99,529 was unplanned. The Police Department's overtime was reduced by \$230,423, but the Fire Department's overtime increased by \$75,619. The Department Heads have done an excellent job managing their budget to provide additional expense reductions.

Even though the City's revenue is down, the expenses are down more. This gave the City an operating revenue of \$781,581. The City is leaving \$48,581 in operating surplus and transferring \$733,000 to the Capital Projects Fund. Over the past several years, the City has not purchased equipment and the City is behind in keeping the fleet operational. Fleet Services Director Mike Shannon reported that if the City

was managing the fleet under the optimal fleet management guidelines, the City would need to replace \$6 million of equipment this year. Shannon narrowed down the original estimate to \$738,300. Bechtel's recommendations for capital expenditures are:

- Replace six Police Vehicles #12, 15, 17, 19, 27, & 31 - \$195,000. Council Member Donte Moore asked if there are grants for the Police Vehicles. Police Chief Chris Deichman replied that several years ago, the City received an IDOT traffic grant and it included the purchase of a vehicle. Bechtel explained that the criteria for replacing vehicles is mileage, age, and maintenance costs.
- Additional west side weather siren - \$37,000. Bechtel explained that this is needed because of the deficit of coverage on the west side and by the high school location.
- Raise backstops at Lincoln Park - \$35,000. Bechtel stated that many foul balls are getting into the stands. This would provide a safer viewing area. Council Member Donte Moore asked if this included the money donated to the City. Bechtel replied no. The funds were donated specifically for netting.
- Mechanical Street Sweeper - \$200,000. Bechtel explained that the former street sweeper quit several months ago and the City has tried to get by without one. The City found that it was not manageable to operator without a sweeper. The lifespan of a mechanical sweeper is longer than a vacuum sweeper.
- Vehicle GPS - \$16,800. Verizon has a plan that gives more than a vehicle's location. It provides alerts to Fleet Services on diagnosis, drive time, stop time, fuel economy and usage, odd hour movement, geo-fence service, crash alert, speeding and hard braking alert, seatbelt usage, and roadside assistance within a 500-mile radius.
- Replace #551 Backhoe - \$120,000. This backhoe is twelve years old with 7,628 hours.
- Replace #450 Backhoe/Loader - \$110,000. This backhoe is 17 years old with 6,772 hours.
- City Hall copier - \$14,000. The current copier is six years old with over a million copies. Service is called at least once a month. This copier serves the City Hall Offices.
- Ventilation/Fleet Services - \$10,500. This is to assist with carbon dioxide ventilation and being OSHA compliant.

Council Member Jim Rippy commented that the City has made progress in the worker compensation costs. He believes that the strong safety program is the secret to success.

Council Member Donte Moore stated that the overtime in the Fire Department needs to be studied. Fire Chief Jim Brown explained that the overtime costs are mainly due to call backs to cover shifts.

Bechtel explained in the Public Utilities Fund, the estimated total operating revenues for fiscal year ending April 30, 2017 was \$7,252,849. The audit shows an ending balance of \$7,455,361, overbudget by \$202,512. The estimated total operating expenses for fiscal year ending April 30, 2017 was \$7,247,927. The audit shows an ending balance of \$7,270,148, overbudget by \$22,221. Overtime costs were overbudget by \$53,505 mostly due to the 66 leaks in June 2016. The Working Fund Balance at the end of the year is \$743,997.

City Manager Mary Ellen Bechtel explained that the revenue is watched closely each month. She stated that the City's largest income sources (Sales Tax, Home Rule Tax, and Income Tax) are \$50,000 underbudget for the first three months of the current fiscal year. She feels that the loss is manageable if there are not any large declines or surprise expenses. Finance Director Merle Hollmann explained the time lag from retailers collecting the tax revenue and the City receiving the tax revenue.

City Manager Mary Ellen Bechtel stated that revenue and expenditure assumptions are unchanged. Based on the assumptions, it is estimated that the Ending Fiscal Year 2018 Working Fund Balance will be \$3,261,064. The estimates for future years are Fiscal Year 2019 - \$3,114,159, Fiscal Year 2020 - \$2,774,956, and Fiscal Year 2021 - \$2,240,148.

DISCUSSION OF 1% HOME RULE TAX AND USES

City Manager Mary Ellen Bechtel explained that a major concern of the Council is a way to finance the utility improvements without the \$10 per month meter fee. One way is to switch from the \$10 per month meter fee to a 1% increase in the Sales Tax. The draft Ordinance states that all proceeds from the imposition of the one percent (1%) increase in the Mt. Vernon Municipal and Service Occupation Tax shall be deposited into and maintained as a separate dedicated fund to be expended solely for (i) expenses incurred for Capital construction projects for the Public Utility Department, (ii) expenses incurred for Capital equipment purchases for all City Departments, (iii) expenses incurred for Capital expenditures for road construction or road maintenance, (iv) early retirement of existing indebtedness, with priority to payment of debt with the highest interest rate, and (v) nuisance abatement expenditures, including demolition of dangerous and dilapidated structures. She is working with the assumption that ½% of the 1% increase in the Sales Tax would be designated for the public utilities improvement and the second ½% be designated for the other projects. The projected revenue from the 1% increase after the State's 2% Administrative Fee is \$3,421,408.42.

Council Member Jim Rippy supports this change because cost of the public utilities improvements is to be determined soon and the \$10 per month meter fee is onerous for the low-income residents.

Council Member Donte Moore feels that this change may need more studying. He feels that the change may be rushed because there is not enough information about the State's impact. Bechtel explained that to implement the 1% Sales Tax increase and to begin collection by January 1, 2018, the Ordinance needs to be submitted to the State of Illinois by October 1, 2017.

Council Member Jim Rippy stated that the residents need to understand the massive cost involved with the improvements of the water and sewer systems. The improvements can no longer be delayed. Bechtel stated that during the next five years, the City may expend \$22 million on the immediate improvements.

Council Member Donte Moore stated that the drop in Sales Tax revenue caused some City employees to lose their jobs and others to go without pay increases. He asked what the City would do if the Sales Tax revenue continues to drop even with the 1% increase. Moore agrees that something needs to be done and suggested that the 1% increase be cut in half. Council Member Mike Young was not in favor of reducing the amount of the increase.

Mayor John Lewis stated Sales Tax revenue is going down throughout the country. He feels that Mt. Vernon will begin to grow and the 1% increase is the best decision to make. Lewis reported that he is receiving constant calls about the \$10 per month meter fee because the residents are unable to pay the fee. Council Member Jim Rippy agreed.

Mayor John Lewis stated that he would like to see a clause in the Ordinance that instructs future City Councils review the necessity of the 1% Sales Tax increase at least every five years. Council Member Jim Rippy suggested that the increase be reviewed every three years. City Manager Mary Ellen Bechtel

explained the best time to review the necessity of the tax is during the budget process. Council Member Donte Moore feels it should be reviewed every year to hold future City Councils accountable.

Council Member Mike Young stated that during the election the \$10 per month fee was one of the biggest issues. Residents do not want this fee. He feels that the 1% Sales Tax increase is fairer to residents.

City Manager Mary Ellen Bechtel stated that the Ordinance draft will state that this fund be reviewed annually during the budget process.

VISITORS/CITIZEN REQUEST/ADDRESSES FROM THE AUDIENCE

Jeff Klein asked why Sales Tax revenue is declining. Mayor John Lewis explained that it has been trending down for a decade due to on-line shopping. There is no way that the City can stop this trend. The City needs to decide between the fee or the tax increase. Lewis feels that the tax increase is the best choice for the residents. Klein stated that it is difficult to compete in retail business because he is competing with communities with a lower tax rate and internet sales. Lewis stated that the Sales Tax increase addresses the City's immediate needs in a fiscal way that is fair to residents. This tax will be reviewed every year to see the impact of the increase. Council Member Mike Young stated that this is part of a widespread approach to bring people to Mt. Vernon to spend money.

Mike Beard of the Jefferson County Chamber of Commerce wished that the City could find another avenue other than increasing the Sales Tax. He feels that this will push residents to more internet shopping.

Mayor John Lewis announced that a Special City Council Meeting will be held on Thursday, September 28, 2017 to finalize the Ordinance to increase the Sales Tax.

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

The meeting was adjourned at 9:55 a.m.

Respectfully submitted,



Mary Jo Pemberton
City Clerk