

Mary Jo Pemberton
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**CITY OF MT. VERNON, ILLINOIS
CITY COUNCIL WORKSHOP MEETING
Monday, April 9, 2018**

The Mt. Vernon City Council met in a Workshop Meeting on Monday, April 9, 2018 at 3:30 p.m. at City Hall, 1100 Main Street, Council Chamber Room, 2nd Floor, Mt. Vernon, IL.

CALL TO ORDER

Due to the absence of Mayor John Lewis, City Clerk Mary Jo Pemberton called the meeting to order. No Mayor Pro-Tem is needed since this is a Workshop Meeting.

Present: Council Member Jeff May, Council Member Donte Moore, Council Member Jim Rippy, and Council Member Mike Young. Absent: Mayor John Lewis. Also present were City Manager Mary Ellen Bechtel, Finance Director Merle Hollmann, and City Clerk Mary Jo Pemberton.

VISITORS/CITIZEN'S REQUESTS/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

FISCAL YEAR 2018-2019 PRELIMINARY BUDGET REVIEW

City Manager Mary Ellen Bechtel stated that the budget needs approval no later than April 30, 2018. She hopes to have the final budget ready for approval at the next regular City Council Meeting.

GENERAL CORPORATE

Finance Director Merle Hollmann distributed the budget summary, proposed line items, and worksheets for the General Corporate Fund. The beginning Working Fund Balance on May 1, 2017 was \$3,393,052, 2017-2018 revenue is estimated to be \$13,385,860, and 2017-2018 operating expenses are estimated at \$13,380,411. This leaves an estimated ending Working Fund Balance on April 30, 2018 at \$3,398,501 which equates to 3.2 months' worth of General Corporate expenses. Hollmann noted that included in the ending balance is a Revolving Loan Receivable of \$405,943 and a Downtown TIF Receivable of \$250,000. A transfer of \$592,000 from General Corporate to the Capital Projects Fund is included in the expenses. This transfer is an unbudgeted item. The funds are from 2017-18 surpluses due to Department Heads spending less money than budgeted.

Hollmann stated that included in the proposed 2018-2019 estimate is a 2.77% salary increase (1% step plus 1.75% raise) for the entire staff. The raise will cause a \$69,168 deficit. This leaves an estimated ending Working Fund Balance on April 30, 2019 at \$3,329,333 which equates to 2.9 months' worth of General Corporate expenses. Council Member Jeff May asked how to balance next year's budget since planning a deficit spending is not good fiscal management. City Manager Mary Ellen Bechtel explained that to

balance the budget, departmental budgets will be reviewed, and expenses adjusted. She plans to present a balanced budget for approval.

Merle Hollmann presented a worksheet showing the Working Fund Balance Projections for a five-year period with and without calling back the four laid off employees. City Manager Mary Ellen Bechtel read the revenue and expenditure assumptions. Council Member Jeff May asked what the appropriate number of months' worth of General Corporate expenses is. Hollmann stated that he prefers more than 3 months of expenses. May stressed that the City needs to have financial health and have enough money set aside for unplanned events like the storm in 2006. Council Member Jim Rippe stated that big reserves do not require tight management. Council Member Donte Moore stated that a big reserve may be necessary especially with the pending major utility project and the possibility of unforeseen issues. City Manager Mary Ellen Bechtel asked if the Council desires to reduce the amount of the \$592,000 transfer from General Corporate to the Capital Projects Fund. May replied that the City needs to remain cautious.

CITY OF MT. VERNON, IL
GENERAL CORPORATE FUND
WORKING FUND BALANCE PROJECTIONS
WITH & WITHOUT CALLING 4 LAID OFF EMPLOYEES BACK
4/9/2018

	Year Ending 4/30/2018	Year Ending 4/30/2019	Year Ending 4/30/2020	Year Ending 4/30/2021	Year Ending 4/30/2022
NOT CALLING 4 LAID OFF EMPLOYEES BACK					
Working Fund Balance at Beginning of Year	\$ 3,393,052	\$ 3,398,501	\$ 3,329,333	\$ 3,007,556	\$ 2,373,824
Revenues	\$ 13,385,860	\$ 13,620,949	\$ 13,734,599	\$ 13,719,599	\$ 13,719,599
Expenses	\$ (13,380,411)	\$ (13,690,117)	\$ (14,056,376)	\$ (14,353,331)	\$ (14,643,022)
Working Fund Balance at End of Year	\$ 3,398,501	\$ 3,329,333	\$ 3,007,556	\$ 2,373,824	\$ 1,450,401
Months of Operating Expenses	3.2	2.9	2.6	2.0	1.2 months
CALLING 4 LAID OFF EMPLOYEES BACK					
Cost of hiring 4 employees back		\$ (253,265)	\$ (513,545)	\$ (781,035)	\$ (1,055,934)
Revised Working Fund Balance at end of year		\$ 3,076,068	\$ 2,494,011	\$ 1,592,789	\$ 394,467
Revised Months of Operating Expenses		2.6	2.1	1.3	0.3 months

- Revenue Assumptions
- 1) Assuming no increase in sales or home rule taxes
 - 2) Assuming Menards will generate \$300,000 additional sales tax per year starting July 1, 2018
 - 3) Assuming Harley-Davidson will generate \$30,000 Home Rule Sales tax per year starting FYE 4/30/2020
 - 4) Assuming no increase in state income tax
 - 5) Assuming 10% reduction in state income tax will continue indefinitely
 - 6) Assuming all other revenue will remain constant

- Expenditure Assumptions
- 1) Assuming that we do not hire back 4 people
 - 2) Assuming a 2.77% increase each year in wages
 - 3) Assuming 0% increase each year in self-funded health insurance
 - 4) Assuming 4% increase each year in Plan F health insurance
 - 5) Assuming 4% increase each year in commercial insurance
 - 6) Assuming that MFT reimbursement will be \$0 each year (we budgeted \$0 for FYE 4/30/2019)
 - 7) Assuming that we will continue to fund JCDC at \$100,000 each year (we funded them at \$150,000 in prior years)
 - 8) Assuming that we will continue to fund DMDC at \$76,667 each year (we funded them at \$115,000 in prior years)
 - 9) Assuming 2% increase each year in all other expenses
 - 10) Assuming no transfer for Capital Items

Council Member Jim Rippe asked why the budgeted revenue from Court Fines was reduced from \$200,000 to \$154,000. Hollmann explained that last year's budget was over optimistic and the \$200,000 was the amount estimated for 2017-2018, not the actual amount received. Rippe asked that the report show 2017-2018 actual revenue instead of the budget estimated revenue. Bechtel explained that since the fiscal year has not ended yet, the 2017-2018 actual amount is not available. Rippe suggested using 10 months of actual revenue then adding 2 months of estimated revenue.

Council Member Jim Rippy asked if the City has agreed to staff a Police Officer at the High School. Bechtel explained that a full-time officer is budgeted. The High School will pay three-fourths of the officer's expenses. The Officer will work nine months at the High School and three months at the City. She is in negotiations with District 80 for a similar plan for the grade school.

Council Member Jim Rippy asked if the City planned for no part-time Park employees. Hollmann replied yes, because many of the Park programs have been cut.

Council Member Jim Rippy stated that he was impressed with the reduction in energy costs from Constellation versus Ameren. Hollmann stated that a 5% drop is expected.

Council Member Jim Rippy asked about the reduction in Engineering personnel costs. Hollmann explained the reduction is due to not replacing an employee who resigned.

Council Member Jim Rippy asked about the \$101,000 reduction in Fire Department overtime costs. Bechtel stated that is what the Department requested, and that account will be watched closely.

Council Member Jim Rippy questioned the amounts shown on the Public Utilities Sewer Account. Hollmann explained that in 2017-2018 Fiscal Year both the Water and Sewer Accounts were combined. In 2018-2019 Fiscal Year, the accounts are separated to determine if the Water Account is subsidizing the Sewer Account. He stated that in the 2017-2018 Fiscal Year, both Water and Sewer revenue and expenses are shown in the Water Account's 2018-2019 Budget. The Sewer Account has zeros in the 2018-2019 Budget.

MOTOR FUEL TAX

City Manager Mary Ellen Bechtel reported that the ending Motor Fuel Tax Working Fund Balance is estimated at \$304,946. The estimated revenue for 2018-2019 is \$386,400, but there have been rumors that the State of Illinois is looking at this fund. The estimated expenditures for 2018-2019 are \$297,020.

Public Works Director Matt Fauss presented the Street Maintenance Plan for 2018-2019. The expenditures will be divided up between asphalt overlays and oil and chip overlays. Fauss maintains a working list and selects the worse streets in various sections around town. Council Member Jeff May asked if more money was available, how many additional streets could be maintained. Fauss explained that due to in-house manpower only the streets listed could be managed this year. Council Member Jim Rippy suggested that the City be divided into quadrants. Each quadrant would be graded and then prioritize the streets within the quadrants. After the streets are prioritized, a long-term plan would be developed for repair of the streets. City Manager Mary Ellen Bechtel stated that the City has not scheduled the repair of many streets because water and sewer lines need replacement first. Next year's Street Maintenance Plan includes 7,375 linear feet of asphalt and 29,624 linear feet of oil and chip. Fauss stated that if more money is allotted, he could develop more projects to do by contract workers.

Bechtel reported that the estimated Working Fund Balance on April 30, 2019 is \$394,326. These funds will be needed to help fund the \$900,000 renovation of South 26th Street. Matt Fauss explained that the water main was replaced several years ago with the intention to do a major street renovation project.

SANITATION

City Manager Mary Ellen Bechtel reported that the Sanitation Fund is in good shape. Rates have not been raised for two years and she hopes to maintain not raising the rates throughout the remaining four years of the five-year contract with Republic Services.

AQUATIC ZOO

City Manager Mary Ellen Bechtel explained that the Aquatic Zoo budget is different because the City is contracting out the management of the Aquatic Zoo. The projected reduction in the Working Fund Balance is due to some capital improvements. The umbrellas need replacing and it is planned to buy four \$2,500 umbrellas each year. Bechtel stated that the Tourism Department will be marketing the Aquatic Zoo and hopes that the revenues will increase.

TOURISM

City Manager Mary Ellen Bechtel stated that the Tourism Department markets the City of Mt. Vernon. She explained the City uses a State of Illinois grant of \$107,000 to fund this department. The State is looking to reduce the grant amount. The other funding comes from a 2% Hotel-Motel Tax. The money is spent on managing the Municipal West Building, festivals, fireworks, and promotions.

COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM (CDAP)

City Manager Mary Ellen Bechtel explained that this is the housing improvement grant that the City runs. Crosswalk administers the grant and up to ten homes can be rehabbed each year. If the City is awarded the Revolving Loan funds of \$405,943, the funds will be placed in this account. Council Member Donte Moore asked if the pending water line grant funds will be deposited in CDAP. Bechtel replied yes, and the account could reach up to \$2 million. The funds would come in and then immediately paid out for the 25,000 linear feet of water replacement.

REVOLVING LOAN

City Manager Mary Ellen Bechtel explained that the City is going to purchase the existing Revolving Loans from the State of Illinois for \$2,081,917. The City will then receive the funds back in grants from Community Development Assistance Applications. The City has already applied for a \$1.6 million grant and a second application will be made for the remaining funds. The funds can be used for water/sewer, roadways, and streetscape projects.

QUALITY OF LIFE/ECONOMIC DEVELOPMENT FUND

Finance Director Merle Hollmann explained that the accounts in this fund are restricted by Ordinance. Revenue comes from the ½% Home Rule Sales Tax increase which was passed in 2012. The funds are used to pay down the debt on the 2010 and 2012 Bonds. The estimated Working Fund Balance on April 30, 2018 is \$284,929. The estimated Working Fund Balance on April 30, 2019 is (\$2,399,899.) The reason for the negative amount is that originally, the City allocated the bond proceeds to different funds. More has been spent on Quality of Life Projects than the Capital Projects Fund. The Capital Projects Fund estimated Working Fund Balance on April 30, 2019 is \$2,603,805. Eventually, funds will be transferred from the surplus in Capital Projects Fund to pay the deficit in the Quality of Life Fund.

City Manager Mary Ellen Bechtel reported that the pedestrian bridge by Casey Middle School needs repair. In a 1980 Agreement between the City of Mt. Vernon and IDOT, the City would take the full responsibility of the maintenance on this bridge. She estimates that the repair and updating of the bridge will be \$350,000. Bechtel stated that this project does not fall under the guidelines for the new 1% Sales Tax and the bond funds have been expended. She requested that funding for the bridge come from the Quality of Life/Economic Development Fund.

HOME RULE SALES TAX FUND

City Manager Mary Ellen Bechtel presented two proposals for spending the Home Rule Sales Tax. The first proposal is heavy on equipment purchases and safety purchases. Assistant Police Chief Trent Page spoke on various safety purchases for the Police Department. These items include Mobile Data Terminals, 911 Repeaters, Squad Cars, and a generator for the Police 911 System.

Council Member Jeff May spoke on the need to develop a long-term capital plan and the establishment of a Sinking Fund to pay down the City's debt. Bechtel explained that in the second proposal \$1,200,000 is allocated for the Sinking Fund.

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. She listed the proposed projects in both proposals. Council Member Jeff May stressed that the City must have discipline to start reducing the debt.

Bechtel explained that if the City establishes a Sinking Fund with \$1,200,000 allocated each year and if the Bonds with the highest interest rates are paid off first, the Bonds will be paid off in December 2027. Merle Hollmann stated that the City would save \$2.7 million in interest by this method. Bechtel stated that the City would set aside \$1,200,000 in the Sinking Fund plus pay interest annually to reach this goal.

Council Member Donte Moore asked if the two trucks listed on the second proposal are the highest in priority for replacement. Bechtel replied yes. The first proposal contained funds for the replacement of eleven pieces of equipment compared to two in the second proposal. The second proposal reduced the number of demolition structures from 28 to 14 buildings. She explained that the Council could move items to and from the proposals as they desire but stressed that the safety items are most important.

The priority of the items on both proposals were discussed. Council agreed that Davidson Drive road improvements are necessary due to the heavy traffic. The estimated cost is \$100,000. Council Member Donte Moore stated that he would rather delay the demolition of buildings and fix Davidson Drive instead. Council Member Mike Young stated that the dump trucks should be replaced incrementally instead of replacing them at the same time.

Council Member Donte Moore agreed that the City needs to be disciplined putting aside funds in a Sinking Fund. He asked what would stop future Councils from dipping into the Sinking Fund for other uses besides debt reduction. Bechtel stated that the City can begin paying off the bonds in 2020, but there is nothing to prevent future Councils from using the funds beforehand. The Council agreed on the importance of a Sinking Fund and instructed Bechtel to include it in the proposed budget. In addition, Council Member Donte Moore stated that City needs to replace equipment incrementally and find funds to fix Davidson Drive.

GENERAL CORPORATE CAPITAL PROJECTS FUND

City Manager Mary Ellen Bechtel stated that the General Corporate Capital Projects Fund has been in deficit. She recommends making this fund whole again then begin using the revenue. Merle Hollmann explained that the revenue comes from the 1% Food and Beverage Tax, 1% Diesel Tax, and 1% Telecommunications Tax. The estimated Working Fund Balance ending April 30, 2019 is \$199,110. Bechtel presented recommendations totaling \$112,378 for this fund. These included the resealing of parking lots, phone system, and maintenance on the 12th & Casey Building. This leaves \$87,000 to allocate to other projects. Bechtel recommended using the remaining balance to fix Davidson Drive.

HEALTH INSURANCE FUND

City Manager Mary Ellen Bechtel reported that the Health Insurance Fund is building back up because claims have been lower, and she hopes that premiums will not need to be raised next January. If the City does not have another catastrophic year, premiums may be reduced. Council Member Jim Rippey asked that a Fitness Program be developed to encourage employees to be healthier.

SPECIAL SERVICE AREA #1 FUND

City Manager Mary Ellen Bechtel explained that Special Service Area #1 is the levy on property in the Downtown Area for services and improvements. Revenue is about \$84,000 per year and the cost of one employee is charged to this account. A planned improvement is the extension of lights across 9th Street from Main Street to Harrison.

PUBLIC UTILITIES – WATER AND SEWER – OPERATING & CAPITAL FUND

City Manager Mary Ellen Bechtel explained that in 2017-2018 Fiscal Year both the Water and Sewer Accounts were combined. In 2018-2019 Fiscal Year, the accounts are separated. The projected ending Working Fund Balance on April 30, 2019 for the Water Fund is \$746,469. No water rate increase for operations is proposed for the second year in a row. The 2% rate increase for capital improvements remains slated for next November.

Merle Hollmann reported that in the Sewer Fund, a (\$363,469) deficit is projected. A transfer from the Water Fund to the Sewer Fund will be necessary to make up the deficit. In future years, he recommends decreasing water rates and increasing sewer rates to even the accounts out.

A chart showing the Water and Sewer Capital Purchases to be paid for with the remaining Capital Improvement Fee and the 2% Restricted Revenues was presented.

DOWNTOWN TIF FUND

Council Member Jeff May asked if the requests for TIF Funds in the queue are allocated on the chart. City Manager Mary Ellen Bechtel explained the if the requests have not been approved the amounts are not represented on the chart. Bechtel stated that \$62,000 has been set aside for downtown sidewalk repair. Merle Hollmann reported that \$114,000 remains unallocated.

Council Member Donte Moore asked about using Downtown TIF Funds for the Park Plaza project. Bechtel explained that TIF money cannot be used to build a building, but the funds can be used to acquire a

building. The City plans to relocate the Post Office from the Park Plaza area. TIF money can also be used for infrastructure in the Downtown Area.

INDUSTRIAL PARK CONSERVATION AREA (WESTSIDE) TIF

City Manager Mary Ellen Bechtel stated that this fund has one project, Phoenix Modular Elevator. She reported that when Menards opens, the City agreed to reimburse them 50% of their increments.

ROUTE 15/INTERSTATE 57 (EASTSIDE) TIF

City Manager Mary Ellen Bechtel stated that this fund has one project, Drury Inn. The estimated ending Working Fund Balance as of April 30, 2019 is \$55,586. This TIF area runs north to Drury Inn and south on 44th Street.

SUMMARY

Council Member Donte Moore questioned whether the Council could pass an Ordinance that requires a certain number of votes to use funds in the Sinking Fund. Bechtel will check with City Attorney David Leggans. Moore said that if the funds are needed for something catastrophic instead of debt repayment, he would like to see a four-fifths vote requirement. Council Member Jeff May warned that if the fund is too restricted, flexibility will be limited. He is concerned that if costs are not managed and revenues do not grow as fast as the costs, the City may need to dip into this fund to pay bills.

City Manager Mary Ellen Bechtel stated that she will proceed with the second proposal allocating \$1,200,000 to the Sinking Fund and she will find funding for the Davidson Road improvement. Demolition and equipment replacement will take place slowly over the next few years.

EXECUTIVE SESSION

No Executive Session was held.

VISITORS/CITIZEN'S REQUESTS/ADDRESSES FROM THE AUDIENCE

No visitors spoke at the meeting.

ADJOURNMENT

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

The meeting was adjourned at 5:37 p.m.

Respectfully submitted,



Mary Jo Pemberton
City Clerk