

**MINUTES OF THE MEETING OF THE MAYOR
AND THE COMMITTEE-OF-THE-WHOLE OF
THE CITY OF EAST MOLINE, ILLINOIS
MONDAY, NOVEMBER 7, 2022**

ROLL CALL

Mayor Freeman called the meeting to order and directed City Clerk Wanda Roberts-Bontz to call the roll. The following Alderpersons were present: Kenneth Porter, Gary Almblade, Nancy Mulcahey, Jayne O'Brien, Rhea Oakes, Maria Tapia and Jose Rico. **6:52 p.m.**

ADDITIONS/CORRECTIONS TO AGENDA

None.

JOHN DEERE COMMERCIAL MOWER (2) PURCHASE (Mr. Todd Stickler, Maintenance Services Director)

The Maintenance Services Department is in need of two new commercial mowers. The goal is to make park and right of way mowing more efficient as acreage has continued to increase. New roadway medians and bike trail boulevards are the bulk of this new area. Mowing is currently completed using a traditional tractor taking considerably more time.

We have received two quotes through the state bidding process for the purchase of John Deere Z994R Diesel Commercial Ztrack mowers. Prairie State Tractor priced their units at \$14,550 each for a total of \$29,100.00. River Valley Turf priced their units at \$14,599.00 each for a total of \$29,198.00

Staff is requesting authorization to place this order now to accommodate a spring delivery date. Actual payment of the invoices will come from the FY 2023 budget.

FINANCIAL:

This is a budgeted item.

Line Item# 010-4250-27-743.0 **Title:** Parks Capital Purchase

Amount Budgeted: \$40,000.00

Actual Cost: \$29,100.00

Under/(Over): \$10,900.00

Funding Sources: Parks Capital Purchase

Departments: Maintenance Services/Parks

This is not a CIP.

RECOMMENDATION:

Authorization to order two new John Deere Commercial Ztrak mowers from Prairie State Tractor.

A motion was made by Alderperson Almblade, seconded by Alderperson Porter to concur with the recommendation as presented. Upon roll call the following voted in favor: Porter, Almblade, Mulcahey, O'Brien, Oakes, Tapia and Rico. Motion carried.

CARBON CLIFF WATER IGA (Mr. Maxeiner, City Administrator)

The Village of Carbon Cliff had planned on significant improvements to their water plant when a second option was presented that would allow them to purchase their water supply from East Moline in a more cost-effective manner. Carbon Cliff found the option to be more attractive and plans are being prepared that would provide a 2,200-foot (MOL) extension of the East Moline water main to Carbon Cliff. East Moline would be the sole supplier of Carbon Cliff's water. This extension also allows Silvis to have a reliable backup connection and they have indicated that they will participate in the project.

The project consists of a shared project which is the extension of the water main. Carbon Cliff and Silvis would have some additional work to connect to their systems which would be their responsibility. The East Moline portion of the shared project (approximately \$120,000) would be recovered through a monthly fee to Carbon Cliff billed over a ten-year period. The agreement also establishes a wholesale water rate that factors in water production and transmission main operation and maintenance costs.

Carbon Cliff's water usage is projected to be approximately 100,000 gallons daily which is well within the plant capacity of the East Moline Water Plant. The addition of Carbon Cliff's usage allows East Moline to spread production costs over a higher production volume. Silvis would be billed for usage as well but would initially not anticipate this connection providing a primary source for their system. If Silvis determined to purchase water from East Moline as the primary supplier for their lower zone system, this infrastructure would be the connection point and is large enough to handle the addition of 200,000 gallons daily for this purpose.

FINANCIAL:

This is not a budgeted item.

Funding Sources: Water Utility

Departments: Water Utility

This is not a CIP.

RECOMMENDATION:

This agreement has been reviewed and conceptually approved in Silvis and Carbon Cliff. Final legal review is pending in all three entities. Pending acceptance by Carbon Cliff and Silvis in substantially the same form as presented here, staff would recommend approval of the IGA.

ADDITIONAL COMMENTS:

Attached, please find an illustration showing the capital project along with a draft version of the IGA.

A motion was made by Alderperson Rico, seconded by Alderperson Almblade to concur with the recommendation as presented. Upon roll call the following voted in favor: Porter, Almblade, Mulcahey, O'Brien, Oakes, Tapia and Rico. Motion carried.

BUDGET AMENDMENT – EXECUTIVE ASST POSITION FROM .80 FTE TO 1.00 FTE (Mr. Maxeiner, City Administrator)

With the retirement of Theresa Martin, there is an obvious hole to fill for administrative support in addition to the special event and sports tournaments duties she previously addressed. For administrative support to the Mayor and City Administrator, we have made a part-time employee full-time Executive Assistant to fill the immediate pressing need of administrative support coverage. We would like to propose replacing the part-time position (0.75 FTE) with a full-time position (1.00 FTE) with additional duties in economic development, inspections, and administrative support. This position would be a combination of Executive Assistant and Management Analyst with a range of (\$59,201.50 - \$70,611.96). The Executive Assistant position range is \$57,705 to \$67,233.38. Special event duties would remain with these two positions. The cost difference is negligible in the first year (see attached).

For the duties at Jacobs Park, we are proposing removing those duties from administrative staff and creating a Jacobs Park Programming Coordinator with an annual salary of \$41,600. This position would be responsible for tournament, league and practice scheduling and coordinating maintenance responsibilities. This individual will also be responsible for program development adding sponsorship and league revenue to the Jacob's Park self-sustaining operation. If the assumptions for programming at Jacob's are accurate, this proposal would also be relatively cost neutral even after the acquisition of field maintenance equipment (see attached).

FINANCIAL:

This is not a budgeted item.

Funding Sources: General Revenues

Departments: General Fund – Administration

General Fund – Jacobs Park

This is not a CIP.

RECOMMENDATION:

Approval of a budget amendment for 2022 to change an Executive Assistant position from 0.75 FTE to 1.00 FTE and adding a full-time employee (1.00 FTE) as Jacob's Park Programming Coordinator.

ADDITIONAL COMMENTS:

Both changes are cost neutral in the first year. Wage growth may increase costs in subsequent years, but the changes will allow higher service levels than what is currently provided.

A motion was made by Alderperson Rico, seconded by Alderperson Oakes to concur with the recommendation as presented. Upon roll call the following voted in favor: Porter, Almblade, O'Brien, Oakes, Tapia and Rico. Opposed: Mulcahey. Motion carried. **6 - 1**

Strand Theater Sale (Ms. Whiting, Finance Director)

An interested party has offered to purchase the Strand Theater for \$28,000 which amounts to 80% of the most recently completed appraisal amount of \$35,000 (completed in 2017). The potential buyer has conducted a thorough walk through of the property with the City's Inspections staff and is planning on renovating the property to be a dinner/performing arts center which would be a good fit for the long-term downtown plan.

Staff would propose requiring that building permits are applied for by December 31, 2023 with renovation construction starting no later than July 1, 2024 with substantial completion by December 31, 2025. These dates could be modified with mutual consent of the parties. However, if these milestones are not met, staff would propose that the property reverts to the City with an amount paid for the property (\$28,000) returned to the buyer less a 15% fee for administrative and legal costs.

FINANCIAL:

This is not a budgeted item.

This is not a CIP.

RECOMMENDATION:

Staff recommends approval of the resolution to sell the former Strand Theater located at 1006 15th Avenue for the purchase price of \$28,000.00

A motion was made by Alderperson Oakes, seconded by Alderperson O'Brien to concur with the recommendation as presented. Upon roll call the following voted in favor: Porter, Almblade, Mulcahey, O'Brien, Oakes, Tapia and Rico. Motion carried.

FISCAL HEALTH PRESENTATION (Ms. Whiting, Finance Director)

This presentation provides an overview of the City's fiscal health as of December 31, 2021, it also provides information on what is impacting our fiscal health, ways to improve, and next steps as we continue to focus on financial sustainability and accountability.

The level of total unrestricted net position is an indication of the amount of overall unexpended and available resources the City has at a point in time to fund emergencies, shortfalls other unexpected needs. The Target is to be between 30-50% and is calculated by taking the unrestricted Net Position divided by total revenues.

The City's position from 2020 to 2021 increased slightly but is still in the negative at 265.3%. \$92.7 million of the unrestricted net position is comprised on 92.7 million in OPEB liability.

The City can improve this position, but it's a long-term fix vs an immediate recognition, such as the changes to retirement health insurance in union contracts, and eventually the POB that was issued.

We are also at the mercy of updates and requirements that are implemented via GASB, as you can see from 2017 to 2018 there was a significant change and that was due to a change in accounting standards that required OPEB liabilities to be recorded differently in the statements on the audit.

The current ratio is one way to measure the City's ability to pay its short-term obligations. The target is greater than 2, and it's calculated by current assets divided by current liabilities. Our position decreased slightly from 2020 to 2021, but we are still above the target, and I'd also like to note that this decrease also had to do with the debt cancellation of the Riverfront TIF.

Net position is the residual of all other elements presented in a statement of financial position. The statement of financial position is another term for the balance sheet. The statement lists the assets, liabilities and equity of an organization as of the report date, which is December 31, 2021 for purposes of this presentation. As such, it provides a snapshot of the financial condition as this date.

The Change in Net Position measures the overall financial condition of the City and if it improved, declined or remained steady from the past year. As you can see here, for year ended December 31, 2021, the City's total net position increased by \$5,277,569 or 13%. Significant changes include an increase to major tax revenue sources and ARPA funding.

The City's outlook without ARPA is still strong, the total net position would have increased by \$3,877,000 or 10%.

Sales tax growth is an important factor in our financial health because we rely so heavily on it as a source of revenue, for purposes of this calculation we aren't focusing on the full sales tax rate - These amounts are based on the City's Direct Sales Tax Rate of 1%. The amounts used to calculate the % change does not include the 0.50% non-home rule sales tax which is not assessed on groceries, drugs, or automobile purchases and can only be used on infrastructure improvements. Sales tax growth is one measure of the change in local retail economic from the prior year, this trend has been an important measurement tool for local governments due to the pandemic. Our sales tax makes a significant rebound in 2021 and we were at a 34.1% increase over the previous year.

This calculation measures whether or not the current year BTAs were able to pay for themselves. The self-sufficiency ratio indicates the level of which the funds covered their current costs with current year revenues, without having to rely on transfers, subsidies, or prior year reserves. For yearend December 31, 2021, the City's BTAs were fully self-sufficient with service charge revenues funding 106% of current year costs. The water, sewer, and drainage funds covered current year costs by 103%, 113%, and 90% respectively, and overall increase from the previous year.

The pension funding ratio compares the fair value of pension plan investment assets with the actuarial accrued liability for the plan benefits. The target is 100%, and as you can see here all three of the City's plans are above that benchmark.

The level of budgetary assigned and unassigned fund balance is an indication of the amount of unexpended, unencumbered, and available resources the City's General Fund has at a point in time to carry over to the next fiscal year to fund budgetary emergencies, shortfalls or other expected and unexpected needs.

Target: 10% min responsible level with 30% as a desirable level Calculated using General Fund's Assigned and Unassigned balances, along with any unassigned fund balance deficits from other governmental funds (excluding TIFs).

I'd like to note that this calculation is based on the City's audit, there are specific ways in which the City's General Fund must be presented on the financial statements and what can be included on excluded from the amounts. I will go into this a bit further in the next slide but from an overall perspective, we can say that the City's General Fund – Budgetary Fund balance increase from 2020 to 2021 but is still under the desired target of 10%.

When we look at the City's total Fund balance as a whole (not including enterprise funds), you can see in the chart at the top that our overall fund balance is improving from year to year. We were at negative 44% in 2017 and today we are at 7.6%.

As I mentioned earlier there are certain ways the general fund amounts have to be presented in the audit, the previous slide is calculated using unassigned and assigned balances in which the general fund has a positive balance, but it's offset by negative balances in other funds, whereas the Fund balances shown on this slide are comprised of no spendable, restricted, assigned, and unassigned amounts. Each category has a specific make up:

No spendable consists of resources that cannot be spent because they can't be converted into cash or are legally or contractually required to be intact. This category is the least accessible for discretionary use. The example here are prepaids – so cost incurred in the current year but not paid until a later date. Restricted fund balance consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or legislation. Many of our line items on the tax levy are restricted for specific uses, as well as funds for the SSA, Hotel/Motel, and TIFs. Assigned Fund Balance. Consists of amounts that are constrained by the City intent to be used for specific purposes but are neither restricted nor committed. Examples include garbage fund and the swimming pool.

Unassigned Fund Balance. Consists of residual net resources of a fund that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds. these funds are the most accessible for discretionary use.

Each category is a bucket No spendable, Restricted, Assigned and Unassigned For simplicity purposes: Let's say that the City has \$1,000,000 available in cash but we know we have a payment for construction in progress of \$200,000 sitting out there that goes to the no spendable bucket because we need that money and can't spend it We have a debt service payment of \$250,000 coming up on January 15th and a grant from 2021 we will spend in 2022 of \$75,000, those two go to the restricted bucket because we need that money and can't spend it And then we have \$400,000 that is committed to the swimming pool and that goes to the assigned budget. That's a total of \$925,000 of our \$1,000,000 Which means we have \$75,000 left. so my point here is out of the \$1,000,000 – only a small portion is available for discretionary use, the rest is committed – we can see this apply to the City through the monthly financial reports I send out – the cash on hand portion of that is our total cash in the bank, things are looking pretty good overall– but as shown in these last few slides – that

total amount isn't what the City has available to spend on just anything since we have to abide by the fund balance categories previously mentioned, and we have a substantial amount of funds committed to these various buckets or categories.

We look into a fund balance policy and a pension policy to ensure that we continue heading in the right direction.

So again - Because we have to follow the specific categories, the City does not have a formal fund balance policy in place as the conditions recommended by accounting standards would not have been met and we'd be in violation of the policy. The purpose of such a policy is to provide a framework to help guide budgetary decisions, ensure efficient cash flow, protect against unforeseen expenditures, and offset economic downturns or revenue shortfalls, as well as increase our investment grade bond rating over time.

As currently purposed, the policy would include minimum levels on unrestricted fund balances (comprised of committed, assigned, and unassigned balances) for the general fund with a target of no less than three months and no more than 6 months of operating expenditures. Balances above the maximum should be transferred to other funds or capital projects.

Special Revenue Funds - Derived from property taxes (other another restricted revenue source); therefore, legally restricted. The remaining fund balance amount (restricted and/or committed) will be targeted at a minimum level of 25% of annual budgeted expenditures. This will be adjusted annually with the adoption of the annual budget and is calculated at a minimum of three months of expenditures not including capital, debt service and transfers.

Proprietary Funds – or enterprise funds for Water and Sewer The fund balance targets should represent no less than three months and no more than six months of operating expenditures.

It is the hope that this policy can be implemented in FY2023, once all conditions have been met. I am working with the auditors to ensure that I have the proper calculations for each fund and fund category or bucket to accurately track our progress, and not have to wait until the audit is finished to know where we stand.

The purpose of the Pension Funding Policy would be to address both Police and Fire Pensions as well as IMRF to set forth the procedures that Council will use to adopt and approve annual funding each year, outlining goals that align with the Pension Obligation Bond issuance as well as the goals and objectives outlined below which include:

- Ensuring that benefits are secure for fund participants now and in the long-term, Keep the recommended costs of the plan stable across generations of taxpayers, develop recommendations that are more cost-effective in the long-term. And Provide year-to-year contribution stability and ease of budgeting for the City.

Funding a defined benefit pension plan requires a long-term horizon. Assumptions and inputs into the policy should focus on long-term trends, not year-to-year shifts in the economic or non-economic environments. Generally, assumptions or inputs should be evaluated and changed if long-term economic or non-economic inputs have fundamentally changed or are no longer reasonable. As such,

the City will review this policy at least every three (3) years to determine if changes to this policy are needed to ensure adequate resources are being accumulated in the pension funds. The City reserves the right to make changes to this policy at any time if it is deemed appropriate and in the best interests of the City and plan participants.

RECOMMENDATION:

Discussion purposes only.

PENSION FUNDING POLICY (Ms. Whiting, Finance Director)

General Purpose

The Pension Funding Policy would address both Police and Fire Pensions, and well as IMRF to set forth the procedures that Council will use to adopt and approve annual funding contributions to the Police and Fire Pension Funds to ensure the City maintains adequate funding that aligns with the Pension Obligation Bond issuance.

Goals and Objectives

The key goals and objectives considered in the preparation of the policy include:

- Ensuring that benefits are secure for fund participants now and in the long-term.
- Keep the recommended costs of the plan stable across generations of taxpayers.
- Develop recommendations that are more cost-effective in the long-term.
- Provide year-to-year contribution stability/budgeting for the City.

Operation of the Policy

The City will review this policy at least every three (3) years to determine if changes to this policy are needed to ensure adequate resources are being accumulated in the pension funds. The City reserves the right to make changes to this policy at any time if it is deemed appropriate and in the best interests of the City and plan participants.

RECOMMENDATION:

Authorization to order two new John Deere Commercial Ztrak mowers from Prairie State Tractor.

A motion was made by Alderperson Porter, seconded by Alderperson O'Brien to concur with the recommendation as presented. Upon roll call the following voted in favor: Porter, Almblade, Mulcahey, O'Brien, Oakes, Tapia and Rico. Motion carried.

FY 2023 BUDGET DISCUSSION (Ms. Whiting, Finance Director)

FY2023 Budget discussion and set time and date for the public hearing.

Please note the following corrections to the draft budget:

Page 32 - City Clerk - Projected 2025 amount should be \$14,215 with a total of \$94,125

Page 36 - General Fund Estimated COH December 31, 2023 should be:

Fund Number	Fund	Estimated COH			Estimated COH
		01/01/2023	Revenues	Expenditures	12/31/2023
General Fund					
010	General	\$4,460,355	\$17,233,190	\$15,698,335	\$5,995,210
015	Fed Drug	\$40,742	\$5,000	\$0	\$45,742
020	Departmental Projects	\$543,820	\$12,200	\$2,500	\$553,520
022	Seizures	\$14,514	\$0	\$0	\$14,514
Subtotal - General Funds		\$5,059,432	\$17,250,390	\$15,700,835	\$6,608,987

The total city-wide number is correct.

Page 38 - Debt Service, Debt remaining column includes Principal and Interest.

Ms. Annaka Whiting provided the following information regarding the Fiscal Year 2023.

In 2018 the first year I started, a budget for 2019 was presented to you with a request for a large deficit budget. Today there is a request for a city-wide budget request with a positive \$600,000 overall. You can see on page 26 with the summary, that we still have work to do in a lot of areas, but this budget is a big improvement from even a few years ago.

Page 22. Shows a history of revenues, and then projections for 23,24 and 25. We see a slight decrease in general fund starting in years 2024, originally, I had that earmarked as a return to normal levels for replacement tax, but I think we will have other offsetting revenues increases that will likely keep that level with 2023 such as an increase in sales tax, state cannabis tax, property tax, etc. We can expect more hotel/motel tax once the 2nd hotel is up and running and I suspect that our amusement tax to continue to grow as well.

Page 24-25 are projected expenditures. And as I stated in the budget message, the goal of putting in projections is for us to begin approving a 5-year budget moving forward GFOA's Budget Award.

Page 26-27 is the snapshot of FY 2023's budget. Showing revenues, expenditures, use of existing balances to offset known costs, and then accounting for the Depreciation and OPEB expenditures that don't affect our bottom line but is an audit requirement for reporting purposes. The summary shows you that we expect to have revenues (city wide) exceed expenditures by \$649,598.00.

This budget does reflect a personnel and wage increases. Adjustments of 2.5% as required in the collective bargaining agreements have been included for the Police and Fire. Exempt and (AFSCME) employee groups were included at 3.0% following the guidance of the AFSCME Collective Bargaining Agreement.

Debt service on page 38 –debt remaining column does include principal and interest, but you can see here we have a couple of final payments in 2023 for a few of our bonds.

The IMRF rate used to calculate the employer's portion for FY 2023 is 5.50%. IMRF advised the City that the recommended employer's share was only 1.54%. Given the volatility of the current market and past actuarial reports, staff is proposing a leveling of the City's contribution and keep it in line with the past 3–4-year contribution percentage and to reduce the risk of underfunding in future years. As of December 31, 2021, IMRF for the City is funded at 119.03%.

Fire Pension. Normal costs for FY 2023 are \$429,426, funded through the tax levy. This amount reflects the recommendation from the City’s actuarial firm, Lauterbach and Amen (L&A), in the most recent actuarial report. This pension is currently 103.53% funded.

Police Pension. Normal costs for FY 2023 are \$312,840, funded through the tax levy. This amount reflects the recommendation from L&A in the most recent actuarial report. This pension is currently 103.94% funded.

Insurance

- Health Insurance Rates
- Vision Rates
- Dental Rates

We had an 18-month rate for our health insurance, so we don’t have a rate change for that until 2024, and page 10 of the budget book addresses that, staff does recommend that we continue to supplement the dental insurance as our health insurance fund is healthy and doing well, but we will continue to bring you updates on both dental and vision as time goes on.

Items the budget does not address:

- The first would be CIP
- The other item is the match for the RAISE grant
- Council Action Items

Today we need to Set Budget Hearing Date and Time – which will be December 5th, 2022 at 6:30pm at the beginning of our City Council Meeting, the 1st Reading on the budget will be that same night, and then the 2nd Reading Budget will be December 19th, 2022.

RECOMMENDATION:

Approval to set the time and date of the public hearing for budget discussions for 6:30pm on December 5, 2022.

ADDITIONAL COMMENTS:

First reading of the Budget Ordinance will be at the first meeting in December, the Budget must be filed with the County by the 4th Tuesday of December, 2022.

A motion was made by Alderperson O’Brien, seconded by Alderperson Almblade to concur with the recommendation as presented. Upon roll call the following voted in favor: Porter, Almblade, Mulcahey, O’Brien, Oakes, Tapia and Rico. Motion carried.

TAX LEVY INTRODUCTION (Ms. Whiting, Finance Director)

Ms. Annaka Whiting provided the following information regarding the Tax Levy Year 2022, Collectible 2023.

A copy of the tax levy request is included in the budget book on page 47.

This item tonight is for discussion purposes only, no action is required, but per the state statute we do need to introduce the tax levy publicly no less than 20 days prior to the adoption.

Since the proposed levy is not more than 105% of the previous year's aggregate amount, we do not need to hold a public hearing.

As outlined in the budget message, Estimated EAV for Tax Year 2022 (collection year 2023) is \$306 Million dollars, a 5.47% increase over the previous year. The total levy included in the budget reflects a 4.5% increase, this amount is for the aggregate dollar amount collected via the tax levy. However, growth in assessed valuation allows the projected tax rate to decrease \$2.2567 in 2021 to \$2.2499 for 2022 (collected in 2023). This projected rate would result in the portion of the property bill attributable to the City of East Moline to decline slightly from the prior year assuming the property's assessed valuation is unchanged. This levy request captures the revenue derived from new development in the City while keeping the tax rate slightly below the prior year and will be the fourth year in a row of a decreasing property tax rate for the City of East Moline.

Again, this is discussion purposes only. The first reading of the tax levy ordinance will be at the first meeting in December, and the 2nd reading will be on December 19th, 2022. All documents for the levy must be submitted to the County by the 4th Thursday of December, 2022 to remain in compliance with state statutes.

RECOMMENDATION:

Discussion purposes only. See additional comments below.

ADDITIONAL COMMENTS:

First reading of the Tax Levy Ordinance will be at the first meeting in December, 2022, the Levy must be filed with the County by the 4th Tuesday of December, 2022. This item is to allow for the introduction of the proposed Tax Levy as required by law. The recommended levy rate is not more than 5% from the previous year, no public hearing is required.

ADJOURNMENT:

A motion was made by Alderperson Oakes, seconded by Alderperson Mulcahey to adjourn the Committee-of-the-Whole meeting. Upon roll call the following voted in favor: Porter, Almblade, Mulcahey, O'Brien, Oakes, Tapia and Rico. Motion carried. **8:03 p.m.**

Minutes taken and submitted

Wanda Roberts-Bontz, City Clerk