



City Council

City Council Chambers ◊ 314 West Stephenson Street ◊ Freeport, IL 61032

MINUTES

FINANCE COMMITTEE OF THE WHOLE MEETING

MONDAY, MARCH 12, 2017 AT 6:00 P.M.

CALL TO ORDER

The Finance Committee of the Whole meeting of the Freeport, Illinois, City Council was called to order in Council chambers by Chairperson Peter McClanathan with a quorum being present at 6:04 p.m. on Monday, March 12, 2018.

ROLL CALL

Present on roll call: Council Members Alderpersons Tom Klemm, Peter McClanathan, Art Ross, Bob Smith, Sally Brashaw, Mike Koester, and Andrew Chesney (7). Mayor Miller and Alderperson Bob Smith were absent.

Staff members present: City Manager Lowell Crow, Finance Director Randy Bukas, Director of Community & Economic Development Nancy McDonald, Director of Public Works Dennis Carr, Chief of Police Todd Barkalow, Fire Chief Todd Allen, Director of Utility Operations Tom Kopanski, Director of Information Technology Curt Suttman, FBO Airport Manager Darrell Janssen, City Treasurer Linda Buss and City Clerk Dovie Anderson.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chairperson McClanathan.

APPROVAL OF AGENDA

Alderperson Klemm moved to approve the agenda and Alderperson Ross seconded; motion prevailed by voice vote without dissent.

APPROVAL OF MINUTES

Alderperson Koester moved and Alderperson Ross seconded to approve minutes from [March 5, 2018](#), and the motion prevailed by voice vote without dissent.

PUBLIC COMMENTS

There were no public comments

ITEM #7 - Presentation of Calculated General Revenue

Manager Crow stated that the Illinois Municipal League (IML) has recently released figures on projected revenue for FY2019, some of which is reflected on the following slides. The budget is still a work in progress with the goal being to present a balanced budget at the last Financial Committee of the Whole meeting in March.

Salaries have been adjusted to reflect the Water and Sewer Department coming under the City as a whole. A portion of some salaries, including Manager Crow and Finance Director Bukas, are now included under Water and Sewer, which will relieve some pressure from the General Fund.

Health care costs are being reflected more accurately across the board. We currently have health care costs that were incurred in the last fiscal year but have come in after last year's budget period in excess of \$250,000,

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referred to as “run out”. This run out was not reflected in previous budgets. Our new insurance carrier gives the advantages of being fully insured with benefits of self-insurement in that we will get a refund at the end of each calendar year. The cost of liability insurance has also been reduced.

The newly-created IT department saved money by doing away with unnecessary phone lines. We are now looking at doing away with desk phones for people who work mainly in the field. Other items are being worked out in the IT budget including determining which hardware and software need to be updated.

Three departments will be funded above last year including the Police Department at \$69,000 and Community and Economic Development with moving the Grant Coordinator from Finance to Community Development.

Currently the budget is nearly \$1 million over revenue. Illinois Government Finance Officers Association (IGFOA) and IML notified us that due to the increase of early payment of income and property tax, we may see lower than anticipated payments from these two taxes.

Last year’s anticipated revenue was \$16,431,685, which does not take into account \$1 million in outstanding grants for which we have applied for reimbursement. The additional grant funds will bring revenue to over \$17 million. It is taking about one year to receive grant awards from demolition grants.

This year’s projected revenue is at \$17.3 million. We are double checking revenue figures to ensure what we are actually receiving. This projected revenue reflects GFOA and IML projections for income tax, Motor Fuel Tax (MFT), and Personal Property Replacement Tax (PPRT). All of these figures are up from initial projections.

ITEM #8 - Presentation of Police and Fire Budget

Manager Crow stated that the Police Department accounts for 38.3% of the budget including over \$5.7 million for personnel costs and over \$1.5 million in pension costs. The Fire Department accounts for 27.9% of the budget including over \$4.4 million for personnel costs and \$961,530 for pension costs. He has talked with both Chiefs regarding where cuts can be made. Purchase of police cars and pole cameras may be delayed.

ITEM #9 - Presentation of Streets Budget

The budget for Streets is lower than last year and include Streets at \$1,546,860; Forestry at \$197,250; Animal Control at \$72,015; and Cemetery at \$97,870. The Street Department is the least impacted by the change in the IT Department. These cuts were made by holding off on refurbishing some buildings and delaying the purchase of two snow plows and looking at the possibility of leasing those instead.

Other cuts are being considered. Union employees will receive a pay increase between 2.75% and 3.0%. Non-union personnel have a proposed 2.0% pay increase.

In Community Development, the Nuisance Inspector was hired at less than the previous one and the Building Inspector was bought in at \$10,000 less than the last one. Both have been asked to obtain their respective inspector certifications.

Street lighting costs will be reduced by replacing every light in the City with LEDs between May 1 and August 1, 2018.

Projected legal costs are down due to the absence of union contract negotiations until 2019.

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ITEM #10 – Presentation of the remaining Corporate Budget

The Manager/Mayor account is being reduced by \$5,000 for continuing education.

Finance is lower than last year. It is being recommended to delay the purchase of financial software.

For Buildings, the contract maintenance for all buildings has been combined at a reduced cost by Honeywell. Elevator maintenance is also reduced. Capital Outlay has \$25,000 earmarked for stone and masonry work to address water issues in the lower level conference room at City Hall during rain events.

Aldersperson Chesney left Chambers at 6:20 p.m.

The Airport budget is about \$100,000 lower. The new access road to the Airport is not included. The Pilot's Association has sent letters to Council members regarding their support of a new access road. Manager Crow will contact Stephenson County regarding Mill Race TIF as an additional funding source.

Aldersperson Chesney returned to Chambers at 6:23 p.m.

The travel and training line item for Community Development is being reviewed. He has encouraged everyone to get their certification including Director McDonald for economic development certification.

Other miscellaneous accounts include City Council. The Board of Fire and Police Commissioners ran a little higher due to training of new commissioners.

For City Clerk, there will be a drop in codification costs because there were so many changes this year.

Human Resources is being reduced because a portion of Debra Milliman's salary will be moved to Water and Sewer.

He will be meeting with Director Suttman to go over Management Information Systems (MIS) costs including the need for notebooks, replacement computers, and software including financial software. The Interdepartmental Account has been reduced to just over \$1 million. We found a double entry of \$133,000 for the Pecatonica Bike Path as it was already included under MFT.

Manager Crow discussed other outstanding items. This morning he asked Department Heads to look at reducing their budgets by 10%. Last year's budget was \$18 million. This year's first proposed budget was \$18.5 million. He and Director Bukas have reduced some of that and now the Department Heads are looking for further reductions. A majority of the costs are tied to personnel.

ITEM #11 – Budget Discussion

Aldersperson Chesney asked about Revenue Fund 32 regarding fire equipment and the Capital Equipment transfer which used to be 60/40. Manager Crow stated that he and Chief Allen have reviewed that and they will be looking at funding that the other way around.

Aldersperson Koester asked if consolidation of office supplies has been considered. Manager Crow stated that currently each department orders their own. He added that Deputy Chief Matt Summers proposed consolidation and the Assistant to the Mayor/City Manager Diane Kahly is working on that.

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Aldersperson Chesney asked about the telephone utility tax projected income of \$450,000 when it is currently at \$510,000. Manager Crow stated that he has included the proposals from IGFOA and IML in the budget. As more people go to cell phones, there is still a tax, but at a lower level. The taxes generated from cell phones are based upon where the cell phone is purchased. This also affects 911 funding. Aldersperson Chesney asked why a 2- to 3-year average was not used. Manager Crow stated that there has been a drop in year-end revenue. In FY2016 it was \$630,000; FY2017 \$504,000; and projected for FY2018 is \$405,000. So that is how they arrived at \$450,000.

Aldersperson McClanathan asked and Manager Crow confirmed that last year's projected revenue was \$18.1 and the actual was \$16.7. Originally the \$1 million in outstanding grants was included in FY2019 projected revenue but it has now been taken out. Grant funds for the land bank grant, ambulance grant, and the match for the ambulance are on the capital side. Additional monies coming from grants for demolitions are not currently included in this budget.

Aldersperson Klemm asked how funding for the recently developed community and economic development collaboration will be handled. Manager Crow informed the listening public that the boards of the Convention and Visitor Bureau (CVB), Freeport Downtown Development Foundation (FDDF), Northwest Illinois Development Alliance (NIDA), and the Chamber have voted to merge. Hotel/motel taxes and TIF monies will go towards funding. TIF funds of \$40,000 will go to FDDF and NIDA will receive \$110,000. City Centre has money for the façade program which is controlled by the City. Hotel/motel taxes are trending upwards and the monies will go to the new organization. We believe this will give the City a better return on our dollar. Aldersperson Klemm asked if less money will go to these organizations next year. Manager Crow stated that that we have committed to give the same amount as last year. But the idea is, in the future, as there is more investment from the business community to the new organization, we can draw our funding down further. Hotel/motel taxes and TIF are restricted funds and can be used for only certain items. Anything that drives hotel rooms can use hotel/motel tax. TIF can be used for economic development.

Aldersperson Chesney asked about airport hangar rents which have previously earned \$89,000 to \$95,000. He noted that the anticipated revenue is \$75,000 which is a reduction of more than 15% reduction. Manager Crow stated that the hangars are currently filled to 65% occupancy, which he confirmed with FBO Manager Darrell Janssen. The Fire and Police Departments are clearing gear from hangars to make more availability. The Stephenson County Sheriff's Department also has gear stored in a hangar which we would like removed. These are premium hangars. The lower-end hangars are staying rented. He wants to get them all rented. Manager Crow added that he and City Legal Counsel Steve Cox have identified all of the farm leases. We recently signed a new 3-year farm lease and identified two properties for which we were not getting money. Manager Crow offered that he, FBO Manager Janssen, and Finance Director Bukas could review hangar revenue.

Aldersperson Koester asked about the income difference between farm leases versus solar panels for energy production. Manager Crow stated that we still do not know where the solar panels will go. Before presenting a proposal to Council on solar panels, he will compare solar panels versus farm leases to get the highest use of the land. Solar panels run about \$1,000 per acre and most of the farm leases run from \$100 to \$500 per acre. Comparatively, we are currently getting \$100 per acre for the solar panel study at the landfill, but once solar panels are installed, we will receive \$1,000 per acre.

Aldersperson Chesney noted that revenue from income tax is \$2.2 million when historically it has been \$2.5 million. Manager Crow stated that the new figure is \$2.4 million based upon IML projections. Director Bukas stated that

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the latest version of the budget should reflect \$2.4 million under income tax. Those figures are based upon population and allow for \$96 per citizen based upon the last census. Manager Crow stated that where we see the most benefit is from sales tax and food and beverage tax.

Aldersperson McClanathan asked if delaying the purchase of police cars will affect the Capital projects that were discussed at last week's Financial Committee of the Whole. Manager Crow stated that it will affect the overall budget and free up monies so that we can put other things in Capital projects. The only thing that cannot be funded through Capital funds is personnel.

Aldersperson Brashaw stated that under Calculated Revenue, the line item is quite low on both liens and violations. Manager Crow stated that up until about eight months ago, we were not aggressively pursuing liens. We were processing ordinance violations, but not liens. Currently we are establishing an aggressive standard for placing liens on monies owed the City. Manager Crow and Director Bukas stated that most of the revenue from ordinance violations is accounted for under the Weeds and Grass line item in the amount of \$5,000 and City Ordinance line item of \$38,000.

Aldersperson Klemm asked for an explanation of the Special Use Tax of \$580,000. Director Bukas stated that that is the tax the state collects on goods purchased outside of the state of Illinois.

Aldersperson McClanathan asked about the proposed timeline for finalizing the budget. Manager Crow stated that there are departmental decisions to be made and non-union pay increases to be addressed in Executive Session. A balanced budget will be presented to Council by the end of March.

Aldersperson Klemm expressed his appreciation for the process implemented to reach a balanced budget and the transparency and efficiency. He asked for what options exist for revenue enhancement. Manager Crow stated that he believes current actions of this Council will generate more sales, such as passing new liquor ordinances. The stipulation of needing a CPA to sign off on sales percentages will encourage accurate accounting measures. We should see a dramatic increase in food and beverage. He believes enhancing current sales will generate more revenue, such as with the new business district along West Galena. His goal is to ensure the City is fiduciary strong. Combining the economic development organizations into one will produce more combined weekend events, which in turn will fill hotels and generate more food and beverage tax.

Aldersperson Brashaw asked if the contract for laundry with the Fire Department had expired. Fire Chief Allen stated that the contract expired last week. The Foreign Fire tax purchased washers and dryers and the firefighters will be laundering their own gear and towels. Chief Allen has budgeted for towels and laundry detergent at \$8,000 per year. The expired contract was \$15,000 and the appliances cost \$7,500 installed.

Manager Crow stated that last week's budget was off by \$2.2 million. We are currently down to \$1 million and we are heading in the right direction. Aldersperson Chesney acknowledged that many of the difficulties were inherited. He also mentioned that insurance costs went down for the first time in many years and legal fees are down from \$338,000 to under \$200,000. He stated that since much of the major costs are related to labor, he is interested in Manager Crow's suggestions for reducing those figures. He asked Manager Crow and his team to review revenues because, in the past, three-year averages were used to arrive at budget figures and not projections from IML or IGFOA. By his estimation, many revenue line items are down \$5,000 to \$10,000. He also mentioned that \$1 million in grants will be received and asked how that will be accounted for. Manager Crow stated that we are unsure of when that will be received. When it is received, the revenue figures will go up.

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Aldersperson Chesney also stated that this Council had agreed to not raise property taxes but increase pension contributions. He also recognized that state reductions have local impact but are no fault of our own.

Aldersperson Klemm stated that it is important to pay our due amount to the pension funds and not pass it down the line.

Aldersperson Brashaw stated that she appreciates the tight situation the City and Manager Crow are in. She realizes they need to make some tough decisions and trusts Manager Crow's input.

Aldersperson McClanathan summarized by stating that next week there will be further figures and recommendations. Manager Crow stated that some figures will be presented in Executive Session.

Aldersperson Klemm again stated his appreciation for having figures available for Council's review and responsiveness to their requests for further information. He thanked everyone for their hard work.

On March 19, 2018, there will be a Finance Committee of the Whole at 5:00 pm and regular Council meeting at 6:00 pm. On March 26, 2018, there will most likely be a Finance Committee of the Whole at 6:00 pm. The beginning time will be confirmed as the date approaches.

PUBLIC COMMENTS – AGENDA OR NON-AGENDA ITEMS

Grant Bradbury from the Pilots' Association thanked everyone for the great amount of work put into preparing the budget. He spoke in support of the new access road to the Airport. He commended Manager Crow's comments regarding approaching the County for use of TIF funds. Considering the Airport generates tax revenue for the County, he feels this is a logical option. He offered his support in any way to lend a hand with approaching the County.

Upon a motion duly made and seconded, the meeting adjourned at 7:06 pm.

/s/ Dovie L. Anderson

Dovie L. Anderson
City Clerk