



City of Rock Island
City Council Budget Session
November 21, 2022 - 6:00 p.m.

City Council Chambers, City Hall, 3rd Floor
1528 Third Avenue, Rock Island IL

11/21/2022 - Minutes

CALL TO ORDER

Mayor Thoms called the meeting to order at 6:00 p.m. and welcomed everyone.

THIS MEETING WILL BE CONDUCTED BY AUDIO AND VIDEO CONFERENCE WITHOUT A PHYSICALLY PRESENT QUORUM OF THE ROCK ISLAND CITY COUNCIL DUE TO THE DISASTER DECLARATION ISSUED BY GOVERNOR PRITZKER

ROLL CALL

Mayor Thoms asked Deputy City Clerk Naomi Torrence to call the roll.

Present: Alderpersons Moses Robinson, Randy Hurt, Judith Gilbert, Jenni Swanson, Dylan Parker, Mark Poulos, Bill Healy, and Mayor Mike Thoms.

Absent: None.

Staff: City Manager Todd Thompson, City Attorney Dave Morrison, Deputy City Clerk Naomi Torrence, and other City staff.

PUBLIC COMMENT

Mayor Thoms asked if anyone in the public wished to speak. No one volunteered in person or virtually.

CY 2023 ANNUAL BUDGET PRESENTATION

Finance Director Linda Barnes presented the CY 2023 Budget to Council. She provided a brief overview of the information to be presented, and began by reviewing the budget goals including balanced budgets, quality services, and fiscal responsibility while keeping financial impacts to the citizens and business to a minimum. She gave an overview of the total budgeted revenues citywide for all funds as \$144,600,25. This includes the highest category of Local and State revenues at \$29.8 million, which is higher than usual and will continue to be into CY 2023. She said the other revenue category at \$29.0 million reflects internal revenues, \$28.3 million as Charges for Service, and \$18.9 million for property tax.

Ms. Barnes discussed a breakdown of state and local tax revenue expectations for CY 2023. This includes multiple taxes, the largest of which is the personal property replacement tax, making up 23 percent of this portion of the budget. It is expected that tax payments will begin to decline in April of 2023 at around a 15 percent rate. She noted that the CY 2023 forecast for tax is \$151 dollars per capita, which is slightly conservative. Gaming taxes are slowly increasing after the COVID-19 pandemic. She summarized the tax discussion by reviewing the 10-year trends with state and local taxes.

Ms. Barnes addressed key assumptions during the budget process for items such as health insurance and the Illinois Municipal Retirement Fund for employees. The Police and Fire pension funds increased based on actuarial reports, and there were general wage increases based on bargaining unit contracts. She addressed expenditures by fund, noting that this portion of the proposed budget for all funds is \$158,398,891.

Aldersperson Gilbert asked for clarification on the debt service as to whether or not what was discussed was all of the water debt service, or if the water, sewage, and all the Enterprise Fund debt service included under water, sewer, storm, and refuse. Ms. Barnes said the specific fund mentioned was 405, for which debts of the Enterprise Fund are not included. She then reviewed expected CY 2023 expenditures against CY 2022 expenditures, and CY 2023 expenditures by category. Ms. Barnes followed with expected CY 2023 pension costs, and graphs showing their increases over time.

Ms. Barnes discussed full-time equivalency (FTE) history for budgets through CY 2023, showing a decline since 2004. FTEs have declined by 31.64 percent over the past 15 years. She said the slight increase for CY 2023 is due to some grant-supported positions, including two for ARPA, two for the Community and Economic Development department (CED), a shared position in Finance with the Martin Luther King Jr. Community Center (MLK Center), Parks and Recreation added a preschool director, the Police Department took over the parking services and added a community services officer.

Aldersperson Poulos asked if the noted positions were currently filled, or would be filled. Ms. Barnes and Mr. Thompson said they were authorized and budgeted for, but not all filled. Aldersperson Gilbert asked what the actual cost was for adding six positions. Ms. Barnes said grant positions will increase costs, but the additional revenue will match increased expenses. Aldersperson Gilbert asked if there was a total cost for the number of positions. Ms. Barnes said the information could be provided.

Ms. Barnes reviewed negative fund balances within the budget. She said a policy to address concerns about these is planned. She said some of the balances reflect timing of grants and other factors. She noted that Fleet Services and Engineering should break even over time, but has not yet happened. Mr. Thompson said typically there would be a plan to repay interfund loans over time, and the first step is to not drive the fund more into the negative. Aldersperson Robinson asked how a fund such as Engineering would go negative. Mr. Thompson said over time, sufficient revenue was not generated to cover the cost, and discussions will take place with Staff to determine if Engineering should be a fund to keep. Aldersperson Parker asked when Council could expect the aforementioned policies. Mr. Thompson said by early 2023 is possible, but by the following year's budget for sure.

Ms. Barnes reviewed expected General Fund revenues and expenditures for CY 2023. She said revenues outpace expenditures in the General Fund by \$667,000, which is an improvement over recent years. Aldersperson Gilbert noted that the number was primarily due to state revenue performance and ARPA funds. Ms. Barnes agreed that state revenues are a major reason. Mr. Thompson added that the City has not used ARPA funds to balance the budget, but have used part of it to fund needs. Aldersperson Parker asked why state revenues were doing well, and why the replacement tax was high. Mr. Thompson said

replacement taxes are on corporate and individual incomes, and money has been injected to the economy, which is reflected in the higher revenues. Ms. Barnes said the General Fund balance is \$49,019,485, and pointed to a chart of fund percentages and a breakdown of personnel costs.

Ms. Barnes reviewed the CY 2022 estimated surplus, noting that any surplus in excess of the City's policy requirements of 60- to 90-day reserves not assigned to the General Fund shall be allocated to capital improvement funds. Alderperson Gilbert asked if the \$10 million General Fund excess would be transferred to capital improvement. Ms. Barnes said that could be used in transfer or to help with General Fund operations. Alderperson Parker asked why it was City policy that surplus be transferred to capital improvement. Mr. Thompson said it was common practice, and if kept in the General Fund, it may become easier to spend on operations. He added that strategic options would likely be presented to Council during the first portion of 2023.

Ms. Barnes reviewed Public Works enterprise funds as well as the Parks and Library funds. She noted that a majority of the revenues in enterprise funds are generated by charges for services. Alderperson Gilbert asked if there was a negative fund balance in the refuse fund. Mr. Thompson said there was a small deficit balance of approximately \$200,000 in the refuse fund. Ms. Barnes noted the rate increases planned for CY 2023 for water, wastewater, stormwater, and refuse. She reviewed the Parks and Recreation enterprise fund as well as the challenges for that fund, specifically minimum wage. Mr. Thompson said his recommendation for Council in CY 2023 is to use some surplus funds to help balance the Parks and Library budgets.

Alderperson Swanson said it may be beneficial for the City that Bettendorf, Iowa's Splash Landing park will not be open in 2023. Alderperson Gilbert asked about the age of Whitewater Junction. No answer was known.

Ms. Barnes reviewed the Library budget for CY 2023 in full, and noted challenges. These include level property taxes and minimum wage increases. Alderperson Robinson asked if there would be increased budgetary challenges with the new library building coming soon. Library Director Angela Campbell said the CY 2022 budget had a full year of operating expense for the new library, but did not open. She added there was not an ask for additional staff or other increases. She noted that any increases in the Library budget are related to service contracts. Alderperson Swanson said a challenge for the Library is revenue from property tax, and if that stays the same, it does not match increases in expenses. Alderperson Gilbert said she often receives the comment that there may be too many parks in the City, and also constituent questions regarding the number of libraries per the City's population.

Ms. Barnes discussed property tax allocations for CY 2023. Total property tax collected is proposed at \$15,136,513, of which 61 percent is allocated for fire and police pensions. She summarized a detail of proposed allocations based on the levy. Alderperson Gilbert said it was important to remind residents that pensions were not an eligible expense for ARPA funds. Mr. Thompson noted that the levy has increased by \$690,000 but is not a property tax increase.

Alderperson Poulos asked if the police and fire pensions included the 9.91 percent the officers put in as part of their pay. Ms. Barnes said the listed numbers were the employer contributions only, not the employee contributions. She reviewed historical data on tax rates by collection year dating back to the 1980s, and then the Estimated Assessed Value (EAV) history from Rock Island County. Alderperson Healy asked if residential values had gone up, as commercial values had gone down. Ms. Barnes said she had not yet viewed the details. She discussed the City tax levy history and the effects of it upon the General Fund. She reviewed General Fund tax rate information dating back to 2005 on a home with an EAV of \$100,000. Alderperson Parker asked if the MLK Center money was budgeted within the General Fund. Ms. Barnes said it was not, as they have a separate fund, as it is considered a component unit of the City. Alderperson Parker asked if any of the proposed expenditures for CY 2023 would be going to the MLK Center. Ms. Barnes confirmed it would be as part of the whole expenditure number.

Mr. Thompson reviewed positives and challenges for the CY 2023 budget. He said the General Fund balance was a positive and unprecedented, which along with ARPA funding creates special opportunities. He noted the upward trend of City EAV numbers. Challenges include funds with negative balances, lagging revenues in specific areas such as gaming, and continuing issues with the Parks and Library funds. He suggested a broader conversation regarding both the Parks and Library funds. Regarding long-term debt, he

suggested developing a strategy to lower the amount and potentially use available fund balance to avoid interest costs. He reviewed strategies to use a balanced, priority-based approach to deficits and liabilities by growing the tax base, augmenting revenues, managing expenses, and focus on priorities.

Mr. Thompson entertained questions from Council. Alderperson Robinson said if revenues are not increased, the situation will be continuous, as there is not enough funding. He hoped to use ARPA funds for programs to build homes and help increase property values. He said there is a need for a long-term change of how the City operates to get out of this type of rut, and recommended Council think ahead. Mayor Thoms said one thing that continues to help is looking to grow the City's economy, and recommended strategizing for that to occur.

Alderperson Gilbert agreed with the priority-based budget approach mentioned by Mr. Thompson, and asked how much was set aside for home building through ARPA funds. ARPA Program Manager and City Clerk Samantha Gange said it was combined with market-rate housing through unrestricted funds in the amount of \$500,000, and also a separate amount for rehabilitation. Alderperson Gilbert asked if any ARPA funds were left unallocated. Mr. Thompson said there was approximately \$2 million remaining for projects such as roads or other undetermined purposes. Alderperson Healy said without Engineering, the deficit fund was at \$2.5 million, but with was \$4.8 million, and would like to consider paying it down.

Public Works Director joined remotely and discussed the purpose of the Engineering Fund. He said much of the fund deficit comes from the accumulation of previously unbillable charges for unplanned prep projects, or projects that did not have funding for engineering services. Mr. Thompson added that many times bonds are issued for projects, the Bond Fund would be charged for overhead, and funds end up being used for the cost of the project. Alderperson Gilbert noted appreciation for bringing negative fund balances to the attention of Council. She said the City's population decline needs addressed, as well as the wealth of the existing population, as 48 percent of the City's population is at low-to-moderate income levels.

Alderperson Parker said the City is not budgeting properly for building maintenance, technology, and vehicles. Mr. Thompson said that conversation would begin at the beginning of the next year. Alderperson Parker asked that Staff help inform Council what is needed to pay for items such as amortization and others not included in the budget. Alderperson Poulos said that may come with the cost of a decrease in services if cutbacks are made. Alderperson Swanson said an important thing to consider was the barriers to attracting business to the City. She added that property taxes cannot be raised on those with fixed incomes, and suggested the City find ways to build the tax base with businesses and residents to avoid raising taxes. Mayor Thoms said increasing property taxes and fees hurt those on low-to-moderate incomes, but also chases those with wealth. Alderperson Gilbert said the SSA tax was doing just that, and many residents noted that Rock Island was not cost-competitive compared to other local cities. She added that Council is not listening to some of what City businesses have already said.

Alderperson Gilbert noted that departments in the CY 2022 budget included money to contribute towards fleet amortization. Ms. Barnes said that was true, but has been before as well. Alderperson Gilbert asked what the plan was to easily communicate the most important budget items to residents. Mr. Thompson noted that the budget presentation itself was a good tool for residents to follow. Community Engagement Manager Sarah Hayden said if a summary sheet could be created including the highlights of the budget would be the best and simplest way to communicate to the public. Mayor Thoms asked how that information would be disseminated. Alderperson Robinson said it was partially Council's responsibility also to get that information to residents. He added it was a missed opportunity waiting until January to host Unplugged sessions for residents. Alderperson Hurt noted that there have been many opportunities for the public to engage in ARPA discussion, and the City needs to do a better job promoting to realtor groups about accomplishments as well as positives such as the school system.

Alderperson Robinson said getting realtor groups and residents involved in the initial phase of meeting discussions would engage them to lobby for Council. Alderperson Gilbert said residents were promised an ARPA town hall meeting before making final funding recommendations, but it did not happen. Alderperson Gilbert asked Ms. Hayden if there was capacity for an interview with Mr. Thompson and Ms. Barnes to discuss highlights of the budget, perhaps in the form of a video. Alderperson Swanson said the visual information in the presentation was helpful in providing a snapshot of the budget. Alderperson Gilbert offered suggestions for what potential short interviews might contain. Ms. Hayden said she now has admin

capabilities to include short videos and content on the City's YouTube channel.

Aldersperson Robinson asked if it were possible for each Ward to have a page on the City website as a go-to for residents. Information Technology Director Tim Bain said there are many options, but a conversation should take place to understand the framework for that. Mayor Thoms said that because the pages are City-sponsored, content for such pages could become an issue. Aldersperson Gilbert asked if the Simplicity application was ever rolled out to the general public through promotion or marketing. Mr. Bain said there is currently no longer a rep for the City through Simplicity, and there was not a wide promotion. He added there were challenges with the app, as it is not a two-way communication tool. Aldersperson Robinson asked if there would be an extra cost involved in providing a page dedicated to each Ward. Mr. Bain said it does not need to be, and noted that Google could be utilized for each Aldersperson as well, but policy consideration is necessary. Mr. Thompson concurred that guidelines and policies would need to be developed.

Mayor Thoms recognized Jerry Jones, Director of the MLK Center, and other volunteers for the successful turnout at the Center, where over 7,000 Thanksgiving meals were provided the previous weekend. Aldersperson Gilbert said she spoke with sponsors who were very impressed by the event.

MOTION TO ADJOURN.

MOTION:

Aldersperson Poulos moved to adjourn; Aldersperson Hurt seconded.

VOTE:

Motion PASSED on a 7-0-0 roll call vote. Aye: Robinson, Hurt, Gilbert, Swanson, Parker, Poulos, and Healy. Nay: None. Absent: None.

Meeting ended at 7:50 p.m.



Josh Adams, Deputy City Clerk