

The Rock Island City Council met in Study Session at 6:00 p.m. in City Council Chambers at Rock Island City Hall. Present were Mayor Dennis E. Pauley presiding, and Aldermen Charles O. Austin III, Ivory D. Clark, Virgil J. Mayberry and Kate Hotle. Also present were Interim City Manager Randy Tweet, Finance Director Stephanie Masson, other City staff and City Attorney Dave Morrison. Alderman Joshua Schipp arrived at 6:06 p.m. Alderman P. J. Foley arrived at 6:14 p.m. Alderman Stephen L. Tollenaer was absent.

FINANCE: ACTUARIAL VALUATION RESULTS and ASSUMPTION STUDY RESULTS

Finance Director Stephanie Masson introduced Heath Merlak of Nyhart, the City's actuarial consultant. She said Mr. Merlak had reminded Council last August that actuarial assumptions need to be reviewed every three to five years. Mr. Merlak will present the actuarial valuation results with the valuation as of January 1, 2017. He will present the results and the impact of the recommendations. Ms. Masson will explain the impact of the assumptions on the property tax levy after Mr. Merlak's presentation.

Mr. Merlak repeated that actuarial assumptions should be reviewed every three to five years for pension funds. He explained this is important to have the best estimates so that costs are spread more evenly from generation to generation. He said an assumption review was completed in 2016 for both the Rock Island Firefighters and Police Pension Funds with a focus on salary increases; payroll growth; investment return; and mortality. He said the recommendations result in higher contributions by the City.

In the past, salary increases were assumed to be a flat 5% per year and not tied to age. Typically, the data shows that salary increases are tied to age. Younger participants receive higher salary increases and older participants nearing retirement receive smaller increases. The recommendation is to move from a flat 5% salary increase to a graded table of roughly 3%. The contribution impact is a decrease in contributions to both Firefighters and Police Pension Funds.

Another assumption reviewed was payroll growth which looks at total population versus individual increases. Payroll growth was assumed to be 5%, but it is actually increasing at a slower pace. There is an unfunded accrued liability that is being amortized over 24 years. One of the goals of the amortization cost is a level percent of pay each year. The recommendation is to lower the payroll growth assumption from 5% to 3.5% resulting in a contribution impact of approximately a \$400,000 increase for both funds. Mr. Merlak said this means paying more now, but less later.

The next assumption reviewed was interest rate which is a hard assumption to set. They look at the plans' historic performance; what the plans are expected to do in the future; and what the marketplace looks like in terms of trends. The Police Pension Fund has 25 years of data, but there is only 10 years of data for the Firefighters Pension Fund. Mr. Merlak explained that the asset allocation in the plans likely has changed over the past 25 years. In response to Alderman Hotle's question about only ten years of data for the Fire Pension Fund, Mr. Merlak responded they only had access to 10 years of data. Ms. Masson said that ten years is typically the benchmark; they are not sure why only 10 years of data was available. Mr. Merlak likes to look

back at the longest possible term. The interest rate has been consistent. The expectations for the interest rate are to achieve a 7% return. However, Mr. Merlak said there is a downward trend as referenced by the annual survey of the 125 largest pension funds. The recommendation is to lower the interest rate assumption from 7.5%. The result is a contribution increase for every 0.25% decrease in the interest rate: \$104,000 for the Firefighters Pension Fund and \$160,000 for the Police Pension Fund.

Mortality was the last assumption reviewed and is based on national tables as most pension plans are not large enough for credible data. The 2012 mortality study done by the Department of Insurance confirmed the 2000 Society of Actuaries study. In 2014, the Society of Actuaries released a new mortality study of private sector data showing people are living longer (no pension plan data was included). The Society is doing a mortality study of the public sector with results expected in 2018 with a split between police and fire. The recommendation is to move to updated mortality assumptions based on the national studies reflecting mortality improvements. The contribution impact with mortality improvements projected to the valuation date would be an increase of \$252,000 for Fire in 2017 and an increase of \$276,000 for Police in 2017. The contribution impact with mortality improvements projected for each future year would be an increase of \$412,000 for Fire in 2017 and an increase of \$475,000 for Police in 2017. Mr. Merlak said the mortality tables will be updated more frequently than in the past so there won't be these large increases; the Society of Actuaries is releasing updates every year now. Mr. Merlak recommended the City do the first contribution increase: \$252,000 for the Firefighters Pension Fund and \$276,000 for the Police Pension Fund and then see what the results of the new studies will show specifically for police and fire.

Alderman Mayberry said large cities are different from Rock Island; he asked if they could break out the data to the Quad Cities area or just Rock Island. Mr. Merlak said it will probably not be possible to provide that split of data and be credible; perhaps the data will be available by state or region. Alderman Mayberry said Chicago is very different than here. Mr. Merlak said when they retire is a factor; not where they worked. Alderman Mayberry asked if when they retire and have no health benefits, is that factored in the data. Mr. Merlak responded the age at retirement and their level of retirement benefits are factored in; and the data is split by white collar versus blue collar jobs.

Mr. Merlak discussed the actuarial versus the market value of the assets of the Firefighters Pension Fund and the Police Pension Fund. He then discussed the funded ratio of both funds before the assumption changes. The Police Pension Fund has stayed above or at 45% over the last five years while the Firefighters Pension Fund has trended below 40% over the last five years due to it being a smaller plan and also due to a bookkeeping change. From 2016 to 2017, both plans have stayed level.

Mr. Merlak discussed funding policy. Their recommendation and City funding policy has been to fund to 100% of the actuarial accrued liability by 2041. The Illinois minimum is to fund to 90% of the actuarial accrued liability by 2041. This results in a smaller accrued liability. He said funding to 100% is the best practice and is used by most pension plans outside of Illinois. However, for budgetary reasons, he could see where the funding policy might need to be revisited. Before the assumption changes, the funding policy contributions were \$3.2 million for

the Firefighters Pension Fund. After the assumption changes, the contribution increases to \$3.7 million (an increase of \$500,000) or \$4 million depending on the interest rate and mortality assumptions used. Before the assumption changes, the funding policy contributions were \$3.3 million for the Police Pension Fund. After the assumption changes, the contribution increases to \$3.9 million or \$4.3 million depending on the interest rate and mortality assumptions used. Mr. Merlak also provided data for the plans including actuarial accrued liability, actuarial value of assets, unfunded accrued liability, funded ratio and Illinois tax levy contribution.

Alderman Hotle asked in an ideal world, was Mr. Merlak recommending the higher contributions. Mr. Merlak said within the budget constraints, the maximum contributions do not need to be made today; but progress should begin towards lowering the interest rate assumption and updating the mortality assumptions. He also stated the sooner the assumptions are updated, the better. Mr. Merlak said there is some wiggle room; for example, the interest rate assumption can go from 7.5% to 7.4% or 7.25%. Alderman Schipp confirmed that with the assumption changes, there is more money that needs to be going into the pension funds than previously thought. Mr. Merlak said the employer contributions need to be higher. Alderman Schipp said looking towards the 2041 cycle that would mean an additional \$300,000 to \$600,000 going into the pension funds. He said this is fundamental especially with the upcoming strategic planning that will be done. Alderman Foley reminded Council that in 2009 when he came on the Council, they had a similar presentation where the pension assumptions were higher and the pension obligations became more and more which was a wake-up call trying to catch up and with the deficit growing larger. The pension funds are a General Fund obligation. Mayor Pauley stated the City has always paid what they were supposed to into the pension funds and yet even with that, the City gets further behind. Mayor Pauley said we have to change the assumptions. Council discussed the assumptions and impact further. Ms. Masson and Mr. Merlak said investment returns have been in line with other municipalities' funds.

Mayor Pauley said due to time constraints, Finance Director Stephanie Masson will have to make her presentation next week at the April 17 Study Session.

ADJOURNMENT

A motion made by Alderman Mayberry and seconded by Alderman Schipp to adjourn the meeting carried by the following Aye and No vote; those voting Aye being: Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none. The meeting adjourned at 6:43 p.m.

Judith H. Gilbert, City Clerk

Rock Island City Council met in regular session at 6:45 p.m. in Council Chambers of Rock Island City Hall. Present were Mayor Dennis E. Pauley presiding, and Aldermen Joshua Schipp, Charles O. Austin III, Ivory D. Clark, Virgil J. Mayberry, P.J. Foley and Kate Hotle. Also present were Interim City Manager Randy Tweet and City Attorney Dave Morrison. Alderman Stephen L. Tollenaer was absent.

Introductory Proceedings

Mayor Pauley called the meeting to order and led in the Pledge of Allegiance. Alderman Mayberry gave the Invocation.

Agenda Item #5

Minutes of the meeting of April 3, 2017.

It was moved by Alderman Foley and seconded by Alderman Hotle to approve the Minutes of the meeting of April 3, 2017 as printed. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #6

Update Rock Island by Mayor Dennis E. Pauley.

Gilda's Run for Laughs – Gilda's Club of the Quad Cities is holding their annual 5K run/walk and 1 mile fun run on Saturday, April 22, 2017 starting at 8:00 a.m. The 80s themed race is presented by UnityPoint Health – Trinity and will take place in The District of Rock Island. For more information and registration please go to www.gildasclubqc.org

Two Man Golf Tournament – Highland Springs will be holding a 9 hole, 2 person team tournament on Thursday, April 27, 2017 at 5:00 p.m. The scoring will be Stableford format with a shotgun start. The cost is \$30.00 per person, which includes greens fees, cart rental and warm-up range balls. For more information call Todd Winter at (309) 732-2277.

Downtown Rock Island Cleanup – The District and Keep RI Beautiful have teamed up again for downtown cleanup on Saturday, April 29, 2017 with check-in starting at 8:30 a.m. Meet new friends, learn about litter prevention and help with efforts of cleaning the downtown area. Breakfast will be offered courtesy of Jumer's Casino & Hotel. The team will meet at the Centennial Bridge Visitor's Center at 201 15 Street in Rock Island. To register please contact (309) 786-1334 or email keepribeautiful@att.net.

Agenda Item #7

Proclamation declaring April 10, 2017 as Brea Beal Day.

Mayor Pauley read the proclamation. Rock Island High School sophomore and basketball player Brea Beal thanked the Council for the proclamation and said she was very excited. Pictures were taken of Ms. Beal with her parents, Kevin and Nicole Beal, Mayor Pauley and Alderman Mayberry.

Agenda Item #8

Claims

It was moved by Alderman Austin and seconded by Alderman Clark to accept the following reports and authorize payments as recommended. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

- a. Report from the Human Resources Department regarding payment in the amount of \$77,901.26 to Tokio Marine HHC-Public Risk Group of Auburn Hills, MI for General Liability claim.
- b. Report from the Information Technology Department regarding payment in the amount of \$19,395.89 to System Innovators of Chicago, IL for the iNovah annual support maintenance from July 1, 2017 through June 30, 2018. (007)
- c. Report from the Public Works Department regarding payment in the amount of \$3,300.00 to Bob Westpfahl for the 2017 annual land set aside.(040)

Agenda Item #9

Claims for the week of March 31 through April 6 in the amount of \$158,540.12.

It was moved by Alderman Clark and seconded by Alderman Hotle to allow the claims. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #10

Report from the Public Works Department regarding bids for the 2017 Weed Control Spraying Program, recommending the bid be awarded to Kymbyl Komplete Kare Inc. of Rock Island, IL in the amount of \$22,500.00.

It was moved by Alderman Hotle and seconded by Alderman Austin to award the bid as recommended and authorize the City Manager to sign the contract. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #11

Report from the Public Works Department regarding bids for the 2017 Sidewalk and Pavement Patching Program, recommending the bid be awarded to Centennial Contractors of the Quad Cities, Inc. of Moline, IL in the amount of \$513,995.00.

It was moved by Alderman Foley and seconded by Alderman Mayberry to award the bid as recommended and authorize the City Manager to execute the contract documents. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman

Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #12

Report from the City Attorney regarding amendments to Chapter 7, Article VI, Division 4 and Appendix A of the Code of Ordinances as it relates to the “Chicken Ordinance.”

It was moved by Alderman Schipp and seconded by Alderman Hotle to consider, suspend the rules and pass the ordinances. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #13

Report from the Community and Economic Development Department regarding terms of a development agreement with Jose and Sarah Zepeda of Koffeebreak Restaurant, Inc. to assist with the purchase and redevelopment of their business property at 1831 Third Avenue in the amount of \$105,000.00.

It was moved by Alderman Hotle and seconded by Alderman Schipp to approve the terms as recommended, direct CED staff to work with legal counsel to draft a development agreement subject to minor attorney modifications and authorize execution of the development agreement by the City Manager.

Alderman Hotle said it was a great project and she knew that the Zepedas have wanted to expand their business. Alderman Foley commented on the number of people that come to downtown Rock Island every day, but especially on Saturday and Sunday mornings to QC Coffee & Pancake House. Alderman Schipp said he’s never seen anything like it in the Quad Cities where people will wait so long and he also thanked the Zepedas for choosing Rock Island. Alderman Mayberry asked the Zepedas to come to the podium and share their plans. Sarah Zepeda said the initial funding will help with stage one of their expansion; the building was never meant for so many people. The building needs a new roof and HVAC system. The kitchen needs to be re-done and streamlined to make it more workable for her husband who is the chef. They also need a walk-in cooler and freezer. Stage two would be an expansion of the space and adding more seats to the restaurant. Jose Zepeda said they love Rock Island and that people come from all over the Quad Cities to their restaurant. They are very thankful.

The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #14

Report from the City Clerk regarding an application and Resolution for the Quad Cities Marathon to be held on Sunday, September 24, 2017.

It was moved by Alderman Foley and seconded by Alderman Hotle to approve the event as recommended and adopt the resolution.

Alderman Foley challenged Mayor-elect Mike Thoms to cheer on the runners as they cross the bridge into Rock Island as Mayor Pauley has done for so many years.

The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #15

Report from the City Clerk regarding a request from Augustana College (Office of Student Life and Leadership) for a Sound Amplification Permit for a music festival on Saturday, May 6, 2017.

It was moved by Alderman Schipp and seconded by Alderman Hotle to approve the sound amplification permit as recommended.

Alderman Austin commented that the 10-15 miles that the sound will be thrown as stated on the application must be a misprint.

The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none.

Agenda Item #16

Other Business

Alderman Hotle thanked Police Chief VenHuizen on the slower 7th Avenue traffic now that the speed limit is 20 mph. She said it has made a noticeable difference.

Alderman Foley congratulated all of the candidates who ran in the local election and also those who were elected.

No one signed up to address Council to speak on a topic.

Agenda Item #17

Executive Session on Personnel, Property Acquisition and Litigation.

An Executive Session was not held.

Agenda Item #18

Recess

A motion was made by Alderman Foley and seconded by Alderman Hotle to recess to 5:30 p.m., Monday, April 17, 2017. The motion carried by the following Aye and No vote; those voting Aye being; Alderman Schipp, Alderman Austin, Alderman Clark, Alderman Mayberry, Alderman Foley and Alderman Hotle; those voting No, none. The meeting was recessed at 7:05 p.m.

Judith H. Gilbert, City Clerk