

**Finance Committee
November 30, 2020
6:00 p.m. - City Hall Council Chambers
and Via Web Ex Conference Call**

Note: Due to the increases in Covid-19 cases in our area, the City Council, Department Heads and the Public had the option to attend the meeting in person at City Hall or by remote participation through the WebEx platform.

Chairman Ptak called the meeting to order at 6:00 p.m.

ROLL CALL:

Present: Alderman Ptak, Alderman Lavieri, Alderman Jeppson

Present Remotely- Alderman Demes

Absent: Alderman Herndon

Others present: Alderman Reynolds, Alderman Bacidore, Deputy Clerk Brent Bader, Finance Director John Duncan, Andy Bacidore

A quorum was present.

The minutes of the Finance Committee held on November 16, 2020 were unanimously approved by the Committee by voice vote after a motion from Alderman Jeppson and a second by Alderman Lavieri with the understanding that a correction would be made to reflect that Alderman Jeppson questioned a \$23,000 charge, not Alderman Lavieri as indicated in the November 16, 2020 minutes.

Alderman Jeppson inquired about a charge for \$3,549 for damage to an ambulance. Chief Bacidore stated that it was a fender bender. Finance Director Duncan explained that this was for damage to the ambulance, but a check has been received from insurance to cover the expense. There were no further questions on the bills.

Finance Director Duncan then reviewed in detail Exhibit #1 which outlined the Tax Levy for fiscal year 2020-2021. He indicated that these numbers reflect taxes for 2020, payable in 2021. He stated that the county projects a 2% increase in EAV. However, this is an estimate as the La Salle County Property Tax Appeal Board is still in the process of hearing property tax appeals cases, therefore it is not possible to know the exact numbers, but a good estimate can be made.

The tax rate is set by establishing what the total amount of the tax levy is, which is the numerator in the equation and dividing it by the EAV, which is the denominator. The county has projected the 2% increase in the EAV based off of growth in two ways; from new developments or from homes that have been re-assessed for a higher amount.

On the non-bond side, the sum of the levy is \$2,660,000, which is projected to be at a 4.92% increase over the previous year. Had this increase been 5% or larger, the City would be required to hold a truth in taxation hearing. Finance Director Duncan stated that it is always our goal to keep the level below 5% for both the non-bond and bond side.

On the bond side, the levy has been reduced by \$68,000 from the previous fiscal year, resulting in a 12.96% reduction in the total bond levies. The total increase to the levy for this fiscal year is a net increase of \$56,000 which is a 1.85% increase.

Finance Director reviewed other line items being levied for this year. The two largest line items are the Police and Fire Pensions. Four years ago, the city did a three-year higher transition rate, with this being the first year off those transition rates. During the past three years, contributions were at a higher rate than what is required by the State of Illinois. This was necessary in order to get our net pension liability on track to be at 90% funded by the year 2040. Mr. Duncan indicated that \$1,605,000 is levied for the Police Pension and \$247,000 for the Fire Pension, with both funds showing an increase of approximately 4%. Mr. Duncan stated that this is good, as it has more or less plateaued. Mr. Duncan stated that moving forward, if the Pension Boards are able to get the same or better rate of return on investments as the actuaries have projected, and the mortality tables do not change in those projections, the percentage of increase in the levy should remain below the 5% level. If these variables remain constant, this will allow the city to make the 2040 deadline by taking the allowable increases under the 5% level, while also retiring some bond debt. By doing so, the overall tax rate to La Salle residents will not be impacted.

The remainder of the levy is then equally distributed between other line items such as the General Fund for General Corporate Purposes, the audit, IMRF for certain employees who are paid out of the general fund, the playground and recreation department, Social Security, and the Library. This is the first year where slight increases were realized in each of these funds due to going off of the four-year transition plan.

Mr. Duncan stated that we are currently paying a Library Bond and a 2007 Bond taken out to fund significant infrastructure improvements both of which will retire within a couple of years, eliminating approximately \$457,000 of bond debt. This would leave no bonds on the tax levy. However, this does not mean we have no debt, as we are paying several other bonds out of general revenues, but it does mean the bonds are not on the tax rolls.

The bonding company will be providing Abatement Resolutions for the council to vote on to remove any bonds we do not want on the levy. These will be added to an agenda in early December.

Last year, the City of La Salle's tax rate, exclusive of the library, was 2.8674%. Mr. Duncan, as an example, stated the following: If the 2% EAV increase holds true, and your house did not change at all in value and you get the owner occupied exemption but not a senior exemption, you should be paying within \$1.00 of what you paid last year if your home did not assess for more than it did last year. Despite the increases in certain funds, the levy is very similar to what it was last year.

Alderman Jeppson stated that he noticed the library will receive \$16,000 more this year than last year and wondered if this is a trend we can expect to continue. Finance Director Duncan said we can expect that any funds not going to the Police and Fire Pension, can be distributed to the other funds mentioned earlier in equal amounts. However, Mr. Duncan added that next year may be a bit different because as the bonds drop-off, we may choose to roll those funds to the non-bond side. This may cause an increase over 5% which would require a Truth in Taxation hearing, but the important part is that it will have a zero net effect on the taxpayer. He said we also have to wait and see how the coronavirus affected the General Fund and how much of a reduction we saw in sales tax revenues before these decisions are made. However, this would give us a few hundred thousand dollars to potentially allocate to the General Fund.

Chairman Tom Ptak commented that John Duncan mentioned earlier that the Police Pension fund will be leveling out at a 4% increase and wondered how that amount is determined. Mr. Duncan responded by explaining that once that fund is leveled out to a manageable increase, the actuaries project that at this level we will be 90% funded by 2040. However, we are contributing higher than required because we are seeking to be 100% funded by that time. The reason for that is we assume there will be a year where investment income does not perform to the standard it was projected to. Mr. Duncan added that he does feel things will get better with the consolidation of the downstate pensions because they will not have the investment restrictions the local pension boards have. He indicated our local pension boards were very limited as to the investments they could make and most options provided minimal rates of return. Mr. Duncan explained that our strategy is to over contribute so we have financially positioned ourselves in a way where we would not have to come up with a large amount of money at some point in time if projections proved to be incorrect.

Finance Director Duncan stated that our biggest challenge to address over time is getting more money into the General Corporate Purposes fund. It is at \$340,000 now which is not enough to bridge the annual deficit seen in that fund. We have tightened it up a lot and may be able to increase it as bonds drop off, but this will take time and a good long-term plan.

By unanimous voice vote, the committee voted to deny a monetary donation to the Boy Scouts of America for scouting programs.

The meeting was adjourned at 6:13 p.m.



Carrie Brown, City Clerk