

Finance Committee
January 25, 2021
6:00 p.m. - City Hall Council Chambers

Chairman Ptak called the meeting to order at 6:01 p.m.

ROLL CALL:

Present: Alderman Ptak, Alderman Demes, Alderman Lavieri, Alderman Jeppson, Alderman Herndon

Absent: None

Others present: Alderman Reynolds, Alderman Bacidore, City Clerk Carrie Brown, Deputy Clerk Brent Bader, Finance Director John Duncan

A quorum was present.

The minutes of the Finance Committee held on January 11, 2021 were unanimously approved by the Committee by voice vote after a motion from Alderman Lavieri and a second by Alderman Jeppson. Each and every alderman has a copy.

There were no questions on the bills, however Chairman Ptak asked for further clarification as to the descriptions shown for TIF Reimbursements. Chairman Ptak understood the TIF process but wondered why some are described on the bills as TIF Agreements, some defined as TIF Reimbursements and others like Unytite are defined as a Redevelopment Agreement. Finance Director Duncan explained he wasn't certain but that it was his understanding a Redevelopment Agreement is a reimbursement for a development that was built into an existing TIF. TIF Reimbursements are for improvements to businesses who were established prior to the TIF being established. Finance Director Duncan said he would follow-up and later discovered a TIF reimbursement can only be paid to a private developer through a redevelopment agreement. The redevelopment agreement is the contract that outlines how the TIF reimbursement is paid.

Chairman Ptak reviewed the request from Illinois Valley Animal Rescue which was seeking a monetary donation to offset expenses due to COVID-19. Chairman Ptak pointed out that the city already gives \$3,000 annually to the organization and they recently received the full \$5,000 from the ES grant program. Chairman Ptak took a vote and the committee was in unanimous agreement to recommend that the request is denied.

Finance Director Duncan then reviewed the Annual Financial Report for the fiscal year ending April 30, 2020. Each alderman had a copy of the audit and a letter from auditor Monica Robbins, CPA, P.C. that indicated no significant audit issues were found. The letter also indicated that there were no difficulties performing the audit and all management representations made and documents provided for the audit were accurate and legitimate. Finance Director pointed out that the Table of Contents of the Audit will specifically guide the aldermen to any information they may be looking for. Mr. Duncan said he was not going to review the entire document, but would touch upon a few of the highlights. He said due to time constraints he would not review the water and sewer funds, but they could be found on pages 101-107.

He began his review of the General Fund which starts on page 63 of the audit. The audit indicates the revenues in the General Fund, which include property tax revenues, sales tax, utility taxes and other revenues. Mr. Duncan reminded the council this audit is reflective of the fiscal year ending April 30, 2020, so the information is almost a year old. Each account within the General Fund is included in this

portion of the audit. The city incurred a \$375,815 deficit in the General Fund at year end of FY 2020. He continued by saying that this adds to the already existing deficit in the fund making the total deficit approximately 2.4 million. The largest expense within the General Fund is the Police

Department, with the Police Pension being the largest expense within that department. Some items that had an impact on the General Fund include the loss of sand mine revenue and public safety pension costs.

Mr. Duncan then moved on to the Parks and Recreation Fund on page 86. Mr. Duncan explained that the Parks Department receives its revenue from property taxes and from various park activities, such as the swimming pool. However, in terms of expenses, he explained that the audit does not reflect all of the expenses in this fund. Mr. Duncan further explained that the city made an agreement with the Park Board years ago that certain park related items would be paid out of the General Fund. This includes, but is not limited to, IML Insurance, street lights within the parks and other park lighting, etc. The park is running with a small deficit at this time, but it is anticipated that the deficit will be overcome in the current year. Typically the fund runs in the black and does not make or lose money.

Mr. Duncan then went on to page 90, the Library Fund. He stated that the library has an actual revenue of \$522,000. The revenue stream comes from the property tax levy which is set at \$210,000 and from a trust fund contribution of \$78,513 from the Carus family. These funds were donated to the library for a period of 20 years from mining rights in South Dakota. Finance Director Duncan stated that this has been a good source of revenue for the library, however it is beginning to dry up. He continued by explaining that the library's expenses are at \$465,000 with minimal opportunity to cut expenses. He said if the Carus money is removed from the equation, the city will have to plan accordingly to make up for that deficit. The library has a \$1.3 million dollar reserve fund, but if the library were to run at a deficit, it will eat up that surplus quickly if we do not find a way to replace the lost Carus revenue. Mr. Duncan said that the plan is to increase the property tax levy, but not over 5%, to offset the loss of the Carus money. The Carus money will end in two years.

On Page 92, the Ambulance Fund is shown. The revenue for the ambulance was \$586,000, which is the revenue prior to the rate increase going into effect. Mr. Duncan stated that there are no outstanding loans in the ambulance fund and felt this was a good financial decision made by the city years ago. Residents have seen improved service with our own ambulance service, while at the same time the funds are building up. Mr. Duncan said that before we had our own ambulance service, we were paying first responders out of the General Fund and we still currently do that. In the first few years of the service, the decision was made not to stop paying those salaries out of the General Fund as we needed the ambulance fund to grow. However, he continued by saying that the council may want to consider changing this down the road now that the fund is solid. Alderman Ptak said that would really change things in the General Fund. Alderman Lavieri pointed out that we are also saving the \$4,000 per month that we were paying to PVAS prior to having our own service.

On page 109, the Pension Funds are listed. The Fire Pension has revenues of \$205,000 made up of contributions from the property tax levy, income from investments, as well as contributions by the members of the Fire Department. Each employee has 9.19% of their paycheck deducted in pension contributions which totaled \$26,583. Our current investment portfolio is \$2,639,000. The state has established tiered thresholds that dictate the level of investments that can be made by pension boards. If the portfolio is at or under 2.5 million only 10% can be invested in the market. Once that threshold is crossed, 35% can be invested into equities. The board will eventually move from fixed investments to

equities. Fixed investments such as CDs and annuities from 2012 to the date of the audit saw a rate of return of 3.7%, which is not a significant rate of return. The current pension fund has one pensioner and one surviving spouse. In both the Fire and Police Pension funds, the pensioner get an automatic 3% cost of living increase yearly. Mr. Duncan stated that the Fire Pension fund was pretty poor at one time, but at the time of the audit was 54.08% funded which is a substantial improvement. He followed up by saying that we are closer to 60% funded as of today. The state is requiring all pensions to be 90% funded by 2040, however the City of La Salle is trying to be proactive by being 100% funded by 2040 so as to address any market fluctuations that may occur in the upcoming years. Mr. Duncan said that we are making more aggressive contributions to the Police and Fire Pensions so as not to kick the can down the road.

Mr. Duncan said the Pension Board is a committee made up of one retiree, two current officers and three city appointed members. The board pays Hometown Bank through the Trust Department to make recommendations on investments. They have done an excellent job for us and we have outperformed the bench marks since switching to Hometown in 2012. Alderman Ptak pointed out that moving into the 35% equity level should be a good change for the pension fund.

Alderman Lavieri questioned if the State is going to take over the pension fund. Mr. Duncan said that they are and the money will be transferred from Hometown to the State by the end of the year or early next year. Mr. Duncan said, in his opinion, if this is done correctly by the State it could be a good improvement.

The Police Pension fund information begins on Page 110 of the audit. Mr. Duncan stated that the Police Pension has been increased significantly, but for this audit year it was set at \$1,269,000. For this current year contributions are it is set at \$1,597,000 with the following year set at \$1,605,000. The Police Pension has been increased significantly. The officers contributed 9.19 % of their paychecks equaling \$154,000. The pension saw a bit of a loss in this fiscal year in their investments, but again the pension fund had \$8,145,855 in it at the end of this fiscal year. Currently, the portfolio is at \$10,190,328 because they were able to recover some in the market and we have all of the contributions made this fiscal year. Because they have exceeded the threshold of \$10,000,000 they can now invest 55% in equities. The Police Board also has complete say so in how they invest, but that may change as the State takes over at the end of this year or next. Since Hometown took over the Police Pension fund, investments in February of 2016 they have seen a return of 7.14%, with a benchmark of 6.6%. The number is double what the Fire Pension made, because more investments were in equities than fixed rate investments. At the time this audit was done, the pension fund was 32% funded. Mr. Duncan stated that although we are contributing as much as we are in the Fire Pension, we are not making as much progress as in the Police Pension fund because there are more pensioners, it is a bigger hole to climb out of. Mr. Duncan said this gives an idea of where the property tax levy money goes.

He continued by saying that as we continue to make progress, we can invest more in the market. If the State does take over, hopefully they will have good people making good choices. The state will have less restrictions, so if done correctly there should be a higher rate of return for all and less administrative fees. Mr. Duncan said there is an opportunity for this to be better.

Brief discussion followed about Utility Taxes. These taxes come are from gas, electric and water. There are also franchise fees which is revenue received for items such as cable, phone, etc. Mayor Grove stated that without US Silica, utility tax revenue was most likely affected as well.

Mr. Duncan stated that we had a good audit with no significant findings. Chairman Ptak and the committee thanked Mr. Duncan for presenting the information.

There were no further questions or comments from the public.

The meeting was adjourned at 6:36 p.m.

A handwritten signature in cursive script that reads "Carrie Brown".

Carrie Brown, City Clerk