

CITY OF ROCK ISLAND
CITY COUNCIL STUDY SESSION
City Council Chambers, City Hall, 3rd Floor,
1528 Third Avenue, Rock Island, IL

11/13/2023 - Minutes

1. Call to Order

Mayor Thoms called the Study Session to order at 5:00 p.m. and welcomed everyone.

2. Roll Call

Mayor Thoms asked City Clerk Samantha Gange to call the roll.

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

Alderman Mark Poulos arrived at 5:30 p.m.

Absent: None.

Staff: City Manager Todd Thompson, Attorney Leslie Day, City Clerk Samantha Gange, and other City Staff.

3. Public Comment

Mayor Thoms asked if anyone in the public wished to speak. No residents were signed up.

4. Presentations

- a. West End Revitalization Presentation from MLK Director Jerry Jones.

Martin Luther King Jr. Center Director Jerry Jones gave an update on Rock Island's West End Revitalization. The goal is to improve the livability, wealth and power in the West End of Rock Island with the vision of the West End being the preferred place to live and thrive. The group has embraced the values of justice, equity, inclusion, collaboration, empowerment, respect, communication and trust. The Committee has utilized five areas of impact, which came from a 2021 community survey and include:

- Strengthening civic capital/community engagement in the West End

- Building West End residents' assets and incomes
- Increasing housing stability and quality with community control of land and housing
- Increasing the economic vitality of the West End
- Improve the infrastructure and visual design of the West End

In order to address such complex issues utilizing grassroots involvement, the collective impact model was chosen. The collective impact model was formatted to utilize a steering committee, workgroups and backbone support. The Steering Committee provides strategic guidance to the workgroups. The workgroups were formed among the five impact areas. The backbone support is a communications and events workgroup that crosscuts these, because communication is vitally important. There are over fifty people in the working groups at this time and they are making a real impact.

Ms. Marisa Cantù gave an update on goals and strategies based on the areas of impact. The committee got together and looked at the concerns and top priorities and condensed them into impact areas. They created working groups to work in those specific areas. All of the working group members are committed and invested in supporting this process. They have been able to prioritize these areas in order to find both long-term wins and some quick wins as well.

Steering Committee member Avery Pearl discussed the West End Revitalization Plan and said it has worked in other areas. The Steering Committee recently met with the Omaha Empowerment Network. This group has been able to revitalize Omaha by increasing household incomes, reducing family poverty and gun violence. They are one of four organizations nationwide that have been chosen to partner with the Obama Foundation to help them with resource development and nationwide networking. They have served as the catalyst in Omaha to bring millions of dollars in public and private redevelopment funds. They have increased high school graduation rates through nearly fifteen years of continuous effort. The CEO of Omaha Empowerment Network believes in the West End Revitalization Plan and wants to partner with them going forward. Mr. Pearl said Rock Island is a leader in urban development in the Quad Cities.

Mr. Jones shared short-term and long-term timelines. He noted the work aligns with the goals that the Council devised for the City of Rock Island, is community-driven with grassroots leadership, is long-term and holistic and addresses symptoms and root causes.

Ms. Linda Sargent described the West End neighborhood of Rock Island that she grew up in. She was raised by her grandparents and was the first member of her family to go to college. In the Enterprise Survey, she was proud to see that Heart of Hope Ministries, which she leads, was listed as a trusted vital resource. In 2022, over fifteen thousand individuals in the Quad Cities received food from Heart of Hope Ministries. She said she believed that the right people are at the table today to revitalize the West End.

Aldersperson Robinson thanked everyone on the Board and working groups for their time and energy. He talked about past neighborhood plans that never came to fruition and said the timing is now to implement a plan. He noted that so many leave the West End of Rock Island because of the conditions they grow up in and they want something better.

Aldersperson Gilbert echoed Aldersperson Robinson's appreciation and said she has received great reports on the work that is being done by the working groups. Aldersperson Gilbert asked if it was the working groups or the consultants who evaluated the plan and provided the recommendations. Mr. Jones said that the

consultants provided the recommendations and the Steering Committee prioritized those recommendations in each impact area.

Mayor Thoms said a consultant was hired for the first phase and they helped create the assessment with the recommendations. A consultant has been hired for a second phase and they have been coaching and guiding the process from behind the scenes. They will help identify resources moving forward and compile the final plan. They have been engaged throughout the entire process. The John Deere Foundation paid for part of this work and they have been involved in the process.

Alderperson Parker said this conversation is reminiscent of the downtown with many plans on the shelf. He discussed how making progress started with establishing the foundation and said it sounds like this project is working towards that as well. He commended the work and offered any assistance.

Ms. Cantù said the strategies that we have in place provide accountability. This group is not only an asset to Rock Island, but to the entire Quad Cities. Mr. Isaac Carr, member of the Steering Committee, shared his perspective as an immigrant and refugee.

b. CY2024 Budget Presentation from Interim Finance Director Jessica Sager.

City Manager Todd Thompson apologized that the budget was behind schedule, but said staff were committed to doing whatever the Council needed. He thanked Jessica Sager, Brian Smith and all of the department directors for all their hard work in putting the budget together. Mr. Thompson said there are some good things happening, but there are also some real challenges. When working on the budget, the key consideration is balancing the budget, which is required by law. A balanced budget is revenues and expenditures, but also available fund balance can contribute to balancing it. Keeping financial impacts down for citizens and providing quality services is key when looking at the budget.

Interim Finance Director Jessica Sager presented the CY 2024 Budget to Council. She reviewed the budget goals, including balanced budgets, quality services and fiscal responsibility. She gave an overview of the total proposed budgeted revenues for all funds, which is \$164,308,890. This includes the highest category labeled Other revenues at \$34.3 million. The Other category includes internal related items such as self-insurance premiums, employer portion of health insurance costs, employer/employee retirement contributions and payments to the fleet from different departments. Local/State tax revenues represent the second highest category at \$31.3 million followed by Charges for Services, which account for approximately 18% of the revenue.

Ms. Sager discussed a breakdown of state and local tax revenue expectations for CY 2024, which makes up 19% of the revenue. Replacement tax and state income tax make up the largest portion of this category. The replacement tax is a personal property fund replacement tax. It was higher in CY 2022 due to the State having an incorrect model. The personal property replacement tax (PPRT) continues to outperform expectations. However, it is expected to decline in 2024 and that has been taken into consideration when developing the budget. Ms. Sager reviewed the 10-year trends for state and local taxes.

Budget and Grants Manager Brian Smith addressed key assumptions during the budget process for items such as health insurance and the Illinois Municipal Retirement Fund (IMRF) for employees. Employer IMRF Pension increased 5.72%. He noted this is a preliminary rate and the actual rate will be known next week. It was 4.84% for CY 2023. The Police Pension increased 17.8% and the Fire Pension increased 7.75%. Employer health

insurance has gone up 12.5%. There were general wage increases based on bargaining unit contracts. He addressed expenditures by fund, noting that this portion of the proposed budget for all funds is \$174,529,688. This is about a 9% increase from last year. The General Fund represents the largest fund at \$60.7 million, followed by the Water, Sewer, Storm and Refuse Fund.

Mr. Smith reviewed total citywide expenditures by category for CY 2023 and CY2024. Personnel costs increased by \$3.6 million from the prior year due to natural GWI and salaries, pension costs and increases in health insurance. Services increased 6.9%. Transfers increased by 23.4%, which includes the transfer from ARPA to the General Fund. Mr. Smith said one budget challenge is the rising personnel costs. The majority of the employees are subjected to collective bargaining contracts with negotiated pay increases. Police and fire pensions are state mandated and are earned by current and former members of the police and fire departments. Public safety pension costs continue to increase and will continue to do so as we move toward 90% funding by the year 2040. The City stands by its obligation to continue to fund it, but at the same time is aware of the budgetary impacts. Police and fire pension costs have been trending upwards for the last ten years. With the recent consolidation, they hope this will help address the rising costs and provide some relief. Alderperson Healy asked why they budgeted 32% for supplies. Mr. Smith said chemical costs are going up and it also includes water meters for the water meter project. Alderperson Healy asked if they figured in additional revenue from sports wagering. Mr. Smith said they have increased it to \$200,000, which is conservative, but they are hoping that it generates more.

Mr. Smith discussed full-time equivalency (FTE) history for budgets through CY 2024. FTEs have declined by 24.84% over the last fourteen years. A new Economic Development Director was offset by a vacant position in the Community Economic Development department. The City Attorney is now on board as a personnel cost. Martin Luther King Jr. Community Center added a second West End Coordinator. The Fire Department added a full-time office assistant. Parks and Recreation increased hours across part-time positions. The Library added a full-time reference librarian and a part-time branch/child's aide.

Mr. Smith said the Engineering Fund required a General Fund Transfer of \$312,899 last year to balance its budget. In 2024, the Engineering Fund is balanced without a General Fund transfer, which is the first time it has been balanced since 2017. Mr. Smith said they are matching up revenues and expenses for 2024 and charging more across the board for engineering services.

Ms. Sager reviewed expected General Fund revenues and expenditures for CY 2024. The total proposed revenues are \$56 million, which is up \$6.3 million from the adopted budget and expenditures are \$60.7 million, up \$10.3 million. This can be attributed to the \$6.8 million in ARPA Revenue Replacement as well as the \$4.7 that we have for the General Fund Excess transfer that is being done to help balance the 2024 budget. Ms. Sager shared General Fund Expenses CY24 by departments. Police, Fire and Public Works represent 57% of the General Fund expenditure budget. Finance is a little distorted because they have the transfers in from ARPA and the excess surplus that they are using to balance the budget. It is the goal of the City of Rock Island to maintain a sufficient cash balance in its General Fund. They are currently forecasting a surplus for 2023 of \$2.5 million. This can be used to fund a future budget once the audit has been completed.

Going back to CY 2022 General Fund excess, Ms. Sager noted there was an excess of \$7.8 million. She shared the breakdown of how that excess has been used to balance the 2024 budget. \$2.4 million was used to balance the General Fund. \$421,794 was used to balance the Parks and Recreation Fund. \$1.2 million was used to eliminate negative fund balances in the Capital Improvement Fund and the US Department of Justice Grant Fund. \$600,000 was used for an additional fire truck, which leaves a surplus balance of \$3,093,770. Mr.

Thompson reported there was over a \$4 million deficit when they started work on the 2024 budget. The goal was to make the deficit in the General Fund for 2024 equal the surplus for 2023 in order to not have to make too many cuts too quickly. Once 2023 is done and audited, the surplus will be added to the 2022 excess and he is anticipating that to be over \$5 million. He suggested not spending any of the excess fund balance until they get to the 2025 budget in order to address the General Fund problems.

In an effort to maintain fiscal responsibility without utilizing the entire surplus from 2022, several reductions were included in the proposed budget. Reductions include: delay in hiring of open positions; reduction in overtime, legal services and professional development; removing a small land purchase from the proposed CED budget; reducing supplies and equipment expenditures; reallocating some eligible expenses to the MFT Fund, and finally, it includes \$500,000 in unrestricted ARPA funds that will be used for some necessary road repairs.

Mr. Smith reviewed the Public Works Enterprise Funds for CY 2024. A majority of the revenues are generated by charges for services. Mr. Smith noted the beginning cash and ending cash estimates for these funds and said there is more work to be done. Mr. Thompson said many of these funds, absent the Marina, will be dramatically reduced in the next few years. Mr. Smith reviewed rate increases planned for CY 2024 for water, wastewater, and stormwater. Refuse rates will remain the same. Mr. Smith reviewed the MLK Center, Park Recreation and Library funds as well as the challenges, specifically the increase in minimum wage each year. The Parks Fund required a General Fund transfer in CY23 and CY24. They realize it is an ongoing problem, but they did cut the transfer amount in half from last year. They are working toward the goal of getting it balanced. The Library Fund is projecting a deficit for CY24, but they have a significant cash balance to support this. Also, it was noted that \$180,000 of the proposed \$292,316 deficit is a one-time expenditure for capital improvement projects.

Mr. Smith discussed property tax allocations for CY 2024. Total property tax collected is proposed at \$16,297,665, of which 68% is allocated to support the police and fire pensions. He summarized the details of proposed property tax allocations based on the levy. He reviewed historical data on tax rates by collection year dating back to 1986 and then the Estimated Assessed Value (EAV) history going back to 2003. He discussed the City tax levy history and the effects of it upon the General Fund. Mr. Smith reviewed General Fund tax rate information dating back to 2005 on a home with an EAV of \$100,000. The proposed 2023 levy for the Downtown Special Service Area will remain the same, which will allow the property tax rate to decrease.

Ms. Sager reviewed CED sponsorships and contributions as well as other sponsorships that were included in the budget. Mr. Thompson noted that the Labor Day Parade budget has increased due to it being their 40th Anniversary. The total bond payments that are supported by the gaming tax revenue is \$3,765,761 with budgeted revenues of \$3,800,000. The biggest difference from last year is the increase in the GO Bond 2014B for the Watchtower. In 2023, that was an interest-only payment, but starting in 2024 it will be interest and principal. Gaming funds will be used to fund \$85,400 for the library's portion of the GO Bond 2020. It is a one-time expenditure.

Ms. Sager reviewed the positives and challenges for the CY 2024 budget. One of the directions that they took from Council in 2023 during the budget process was to balance some of the negative funds. They took a hard look at the budget and were able to balance the fleet services and engineering funds. Some other positives include; ARPA funds are being used, revenue is trending upwards and EAV has increased. Similarly, with some of the challenges, there are still funds that have negative fund balances, vehicle, building, computer

replacement and maintenance costs have gone up, there are some structural deficits, environmental mandates, a declining population and some long-term debt/liabilities. Ms. Sager reviewed the negative fund balances.

Ms. Sager said the staff has been diligent in attempting to keep ongoing expenses to a minimum while continuing to provide high levels of service, but noted there is still work to be done. Ms. Sager thanked the Mayor and City Council, Mr. Thompson and department directors for their input, direction and time. .

Mr. Thompson discussed the long term strategy to solve some of the budget problems. He would like to grow the tax base, look at revenues, manage expenses and focus on priorities.

Aldersperson Parker commented that the City is moving in the right direction and thanked the staff for all of the hard work. Aldersperson Healey echoed those comments.

Aldersperson Robinson asked how roads are prioritized. Public Works Director Bartels said they have a database for road conditions. The system ranks all of the streets in the city and gives them a number that is used to prioritize them. Mr. Bartels said funding is the issue. Mr. Thompson said they are looking at a study session on revenues from future projects.

5. Adjourn

- a. Motion: Motion whether or not to adjourn.
VV Voice vote is needed.

MOTION:

Aldersperson Robinson moved to adjourn the Study Session; Aldersperson Healy seconded.

VOTE:

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

The meeting adjourned at 6:18 p.m.

Minutes submitted by: Colleen Skolrood, Executive Assistant.