

CITY OF ROCK ISLAND
CITY COUNCIL STUDY SESSION
County Office Building, County Chambers, 3rd Floor
1504 Third Avenue, Rock Island, IL

9/23/2024 - Minutes

1. Call to Order

Mayor Thoms called the meeting to order at 5:30 p.m. and welcomed everyone.

2. Roll Call

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

Present: Alderpersons Kevin Maynard, Jenni Swanson, Mark Poulos, Bill Healy, and Mayor Mike Thoms. Alderperson Moses Robinson attended via remote connection in accordance with 5 ILCS 120/7.

Alderperson Dylan Parker arrived at 5:35 pm.

Absent: Alderperson Randy Hurt

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

MOTION:

Alderperson Healy moved to allow Alderperson Moses Robinson to participate remotely in the City Council Meeting; Alderperson Poulos seconded.

VOTE:

Motion PASSED on a 5-0-1 roll call vote. Aye: Maynard, Swanson, Parker, Poulos, Healy. Nay: None. Absent: Hurt.

3. Public Comment

Mayor Thoms asked if anyone in the public wished to speak. No one was signed up to speak.

4. Presentations

- a. Rock Island Fire and Police Combined Funds Actuarial Presentation.

Finance Director Jessica Sager introduced Kevin Cavanaugh of Lauterbach & Amen, LLP. Mr. Cavanaugh presented actuarial valuation results. He said the current valuation recommended contribution for the fire pension was \$5,405,512 and the police pension was \$6,271,466. He said the current unfunded liability for fire

was \$58,150,100 and \$69,147,000 for police. The current valuation percent funded for fire was 33.04% and 39.62% for police.

Next, Mr. Cavanaugh provided details in regards to the recommended contribution reconciliation. He said they expected to see an increase of \$386,000 total. He explained that fire salaries were greater than expected. The asset return was \$9,200 greater than expected for the fire pension, but \$7,700 less than expected for the police pension. Contributions were \$146,200 less than the full recommended amount. The net increase in the recommended contribution limit for fire was \$276,900 and \$370,700 for police. He noted that the ongoing cost of benefit accrual for active members in the pension funds was only about 11% to 13% of the recommended amount while the amortization of the unfunded accrued liability made up the remainder of the recommended contribution. He said the funds were 33% to 40% funded, with the goal being 100% funded over the next seventeen years.

Mr. Cavanaugh touched briefly on the demographic changes and their impacts on the recommended contribution. He presented an age and service distribution chart of active members in the pension funds. He pointed out that 21% of active members in the fire pension and 9% of active members in the police pension were eligible to retire. He said there was also a significantly higher number of inactive members compared to active members, which partly explained why the majority of the payment this year would go towards unfunded liability. Mr. Cavanaugh said a recent state law established that, under certain criteria, police retirees who marry after retirement may potentially have a surviving spouse. He added that this change increased the recommended contribution to the police pension.

Mr. Cavanaugh explained that Lauterbach took over as actuary last year, and created a five-year transition plan as there was a significant increase in the recommended contribution amount. He said of the recommended contribution of the combined funds, the total transition amount was \$10,527,442 while the full amount was \$11,676,978. Mr. Cavanaugh said the expected rate of return on investments (ROI) for the funds was assumed to be 7% in 2023. The ROI on a fair value of the assets basis was 14.53% for the fire pension and 13.27% for the police pension, a combined ROI of close to \$9 million for the single year. He emphasized that the ROI came close to equaling the employer contribution, which was \$9,211,900.

Mr. Cavanaugh went into depth on the unique aspects of the funds, including the large gaps between the fair value of assets and the accrued liability for inactive members, with a \$34 million shortfall for the fire pension and \$48 million shortfall for the police pension. Of the total pension funds' accumulated asset values, over 18% and over 14% were used to pay benefits to inactive fire and police members respectively. He said those ratios were rather high and would restrict the ability of the funds to earn on investment over time.

Mr. Cavanaugh presented the alternative contribution information, which followed the state statute for minimum funding policy parameters. He said the current valuation alternative contribution for the fire pension was \$4,745,490 and \$5,294,776 for the police pension versus \$5.4 million recommended for fire and \$6.27 million recommended for police.

b. Presentation regarding the Downtown Tax Increment Financing (TIF) District Feasibility Study.

Community Development Director Miles Brainard introduced Jared Kanallakan, Vice President of Moran Economic Development, LLC. Mr. Kanallakan explained that the Tax Increment Financing (TIF) Feasibility Study's purpose is to determine if the establishment of a TIF district is appropriate for the proposed redevelopment project area. He added that the proposed area was generally the same layout as the former

downtown TIF district with some minor changes and included 405 parcels of property.

Mr. Kanallakan said the TIF Act had different sets of qualifying criteria for developed and undeveloped areas. He added that if 50% or more structures within the developed portion of the area were 35 years or older, then only three eligibility factors would need to be met. The underdeveloped portion was only required to meet at least two criteria.

Regarding the developed area, Mr. Kanallakan noted 88% of the structures were at least 35 years old, and deteriorated conditions were present in 61% of the structures and 65% of the developed parcels. He pointed out that the City's Comprehensive and Downtown Revitalization Plans both detailed issues related to excessive vacancies in the developed area, including lack of upkeep, decreased property values and a decrease in the area's overall economic viability. Additionally, there were some potential land-use issues, such as residential uses intermixed or adjacent to commercial properties. He said the developed area also lacked community planning during its original development, resulting in deleterious land-use or layout and issues with property subdivision and platting. He mentioned the area's annual equalized assessed value growth rate of the area was less than the balance of the City for four out of the last five years.

Moving onto the undeveloped area's characteristics, Mr. Kanallakan said 132 parcels of land were vacant. There was a diversity of ownership, with 51% of the properties having unique owners, which could cause issues when trying to redevelop the properties, including fragmented development pattern and conflicting land-use. Deterioration of the areas adjacent to the undeveloped area was also evident. He said well over half of the undeveloped parcels had deteriorated surface improvements or were adjacent to developed parcels, which also showed some form of deterioration. This area also experienced a decline in property values. He presented charts detailing the area's growth rate over the last five years.

Mr. Kanallakan concluded that the area would likely qualify as a combination of a conservation area and a blighted area. He said that TIF would be appropriate to help facilitate the economic development and redevelopment of the area. He went over the next steps and schedule for the potential establishment of the proposed TIF district.

Mr. Brainard said the TIF could help developers fund projects on cleared sites in the downtown area. He also said the TIF could be used to support property enhancement programs. In regards to the Locks TIF, he said he will evaluate options with Mr. Kanallakan, which may include reincorporating it into the newly proposed TIF. He added that interested parties were welcome to provide input on how the TIF money could be utilized.

5. Adjourn

- a. Motion to Adjourn.

Motion:	Motion to adjourn.
VV	Voice vote is needed.

MOTION:

Aldersperson Healy moved to adjourn; Aldersperson Maynard seconded.

VOTE:

Motion PASSED on a 6-0-1 voice vote. Aye: Robinson, Maynard, Swanson, Parker, Poulos and Healy. Nay: None. Absent: Hurt.

The Study Session concluded at 6:06 p.m.