

Special Finance Meeting
October 13, 2022
5:00pm - City Hall Council Chambers

Chairman Ptak called the meeting to order at 5:00pm

ROLL CALL

Present: Chairman Ptak, Alderman Lavieri, Alderman Jeppson. Alderman Herndon.

Excused Absence: Alderman Thompson

Others Present: Finance Director John Duncan, Deputy Clerk Brent Bader, Alderman Reynolds, Mayor Grove (arrived at 5:06pm)

EXHIBIT A - General Fund Audit

Finance Director Duncan began discussion of the General Fund Audit on page 52 with budget comparison and general fund. Duncan mentioned how The Celebration of Lights, LPAC, and farmers markets are all in the LPAC account.

Duncan mentioned grant revenues and how the City budgeted \$1.3 million because of the Rescue Act money. The city did receive one of those payments in this fiscal year but the auditors made a decision not to book that \$650,000 this fiscal year. The auditors did not book that amount for this year because it's going to overstate the revenues. They will book that amount in the year that the City spends it. A portion will be spent this fiscal year to fix the roof, and the City will spend another portion of it the next fiscal year to do the tuckpointing. Duncan discussed the \$1.4 million budgeted for the Public Works Building on Page 57. It is currently well under budget. The purchase was made but no work has been done to it. He continued by discussing page 58 and how this represents the meat of the general fund. The general fund expenditures of \$9,278,000 was the total spent and subtract that from the revenues that were back on page 52. The change in the fund balance was a positive \$384,000. Duncan broke down the last few years: 2014, negative \$1.3million; 2015, \$1,361,000; 2016, \$1.6million; 2017, \$1.8million; 2018 \$1.9; 2019, \$2,074,000; 2020, \$2,450,000 in the red. In 2021, down to \$1,429,000 and currently the city is down to a million. Duncan believes that the city is doing well and will have another good year.

The ambulance fund at the end of the year was over a million dollars. The city exceeded the million dollar mark on the ambulance. The city has been paying for new ambulances with cash as the city has needed and replaced them. Mayor Grove mentioned how the city did raise some wages and also mentioned that the city may have to do something else to help supplement because the city has had an issue keeping a part-time employee with the ambulance. Mayor wanted council members to know that they may be having this discussion soon.

Duncan discussed how four people are necessary to staff fire and ambulance operations. The city does this by having a full time firefighter driver. The city has four of those. Each one works one day and then they're off the next three. The full time driver is one of the four that's there 24 hours and then we have two full time EMTs that are paid for by our contract with PSI. On one shift, there is one fire truck driver, two ambulance drivers and then the fourth position is a part time position that swings back and forth and covers both. This part time position has been stressed in the labor shortage of finding people that will do that. This position

is a 12 hour shift. Duncan mentioned that both Jerry and Dale Tieman have all stepped up. When Jerry's not one of the four full time drivers, he comes back and works that shift quite a bit.

The city currently does 24/72 shifts, having four drivers. With the 24/48 shift, then there's automatic overtime built into that schedule. The city could save a little bit of the overtime. The Mayor and Duncan intend to sit down with Jerry and potentially Dale and get some ideas on. Herndon asked how long that city is locked in with the PSI contract. Duncan mentioned just renewing contracts and he believed the PSI and other labor contracts to be locked in at 4 years.

Duncan mentioned the police and fire pension funds on page 50. If you follow 2022 down to the first double underline, \$25,188,336 is listed and this is the total pension liability. So that's the amount that the actuaries have determined is our current total pension liability. For the city to be 100% funded, the city would need \$25,188,336 in the bank plus the assumed interest rate which Duncan believed to be 6.25%. Duncan also mentioned how by 2040 the city needs to be 90% funded and currently the city is at 38.64%, possibly 42% now. The city is looking at 18 more years of 3% increases to that \$1.8 million. The city is also figuring to be 100% funded in 2040, not just 90%. Duncan believes that there are not penalties that are in play for those who may not reach the 90% goal by 2040, especially for those who are making the effort. The state is also giving pension boards the opportunity, if their city's not giving enough, then the city can appeal to the state and they can almost garnish. They can garnish IRS state issued taxes and the sales tax instead of coming here could go to the pension fund. The city has a good working relationship with our pension board. They understand the progress being made,

Alderman Herndon asked about the composition of the pension board. Duncan stated that Larry Happ is the current president (retired officer), two current officers, which are Luke Radke and Ray Gatzka, two mayoral appointments, Dan Muller and Pat Dooley and then our treasurer, Ginny. Duncan attends all their meetings, quarterly. This year is the first year that their investments went to the state. Fire is already gone to the state. Police haven't gone yet, but it's going soon. And then the state will manage their investments from there. Duncan expects to honestly see greater returns on it because they won't have the rules that the city had in place about the limited investments and what they can do and can't do. The city will retain a certain amount back to make payroll and then we'll be pushing the majority of the rest through to the state. Fire does have to be at 90% by 2040 and they are already at 86%. Duncan stated that the city will be able to take from the property tax levy to assist the police hit their 90% mark.

Chairman Ptak feels that the City of LaSalle is doing just fine to meet the 90% mark for 2040. Duncan closed up the audit discussion informing committee members that this item will be on the agenda for Monday's meeting for approval.

Exhibit B - Minimum/Maximum Comparison

Duncan began the Min/Max discussion in regards to how the city has done historically, how the city is doing this year and then just in time, this week, the city received a renewal. Duncan will discuss what the renewal came in at and then on Monday he hopes to make a recommendation to the full council on how the city wants to proceed with the insurance renewal.

The city did go to the min/max in 2015 and had a bad year with a number of claims. This then allowed the rates to go up but began to then stabilize off. By 2018, the city started stringing together some really good years and the insurance renewal premiums reflect that. Duncan believes that it is a combination of a lot of good things that allow the city's insurance

renewals to look good. He believes the city department heads pay more attention to safety. The safety committee developed and was very active through 2020, not as active during COVID. They're not currently meeting, but there was a lot of emphasis and pressure put on safety. Duncan also believes that the small things like gift cards, cookouts, and the sweatshirts were nice reminders of the good safety record too.

Duncan continued with column number three is what the IML takes as administrative cost. The 28.5% of the normal contribution covers their administrative fee. In 2023, they are offering a set rate of \$385,000 and \$109,000 of that will cover their administrative fees to support their claims administrators. Column four is the lost fund. The lost fund is the set rate minus the administrative costs, is what they think that they're going to pay in losses, or what they project, what their actuary say is the normal loss fund. Then they discount that so they take 85% of the \$275,000 and then add the \$109,000 back in of the administrative fees, and then what our min/max is. The city's minimum contribution in 2023 would be, if they take this, would be \$344,174. However if the city's claims exceed the \$275,000, then the city pays dollar for dollar, all the way up to the maximum contribution of \$468,000. Duncan explained how the savings is in column seven and the gamble is in column eight.

Duncan wanted the committee members to look at how they have done in the past. That's the section underneath the premium comparison. Starting back in 2015, which was a terrible claim year, the city paid \$450,000. This took the city all the way through the max. The city did save from the set rate from 2016 all the way through 2022. The city saved \$180,984 since 2015, by going with this plan instead of the set rate plan. Duncan mentioned that there is still one claim that is outstanding. These claims run the calendar year. The two big ones that the city had this year was an excavator which has paid out \$95,457.00. This was nearly half or over half of the \$196,000, which is about half of the total experience. And then the second one was a significant claim in the pool with a pipe burst in the basement of the pool which was a \$45,000 claim. Duncan suggested if the council agreed to option one, the city would get a 1% savings if it is paid for by 11/18/22. He believes this is a good option because the city is in a good financial position. So there's no hurry to approve it, but we can get that all the way down to \$341,732.26. Duncan confirmed that the city had this amount to pay in one lump sum. Duncan mentioned that at some point in time, the city will want another bid or at least to try to make an effort. There is currently no other insurance carrier that offers the opportunity. There's no one even coming close to the set rate. The city had a loss control specialist, His name is Blaine Kurth, and he just passed away recently. He came in and provided all the annual training to all city departments. There is a new loss control specialist that will be in soon for the city departments.

Moved by Alderman Herndon and seconded by Alderman Jeppson to accept and proceed with option one for the Min/Max Comparison.

ROLL CALL

AYE: Alderman Lavieri, Alderman Jeppson, Alderman Herndon, Chairman Ptak

NAY: None **Absent:** Alderman Thompson **Abstain:** None

MOTION CARRIED: 4-0

EXHIBIT C - Duncan summarized the **Budget to Actual Report**.

This report is as of 9/30/22. Duncan explained that there are taxes that are paid right upfront, for example Uniform allowance on May 1. Looking at the revenues, the city received four of the five county tax distributions before 9/30. Total revenues were already at 49%. Duncan ran through different projects and grants that are projected to come in and ones that are budgeted in for already. Duncan mentioned the celebration of lights and how its revenue shows negative \$14,000. There are items within this report that are on a time variance of things that the city pays for. Celebration of Lights refunds the city for the checks that they are issuing, just so the city can run the checks through accounts payable. Under miscellaneous income, the city budgeted \$275,000, which is historically a lot more because the city is getting \$250,000 from Peru for the 24th Street project. The city has not billed them for it yet, so they haven't received that.

Duncan pointed out how a significant amount of the police pension has already been paid due to the tax revenue. Duncan also mentioned a section under the street department, the Public Works building was budgeted for \$1.5 million. The city has only spent \$5,925 but once the project gets approved and the contractors are in there, the project will go quickly. These are two examples on how one department may be at 62% of their expenses but another may only be at 16% of theirs. The City Hall has \$1.1 million budgeted for roof and tuckpointing. They are very hopeful to get the roof going this year, probably not tuckpointing just yet. But that is why it puts the city hall building at 8.5% of its expenses.

Duncan wanted to point out that the report is showing a significant amount of revenues already in and there is a good portion of big projects not done. If the budget year were to end right now, the city would have \$1.2 million to throw at our \$1.4 million deficit, and we'd only be \$200,000 in the red.

Duncan mentioned how there is some money in the garbage fund due to the city rounding off to the pennies. The city turned around and had a recycling event. The city plans on using that money to pay for the yard waste hoppers.

Mayor Grove mentioned that the city will be receiving another violation for the Cannon Road Tower. The mailing will be going out soon to residents. Mayor suggests for the city to pay the extra to just drain it and refill it correctly. The city is not getting enough use out of it. When US Silica was using it, it was getting used very often. Now it is not getting enough movement through it. They will be draining it and refilling it. There may be a little effect on the water pressure on that East Side. There has also been an Aquaphor issue. Patrick and Brad have logged some overtime recently to regulate this issue. Mayor and Council members are all in agreement to do anything needed to maintain good water for the residents. The Mayor projects looking into a new pump in the next couple years.

Mayor also mentioned that there is a funded mandate that by October of 2024, the city will need to have an inventory to EPA of who has lead lines on the residential side and city side, throughout the whole city. This is a funded mandate, but the city will have to apply for it, and probably get reimbursed for it later.

The Mayor asked for a Water Dept. meeting to happen soon. The committee is chaired by Alderman Lavieri and then also has Alderman Thompson, Bacidore, Crane and Reynolds. No other comments or questions from the committee members.

Moved by Alderman Herndon and seconded by Alderman Lavieri to adjourn.

Voice vote, all ayes. Motion carried.

Meeting adjourned at 6:14pm.