

**DRAFT**

**CITY OF WASHINGTON, ILLINOIS  
CITY COUNCIL MEETING - MONDAY, MARCH 5, 2018  
LIBRARY MEETING ROOM  
380 N. WILMOR ROAD – 6:30 P.M.**

Call to Order	Mayor Manier called the regular meeting of Monday, March 5, 2018 to order at 6:30 p.m. in the Library Meeting Room at Five Points Washington.
Roll Call	<p>Present and answering roll call were Aldermen, Brownfield, Brucks, Butler, Cobb, Dingledine, and Moss. Aldermen Adams and Gee were absent.</p> <p>Also present was City Administrator Jim Culotta, Controller Baxter, Public Works Director Ed Andrews, P &amp; D Director Jon Oliphant, Police Chief Mike McCoy, Deputy Chief Jeff Stevens, City Treasurer Ellen Dingledine, City Clerk Pat Brown, and members of the press.</p>
Pledge of Allegiance	All present stood for the Pledge of Allegiance. The Pledge was led by Jace Punke, Washington Panther Wrestling Team member and IHSA 2018 State Individual Champion.
Agenda Review	The Agenda was reviewed and stood as presented.
Approve Consent Agenda	<p>Alderman Brucks moved and Alderman Cobb seconded to approve the Consent Agenda as presented. Items included on the Consent Agenda were minutes of the February 9, 2018 regular City Council meeting; approve &amp; authorize TIF subsidy payment #1 – S &amp; S Properties, 116-124 Peoria Street, Phase 2; approve &amp; authorize TIF subsidy payment #3 – Brecklin's Service Center, 119 Walnut Street; purchase authorization: replacement of ballistic armor &amp; helmets for CIERT members; and accept &amp; place on file: monthly financial report period ending 1/31/2018 .</p> <p>On roll call on the motion to approve the vote was: <u>Ayes: 6</u> Brownfield, Brucks, Butler, Cobb, Dingledine, Moss <u>Nays: 0</u> <u>Motion declared carried.</u></p>
Proclamation: Washington Panther Wrestling Week	<p>Mayor Manier read a proclamation proclaiming the week of March 5, 2018 as Washington Panther Wrestling Week. Alderman Brucks moved and Alderman Cobb seconded to accept the proclamation as read. On roll call the vote was: <u>Ayes: 6</u> Brownfield, Brucks, Butler, Cobb, Dingledine, Moss <u>Nays: 0</u> <u>Motion declared carried.</u></p> <p>Mayor Manier asked Coach Miller and the team to step forward around the Council table. Coach Miller introduced each member and shared about the success of the team this year and how they all came together for each other. He noted how admirable it was to watch this team come together and do something beyond themselves and how extremely proud he was of them. Herb Knobloch shared an excerpt from Coach Miller's remarks that included it's what they take away (commitment, discipline, and hard work) from extracurricular that matters and that is what extracurricular is all about. The wrestling team won their 3<sup>rd</sup> consecutive IHSA Class 2A Dual Team Championship this year under Coach Miller's direction.</p>
Audience Comments	Mr. Bob Morris, 1220 Belford Court, shared follow-up comments to an email he had sent City Council in December on his thoughts surrounding the proposed home rule sales tax increase, the original intention for the City's current telecommunication tax, and the long-term financial obligation of the City's W223 property. He went over a handout that he provided, which is now incorporated as part of these minutes and thanked the Mayor and Council for their time. Mayor Manier thanked him for the information.
Standing Committees	Alderman Brucks, Finance & Personnel Committee Chairman reported one item being recommended for approval on the agenda (Ordinance C). Alderman Butler, Public Safety Committee Chairman reported nothing on the agenda. Alderman Brownfield, Public Works Committee Chairman reported one item being presented on the agenda (Staff Reports B).
Mayor's Comments	None.
Adopt ord, amending Chapter 72, regarding parking ban during snowfall events	<p>City Administrator Culotta provided second reading of the following ordinance, by title and brief synopsis, an ordinance amending Chapter 72 of the Code of Ordinances of the City of Washington, Tazewell County, Illinois, entitled "Parking Regulations" to reduce time required to remove parked vehicle from street. Adoption of this ordinance would prohibit parking within six hours of a snow parking declaration rather than the existing twelve hours. This would aid in the efficiency of snow removal operations, reducing the potential of parked vehicles and snow plow accidents and reduce gapping of parking lane plowing operations where cars are still parked.</p> <p>Alderman Dingledine moved and Alderman Moss seconded to adopt the ordinance as read. On roll call the vote was: <u>Ayes: 6</u> Brownfield, Brucks, Butler, Cobb, Dingledine, Moss <u>Nays: 0</u> <u>Motion declared carried.</u></p>
1 <sup>st</sup> reading ords, amending Chapter 35, increase home rule sales tax .5%; and authrz intergovernmental agreement, Tazewell County, building inspection & plan review services	<p>City Administrator Culotta provided first reading of the following ordinances, by title and brief synopsis: an ordinance amending Chapter 35 of the Code of Ordinances of the City of Washington, Tazewell County, Illinois, entitled "Taxation" to increase the Home Rule Municipal Retailers' Occupation Tax and the Home Rule Service Occupation Tax by One-half of One Percent. Adoption of the ordinance would increase the home rule portion of sales tax from 1.25% to 1.75% of gross receipts from eligible sales; and an ordinance authorizing the Mayor and City Clerk of the City of Washington, Tazewell County, Illinois, to enter into an Intergovernmental Agreement between the City of Washington and County of Tazewell to provide Building Inspections and Reviews. Adoption of this ordinance would provide for an intergovernmental agreement with Tazewell County to</p>

provide for use of its building inspectors to satisfy the City's needs for inspections and plan reviews. These ordinances will be listed on the next meeting agenda for action. 1<sup>st</sup> reading ords, Cont.)

Public Works Director Andrews requested Council authorization to make progress payment #12 to River City Construction in the amount of \$113,812.79 for the Phase 2A expansion of Sewer Treatment Plant No. 2. Alderman Dingleline moved and Alderman Cobb seconded to authorize the payment request as presented. On roll call the vote was:

Ayes: 6 Brownfield, Brucks, Butler, Cobb, Dingleline, Moss

Nays: 0

Motion declared carried.

Authrz progress  
payment #12, River  
City Construction, STP  
No. 2 Phase 2A

City Administrator Culotta provided the following: 1) Sewer Fund – operations decrease of 5%, I-beam replacement of \$50K included in prior year budget; capital purchases budgeted include \$71K not included in the CIP since under \$50K; transfers of \$391,942 from 1997 bond reserve accounts comprise the majority of the excess revenue over expenditures of \$442,167. Without the one-time transfers, the excess would be just over \$50K, including capital expenses of \$496K; and projected balance FYE is \$4,839,571 with a surplus balance of \$4,224,446; 2) Sewer Subdivision Development Fee – no anticipated expenses; and projected balance FYE is \$88,792; 3) Sewer Connection Fee – no anticipated expenses, except transfers for debt service: 2009 IEPA Loan (100%) \$289,446 and Phase 2A IEPA Loan (20%) \$47,600; and projected balance FYE is \$2,316,322; 4) EPA Loan 1997 – EPA loan refinanced into MCB loan with final payment of \$194,597 paid 8/1/17; remaining balances are not required to be kept as restricted funds and thus funds transferred to Sewer Fund: Principal & Interest \$44,826; Bond Reserve \$202,116; and Bond Depreciation \$154,000; 5) EPA Loan 2009 – existing EPA loan with debt service payments of \$289,446 due 11/2030, funded 100% through connection fees; and accounts are required to be kept as restricted funds per bond ordinance: Principal & Interest funding for principal, projected balance FYE \$133,794; Bond Reserve: fully funded, balance FYE \$289,446; Bond Depreciation: will be fully funded 4/30/19 FYE \$521,553 or 10% of total principal balance of loan; and projected balance FYE 4/30/18 \$521,553; 6) STP2, Phase 2A – project completed in FY17-18 with total loan proceeds anticipated of \$3,900,000, to date a total of \$3,811,204.75 has been received; projected balance 4/30/19 is \$0; debt service payments of \$238K due in 20 years, funded 80% through sewer user fees and 20% through connection fees; and bond ordinance does not require separate, restricted funds for principal & interest, bond reserve, and bond depreciation. Debt service payments are shown in the Sewer Fund; and 7) STP2, Phase 2B – engineering & construction of \$1,772,500 budgeted for FYE 4/30/19; and projected balance 4/30/19 is \$0. He asked for questions and for Public Works Director Andrews to go over the last page of the document containing the CIP Proprietary Funds Summary, which contained the following: SSO Remediation; Sanitary Sewer Improvement (CIPP lining); Sanitary Sewer Main Replacement; Concrete Improvements – STP2 drying beds; Vehicle & Equipment Building; Lift Station Upgrades to VFD; and STP2 Phase 2B Construction, which contained construction/permanent easements, bidding/construction engineering, and legal/temporary easements. Alderman Dingleline asked why the increase in easements and Andrews shared that a couple of things came up in the meets and bounds legal descriptions in 2013-2014 where it was found that a half to two-thirds of the lots are not within the easement.

Budget Review: Sewer  
Fund Summary


Police Chief McCoy shared a brief update on Police Department activity that included the apprehension of a gunman in a local establishment as well as meeting with school superintendents and local pastors on active shooter training activities.

Aldermen's/Staff  
Comments

Fire Chief Roger Traver provided a brief report for the month of February noting that 121 calls were received.

At 7:14 p.m. Alderman Moss moved and Alderman Dingleline seconded to adjourn. Motion carried unanimously by voice vote.

Adjournment

  
Patricia S. Brown, City Clerk

To: Mayor Manier and the Washington City Council  
From: Bob Morris, 1220 Belford Court  
Subject: Taxation and Washington Site 223  
Date: March 5, 2018

I would respectfully request your consideration of the information presented below. While I do not expect an immediate reply to each and every item, I would appreciate having each of the items considered and addressed by the full City Council in conjunction with pending decisions on each.

#### **HOME RULE SALES TAX INCREASE**

I can certainly attest to the city's need to generate supplemental funding for street maintenance and repair purposes. Staff has done an excellent job demonstrating the need, cost and funding options for a comprehensive street maintenance program. For what it's worth, I personally agree with your election to increase the city's Home Rule Sales Tax as it is the best funding alternative in my opinion.

Based on media reports and the city staff's supporting Pavement Management Program, I assume that it is the City Council's intent to dedicate the increased Home Rule Sales tax exclusively for the maintenance and repair of existing city streets: seal coat, mill/overlay and reconstruction.

While it is difficult to raise taxes, it is equally difficult for future City Council's to maintain the discipline and resolve needed to preserve these supplemental funds exclusively for street maintenance purposes, particularly when facing operating budget deficits. In difficult financial times, capital spending is all too often the first to get cut; in good times, capital spending all too often gets the left overs.

Much like when MERF was created several decades ago by forward thinking city officials, the current City Council has a unique opportunity to put measures in place that will help preserve the new half cent Home Rule Sales tax income into the future for its intended use.

To this end, I would respectfully suggest that the City Council clearly state in the adopting ordinance that all of the supplemental funds generated from the half cent Home Rule Sales Tax increase shall be "segregated and restricted" exclusively for street maintenance and repair purposes. While future City Councils retain the authority to do as they deem appropriate, this action will help assure that taxing decisions and spending commitments made today will be recognized, understood and hopefully honored by future City Councils.

#### **TELECOMMUNICATION TAX**

I understand that increasing the city's Telecommunications Tax was among the revenue sources recently considered to supplement street repair and maintenance funding. As you are aware, the Telecommunications Tax, like the Home Rule Sales Tax, may be used for any lawful purpose. However, I would urge the current City Council to recall and consider the fact that the Telecommunication Tax revenues, when first enacted in 2005, were generated with the explicit intent to fund street and storm water capital improvements and have been consistently used for these purposes ever since.

I understand that the City Council is now considering the use of its Telecommunications tax monies for "911 consolidation expenses". I realize that the 911 issues are state-mandated and must be fulfilled. Hopefully, the consolidation will generate cost-savings, once implemented. However, this action is not in keeping with commitments made in 2005 and I would respectfully request that the City Council consider other means to fund 911 consolidation expenses. If you are not inclined to do so, as is your prerogative, I would hope that the Telecommunication Tax monies will not be permanently diverted from their original intended use.

### **WASHINGTON SITE 223**

In 2013 City officials purchased a 223-acre farm now commonly known as Washington 223. At the time, the purchase was reportedly based on the following objectives and conditions: 1) to protect local schools and ultimately taxpayers from escalating costs and taxes resulting from increased enrollment caused by the residential development of the farm land, and 2) to assure that the purchase would not put the city or taxpayers at financial risk. With the purchase, the city entered the commercial land development business.

This past fall, I learned that the reconstruction/relocation of Nofsinger Road adjoining Washington 223 did not qualify for federal roadway safety funding (HSIP) and was not in IDOT's multi-year program. Coupled with recent budgetary cuts, IDOT's financial participation in the Nofsinger project was deemed highly unlikely. I also learned that another, less expensive option (Reduced Conflict Intersection—RCI) might be available to improve the safety of motorists at the Nofsinger-Route 24 intersection.

These issues led me to more thoroughly review the entirety of the Washington 223 venture and resulted in my December 5<sup>th</sup> memo to each of you outlining my findings, concerns and recommendations. I trust that each of you have had an opportunity to review the memo, consider its contents and arrive at your respective conclusions. While I have received feedback from Aldermen Brucks and Gee, I am uncertain as to whether there is a consensus among the Mayor and full City Council regarding any or all of the issues that I have raised and, if so, your intended future course of action.

More recently, I have reviewed the city's current FY17-18 budget and year-to-date revenue trends. In my estimation, Washington city staff faces a daunting challenge in achieving a balanced, sustainable General Fund budget in the coming year(s). While a number of budgetary issues come into play, the substantial cost resulting from the Washington 223 venture is a major contributing factor to the city's looming financial difficulties.

The immediate issue affecting the city's finances involves the repayment of the \$4.965 million indebtedness resulting from the land purchase. The initial purchase was financed through a seven year, "interest-only" loan with a balloon payment due in 2020. While this loan arrangement reduced the city's front-end expense, it came at considerable cost: \$955,000 in interest over the seven-year term of which \$583,000 will be borne by Washington taxpayers and the remainder (\$372,000) will be paid from net farm income. These costs could have been avoided had the city used traditional, rather than "interest only", financing for the land purchase from the outset.

The added, future interest cost of financing the repayment of the \$4.965M principal balance will be \$1,500,000, assuming a standard 15-year tax-exempt municipal loan at 3.5% interest. The net debt service will total \$379,000 per year for 15 years, after deducting the \$52,000 in net farm lease income.

As noted in my prior correspondence, I would respectfully request that the city consider the immediate conversion of the \$4.965M "interest only" indebtedness to a traditional, permanent loan. This action would have the following benefits:

- a. It will save the city and taxpayers an estimated \$400,000 in interest costs that will be incurred under the "interest only" loan between now and 2020.
- b. It will enable the city to lock in a long-term interest rate which will doubtless be less than a 2020 rate.

If the city cannot safely cash flow the full debt service payment, I would suggest that the city consider making a lump sum down payment on the indebtedness from General Corporate Fund cash reserves in an

amount sufficient to achieve an acceptable annual debt service payment. This action will have a secondary benefit of further reducing long-term interest costs.

I trust that this matter will be considered and hopefully resolved in conjunction with FY18-19 budget discussions.

As you know, my concerns go well beyond the repayment of the land purchase indebtedness. Before the farm land is suitable and marketable for commercial use, significant public infrastructure improvements are required: streets, a water distribution system, a sanitary sewer collection system and a storm water system including detention basin(s).

The primary infrastructure cost involves the previously mentioned realignment and reconstruction of Nofsinger Road from Cruger Road to north of US 24 including new traffic signals at the Route 24 intersection (\$4,976,000). Given the uncertainty of IDOT's participation in the construction cost, what specifically is the city's intent regarding funding and scheduling for this new roadway? In addition, the construction of water and sewer utility services will be necessary to ready the property adjoining the relocated Nofsinger Road for use. Have these utility costs been determined and, if so, what is the current funding plan? Clearly, the site preparation and development work will further tax not only the city's General Fund, but its Water and Sewer Funds as well.

Lastly, if the reconstruction of Nofsinger Road is indefinitely delayed, is the city willing to work with IDOT in formally investigating the feasibility of an interim RCI solution to improve motorist safety at the Nofsinger/Route 24 intersection?

As stated in my December 5<sup>th</sup> communication, I do not question the dedication and commitment of the Mayor and City Council to serve the best interests of Washington's residents. I have never had reason to think otherwise. I honestly hope that Washington 223 is successful and pays its own way.

But make no mistake, the taxpayers are underwriting all of the resulting acquisition and development expenses and the long-term indebtedness. The unanswered, yet crucial, question is whether these Washington 223 costs are reasonably recoverable from the development and in a time frame that meets debt service requirements? And if not, what is the resulting impact on the city's budget and ultimately on Washington taxpayers? At the very least, it will take skilled planning and near-flawless execution for the city's real estate development to succeed without substantial taxpayer subsidy.

Accordingly, I respectfully renew the request I made in 2013 to Mayor Manier that the city prepare a formal business plan containing a sober, credible, business-like examination of the Washington 223 venture and to do so before incurring additional costs or making added financial commitments.

The planning exercise will fulfill basic due diligence in safeguarding the interests of residents and taxpayers by 1) quantifying total funding requirements, capital costs, financial incentives, etc.; 2) addressing financial projections, revenue and expense projections, cash flow statements, market analysis, competitive analysis, and sales strategies; and 3) determining the likely best case and worse case outcomes and, most importantly, 4) assess Washington 223's impact on the city's budget and ultimately on the taxpayers. The business plan will aid in charting a realistic course forward, in guiding informed decision making, in making the best use of city financial resources, and in minimizing risk to the city and taxpayers.

No private business or investor inexperienced in land development would undertake a venture of this consequence without a business plan. The city prepared a business plan for Five Points Washington. I am

confident that the Washington business community would broadly support the preparation of such a plan. What does the city have to lose?

The city would be well served by retaining outside professional consulting assistance to develop the business plan. I presume that the city has engaged a real estate broker to market the land. The broker could help compile data for those parts of the business plan that fall within his/her expertise. I am confident that city staff could assist in assembling other needed data as well.

Candidly, this plan should have been developed in 2013 prior to the land purchase. But, it is never too late to formally and comprehensively evaluate a project of this scope and magnitude given its cost and the resulting financial exposure to the city and its taxpayers. Hence, I renew my request that the full City Council proceed with the preparation of a formal business plan for Washington 223 and to do so before incurring additional costs or making added financial commitments.

Thanks for your consideration. I would appreciate a reply at your earliest convenience.

#### Washington 223 Acquisition/Development Cost Estimate

	Capital Costs	Interest Costs	Total Costs	Annual Permanent Financing Debt Service
<b>Land Acquisition</b>				
Purchase Price	\$ 4,965,000		\$ 4,965,000	
Interim Financing (thru 2020)		955,500	955,500	
Permanent Financing (\$4.965M@3.5%, 15 yrs.)		1,500,000	1,500,000	431,000
Total Land Cost: P&I	4,965,000	2,455,500	7,420,500	
Less Net Farm Lease Income (\$52K for 22 yrs.)		(1,144,000)	(1,144,000)	(52,000)
Net Land Cost (P&I) less Farm Income	4,965,000	1,311,500	6,276,500	
Net Annual Debt Service: Permanent Financing =====>				379,000
<b>Nofsinger Road Reconstruction/Realignment</b>				
Construction Cost	4,976,000		4,976,000	
Interest Cost: Permanent Financing (\$3.476M@3.5%, 15 yrs.)		1,051,000	1,051,000	
Total Cost	4,976,000	1,051,000	6,027,000	301,800
<b>Wellington Drive Construction</b>				
Construction Cost	3,182,000		3,182,000	
Interest Cost: Permanent Financing (\$3.182@3.5%, 15 yrs.)		962,000	962,000	
Total Cost	3,182,000	962,000	4,144,000	276,300
<b>Water Main Extension--Phase I</b>	200,000		200,000	
<b>Sewer Main Extension--Phase I</b>	Undetermined			
<b>Other Infrastructure: Phase II</b>	Undetermined			
(Internal Streets, Water, Sanitary Sewer, and Storm Water System/Detention Basin(s))				
<b>Grand Total Expenses</b>	\$ 13,323,000	\$ 3,324,500	<b>\$ 16,647,500</b>	
			<b>Total Net Annual Debt Service</b>	<b>\$ 957,100</b>