

**COMMITTEE OF THE WHOLE
MONDAY – MAY 11, 2020 – 6:30 P.M.
REMOTE WEB MEETING**

Mayor Manier called the regular Committee of the Whole meeting of May 11, 2020 to order at 6:30 p.m.

Physically Present: Mayor Manier, City Administrator Forsythe, Police Chief McCoy, City Clerk Brown

Remotely Present: Aldermen Adams, Black, Brownfield, Butler, Cobb, Dingledine, Stevens, and Yoder; Finance Director Baxter, P & D Director Oliphant, City Engineer Carr, Public Works Director Schone, Deputy Police Chief Stevens, City Attorney Derek Schryer, City Treasurer Dingledine.

Absent: None.

MINUTES

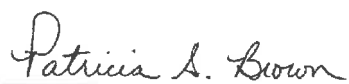
1. Aldermen wishing to be heard – Alderman Cobb commented that he had made a motion at the April 20th City Council meeting to pull off the non-union pay plan and bring it back to Committee of the Whole for further discussion and noticed it was not one of the agenda items. City Administrator Forsythe indicated that it is included in the COVID-19 Response Plan update later on the agenda and can be discussed at that time or bring it back to a City Council meeting. Alderman Black commented that he had asked about getting account numbers to go along with the cover sheets for all expenditures we talk about at Council meetings and now that we are on the 20/21 Budget, is there a way we can implement getting those along with the budget expenses. City Administrator Forsythe shared we should be able to and will talk with Joanie at staff meeting tomorrow to make sure we can get those added. Alderman Black commented that packets are available for pickup on Saturday's at 11:00 and he had talked with Police Chief McCoy about delivering them and he did not have a problem with it so is it something we can talk about. Police Chief McCoy indicated that if someone would like theirs delivered, they would be happy to deliver it. Alderman Black shared that he had not gotten his delivered and wasn't sure if something had changed. Police Chief McCoy shared they were delivering packets for those that called and wanted them delivered on a weekend. Alderman Black shared he would follow up with Police Chief McCoy on this.
2. Citizens wishing to be heard – None.
3. Approval of Minutes: Alderman Black moved and Alderman Cobb seconded to approve the minutes of the March 9, 2020 Committee of the Whole meeting. Motion carried unanimously by voice vote.
4. **BUSINESS ITEMS**
 - A. Chamber of Commerce Update – Mr. Brian Tibbs shared they received a couple of questions on the Monthly Snapshot report and were able to provide answers and asked if there were any other questions regarding the report. There were none and he commented that if any questions come up to reach out to them.
 - B. Supplemental MFT Resolution – Public Works Director Schone provided a brief summary of the need for a supplemental resolution in the amount of \$225,000, which includes an additional \$99K difference in the original appropriated amount of \$700K; an additional \$92K in repairs needed to streets that are beyond the original three-foot mill and fill, spray patch, and sealcoat plan as a result of the 3-year lapse since the streets were identified for repairs; and an additional \$11.5K in additional work needed on Steeplechase. Following discussion, it was the consensus to move this item to Council for consideration.
 - C. Draft Capital Improvement Plan (CIP) – City Administrator Forsythe brought forward for consideration the final Draft CIP Report. He shared the report will serve as a guide as capital improvement projects and building & facilities maintenance projects are prepared. He indicated that Public Works Committee reviewed the draft and recommended it be brought to Committee of the Whole for further discussion. Mr. Eric Hanson and Mr. Scott Desplinter of Crawford, Murphy, & Tilly provided an overview of the CIP draft report that contain the following eight sections: Introduction; Potable Water; Sanitary Sewer

System; Public Street System; Bridges; Stormwater Management; Facilities Assessment; and Recommendations. Discussion ensued on the mechanics of how the plan is implemented in relation to project needs and it was noted by City Administrator Forsythe the plan is a living document that will be used on an annual basis and updated as data is collected and added into the GIS system to help in establishing priorities and identifying projects. Following discussion, it was the consensus of Committee to move this forward to Council for consideration.

- D. Centennial/McClugage – IL Transportation Enhancement Program (ITEP) – P & D Director Oliphant brought forward for consideration the possibility of reducing the recreation trail project scope that would reduce the western project limit termini to either Spring Creek Road or the mid-block crossing slightly further east on Centennial. He went over the three design components that included 1) determining the best location for crossing; 2) the use of the old Centennial Rd. right-of-way which IDOT was not comfortable with a trail sharing space with a one-way ingress or egress for Washington Greenhouse without significant improvements; and 3) the location of the trail in proximity of the vehicular traffic of McClugage Rd. right-of-way. He shared IDOT's design criteria requires a 10' separation from the edge of the paved shoulder to the edge of the proposed trail. He indicated Maurer-Stutz has placed the trail at a location that best minimized the amount of right-of-way needed from the Meijer property, doesn't reduce the capacity of the existing roadside ditches, and maintains the 10' required separation. He indicated the total construction amount is estimated at \$671K for the whole project limits. He shared given the considerable cost increase an alternative would be to reduce the western project limit termini to either Spring Creek or the mid-block crossing slightly further east on Centennial, noting Maurer-Stutz has estimated the construction cost at \$257K for the mid-block crossing and \$298 for Spring Creek Road. He shared that under these two scenarios the City would maximize the federal funds and be responsible for approximately \$2K-\$43K in the local construction cost share, plus the Phase II construction engineering cost. He indicated that in reducing the scope rather than not completing the project it will be helpful in the application of any future state or federal infrastructure grants. Following discussion on the trail's location, its future connection capability, and not wanting future funding opportunities to be in jeopardy it was the consensus of Committee to reduce the scope of the project to the mid-block crossing.
- E. Landscape Waste & Recycled Glass Considerations, PDC Services, Inc. – City Administrator Forsythe brought forward for consideration options and their associated costs on implementing a glass recycling and an additional landscape waste option for residents. He shared glass was not a material included in the recent waste contract approved with PDC Services, Inc. due to the market not being sufficient to cover the costs of collection and recycling but PDC has offered the following option for us to consider: \$75/month rent for a 25-yard covered roll-off for 'glass only' drop-off that would consist of a \$225 pull fee for each time it would need to be pulled and swapped out and a \$10 per ton processing fee (estimated at 2 to 3 tons) bringing at estimated total per month for one roll-off at \$330. He shared this could be implemented on a trial basis to see if there is interest from residents in using. He went over the landscape waste option that would be outside of the already offered subscription service and bag drop off that is part of the waste contract with PDC that included the following: City would manage the program; PDC would provide a roll-off container to be placed at an approved location; the sale of stickers or a fee collected per bag at the roll-off container site; offer it for 2-weekends in spring and 4-weekends in fall; a \$225 drop off, removal and transportation fee for roll-off; a \$17 per yard processing fee for the landscape waste material that would be turned into commercial grade mulch; the total being \$735 per roll-off based on 30 yards of material resulting in a \$3.50 charge per bag to residents to cover PDC costs. Discussion ensued on the feasibility of both options that resulted in there being no interest from Committee in offering the landscape waste option and an even split in considering glass on a trial basis.
- F. Proposed Code Amendment: Chapter 51 entitled "Garbage & Refuse" – City Administrator Forsythe brought forward for consideration an amendment to Chapter 51 creating comprehensive rules for garbage and refuse that he and City Attorney Derek Schryer have worked on. The amendments included the following: 1) designates the then-existing waste and refuse contractor (currently PDC) as the mandatory and exclusive residential service to the residents within the city limits; 2) residents owning or occupying a residential unit must use the waste and refuse contractor unless the resident owns a Washington based business and affirmatively opts out of receiving services at the residential unit; 3) incorporates by reference the provision of the then-existing waste and refuse contract; 4) defines key concepts such as the preparation of refuse, requirements of receptacles, placement of

receptacles, and contents for pick-up for residents to use; 5) requirements for non-residential receptacles, depositing, and storage of refuse were also added; and 6) a minimal penalty for individuals that violate the provisions was added. It was noted that through the transition of the new contract with PDC Services it was found our Chapter 51 code was outdated and administrative processes regarding opt-out waivers had been developed so the code was reviewed and the proposed amendment would bring it up to date and incorporates the opt-out waiver as a written policy going forward. Following discussion, it was the consensus of Committee to move this forward to Council for consideration.

- G. Proposed Code Amendment: Chapter 31 entitled "City Council" – City Administrator Forsythe brought forward for consideration an amendment to Chapter 31 which provides for a mechanism for individual City Council members to bring initiatives forward to place items on the City Council agenda and incorporates the City Council's Rules of Procedure into the Code of Ordinances. He indicated that he is also recommending the City Attorney attend all City Council meetings as required by Section 30.38 of the Municipal Code. He noted this was a practice that discontinued in October 2011 and by having the City Attorney in attendance will provide a means where appropriate guidance and legal opinions can be given at the meeting should questions arise. Discussion ensued and several comments and concerns were raised that included the following: the current agenda process already having an opportunity to bring forward items for discussion only that is underutilized; uncomfortable with votes being taken in Alderman's Comments portion of the agenda for items to be placed on a future meeting agenda; how other communities are handling this process; a need for a more formal process; the length of time it could take to get an item on the agenda through the proposed process; a need for the ability to bring something forward without having to fill out a form through a cumbersome process; the advantage of being prepared for discussion of items being brought forward; concern with the order of business and not having ability to change; and initiatives being categorized and too inclusive. Following discussion, it was the consensus to have comments submitted to City Administrator Forsythe and he will work with City Attorney Schryer in formalizing them into the amendment and bring it back for further discussion at the June Committee of the Whole meeting.
- H. Proposed Code Amendment: Chapter 136, Licensed Video Gaming – P & D Director Oliphant brought forward for consideration an amendment to Chapter 136 that would allow for a truck stop establishment to be licensed for video gaming in the City of Washington. He went over background information on a proposed development that has been submitted by Beck Oil for property along the south side of Business Route 24 near the Eagle Avenue intersection. Following discussion, it was the consensus of Committee to move this item forward to Council for consideration.
- I. COVID-19 Response Plan, Update #1 – City Administrator Forsythe summarized the COVID-19 Response Plan, Update #1. He shared the initial response plan was presented to the Public Works Committee and City Council at their May 4, 2020 meetings. He shared that administration and management recommend the COVID-19 Response Plan, Update #1 be accepted by the City Council and recommendations be evaluated as needed as the fiscal year progresses. The COVID-19 Response Plan, Update #1 is attached and made part of these minutes. Discussion ensued on the following topics within the plan: 90-day hiring freeze to be kept in place with the exception of our seasonal mowing crews; initiating lateral move from within to fill Foreman role in Water/Sewer Maintenance division; non-union pay plan implementation and its overall costs will move to Finance & Personnel Committee for further discussion; and use of excess telecommunications tax funds to partially defray future shortfalls was acceptable with no overall transfers of excess funds taking place without Council direction.
5. Other Business – Alderman Stevens clarified her intent in having a process for the ability to place items on the agenda wasn't that the item would always end up as an ordinance. Alderman Brownfield commented on the need of having a process in place that gives time for preparedness in discussion of agenda items.
6. At 9:36 p.m. Alderman Black moved and Alderman Cobb seconded to adjourn. Motion carried unanimously by voice vote.


Patricia S. Brown, City Clerk

COVID-19 RESPONSE PLAN – UPDATE #1

CITY OF WASHINGTON, ILLINOIS

MAY 8, 2020



Prepared by: Ray Forsythe, City Administrator
Joanie Baxter, Finance Director
Jon Oliphant, Planning & Development Director

With input from: Kevin Schone, Public Works Director
Dennis Carr, City Engineer
Brian Rittenhouse, Utilities Superintendent
Mike McCoy, Police Chief
Jeff Stevens, Deputy Chief
Patricia Brown, City Clerk

Introduction

COVID-19, the disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was declared a pandemic by the World Health Organization on March 11, 2020. Shortly thereafter, President Trump declared a national emergency followed by Governor Pritzker's stay at home mandate effective March 21 through April 8, 2020 and later extended through April 30 and most recently through May 31, 2020. As a result, in addition to social distancing and restrictions on gatherings over 10 people, bars and restaurants were also required to close to the public except for drive-through and curbside pick-up services and all businesses deemed non-essential were closed (effective May 1, 2020, non-essential businesses can open for online and curbside pick-up only). In addition, the employment landscape has changed across the state and nation with unemployment claims at a record high. All of these events have necessitated a response from City staff and elected officials to address operations and services as well as potential impact on revenues.

The Executive Order has allowed essential governmental functions to operate, including municipal governments. Per the Order "essential governmental functions" means all services provided by the state or any municipal, township, county, subdivision or agency of government and need to ensure the continuing operation of the government agencies or to provide for and support the health, safety and welfare of the public, and including contractors performing essential governmental functions. Each governmental body shall determine its essential governmental functions and identify employees and/or contractors necessary to the performance of those functions.

Operations Overview

The City of Washington, IL currently has 72 full and part-time active employees. No seasonal or temporary workers have been called back to work for the spring/summer. The City has the following Departments: Administration, Engineering, Finance, Planning & Development, Police, Public Works. In addition, the City Clerk's Office is in City Hall and provides essential services to the City Council, Residents and Businesses.

There are two main facilities where residents interact with Staff on a daily basis: City Hall and the Police Department.

City Hall: In response to the Governor's Stay at Home Order, City Hall has been closed to the public since March 16, 2020. Staff maintains appropriate social distancing. Staff continues to work in a variety of ways: In the office and from home or a combination. IT360, the City's Information Technology provider has established remote working options for staff. Employees are able to securely log into the City's system and work from personal laptop, desktop or smart phone. Access to all files has been provided so that work continues. The City is utilizing ZOOM for virtual meetings and conference calls and in compliance with the Governor's relaxed Open Meetings Act requirements.

The City's contracted janitorial staff has completely disinfected the building, a complete cleaning is done weekly and all the touchpoints are wiped daily. In addition, masks have been provided and hand sanitizer is located in each office, bathroom, the conference room and the break room.

Residents are able to make utility payments online, by mail or put in the drop box located at the side of City Hall. Mail and drop box payments are put in a container and opened 24 hours later. Building permits, licenses and other paperwork is emailed or mailed and arrangements are made to receive them back at City Hall. No visitors have been allowed to enter City Hall.

Police Department: The Police Department is operating as normal as possible as they are set up to maintain social distancing and safety for the employees and residents at the front window. Administrative staff has shifted schedules to provide both in the office and working from home. Police Officers are working their regular scheduled shifts. Every office interior, including door handles are cleaned with a bleach solution at least once a day. The downstairs squad room is cleaned after every shift. All police vehicles are cleaned before every shift by the officer assigned to that unit. Unmarked units are cleaned by those assigned to each vehicle.

Public Works: Public Works consists of several utility facilities, the maintenance facility behind the Police Department and the Legion Road facility. These buildings are not open to the public. All of the facilities were deep cleaned and sanitized by the City's contracted janitorial company. In addition, each vehicle was deep cleaned, sanitized and all touchpoints are sanitized daily by the employees. Below is a summary by Division on the current activities being performed.

Street Division- Currently fully staffed with eight full-time employees. This includes the City Mechanic.

Two full-time, short-term employees have been told not to report until notified. Four full-time, seasonal employees have been told not to report until notified.

Full-time employees are mowing and weed eating all City owned properties including the cemetery. In addition, the street department employees are selling all cemetery plots, excavating all graves, and back filling. They are also taking care of service requests that might otherwise be taken care of by short-term employees.

Concrete and asphalt jobs are being postponed, tree trimming, and street painting will also be postponed without the seasonal and short-term employees or overtime being approved.

Distribution and Collections- Currently staffed with five full-time employees.

Two full-time, short-term employees have been told not to report until notified.

Full-time employees are able to get their normal duties completed currently; however, things like hydrant painting and sewer flushing would not be able to be completed without the short-term employees and/or overtime. The short-term employees also assist the City Mechanic by running errands or taking the Mechanic to a vendor to pick up a vehicle or drop a vehicle off for repairs, tire replacement, or warranty work. Full-time employees will do this in their absence.

Wastewater Treatment- Currently staffed with four full-time employees.

One full-time, short-term employee has been told not to report until notified.

Full-time employees are able to get their normal duties completed currently, however drying bed work will suffer and weed eating, painting and annual cleaning projects will not be completed without this employee and would require overtime to do so.

Water Treatment- Currently staffed with three full-time employees.

There are no short-term or seasonal employees assigned to this department.

Full-time employees are not able to perform in person service request to residents. These employees have been helping with the mowing when available. Plant maintenance, and projects will suffer if staff continues to assist with the mowing. The water plant has the tower painting project and the filter/softener project in FY 20/21 and will need to be available for these projects to be successful and not delayed.

Public Works Director and Utilities Superintendent

Some at home work has been done by the Public Works Director to complete work summaries, attend Zoom meetings, and most recently bid commodities work. The Public Works Director and Utilities Superintendent share an office and because of Covid-19 the interruptions due to both of us being in the office slows the progress and makes working at home more effective at times.

The Utilities Superintendent and the Public Works Director have been able to complete any work brought forward and interact with employees under our authority to complete any work that we can and stress the need to work safely and take the extra precaution during this crisis. This would be the use of PPE's and cleaning products to keep everyone safe. There is currently enough PPE's and cleaning products for our employees.

All full-time employees are working and continue to take precautions to the COVID-19. Five short-term and four seasonal employees have been told not to report until notified. The full-time employees are trying to keep up with the mowing and cemetery duties as well as other service request that come in. Overtime will be needed if expectations are to complete everything to be done.

Financial Overview – Budget for Fiscal Year May 1, 2020 – April 30, 2021

BUDGET TRENDS AT A GLANCE

City of Washington, IL

	FY 2020-21		FY 2019-20		CHANGE	
TOTAL BUDGETED EXPENSES	\$	24,613,158		\$ 30,382,433	\$ (5,769,275)	-19.0%
by MAJOR SERVICE TYPE		% of Total				
Street Operations/Improvements/SWM	\$	7,684,365 31.2%	\$	12,063,740	\$ (4,379,375)	-36.3%
Public Safety (Police, Fire, ESDA)		5,703,370 23.2%		5,548,632	154,738	2.8%
Sanitary Sewer System		3,551,927 14.4%		5,441,485	(1,889,558)	-34.7%
Water System		3,457,678 14.0%		3,378,079	79,599	2.4%
Planning/Zoning/Econ. Dev./TIF		1,735,519 7.1%		1,606,612	128,907	8.0%
General Administration		1,044,650 4.2%		1,011,050	33,600	3.3%
All Other (IMRF, Soc. Sec., Liab. Ins., etc.)		942,000 3.8%		868,000	74,000	8.5%
Washington Area Community Center		355,500 1.4%		357,437	(1,937)	-0.5%
Cemetery		138,150 0.6%		107,400	30,750	28.6%
by MAJOR EXPENSE CLASSES		% of Total				
Capital Improvements	\$	9,961,190 40.5%	\$	15,772,913	(5,811,723)	-36.8%
Personnel (Wages and Benefits)		8,302,350 33.7%		7,536,480	765,870	10.2%
Operations (Utilities, Supplies, etc.)		5,206,176 21.2%		4,892,855	313,321	6.4%
Debt Service		1,143,442 4.6%		2,180,185	(1,036,743)	-47.6%

SOURCES OF MONIES TO FUND BUDGET	\$	24,613,158		\$ 30,382,433	\$ (5,769,275)	-19.0%
by MAJOR REVENUE SOURCES		% of Total				
Sales Tax (Muni., HR, Use)	\$	6,944,500 28.2%	\$	6,565,000	\$ 379,500	5.8%
Fund Balances/Cash Reserves		5,482,919 22.3%		7,070,627	(1,587,708)	-22.5%
Sewer Revenues (Fees, Charges, etc.)		2,864,840 11.6%		2,659,140	205,700	7.7%
Water Revenues (Fees, Charges, etc.)		2,397,300 9.7%		1,848,800	548,500	29.7%
Income Tax Distribution		1,739,000 7.1%		1,669,000	70,000	4.2%
Property Taxes		1,668,199 6.8%		1,647,675	20,524	1.2%
All Other		1,616,400 6.6%		1,652,191	(35,791)	-2.2%
Bond/Grant/Insurance Proceeds		833,000 3.4%		6,395,000	(5,562,000)	-87.0%
Motor Fuel Taxes		627,000 2.5%		420,000	207,000	49.3%
TIF Funds		245,000 1.0%		235,000	10,000	4.3%
Telecommunications Tax		195,000 0.8%		220,000	(25,000)	-11.4%

EMPLOYMENT: FULL TIME EQUIVALENT		% of Total			
Public Safety	29.15	42.8%	28.15	1.00	3.6%
Street Division	13.05	19.2%	11.25	1.80	16.0%
Sewer Division	9.72	14.3%	8.80	0.92	10.5%
Water Division	8.06	11.8%	7.20	0.86	11.9%
General Administration	4.85	7.1%	3.40	1.45	42.6%
Planning/Zoning/Econ. Dev.	2.05	3.0%	2.05	-	0.0%
Cemetery Operation	1.22	1.8%	1.15	0.07	6.1%
TOTAL	68.10		62.00	6.10	9.84%

PROPERTY TAXES					
Tax Levy	\$	1,647,741	\$	1,647,675	\$ 66 0.0%
Tax Rate (per \$100 AV)	\$	0.47274	\$	0.47290	\$ (0.00016) 0.0%
Equalized Assessed Valuation (rate set)	\$	348,552,322	\$	348,418,651	\$ 133,671 0.0%
City Share of Total Tax Bill (Avg.)		N/A		5.52%	

UTILITY RATES					
Water Rates (per 1,000 gal.)	\$	4.63	\$	4.51	\$ 0.12 2.7%
Water Fixed/Technology Fee	\$	\$12.96/\$14.61	\$	\$8.85/\$10.50	\$5.00/\$5.00
Sewer Rates (per 1,000 gal.)	\$	9.65	\$	9.39	\$ 0.26 2.8%
Sewer Fixed Fee	\$	2.03	\$	1.00	\$ 1.03

Revenues at Risk and Current Budgeted Amounts

Sales Tax, Home Rule Sales Tax and Use Tax (average monthly revenue budgeted \$578,708)

These are all General Fund revenues that will be impacted by the changes in consumer spending. All of these revenues are received three months after the sales are incurred. As of May 8, 2020, these revenues have been received for February sales and they are on par with the prior year and what was budgeted. We will not begin, however, to see the impact of COVID-19 until mid-March and these sales will not be known until June.

Income Tax (average monthly revenue budgeted \$144,916) This is also a General Fund revenue that is distributed on a per capita basis for the state. Staff anticipates an impact as evidenced by the increase in unemployment claims; but a potential decrease is difficult to estimate. This revenue is received one month after collected by the State and thus we will have an idea of potential impact much earlier than for sales tax revenue. The IML provided a projection on May 4, 2020 of a 15% decrease from the original FY20-21 forecast. This equates to a potential revenue decrease of \$260,850 for the fiscal year.

Motor Fuel Tax (MFT) and Transportation Renewal Fund (average monthly revenue budgeted \$52,250) This is a non-General Fund revenue that is distributed on a per capita basis and is restricted for expenses/projects meeting very specific IDOT criteria. It is anticipated there will be a reduction in revenue due to the shelter-in-place resulting in a significant decrease in travel; however, the fund balance could absorb any deficit and allow the budgeted MFT project to continue and Staff recommends this approach due to a three-year period without an MFT program.

Intergovernmental Revenues received per capita

The City traditionally receives guidance from the Illinois Municipal League on estimating Income Tax, Personal Property Replacement Tax, MFT and other revenue sources. On May 4, 2020, they provided the following preliminary FY2021 revenue forecast:

- Personal Property Replacement Tax – decrease of 30% from actual FY19-20. This equates to a total potential reduction of \$7,500 for the General Fund compared to what was budgeted for the fiscal year.
- Income Tax (LGDF Funds) – decrease of 15% from original projection for FY20-21. This equates to a total potential reduction of \$260,850 for the General Fund compared to what was budgeted if this trend holds true for the entirety of the fiscal year.
- Motor Fuel Tax – decrease of 15% from actual FY19-20. This equates to a total potential reduction of \$54,750 compared to what was budgeted. This fund has excess reserves and additionally, the City will receive \$363,921.52 in each of the next three years for a total of \$1,091,764.56 in Rebuild Illinois grants. These grants will provide funds for a project typically funded from the General Fund.
- Transportation Renewal Fund – estimates revised to \$14.50 per capita which equates to a total potential reduction of \$12,000 compared to what was budgeted for the fiscal year.
- Use Tax – projected to be flat compared to actual FY19-20. The budget was also kept flat and so there should not be a significant revenue decrease, if any.

Also, while there have been commitments from the State and Federal Governments indicating financial relief to municipalities, no concrete figures or timeframes have been received and no actual legislation approved. Staff will continue to seek guidance from credible sources and we anticipate revisions to this COVID-19 Response.

Sales Tax and Home Rule Sales Tax

Staff has analyzed historical sales tax information and has made the following conservative projections. Keep in mind that the City receives sales taxes three months after they are collected by the retail establishments. Therefore, we have not seen any impact to the City's collections as the most recent sales taxes collected are from January sales.

Municipal Sales Tax and Home Rule Sales Tax were analyzed for our 186 largest tax providers. These are sales tax collectors who have generated at least \$100 in total HR sales tax in 2019.

The analysis is based on "Business Types" as determined by their Standard Industrial Classification Code. This focuses on the March-May period, which is the only known time for business closures and reductions. Obviously, there are likely to be impacts beyond May even if the Executive Order ceases altogether or is gradually reduced. This assumes that the March-May HR sales tax returns would be identical in 2019 as 2020 if not for COVID-19. Obviously, if this were a normal year, there would most likely be small increases or decreases for every business because of a variety of possible reasons.

The March impact is likely a little less than what April and May will have because the Governor's Order wasn't in effect for the entire month. The prohibition against on-premise food consumption went into effect on March 16. The more inclusive closure/reduction in services for many businesses became effective on March 21.

March Projections:

- **Construction:** Reduced by 30% – They are essential businesses but likely much of the elective work for the three Washington businesses in this category dropped late in the month.
- **Drug Stores:** Reduced by 20% - They are essential businesses but figure there would be some drop in in-store customers picking up non-prescriptions.
- **Entertainment:** Reduced by 30% as non-essential businesses
- **Funeral Homes:** Reduced by 30% - They are essential businesses but the Governor's Order impacted larger gatherings has undoubtedly impacted the ability to hold many funerals.
- **Gas Stations:** Reduced by 30% - They are essential businesses but the reduction in travel means fewer gas and convenience store purchases.
- **Grocery/General Stores:** Increased by 10% - They are essential businesses and have undoubtedly increased revenue due to the forced closure of other stores. Food is not subject to the HR tax, so any increase will be a result of the purchase of other non-food offerings.

- **Hardware/Building Material Stores:** Decreased by 10% - They are essential businesses and there has been anecdotal data that shows that some households have taken this time as an opportunity to complete delayed home improvement projects. There will also be many of the typical spring lawn and garden purchases. Many of the items sold are not essential to people not employed in the construction industry and there will likely be a slight reduction in overall buying as a result.
- **Liquor Stores:** Reduced by 30% - They are essential businesses but are also probably being impacted by the reduced number of trips people have made.
- **Manufacturing:** Reduced by 30% - Most are essential businesses. This is a small portion of the HR and MT tax.
- **Medical:** Reduced by 30% - Only one such business classifies for this as a payer of the HR tax and two businesses for the MT tax.
- **Restaurants:** Reduced by 30%
- **Retail Trade:** Reduced by 30%
- **Services:** Reduced by 30%
- **Vehicle Dealer:** Reduced by 30% for HR and 50% for MT% - These businesses remain open to service vehicles but it is estimated to drop because of the reduction in travel. Sales is open for appointment-only, which makes sales less likely.
- **Wholesale Trade:** Reduced by 30% - This category is tough to pinpoint, because they are all likely essential businesses. However, with reduced retail spending, it is estimated to fall as other retail is estimated to be impacted.

April and May:

- **Entertainment:** Reduced by 100% - These businesses are closed with little to no chance of having online sales.
- **Funeral Homes:** Reduced by 50% - This is an educated guess that half of the typical funerals are being postponed until larger gatherings are allowed.
- **Gas Stations:** Reduced by 70% - The reduced number of trips will definitely impact these businesses. If gas stations include a service station component, the negative impact may be absorbed more.
- **Grocery Stores:** Increased by 20% - Again, this would be higher if food was subject to payment of the HR tax.
- **Liquor Stores:** Reduced by 50% - Based on a limit of non-essential trips, though trips to the liquor store are clearly essential to some people.
- **Restaurants:** Reduced by 50% - Some will produce more sales than others based on their ability to attract carry-out service or offer a drive-thru. Bars are also included in this category and should have a much higher decrease than 50%.

- Retail Trade:
 - Essential businesses: Reduced by 30%
 - Non-essential businesses: Reduced by 70%
- Vehicle Dealer: Reduced by 30% for HR and 70% for MT%

Anticipated reduction to Municipal 1% Sales Tax revenue:

March 2019-2020 Change	-\$26,126.15
April 2019-2020 Change	-\$48,969.14
May 2019-2020 Change	-\$37,091.80
TOTAL CHANGE	-\$112,187.09

Anticipated reduction to 1.75% Home Rule Sales Tax revenue:

March 2019-2020 Change	-\$19,047.32
April 2019-2020 Change	-\$44,605.69
May 2019-2020 Change	-\$35,111.75
TOTAL CHANGE	-\$98,764.76

The challenge to this estimate is that the long-term impact on consumer spending is unknown. There are conflicting theories on the impact of opening up the economy. There could be a quick and steady return to pre COVID-19 spending, a moderate return to pre COVID-19 spending or a permanent change in consumer spending. There will undoubtedly be businesses that do not reopen once the Governor's Order is lifted. There are also likely to be new businesses that open as a result of the changes the pandemic has caused. In addition, there is likely to be federal and state stimulus payments to the City which could replace these lost funds. For planning purposes, staff is assuming that there will be a \$210,951.85 reduction in revenue for the period of March through May 2020 sales.

90-day impact of projected revenue shortfall

Sales Tax	(\$112,187)
Home Rule Sales Tax	(\$98,765)
Income Tax	(\$65,212)
Local Use Tax	\$0
Pers. Prop. Repl. Tax	(\$625)
	(\$276,789)
Motor Fuel Tax	(\$13,688)
Transportation Renewal Fund	(\$1,000)
	(\$14,688)
Rebuild Illinois grant	\$181,961
(1st installment of 6 over 3-year period)	

Options

Hiring Freeze/Seasonal/Temporary Employees

Staff recognizes and agrees that due to the many uncertainties with the economy and potential impacts on revenue, a hiring freeze for new positions is warranted to be considered. In addition, short-term (summer) laborer positions would not be filled and the Executive Administrative Assistant position would remain a temporary position.

Budget Cuts/Deferrals and Impacts

Staff also reviewed budgeted expenses for any items that could be deferred if necessary and any savings that may be realized that wasn't apparent at the time the budget was completed. These potential cuts have some ramifications as discussed below in the recommendations.

Utilization of Excess Funds

See recommendations below for a discussion of excess funds available in the Health Insurance and Telecommunications Tax Funds.

**Potential Deferred Expenses - General Fund
FY 2020-21**

	Initial 5/1/2020	Update #1 5/8/2020
<u>New/Seasonal Positions to remain unfilled</u>		
Police Officer	83,522	83,522
Public Works - Streets	64,698	64,698
Part-time HR Generalist	20,800	20,800
Exec. Admin. Assistant continue as temp.	13,600	13,600
Grounds Maintenance	24,659	-
Summer Laborers	12,823	12,823
	220,102	195,443

Per Public Works Committee 5/4/20

We recommend establishing a Foreman in Water/Sewer Maintenance for succession planning - cost to General Fund - \$232

Potential Expense Items for Deferral/Savings (see detail)

Legislative/Administrative	81,387	81,387
City Hall	500	500
Streets/Stormwater	481,500	348,500
Police	135,276	163,769
Tourism/Econ. Development	23,000	23,000
Planning & Zoning	16,500	16,500
Fire & Rescue	42,000	31,749
	780,163	665,405
Total Deferred Expenses	1,000,265	860,848

**Potential Expense Items for Deferral/Savings
FY 2020-21**

Description	Initial 5/1/2020	Update #1 5/8/2020	Comments
<u>Legislative/Administrative</u>			
Tyler software - change in Payroll platform	18,197	18,197	reduction in cost of software from budgeted amount
Tyler implementation cost			
reduction in travel due to COVID-19	14,240	14,240	could be more if Go Live is also remote in July/Aug
Newsletter	4,200	4,200	eliminate printed newsletter and have available on website only
Postage for Newsletter	2,800	2,800	eliminate printed newsletter and have available on website only
Legal fees - liquor	2,000	2,000	
Computers and Misc. Equipment	7,000	7,000	
Miscellaneous Software	2,500	2,500	
Memorial Day parade	3,000	3,000	
Student Government Day lunch	250	250	
City Administrator Expense	2,500	2,500	
Contingency	5,000	5,000	
Training - Elected Officials	13,200	13,200	all
Training - Staff	6,500	6,500	all
	81,387	81,387	
<u>City Hall</u>			
Replace shrubs on east side of building	500	500	
	500	500	
<u>Streets/Stormwater</u>			
Garage Approaches (Legion)	35,000	35,000	
Abandon Septic/Dig Bore New Sanitary Across Legion to Manhole	25,000	25,000	
Asphalt Paving Around Building at Legion	35,000	35,000	
New Garage Doors at Legion	25,000	25,000	Doors are original and parts not available
Pavement Repairs Pinetree	10,000	10,000	Cul-de-sac in poor shape
Overhead Lights at IDOT Intersections by Laser Electric	27,000	27,000	
New Mowing Traller (Original Equipment)	15,000	15,000	Original equipment
Cambridge Estates Drainage Project	53,500	-	Per Public Works Committee 5/4/20
Gillman Sump Collection Project	20,000	20,000	
Streets Shop Walls Painting Project	21,500	21,500	Revisit after 90 days
City ROW and Properties/Weed Control	7,500	-	Per Public Works Committee 5/4/20
Card Pass at Legion Road	15,000	15,000	
Asphalt City Alleys	19,000	-	Per Public Works Committee 5/4/20
Skip Pave Calvary Way	53,000	-	Per Public Works Committee 5/4/20
Oakwood Heights culvert lining	120,000	120,000	Not recommended to cut but can delay - revisit after 90 days
	481,500	348,500	
<u>Police</u>			
Reduction in TC3 contract		28,493	
Cannabis fee revenue	18,000	18,000	
Repair & Maintenance - Commodities Building	1,000	1,000	
Repair & Maintenance - Commodities Equipment	5,000	5,000	
Lexipol subscription	9,976	9,976	
Office supplies	2,000	2,000	
Legal fees	40,000	40,000	
Recruitment	5,000	5,000	
Postage	1,000	1,000	
Printing	2,000	2,000	
Electricity	2,000	2,000	
Car wash	400	400	
Training	7,000	7,000	
DARE/CRO	2,500	2,500	
Firearms training	2,500	2,500	
Purchase equipment	32,500	32,500	
Awards program	4,000	4,000	
Printing parking tickets	400	400	
	135,276	163,769	
<u>Tourism/Economic Development</u>			
Tournament of Champions support	10,000	10,000	
Miscellaneous marketing	10,000	10,000	
Marketing and promotional materials	3,000	3,000	
	23,000	23,000	
<u>Planning & Development</u>			
Special projects/studies	10,000	10,000	
PPUATS dues waived	6,500	6,500	
	16,500	16,500	
<u>Fire & Rescue</u>			
Increase in TC3 contract		(10,251)	
Generator	32,000	32,000	
Building improvements	10,000	10,000	
	42,000	31,749	
Total deferred expenses	780,163	665,405	

Recommendations

1. As of May 8, 2020, projected revenue decreases for the General Fund for the first quarter of the fiscal year is approximately \$276,789. A total of \$48,861 of this shortfall is recovered through a 90-day deferral of filling the new positions in the FY20-21 budget as indicated:
 - Police Officer
 - Public Works – Streets laborer
 - Part-Time HR Generalist
 - Delay adding the Executive Administrative Assistant as a full-time position for 90 days and continue as a temporary employee

The remaining \$227,928 will be made up through deferral of projects and/or utilization of other funds as indicated below.

2. Establish a Foreman in the Water/Sewer Maintenance Department as budgeted for FY20-21 (FY20-21 budget impact of \$232 with 90-day cost of \$58)
3. The PBPA (Police Officers) and Laborer's (Public Works) union employees have collective bargaining contracts each of which provide for a 2.5% increase in their respective pay plans for FY20-21. Staff recommends approval of the Non-Union/Sergeant Pay Plans as well to maintain equity with these employee groups who are protected by collective bargaining contracts, to mitigate the potential for non-union employees to organize, and to show support for employees who are continuing to work during the pandemic as essential employees. The total cost for the fiscal year is \$59,000 and Staff recommends utilizing excess funds in the Health Insurance Fund for this expense. These funds were established when the City was in a partially self-funded insurance plan to pay claims and other expenses and are the result of a surplus that existed at the time the City joined the IPBC consortium.
4. Capital and operational expenses that may be considered for deferral were determined by the City Administrator and Management and reviewed by the Public Works Committee in relation to budgeted and committed projects. Revisions were made to the deferral list as indicated and the revised total is \$665,405. Staff recommends a 90-day deferral for all identified expenses with the exception of any others deemed priority by the City Council, with consideration to the potential negative consequences.
5. Staff acknowledges that there may be additional impacts to revenue beyond the first quarter of FY20-21. We recommend utilizing excess funds in the Telecommunications Tax account to at least partially address future shortfalls. Although separately accounted for and earmarked for TC3 expenditures, these funds are essentially an unrestricted revenue source. There is a healthy reserve in excess of \$1.4M in the fund, which when coupled with annual Telecommunications Tax revenue, is equal to more than 20 years of future payments. The recommendation for these funds is to cover any further reduction in Income Tax revenue as follows:
 - Utilize funds to cover additional shortfalls up to \$500,000. This will result in a fund balance of approximately \$1M as of 4/30/21, which when coupled with the tax being generated and a potential rate increase, will equal a total of 16 years of future TC3 payments.
 - Increase the Telecommunications Tax rate by 1% to the maximum 6%. Such an increase must be approved six months in advance and thus would not take effect until January 2021. Increased revenue would approximate \$39,000 annually.

Recommendations (continued)

6. Surplus funds, resulting from prior year accumulation for planned capital spending, have been budgeted in the General Fund to be utilized in the amount of \$3,025,240 for one-time capital projects. Additional funds in excess of the minimum standard balance are also available for unforeseen emergencies of which COVID-19 would qualify. Staff would not recommend utilization of these funds at the current time until we have more clarity as to the extent of the impact of COVID-19 on revenue.