

MINUTES OF A SPECIAL MEETING OF THE ZION CITY COUNCIL HELD ON MONDAY, OCTOBER 6, 2020, AT 5:30 P.M. IN THE CITY COUNCIL CHAMBERS, CITY HALL, 2828 SHERIDAN ROAD, ZION, ILLINOIS

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Mayor McKinney called the Special meeting to order.

On call of the roll the following answered present: Commissioners Fischer, Holmes, Frierson, McDowell and Mayor McKinney. A quorum was present.

Also present: Public Works Director Ray Roberts, City Administrator David Knabel, Building & Zoning Director Richard Ianson and City Attorney James Vasselli. Police Chief Kirk Henderson and Fire/Rescue Chief John Lewis were absent.

AGENDA CHANGES

It was moved by Commissioner Frierson seconded by Commissioner Fischer to approve the Agenda as presented. The vote on roll call was: Commissioners Fischer, aye; Holmes, aye; Frierson, aye; McDowell, aye; and Mayor McKinney, aye. Motion carried.

CITIZEN COMMENTS

There were no citizen comments.

FINANCIAL AND BUDGET DISCUSSIONS

A memo (20-DOC-65) was received from Administrator Knabel regarding the City's finances. He stated this is the second meeting intended to try and address the City's revenue and budgetary issues. The City has a significant budget deficit for this year and going forward. The goal is to try and brainstorm ideas and implement them. Any ideas they do decide on may take a bit of time to implement. He hopes to have these discussions prior to the next fiscal year as some of the decisions may have an impact on staff and services. At the last meeting he went over the status of big revenue items. He provided updates on the following items.

- Cultivation center license status
- Cannabis dispensary license status
- Stranded Act Status
- CARES Act Status
- Heroes Act Funding
- Census results

Cultivation center license status – Keith Malone, President of Medponics, addressed the Council regarding the update on where they currently stand. Mr. Malone stated they are expecting to hear the ruling on their appeal to the court case sometime after the election. He stated based on case law he feels they have an excellent chance of overturning the Appellate Court's decision. He shared the projected revenues that would be generated from the Zion based license. The estimated income from Medponics if operational would have covered the City's budget shortfall. He stated they main thing they need now is attention to their plight. He stated this area does not seem to be on the radar of Springfield. He has spent a lot of time down there with lobbyists and agendas seem to apply to the City of Chicago and Southern Illinois. Administrator Knabel stated in his experience the process seems to be treating Northern Illinois unfairly without giving them consideration. He stated the State is trying to push the program for social equity for Municipalities and Zion meets the criteria of the program but are being overlooked. The State is not following the guidelines of the program. Medponics has spent six years trying to get the cultivation center up and running. Medponics submitted their necessary paperwork on time to the Court but the State continues to extend deadlines for the opposing side.

The City will continue to support them and will be putting out a press release in the near future outlining the details of the case. Mayor McKinney asked what else Zion can do to help. He stated he personally made a trip to Springfield to petition for an additional license along with Senator Bush and met with the legislators to present the alternate ideas. Mr. Malone stated Senator Bush has been one of their greatest assets and is always advocating for Zion. Commissioner McDowell asked if the ruling is favorable, would they have an estimate on when they would begin to receive revenue. Mr. Malone stated if the ruling is favorable, they were told the license would be fast tracked. He stated there is a motion before his Board to sign off on advanced revenues to Zion once awarded a license. Commissioner Fischer asked how long it will take to build the facility. Mr. Malone stated it will depend on what time of year they begin construction. If they are given the go ahead, they will be ready to begin. They will need good weather for the concrete foundation. He stated he will be happy to meet with the Commissioners with any questions or concerns. He will continue to go to Springfield and meet with State Officials to advocate his case.

Cannabis dispensary license status – Administrator Knabel stated the State is still trying to finalize on how they will be awarding the licenses. They anticipate having awarded 75 licenses by the end of fall and 110 not far after. He believes it will be a lottery process. The applicants that did not meet the original scoring requirements but met other components will be given another chance to apply and resubmit their applications. Based on other dispensary information, if there was a dispensary in Zion the amounts that would be coming in from tax revenue would be between \$150,000-\$200,000.

Stranded Act – Administrator Knabel does not anticipate anything happening before the election. He will give updates as they happen.

Cares Act – Administrator Knabel stated Lake County received \$121 million and they were directed to make sure municipalities received their allocations. Initially the County allocated \$20 million of which Zion's allocation was \$750,000. During the process the Treasury amended the requirements for submission. All public safety salaries are now eligible expense to be submitted. Original submissions were withdrawn and resubmitted with the documentation under the new regulations. It will take two weeks to process and hand out disbursements. It could be \$750,000 but is hopeful it will be more. He spoke with the County and they shared that there is a possibility the reimbursement may be more. Once he has an update he will share it with the Council. Commissioner McDowell asked if 100% of Police and Fire salaries and benefits are eligible. Administrator Knabel stated he submitted \$5.6 million of eligible expenses but believes the reimbursement will be much less. He stated the way the Hero's Act is written, there is a potential for \$5.6 million for Zion but also includes provisions for revenue reductions. Commissioner Fischer stated earlier in the day, the President has stopped all negotiations on the Hero's Act until after the election. Administrator Knabel stated if any was to pass, the focus will be on unemployment and stimulus checks.

Census results – Currently the response rate is at 64.2% which is exactly what it was in 2010. Zion is trailing behind the State and other communities significantly. People that do not respond will not get counted. Originally the deadline was the end of October and was changed to September. That has since been overturned and extended back to the end of October.

Administrator Knabel stated he did a projection based on of where the City is at and where he anticipates they will be at the end of the fiscal year. Initially the approved budget had them borrowing \$1.8 million to fill the budget deficit. The amount is still on target. There has been some revenue that has gone up and down, but they are still looking at borrowing \$1.8 million. The ideas that have been suggested have not solved the problem and now they are left with ones that are not favorable. He presented a list and suggested the Council identify which ones are most viable.

1. Pension Obligation Bonds – These bonds are issued to get cash to put into pension funds with the hope that they outperform what is being paid on the bonds. The pension funds become more fully funded and the amount to levied may go down. If the levy can stay the same, it frees up money in the general fund

for operations. If this is an option to be considered actuarial calculations would have to be done (for a cost) and the City would obtain bonds from the Municipal Bond Market.

2. IML is pushing to have the Police and Fire pension fund obligations re-amortized. This would allow Municipalities to extend their obligations until the year 2050. He is not sure if it will go anywhere as they have strong lobbyists. He stated this also could free up money in the general fund.

3. Bond payments – There are two Bonds with the last payments ending in April 2022. The funds must be escrowed in December of 2020 which means the final payments will actually be made this year. Currently the general fund shows a transfer amount of \$1 million for principal and interest. If both are paid this year the amount could drop down to \$300,000. This could be a large amount off the deficit. He will confirm this with Amalgamated Bank.

4. Paying for Debt Service Bonds out of TIF – This is approximately \$300,000 a year. These are from the purchase of the Ball Field. This was purchased with general fund dollars but a TIF has since been created with the intention of developing the property. Part of the TIF budget is property acquisition and related financing costs. They would be able to allocate \$300,000 to the TIF and shift the obligation from the general fund to the TIF fund for Economic Development and Redevelopment.

5. Privatizing Water & Sewer System – Currently there are not a lot of details on the subject. There are Municipalities across the country and some in Illinois that have sold their water utilities to be regulated like gas and electric. The big issue Zion has with their water utility is \$30-40 million of aged pipe in the ground that they do not have a good plan to address. Some concerns would be:

- 1- the impact on rates to the residents
- 2- the level of service they would continue to have
- 3- the jobs of employees that are currently in the department

Administrator Knabel stated if the Council decided on this option, it would be important to use the funds responsibly. This could be a way to use the opportunity as a reset button and make sure they have cash reserves and do not get into this position in the future. He stated before they discuss this as an option he suggests getting an independent rate study done. It is imperative that they address the infrastructure. They had the first City wide boil order in a decade and there have been many main breaks over the past few years and they continue to increase each year. He doesn't want to get to the point of the system collapsing to where it affects public health. He would like to have an independent water rate study done which will indicate based on the City's cost of operations, age of the infrastructure and what needs to be put into it, what the rates should be at. This would be the rate needed to address the issues. The water rates are reduced because these concerns are not currently factored into the rates. They would start by going out to bid. They would then need to address the due diligence and also contact other municipalities who have gone to privatization. It could turn out to be a year-long process before they would even consider moving forward with the option. He knows it is a drastic choice but it does give the City cash flow up front and gets infrastructure liability off of Zion. Commissioner McDowell stated they had done an informal review of this process prior to this meeting. He asked if they could put the cost of a rate study on the companies that bid on the system. Administrator Knabel stated the companies would most likely be biased and feels that an independent study would be best. Mayor McKinney asked how long it would take to do a rate study. Administrator Knabel stated based on information he received from the City's Bond Counsel, it would take between 60-90 days and cost between \$15,000-\$20,000. Commissioner Fischer stated once the rate study was completed and they decided to sell the system, the bid process would be a big deal and take some time to complete. Administrator Knabel stated there is a five year buy-back provision with selling the system. If the City decided to try and buy back the system within that period, the buy-back amount would include the additional money that would have been put into the infrastructure. This may prove to be difficult to do. Director Roberts stated of the research that he has done rates have increased

between 55 to 75 percent. It seemed to have worked out well for smaller municipalities. Commissioner Frierson asked what the potential problems were. Director Roberts stated rate increases, response times, customer care and service. Administrator Knabel stated municipalities generally try and leave rates low but a company may come in and raise rates to make a profit. He wants to see what the rates should be at after the rate study is done. It may come back that the City will need to increase the rates higher than they would be if the City decided to privatize. They must look at all the questions and concerns and additionally decide what the City would do with the proceeds. They would have options of investing funds, paying off Bonds and Pension obligations. He stated he has me with the Public Works employees and wants to keep them along with Director Roberts involved with the process. He asked for permission from the Council to begin the rate study. The consensus of the Council was to move forward with the rate study. Commissioner McDowell asked if staff could complete the rate study. Administrator Knabel stated no they do not have the expertise on doing a study and suggests keeping it independent.

6. Increase Water & Sewer Rates

7. Privatize Ambulance Service – Administrator Knabel stated this option has potential financial savings but believes there are a few downsides. He can investigate it if Council wants to move forward with it as an option. He stated he has heard some regret from places that have chosen to do this. They may have potential contractual issues. He can sit down with the fire department and list the pros and cons. Chief Lewis stated currently they are running 6 pieces of equipment with 7 personnel. They must maintain 3 pieces of equipment but still staff it with 5 personnel. The private ambulance will then become the recipients of the ambulance billing which would mean the City could lose that money and \$800,000 to \$1 million a year of GEMT reimbursement. There is also the possibility that Mutual Aid could also suffer. Chief Lewis stated there are many things to consider that may not warrant a cost savings. Commissioner McDowell stated none of the ideas are ideal and hopes they will not have to resort to any of them. He is encouraged on the revenue side from what they may receive from the Cares Act. Administrator Knabel stated any Cares Act funding the City may receive will only address the shortfalls of this year's budget. It buys them time for things that may potentially come through. They must do their due diligence for all the ideas. He will proceed with all the options the Council wants him to address. Commissioner McDowell stated it is hard to say yes or no to any of the options when they do not know what the cost savings would be. Administrator Knabel stated they can discuss the ideas further based on what Council wants to pursue.

8. Walmart Sales Tax Incentive – Currently they have 16 months left on the remainder of the incentive. There will be \$250,000 freed up in the budget once this ends. They are currently in negotiations with Walmart regarding this year's amount of \$250,000 which they have not yet paid.

9. Municipal Liquidity Facility – A Federal program that loans money to Municipalities to help address COVID related impact. The low interest loan applies to municipalities over 250,000 unless a City is designated by the Governor of your State. This would be more favorable than Tax Anticipation Warrants or Bond issues.

10. Selling City Property or Lots – Administrator Knabel stated he will be having a meeting early next week regarding the recently donated property regarding the due diligence. He would like to be able to sell the property through a Broker along with Trumpet Park and the Ball Field. Director Ianson stated they recently had a bid opening for City-owned lots which will put 3 parcels back on the tax rolls.

11. Reaching out to the Taxing Bodies to help with infrastructure

12. Furlough day plans

13. Eliminate overtime budgets

14. Residents become responsible for clearing alleys

15. Fundraising, donations or referendums

Administrator Knabel stated they will continue to look at all the suggestions over the next few months. There will be another Special meeting scheduled prior to the first meeting in November. Mayor McKinney asked Administrator Knabel if he could provide the list of options discussed to the Council.

ADJOURN

There being no further business to come before the Council at this time, it was moved by Commissioner Frierson, seconded by Commissioner McDowell and unanimously approved the meeting be adjourned at 6:38 p.m. Motion carried.

City Clerk