

CITY OF FRONTENAC



MINUTES OF THE WAYS AND MEANS COMMITTEE REGULAR MEETING FRONTENAC CITY HALL JULY 21, 2020

A. CALL TO ORDER

The July 21, 2020 regular meeting of the Ways and Means Committee of the City of Frontenac was called to order at 3:05 p.m. The meeting took place via teleconference.

B. ROLL CALL

Chairperson Margaret Sherwood	Warren Winer
Tim Sant	Bob Lenzen
Ex-Officio Emily Arneson, Assistant Treasurer	

Aldersperson Dan Millman and Ms. Rubin were absent.

Ms. Ross stated there was a quorum.

Also in attendance were Finance Officer Lea Ann Bennett and City Clerk Leesa Ross.

Mayor Kate Hatfield was present. Also, in attendance were Mr. Ken Marx and Mr. Tom Mug.

C. VOTE TO APPROVE AGENDA

Chairperson Sherwood asked for a motion to approve the July 21, 2020 agenda.

MOTION: Mr. Lenzen motioned and Mr. Winer seconded approval of the agenda. All voting members present voted in the affirmative. **MOTION PASSED.**

D. VOTE TO APPROVE MEETING MINUTES

- **June 16, 2020**

Chairperson Sherwood asked for a motion to approve the June 16, 2020 meeting minutes.

MOTION: Mr. Winer motioned and Mr. Sant seconded approval of the June 16, 2020 meeting minutes. All voting members present voted in the affirmative. **MOTION PASSED.**

E. PUBLIC FORUM

There were no comments made. Chairperson Sherwood stated she would like to welcome Mr. Mug and Mr. Marx, and she read their resumes to the Committee.

F. COMMENTS BY COMMITTEE MEMBERS

There were no comments made at this time.

G. CHAIRPERSON'S COMMENTS

Chairperson Sherwood thanked Ms. Rubin for the many years of service to the Ways & Means Committee. Chairperson Sherwood also thanked Mr. Stergios for his work on the Committee this past year and stated he moved to Chicago for a job. Chairperson Sherwood stated Mr. Mug and Mr. Marx are expected to be appointed to this Committee at the Board of Alderpersons meeting tonight.

H. REVIEW OF FINANCIAL REPORTS

- **June 2020**

Ms. Bennett stated the financial report is for the fiscal year ending June 30, 2020. She said for the audited reports, this will be an accrual for both revenues and expenses. Ms. Bennett stated currently for the year, the budget is \$500,000 below on revenue, and she said she expects this to get worst, due to the July & August accruals for 2020, which will be worse than 2019. She started on the stormwater budget, revenue was down, and expenses are down. more than we are down in revenue. She said this is due to some projects that were not completed as expected. She also stated the Parks & Storm Fund water is restricted revenue. She stated in this fund the expenses are down \$338,000 but said this may improve.

Mr. Winer listed the items the Committee receives and reviews and asked that an explanation is given to the new Committee members.

Ms. Bennett explained that sales tax is collected in May by the retailer; the money is remitted in June; and the City receives it in July. She said there is sometimes some reporting from previous periods. To evaluate the timing issue (the folded page), a sales tax comparison report is provided by her, which is from the storm water sales tax only, as it is a fund that is not shared. This is the apples to apples comparison. There was additional discussion and questions on this topic.

I. OLD BUSINESS:

Sales Tax Trends

Ms. Bennett stated March sales were projected to be down 40%, and based on tracking, they were down 54%; April sales were projected to be 80% down, she shows they were down 68%; and May sales were projected to be down 60%, and she shows them down 60%. She said there was scarce reporting of both April and May sales and that they may be lower than currently projected when the final numbers are available.

Ms. Bennett stated the one-cent tax varies and is shared overall between 30 – 34% a year. The quarter cent tax is shared at a set 14%; and the capital improvement tax is shared at 15%. Neither the fire tax or the parks and storm water tax are shared. Ms. Bennett stated she continues to work on securing past sales tax, that has gone astray.

Sales Tax & Utility Tax Audit

Ms. Bennett stated she has nothing new to report at this time. Ms. Bennett gave background on the utility tax audit for Mr. Mug and Mr. Marx.

Sales Tax Interruption Coverage

Ms. Bennett stated the City has a business interruption policy that covers sales tax receipts. The premium went up extensively for 2019-2020. She said due to the pandemic and the closure of the mall, the City gave a notice of intent to file a claim. The City has received a formal response denying the coverage, as the insurer does not consider the pandemic to be covered. She stated we have been told for Fiscal Year 2020-2021 there is no insurer currently willing to write this policy, so the City will have no sales tax interruption coverage after August 1. There was additional discussion about a general revenue policy in the event of a catastrophe with the conclusion to ask the insurance broker whether such a policy this exists

Utility Tax Lawsuits Updates

Ms. Bennett stated she had no additional information at this. She gave an explanation of these lawsuits to Mr. Mug and Mr. Marx on this topic.

Development Updates

Mr. Bennett stated she had no update at this time.

COVID-19 Updates

Ms. Bennett stated there is no update at this time.

Multi-Year Plan

Chairperson Sherwood spoke to Alderperson Millman who stated there is no update at this time. She stated Alderperson Millman and former Ways and Means Committee member John O'Connell are still trying to get the budget put into the model.

J. NEW BUINSESS

Bond Refinance Discussion

Ms. Bennett stated debt was incurred through Build America Bonds, which were purchased to secure the municipal building. The bonds were 20-year term bonds, which mature in 2029. She stated the outstanding principal is \$2.4 to \$2.6 million dollars. She said Mr. Ghafoori of Stifel Nicholas will complete an analysis, to see if it would be advantageous for the City to pay off the bonds early. . He believes there will be a substantial net savings. Mr. Ghafoori plans to attend the August meeting to discuss his analysis.

PILOTS – Payment of Lieu of Taxes

Ms. Bennett stated the PILOTS – Payment in Lieu of Taxes are for non-sales tax generating entities. She stated she and Mr. Christensen will put together a list for the Committee. There are PILOTS for: medical facilities, such as the Surgery Center at Frontenac Grove, Dr. Kandula, and Dr. Nayak; Sisters of Mercy; Beal Bank; and the DESCO Development PILOTS, which include Chase Bank.

Fund Balance

Chairperson Sherwood stated the Fund Balance policy review was completed in the spring and there was an agreement that the goals make sense, however the language needs a bit of clean up. The City changed the way it present calculations. Chairperson Sherwood suggested Mr. Winer and one or two other members dive into the language to see if it needs to be changed, in particular to take out the word “operational”. Mr. Winer stated the difference between how the City has been making the calculations and the language is the capital expenditures. Ms. Bennett stated the adjusted fund balance ratio would be 58% if the capital expenditures were removed instead of the 62% with them in. Ms. Bennett stated she likes the policy the way the City always has implemented it and prefers to take the word “operational” out. Chairperson Sherwood noted the Board of Alderpersons would have to approve this after the Ways and Means Committee recommended it.

MOTION: Mr. Winer motioned, and Mr. Sant seconded to remove the word “operational” in the Fund Balance Policy and forward it to the Board of Alderpersons for approval.

ROLL CALL VOTE: Mr. Lenzen, “Aye”; Mr. Sant, “Aye”; Mr. Winer, “Aye”; and Chairperson Sherwood, “Aye”. All members voted “Aye”. The vote was unanimous.

K. SCHEDULE DATES FOR NEXT MEETINGS:

Next Ways & Means Committee Meeting, Tuesday, August 18, 2020, 3:00 p.m.

Mr. Marx asked when the external audit is expected to start. Ms. Bennett stated the last week of September or first week of October. There was discussion of whether it would be on-site or remote. Ms. Bennett stated they will complete a walk-through next week.

L. ADJOURNMENT

MOTION: Mr. Lenzen made a motion and Mr. Sant seconded to adjourn the meeting. All Committee members voted “Aye”.

The meeting adjourned at 4:17 p.m.