



City of Peru



David R. Bartley
City Clerk

P.O. Box 299 • 1901 Fourth Street • Peru, IL 61354-0299
815-223-0061 • fax: 815-223-9489 www.peru.il.us dbartley@peru.il.us

FINANCE COMMITTEE MINUTES

DATE OF MEETING: Monday, April 15, 2024 TIME: 5:10 PM

PLACE OF MEETING: Peru Municipal Building
1901 4th Street, Peru, IL 61354

ROLL CALL: Aldermen Payton, Sapienza, Ballard, and Tieman present. Also present, present; Aldermen Lukosus, Edgcomb, O'Sadnick and Moreno present. Mayor Kolowski present.

MINUTES

Alderman Tieman made a motion to approve the Finance Committee Minutes of March 18, 2024. Alderman Ballard seconded the motion; motion carried.

PRESENTATION

None

PUBLIC COMMENT

None

FINANCE

Finance Officer Tracy Mitchell provided the Committee with a General Fund and Utility Fund summary as well as a printout of the preliminary budget. Mitchell noted the General Fund has a net deficit right now of \$4.3 million. Mitchell stated the Utility Fund is a little different, with a net surplus of \$6 million. Mitchell explained how we have a surplus in the Utility Fund and a deficit in the General Fund. Mitchell stated the General Fund and Utility Fund are accounted for completely differently, so the General Fund is government fund to which funds are not-for-profit. Mitchell reported we budget for revenue, and we budget for expenses in totality. The Utility Fund is an enterprise fund. Mitchell stated the Utility Fund is a profit generating fund, noting a totally different accounting method. Mitchell explained that under the net surplus of \$6,000,000 we add back depreciation because it's a noncash expenditure. We take out capital assets. Mitchell stated that because those do not get expensed, those get capitalized, and they get expensed through depreciation over the life of the asset. Mitchell stated that is not how it works in the General Fund. Mitchell reported that there's also less debt payment whereas what you have to do is bring this together in terms of the cash flow side of it. We still have to cash flow this so as you can see in the Utility Fund, we have a net cash flow of a deficit of \$11.4 million. Mitchell reported in terms of a deficit and what it does. The General Fund, we have \$4.3 million deficit, and we need to do one of three things. We need to increase our revenues to remove that deficit, we need to decrease our expenses to remove that deficit, or we leave the deficit there because we pull cash from reserves. Mitchell noted the General Fund does not have reserves. Mitchell stated so pulling reserves from the General Fund is not an option. Mitchell stated there is not much wiggle room to increase revenues so we would have to take it out of expenses and/or loans or interfund transfers. Mitchell stated we already have a huge interfund

transfer in our franchise fee where we basically don't borrow, we take from the utility fund via a franchise fee and that's the revenue that we get in the General Fund.

Utility Fund

Mitchell reported on the \$11 million deficit and that the same three options to bring the fund whole apply to the Utility Fund (increase revenues, decrease expenses or take from reserves). The Utility Fund has healthy reserves. We've been reserving for many of our projects. So even to have a deficit like that, we don't have to make up for it due to money in our reserves. As well as many of our capital projects we could bond, if we had to, because the utility fund is a profit generating fund. To simplify cash flow and why sometimes it's hard to interpret a budget when you're looking at deficits versus surpluses and the capital project side of it, grants for capital projects is not something that can't be booked as a revenue unless it has been received, then we put it into revenue. For the TIFs example, MVP TIF we bonded in 2022. We were making interest only payments until January 2025. We have a \$600,000 bond payment for that fund, and we have no revenue. So, we also need to fund that temporarily, probably through the utility fund. Mitchell stated she is not concerned, and it will pay for itself going down the road. However, you do have a short-term cash flow issue, the bills still have to get paid, and you have to have cash on hand to do it. We have bonds that we pay overtime to which she is in disagreement with the way some of our payment schedules have been set up. The police station, bond is set up whereby 20/20/40 that bond payment will double in size. The police station in and of itself, and the city's general fund isn't based on revenue. Our revenue is not going to double so we need to consider from this money we're going to have on hand as these bond payments increase every single year.

Finance Officer Mitchell stated she met with each of the department heads individually where everybody basically provided their wish list. Mitchell stated she didn't feel like it was her responsibility to say yay or nay to anything. To say we have the money for that, or we don't have the money for that or to come back and say to council all the members to appeal what in the individual department expenditures. Mitchell stated she listened to everyone's wants and needs and did not eliminate anything.

Alderman Payton referenced capital assets of just over \$24 million budgeted for FY 24 and \$19 million budgeted for FY 25. Alderman Payton stated there are certain things that we have to budget for. We talked about this and there's certain things that Tracy already alluded to as it relates to the grant funding, which may or may not be in there. So, I think those numbers can be affected while. Alderman Payton stated he along with Tracy and the mayor will sit down and go through and we'll look at priorities. Alderman Payton stated we will have quarterly budget meetings to go over the budget and where each department is in the whole process. Alderman Payton stated he would like to continue budget meetings because he doesn't want to get into December again and we have this mad rush to make year-end numbers to get things done. Alderman Payton stated that as these budget numbers come in, like Tracy said, this is your wish list. We're going to look at what can be done in FY 24, what's going to be done in FY 25, what's going to be done in FY 26, what we move that far. Alderman Payton stated he appreciated everyone's help and we will be going through the budget and will reach out if there are questions.

Alderman Edgcomb stated that in talking to fellow aldermen and department heads that an excess amount in the budget does not constitute a use it or lose it issue. Alderman Edgcomb referenced vehicles budgeted within the police and fire department. The vehicle sometimes lasts, and you don't have to do the trade in right away. Then next year say, hey, we got another full year out of that. Can I go ahead and put that into next year's budget and then it's not a carryover necessarily, you're rebudgeting for it, but at least we're getting that income back and you're staying under your budget for the year.

PSM/Fire Chief Jeff King stated he will be needing a new engine sooner than later, but it is hard to budget for it due to build out could be four years out.

Mayor Kolowski thanked Finance Officer Tracy Mitchell for taking the time to meet in the past few weeks. Mayor Kolowski addressed several items within the budget:

- General taxes.
 - The first line sales tax, I think that's very conservative as you can see hotel motels up significantly. The bottom line is you see that first grouping is cannabis use tax. Last year we budgeted 20,000 and on pace for 15% or 16% increase but budgeting low on this at 12% for \$144,000.
- Franchise fee
 - \$1.3 million, we raised that a little bit because that's based on. 5% of the utilities. And we didn't have GAF. Aldo. we didn't have in the hospital, so we kind of bumped that a little bit.
- GAF
 - More customers
- Dimmick Fire Protection
 - Does not understand the reasoning behind the stipend.
- OSLAD Grant
 - \$941,000 budgeted for chillers; grant award in amount of \$600,000
- MVP Grant
 - Awarded \$1.5 million; received \$1.1 million.
- Police Wages (FOP)
 - Still don't know amount to budget
- Police Station
 - Bond interest has gone up
- Plank Road Improvement Program
 - \$2.85 million
 - STU funds restricted to only that project
 - Possible November bid date; construction in spring
- Parks and Recreation
 - \$1.6 million budgeted for lighting at Sunset Park and chillers at Schweickert Arena
- Water/Electric Sales
 - Conservative but don't know what OSF and GAF will be using.
- Airport
 - Mostly depreciation

Mayor Kolowski addressed Alderman Payton stating with all due respect, you guys are going to have to make some cuts. Look at needs and wants and prioritize.

Alderman Payton stated that when sitting down and going through the budget line-by-line, he doesn't think it's fair to the department heads that we just go into their budget and randomly start cutting things without asking questions. Alderman Payton stated the whole premise of what we're trying to do is have open communication between everybody on the budgets, to collect wish lists and prioritize. Alderman Payton stated the conversations are important when it comes to sitting down at quarterly meeting to discuss where department heads are within the budget. Alderman Payton stated going forward at this point he thinks he, along with the Mayor and Finance Officer Mitchell sit down and go over it and then come back to our departments with our suggestions and go from there.

Treasurer Jackson Powell provided input regarding the proposed budget. Treasurer Powell stated there are two things that have obviously got us to this point and it's that the revenues are growing less as a percent than costs are, and some of the deferred CAP things that were not accounted for previously or overspend on obviously that comes to be due at some point in time. Treasurer Powell stated that structurally, long term, you have a parking lot or things that need to be recapped or redone as a maintenance item that aren't accounted for on this necessarily depreciation picks up some of it, but in the long term, you have to come up with a strategy of either your expenses have to go down as a greater percentage of your revenue or your revenue actually go up with a greater percentage than that it has gone because your expenses have increased 10%-15% over the course of the years. Treasurer Powell stated that inflation on expenses has gone up but sales tax percentages and revenues have not gone up in that same percentage. Treasurer Powell stated you're getting the expense eating away your net cash flow and you still have big you know you have all these miscellaneous things that are due. Treasurer Powell stated projects need to be prioritized and inflation needs to be accounted for so when the bills come it is not a big surprise. Treasurer Powell expressed his pleasure regarding the switch to self-funded insurance and the city has done a great job managing it.

HUMAN RESOURCES

None

OLD BUSINESS

Mayor Kolowski reported on a meeting with Peru Elementary School Superintendent Jamie Craven requesting to extend their bond. Mayor Kolowski stated that if there was a way we could, but we cannot at this time.

NEW BUSINESS

Alderman Payton reported we have not sought bids for the City's Boiler and Machinery insurance and Property Casualty and Workman's Compensation insurance and recommended approval at the next regular meeting. Committee concurred.

Committee discussed and recommended approving a \$500 contribution to Horizon House Road to Independence Campaign.

Committee discussed and recommended approving \$100 Hole Sponsor for the Peru CSO Golf Fundraiser.

PUBLIC COMMENT

Doug Bernabei reminded the Committee that the budget must be passed by April 30th.

CLOSED SESSION

Alderman Ballard made a motion to go into closed session to collective negotiating matters between the public body and its employees or their representatives, or deliberations concerning salary schedules for one or more classes of employees. Alderman Sapienza seconded the motion. Clerk Bartley called the roll with Aldermen Payton, Sapienza, and Ballard voting aye; Alderman Tieman absent; motion carried. (Alderman Tieman departed mid meeting).

Closed session began at 5:46 p.m. and ended at 6:05 p.m.

Alderman Payton made a motion to reopen the meeting. Alderman Sapienza seconded the motion. Clerk Bartley called the roll with Aldermen Payton, Sapienza, and Ballard present. Alderman Tieman absent.

ADJOURNMENT

Alderman Sapienza made a motion to adjourn. Alderman O'Sadnick seconded the motion. Meeting adjourned at 6:07 p.m.