

**CITY OF ROCK ISLAND  
CITY COUNCIL STUDY SESSION  
June 24, 2019 - 5:15 p.m.**

**City Council Chambers, City Hall, 3rd Floor  
1528 Third Avenue, Rock Island, IL**

6/24/2019 - Minutes

**MARTIN LUTHER KING, JR. COMMUNITY CENTER: MURAL PROJECT 2019**

Jerry Jones, MLK Center Director, informed Council about the mural project they are doing this summer. They have engaged Quad City Arts to create a mural on their facility. He said their Buildings and Grounds Committee has been working with Quad City Arts to paint a mural that starts on the outside and ends on the inside of the building. Mr. Jones presented the agreed upon mural concept of a cityscape representing the past and present of the neighborhood and Rock Island. Included will be housing, decorative lighting, MLK Park, Chief Blackhawk, and other figures including the face of Martin Luther King, Jr. It will be painted on the wall near the main entrance. Alderwoman Swanson thinks it looks great. Mayor Thoms asked who was doing the actual painting. Mr. Jones responded the Metro Arts program will have seven to ten youth doing the drawing and painting. He said it should be completed by the end of summer. Mayor Thoms asked if the artist did the Douglas Park mural; Mr. Jones replied he believed so.

**FINANCE: LAUTERBACH & AMEN, LLP - REVIEW OF 12/31/2018 AUDIT AND RELATED REPORTS**

Finance Director Stephanie Masson said they will be doing an audit presentation. Ms. Masson introduced Jaime Wilkey from Lauterbach & Amen whose firm completed the second audit of a five-year contract; also present was Linda Barnes, Accounting Supervisor.

Ms. Wilkey thanked Ms. Masson, Ms. Barnes, and the Finance staff for their help in the audit process. She said it is a six-month process and a clean audit doesn't happen without the efforts of staff. She added Ms. Masson and Ms. Barnes take the audit seriously and respond to every request in a timely fashion.

Ms. Wilkey began with the goals of the financial statement audit. Government entities are required to have an audit within six months of the close of the fiscal year; annual filings are also due this week. She explained the first goal of the testing process is to ensure that the financial statements are materially correct. A second goal is to assess the internal control environment. Ms. Wilkey said a government engagement audit is not designed to detect fraud; however, if they had concerns they would bring them to Council. She said they have no such concerns; it was a clean audit process.

Ms. Wilkey pointed out the transmittal letter on pages 3-9 which is an internal letter from staff providing an overview of the city. The focus is not on the financial results for the fiscal year, but rather on the local economy, major initiatives, and other relevant background information.

Ms. Wilkey noted the Certificate of Achievement for excellence in financial reporting for the fiscal year of 2017. She said it is a very rigorous awards program by the Government Finance Officers Association and it is done in arrears. This year's annual financial report will be submitted for the

award this week.

Ms. Wilkey stated pages 11-13 are the most important part as it is the actual audit opinion. It outlines the auditors' responsibilities as well as management's responsibilities. The auditors are issuing an unmodified opinion which is the highest level opinion that can be issued for a government entity. She stated it was a clean audit process.

Ms. Wilkey explained that the next section, Management's Discussion and Analysis (pages 14-26), is a very important section of the document. It is an executive summary of the financial statements, capturing key transactions for the fiscal year. Goals and results are reviewed in this section. There is also information on major capital asset and acquisition activity and any related long-term debt activity as well as a discussion on long-term pension obligations. She recommended Council review it in detail.

Ms. Wilkey reported that the General Fund had a \$1.2 million surplus in 2018 and the year ended with 25% in reserves. She said there was significant capital asset investment through the year, reflecting an increase of \$9.2 million. A new GASB requirement was implemented this year which focuses on retiree health care costs; this is a future liability to the City. This reflects a \$22 million liability for retirees remaining on the City's health care plan.

Ms. Wilkey began reviewing the actual financial statements. On pages 27 through 30, are the entity-wide statements which are a year-end requirement for audit purposes only. Every year GASB requires the financial statements to be converted to full accrual financial statements similar to a business' financial statements. These are not the same statements as the monthly financial statements. Capital assets are measured once a year and placed on the books; the City has \$218.4 million in capital assets. Once a year, noncurrent liabilities are also measured including outstanding bonded debt, IEPA loans, and pension obligations including retiree health care costs. When GASB began requiring the pension obligations to come on the books, that created a significant liability for government entities. Under current state statute, the city has until 2040 to become 90% funded for pension obligations.

Ms. Wilkey next discussed the City's total net position or equity (assets minus liabilities) with a year-end net position of a deficit of \$58.3 million. The pension fund liabilities of \$141 million are not going away and are driving the deficit. The City's change in net position was a decrease of \$5.8 million which is a decrease to the City's equity (excluding the enterprise funds). She explained the pension funds were hit hard at year-end with poor asset returns. She reassured Council that the 2019 first quarter financial statements look very different than the 2018 year-end statements.

Ms. Wilkey reviewed other special government funds such as the library and TIF funds, excluding enterprise funds. She said the General Fund ended the year with almost \$9.8 million in the fund balance. Available for spending is \$9.4 million and that is where the 25% comes from for reserve spending. Ms. Wilkey stated the City's governmental funds ended the year with \$23.3 million in the fund balances. Detail of each fund is included on pages 31-32.

Ms. Wilkey explained the statement on page 33 which is a roadmap between the two sets of financial statements from the day-to-day statements to the accrual statements. It starts with \$23 million total in fund balances plus capital assets of \$91 million plus the City's liabilities and ending with a net position of a deficit of \$58 million. She said this is not unheard of in a community the size of Rock Island due to the pension liabilities.

Alderman Spurgetis asked about the pie chart on page 20 and the property tax portion. Ms. Wilkey replied the City of Rock Island has a fairly diversified base of revenues.

Ms. Wilkey noted that on pages 34 and 35, the net loss in the governmental fund balances of \$733,913 was due to the considerable capital outlay where cash is depleted, but at the same time, capital assets are created. She said it was a form of reinvestment in infrastructure and capital projects.

Enterprise fund financial statements are included beginning on page 40. Pension fund financial statements are included on page 46. Notes are included for all of the financial statements beginning on page 47.

Ms. Wilkey pointed out the City's disclosure of pension obligations begins on page 110 with a funding history on page 112 which details the actuary's recommendation and what the City actually did. Pension liabilities are on pages 113 through 118. The rate of return for the Police and Fire Pension Funds is on pages 119 and 120. Ms. Masson announced the City's actuary will be returning at the July 8 study session with his report on the pension assumptions. She said Council would adopt changes on July 22.

Ms. Wilkey referred Council to the Statistical section in the report which is a wealth of information and includes ten-year trend information. Histories on property taxes and long-term debt are in this section.

Ms. Masson encouraged Council to review the detailed fund pages with actual to budget results that are on pages 122 through 126. She said the statistical section includes a history of various taxes the City collects and the changes over time can be seen. She also noted the EAV, tax rates, and overlapping tax rates of other taxing bodies. There is a chart of the largest property tax payers. She also pointed out the property tax collections have generally been 100%. Ms. Masson said there is a debt related schedule showing dept per capita of \$3,200.

Ms. Wilkey reviewed the single audit report for the expenditure of federal grants in excess of \$750,000. It was a clean audit and an unmodified opinion was issued. Ms. Wilkey noted that nothing was warranted to be included the management letter because it was a clean audit process.

There were no questions from Council. Council thanked Ms. Wilkey and Ms. Masson.

## **COMMUNITY AND ECONOMIC DEVELOPMENT: BUSINESS REGISTRATION PROGRAMS/RESEARCH FINDINGS AND RECOMMENDATIONS**

Community and Economic Development Director Chandler Poole said he would be discussing business registration programs. They are estimating there are 350 businesses in the city, but they don't really know for sure. He explained the only businesses that are registered are those that are mandated by either state statute or city ordinance to have a license. There currently is no requirement for business owners to register their information with the City. It doesn't give the City the ability to communicate very well with businesses in Rock Island. Businesses open and close without staff knowledge or any notice. The basis for any program is how to communicate with the businesses in the community. Many departments issue licenses, but the information is not communicated between the departments.

Tarah Sipes, Economic Development Manager, reviewed the types of businesses that are required to register in Rock Island for various licenses. Ms. Sipes reported that many of the types required to register are also regulated by the state to some degree. She reviewed the various communities that they surveyed regarding business registration. Ms. Sipes reviewed the specifics of business registration for the communities of Bellevue, Wa; Bloomington, IL; Jacksonville, IL; O'Fallon, IL; Normal, IL; and Page, AZ. She also reviewed the requirements for the individual Illinois and Iowa Quad Cities. Alderman Hurt asked about the range of fees for

Bettendorf. Ms. Sipes responded it is based on per square foot occupied.

Ms. Sipes explained the purposes of a business registration program: to know what businesses are opening and closing in the community; to know what's going on with businesses; to have and maintain an updated list of contact information for all business and property owners; to better communicate with businesses in the Rock Island community; and to share the services and businesses in the community with a business directory on the City website.

Ms. Sipes detailed the resources that exist with the information currently: department lists from Inspection, Police, Fire, CED, Zoning; liquor and gaming licenses; sales tax list; water and stormwater billing (one of the most comprehensive lists); and DARI/QC Chamber/QCCVB member lists.

Mr. Poole discussed the department's recommendation. He said a business registration program is a really good idea and provides the ability to communicate with businesses. He stated the execution of the idea will be key to its success or failure. He said that it has to be easy for the businesses and not a burden. They are not recommending any fees be charged until the City has proven itself and can start marketing the businesses. They want to help grow the businesses and attract more. He said there are numerous points of touch: water bills, permits, and the Mayor's office with licenses. He said the City has a tremendous amount of information, but it is not being communicated between departments. They need to figure out a plan for the program that would make it easy for the businesses to engage and be a part of this program.

Mr. Poole presented their proposal: compile a master list from all existing sources-what information do they currently have; check the data for accuracy and duplicates; visit and talk to the businesses and gather the information; add a business directory to the website with public information (name, address, contact information, what the business does); and create an in-house database for the departments to use for communication and use as a tool to talk about new programs.

Mr. Poole said the program will be managed by CED. He said they are proposing a part-time person who is out there on the street. He believes this is the only way to have an effective business registry program. He said it will take time to do it right. They will make this proposal during the budget process; the half-time person will assist Tarah Sipes.

Alderman Spurgetis asked for clarification that it is a half-time person; Mr. Poole responded yes. Alderman Poulos asked if it could be handled by an intern. Mr. Poole replied interns could help, but they are transient. He said they are looking for consistency. Ms. Sipes stated she has been tasked with improving the business environment and relationships with businesses. She explained they want someone more permanent to do that and build trust. This person would be an additional point of contact besides herself.

Alderman Clark asked if after all the data has been collected or the legwork portion, wouldn't it then be easier for Ms. Sipes to keep in touch with businesses. Ms. Sipes replied she has such divergent tasks and quite an amount of tasks; she often has no time for the follow-up that is needed and which could pull her away from other important tasks. Alderman Clark said he was thinking of Augustana College. Ms. Sipes said they don't want to rush into this and they want to find the best solution.

Alderman Spurgetis asked if they envision the half-time position as permanent or temporary. Mr. Poole responded it needs to be permanent for the success of the program; he feels the consistency is very important. Mayor Thoms said there needs to be an annual touch from someone. Alderwoman Swanson said interns could easily do the initial legwork and later for annual visits, there might be other department staff and even Council members to do the visits

and conserve adding another person to the payroll. Mr. Tweet said there currently is an unfilled full-time position in the budget so it would be a cost savings. He said there needs to be another person. Alderwoman Swanson asked when the business directory is developed, that women-owned, minority-owned and veteran-owned businesses be identified so people can be directed to those businesses.

Alderman Parker asked about crowd sourcing for the master list of businesses on the website. He said taking advantage of open data to the entire community could be an option instead of paying someone to do the initial grunt work. Mr. Poole responded that they want to control the data that is on the City website for the businesses; he is not interested in sales information for businesses, for example. Mr. Poole would like the City to enter the data. Alderman Parker also asked about an economic development contract with QCC or DARI for the task. He suggested that instead of putting someone on the payroll, to put out an RFP for services. Alderman Parker would like one issued before hiring someone and see what the responses would be; he thinks this is a more strategic way to go forward.

Mayor Thoms thanked everyone for their comments.

## **COMMUNITY AND ECONOMIC DEVELOPMENT: CODE OF ORDINANCES CHAPTERS 7 & 13 PROPOSED REVISIONS**

Mr. Poole introduced Chris Young, Chief Building Official, and the ongoing review of code and ordinances. Mr. Young distributed a handout showing the codes he would be discussing and the changes he is proposing for Chapters 7 and 13.

Mr. Young said he wanted to get rid of inaccuracies as well as make all processes similar. He said CED staff has met with Mike Bartels of Public Works and Stephanie Masson of Finance regarding the proposed revisions. Mr. Young said the changes have been vetted quite a bit.

Mr. Young said Chapter 7 is the Health Generally section with the Housing Code in Article VII. He is proposing changing the enforcement document from the ICBO code (antiquated) to the new ICC code. Article IX relates to Nuisances and Refuse. There were duplicative sections in enforcement (eliminate) and penalty sections. Mr. Young explained his intent is to make the process the same for grass, refuse, and nuisance abatement. They just went live with the new platform NorthStar which is used by the Finance Department so that all of the costs associated with abatement can be collected more efficiently and consistently.

Mr. Young said Chapter 13 in the Code covers Public Works, Streets and Sidewalks. He said there was no enforcement provision for solid waste. They recommend adopting the Illinois state statute (the Illinois Sanitation Code) as the enforcement provision. In the section for Removal of Weeds and Grass, Lien (Section 13-28), duplicative language was omitted. They also added fees for services and billing/collection procedures to be consistent with the nuisance and refuse charges. They also added an appeal process provision which was lacking in the current code.

Mr. Young summarized the proposed ordinance amendments which will provide for: a mechanism to enforce violations of commercial waste haulers; consistent billing and collection procedures for the Finance Department; consistent procedure on how grass, nuisances, and refuse are enforced; a reference to the applicable enforcement document; a standardized appeal process; and a reduction in duplicative enforcement and penalty provisions.

Mayor Thoms thanked Mr. Young.

The study session concluded at 6:39 p.m.

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Judith H. Gilbert, City Clerk