

**CITY OF ROCK ISLAND  
CITY COUNCIL STUDY SESSION  
July 8, 2019 - 5:00 p.m.**

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

Present: Mayor Mike Thoms, Alderman Dylan Parker, Alderman Mark Poulos, Alderman Randy Hurt, Alderman James Spurgetis, and Alderwoman Jenni Swanson

Alderman Dave Geenen arrived at 5:08 p.m.

Absent: Alderman Ivory D. Clark

Staff: City Manager Randy Tweet, City Attorney Dave Morrison, City Clerk Judith Gilbert, and other City staff

7/8/2019 - Minutes

**FINANCE/NYHART: PRELIMINARY ACTUARIAL VALUATION RESULTS AND  
ASSUMPTION DISCUSSION FOR FIREFIGHTERS PENSION FUND AND POLICE  
PENSION FUND**

Finance Director Stephanie Masson said the presentation will be on the actuarial valuation and assumptions and the impact of the assumptions on the employer contributions. Ms. Masson acknowledged Ross Stanforth with the Investment Consulting Group in the audience; he is the Police Pension Fund investment adviser. Ms. Masson explained the annual process begins after January 1 when the accounting team sends out data and information to Nyhart, the City's actuarial consultant. She stated 2018 was not a good year for the pension funds. The valuation and review of assumptions determine what the contributions will be for next year. The next step will be on July 22 when Ms. Masson will make a recommendation to Council on the assumptions and employer contributions for the CY 2020 Budget.

Heath Merlak of Nyhart commented that the stock market had a downturn at the end of 2018, but the losses were picked up in the first quarter of 2019. He said although there were a lot of legislative bills in Springfield on consolidating police and fire pension funds, none of them made it out of committee.

Mr. Merlak discussed assumption updates. The Illinois Department of Insurance is using an interest rate assumption of 6.5% in their study done in 2017. Mr. Merlak recommends the City continue the step-down of the interest rate assumption to 7.20% for 2019. He explained the payroll growth assumption. When liabilities are compared to assets, the difference is the unfunded accrued liability and that is amortized. For public pension funds, it is often amortized as a percentage of payroll. The payroll would grow by the percentage rate for that assumption. He is recommending the continued step-down of that assumption to 3.80% for 2019 from originally 4%. The Illinois Department of Insurance is using 3.50%. Mr. Merlak explained there are different ways to approach the amortization of the unfunded liability. One way is a level dollar amortization such that it would be the same amount every year like a mortgage. The level dollar approach avoids the spike in contributions near the end of the amortization period. However, it requires more funding in early years and less in later years.

Mr. Merlak presented comparison charts showing different valuations with various assumptions. He pointed out the funded percentage across the different scenarios. In the Rock Island Firefighters Pension Fund with assumptions of 7.2% interest rate and 3.8% payroll growth, the funded percentage is 32.1% which is slightly less than 2018. The slight decrease is due to the asset performance in 2018. The total recommended employer contribution is \$3.443 million which is \$100,000 over last year's contribution. Employee contributions would be roughly \$430,000. Under the 7.2% interest rate and 3.8% payroll growth assumptions, the unfunded accrued liability / amortization would be \$2.7 million. With the level dollar amortization, the unfunded accrued liability would increase to \$3.7 million.

Mr. Merlak reviewed the Rock Island Police Pension Fund. With the same assumptions of 7.2% interest rate and 3.8% payroll growth, the City's contributions would be \$3.772 million which is \$229,000 higher than last year. Alderman Parker asked about the recommended contributions in ten years if the City used the level dollar amortization. A slide was presented showing the different options graphed out for the unfunded liability. Mr. Merlak explained that with level dollar amortization, the theory is you pay more now and less later if you didn't change your assumptions. There was discussion of stock market performance. Ms. Masson explained pension funds are governed by state statutes regarding their investments which does limit the results.

Mr. Merlak noted that prior to 2017, the City was funding towards 100% by 2040; now the City is funding towards 90% by 2040 which is allowed by state statute. He said the City's approach is a common one with public pension funds. He said it basically comes down to what's available in the budget and what flexibility there is for the minimum and maximum contributions. Another graph was shown demonstrating how the unfunded liability gets paid down under different options.

Mr. Merlak stated there are 58 active firefighters who are participants in the fund and 93 retirees and beneficiaries in the fund. He said the police fund has 80 active participants and 108 retirees and beneficiaries in their fund. He added both active participant populations have been steady over the last five or six years.

Mr. Merlak next presented a snapshot of the asset information for both pension funds. The actuarial asset value of the Firefighters Pension Fund was \$24.16 million as of January 1, 2019 and for the Police Pension Fund, the actuarial asset value was \$38.01 million at the beginning of 2019. He explained the difference between the market value and the actuarial value of the funds.

Mr. Merlak explained the different funding valuations between the actuarial and the GASB funding status.

Mayor Thoms asked if the recommendation was to keep the interest rate at 7.2%. Mr. Merlak responded the recommendation is to go down to 7.2% doing a gradual decline in the rate of return. He stated the pension funds are long-term investment vehicles. Mr. Merlak said doing the gradual decline makes the most sense. Ms. Masson referred Council to the draft document of the previous year's assumptions and the incremental changes they are making every year to lessen the burden on the property taxpayers. She stated in an ideal world, it would be to do the level dollar amortization, but that would be a much greater impact on the taxpayers.

Alderman Parker asked about bonding to get to level dollar amortization; he wanted to know what other communities are doing. Ms. Masson did not have specifics for Alderman Parker, but she suspects not a lot of communities are doing the level dollar amortization. Alderman Parker said he was thinking of a bonding strategy to get to level dollar amortization and if it would offset the effect on the credit rating. Ms. Masson replied that when she and Mr. Tweet met with the underwriters last fall, that approach would be a status quo strategy of just replacing one liability for another. She explained there is an inherent risk with issuing bonds. However, she did say it

could be something to consider. Ms. Masson stated after July 22, Mr. Merlak will update the report and project out the contributions to 2041 based on current assumptions. She plugs that data into a spreadsheet because the contributions are made with property taxes. Ms. Masson said but at what point will the City not be able to fund the Library and Parks Department with a property tax levy.

Mayor Thoms thanked Ms. Masson, Mr. Merlak, and Mr. Stanforth.

## **FINANCE: COUNCIL PAY AND EXPENDITURES**

Finance Director Stephanie Masson reviewed the topics that will be discussed: the Council Pay Ordinance, Mayor and Ward budgets, City policies and procedures, results from a municipal survey that Ms. Masson conducted, and draft policy elements for going forward.

The City Ordinance for Unclassified positions sets out the pay for the Mayor annually at \$15,000 and annual pay of \$6,000 for a Councilman. She said there have been lots of revisions over the years to this ordinance. Ms. Masson reviewed the history of the Mayor and Ward budgets which each have their own department or cost center in the General Administration area of the budget. Currently, each ward has \$4,000 in the Representation line item. Alderman Parker asked why it has gone to one line item. Mr. Tweet said it was easier for staff from an accounting standpoint to use just one line item. He commented perhaps it should be called something other than Representation. Ms. Masson explained that internal budget transfers are very common and are allowed. She said that financial activity occurs either as checks or purchase cards, both with appropriate documentation. Ms. Masson reviewed City policies and procedures adherence to federal (IRS) guidelines, state statutes and the Constitution for use of public funds and local guidelines.

Ms. Masson conducted a survey of other municipalities with eight responses for seven questions related to elected officials' use of credit cards, elected officials' pay and expense budgets, and elected officials' participation in the pension fund and health insurance. Of the eight responses, only one municipality issued credit cards to all elected officials and four of the eight issued them to select officials, usually the Mayor. Ms. Masson said most municipalities don't have individual budgets for the Mayor and each Council member; there is usually one line item for all elected officials to cover travel, meetings, and conferences (the most common types of expenditures).

Alderman Parker asked about other municipalities' policies for non-profit donations. Ms. Masson replied that non-profit donations were not part of their expenditures with the exception of Davenport. She said there was a \$5,000 allowance for donations for each Council member, totaling \$55,000. Ms. Masson recalled there was one other municipality that had a pool with Council deciding on the donations. Alderman Spurgetis asked for clarification on donating money through a non-profit for a specific program and was there any differentiation for that. Ms. Masson was not sure. Alderman Spurgetis gave the example of donating water and ice for the volunteers doing a non-profit initiated clean-up. Ms. Masson replied it's not a non-permission, but that is what they are here tonight to discuss.

Ms. Masson said they will discuss how to manage Council budgets going forward; there are different Council views. She will lead the discussion and take notes. The elements to be discussed are purchase cards (to have or not), discretionary spending such as donations, newsletters, clothing, meetings, meals, and travel expenses (both local and out-of-town).

Alderman Parker said it is convenient to have a purchase card for ordering pizza when having a ward meeting. He asked if aldermen didn't have a purchase card, how would payment be made. Ms. Masson said a check can be sent as there are weekly check runs (submitted by Tuesday,

check can be at City Hall on Friday) or there can be reimbursement if payment is made personally. Alderwoman Swanson said the vendor can be contacted ahead of time to see if they would bill the City and they probably would. Ms. Masson also said the City Clerk or someone in General Administration can make a phone payment. Alderman Parker commented that the City Clerk could have a credit card, but the aldermen could not. Mayor Thoms said the problem with credit cards is that if it's not an appropriate expense, getting the money back adds a problem.

Alderwoman Swanson said she is anti-P card; she believes it sets up irresponsible spending because it is so easy to put expenses on the credit card. She added if payment arrangements are made in advance or reimbursed from a personal credit card, it drives more mindful spending. She can understand that for conferences it is more challenging to put those expenses on a personal card. Ms. Masson said another option is for the purchase cards to be held at the Finance Department. She said some aldermen carry their cards all the time and some that don't.

Council's discussion moved on to discretionary spending starting with donations; Ms. Masson laid out some various options. Alderman Parker stated there should be a distinction between donations to non-profit causes and donations facilitating public use; he referenced his donations to Friends of Hauberg for their poinsettias and the Broadway Historic District Association for their historic street signs. Alderman Geenen said he made a purchase to Denkmann who has been trying to raise money for years for another playground. He pointed out there is no other park in the area except for Saukie. Alderman Geenen said Ms. Masson approved the donation and there was no policy against it. He used the funds in a good way to benefit the City. Alderman Geenen thinks they were given the power from the voters to make those decisions. Alderman Hurt said he doesn't think just because there is leftover money, it should be spent. He feels donations of a certain dollar amount should get the approval from all of Council.

Ms. Masson stated General Fund dollars stay within the General Fund balance. She added that some of the donations made by Council were to internal departments of the City and supporting Parks or Police initiatives. She said there are a couple of supporters for not micromanaging Council's donations to causes with some guidelines or Council approval for transparency. Alderwoman Swanson said it's a perception issue. As a taxpayer, she doesn't appreciate her tax dollars being used to fund charitable organizations. She said Council should use their salary for their donations. She said the perception is not benefitting the City; the perception is buying votes. She said that Council should be thoughtful for how they are spending taxpayer dollars. Mayor Thoms cautioned against the attitude that since it's allocated, go ahead and spend it; for departments as well as for Council. He said Council should set the example for the departments.

Alderman Spurgetis said most are mindful in their spending. He has returned in the last two years over 50% of his \$4,000 back to the General Fund; he doesn't want anyone telling him to be mindful. All of the money he has spent has been in Rock Island and he can account for all expenses. Alderman Spurgetis said the taxpayers have to understand the Council makes spending decisions for millions of dollars at every Council meeting; he added it's a disservice to pick at "small potatoes." He stated if it's legal, they should keep going as is and not overreact.

Alderwoman Swanson challenged that notion of "small potatoes." She said it adds up to thousands of dollars during the year and she takes offense at Alderman Spurgetis' comment. Alderman Geenen asked what percentage of the General Fund is for the pension liabilities. Ms. Masson replied over one-half of the property taxes goes to the employer contribution.

Ms. Masson moved on to the topic of newsletters. She said many wards do not do newsletters. A lot of communication is done through social media with constituents. She added there should be some internal procedures covering newsletters. Alderman Hurt is in favor of newsletters with guidance on bulk mailing rates, paper, and no more than twice a year. He agrees there should

be guidelines. Ms. Masson asked if he would be okay with having a review of the newsletter before it goes out; Alderman Hurt replied yes.

Alderman Parker said he found it humorous that several of Council's goals are increasing communication and they are considering banning contact. He stated it is sensationalizing the issue because one alderman made the front page for inappropriate spending; he objects to the political circus it has become. Alderman Parker has tried to work with all of the aldermen. He would like the conversation framed about how to effectively represent Council's constituents. He added he has gotten support for how he has spent his allocated funds. He does not want to be hamstrung for someone's political benefit. Alderwoman Swanson said she wants to stop the circus; she does not want to be over the fold of the front page of the paper any more. She said with Ms. Masson's help, they are trying to put limits on the circus. She is not trying to be divisive. She added as a new alderman, she is tired of being lumped in to the circus. Mayor Thoms said he has gotten more letters and email on this topic than anything else. He added citizens perceive it as wrong (what's happened) and not good policy. He said the citizens want policing even if there were good intentions before. Mayor Thoms said they need to work on changing the perception even if it's micromanaging.

City Attorney Dave Morrison asked if the review of newsletters must comport with election law and it is content related. Ms. Masson replied yes.

Ms. Masson moved on to the topic of clothing. She reminded Council to keep in mind taxable fringe benefits. Alderman Poulos said clothing should not be allowed as an expense; he is paying for his own. Alderwoman Swanson said she pays for logo clothing herself whether it's for her employer or as a volunteer for the John Deere Classic. Alderman Parker said for his employer, he gets one article of clothing per year. He recommends every new Council member receive one article of clothing at the beginning of their term. Alderman Geenen said they should not cover these expenses any more. Alderman Parker stated they should not prohibit working or poor people from participating in local government. He said not everyone has a credit card or bank account to pay for expenses like clothing or water before reimbursement; it should not be only people with money in government.

Mayor Thoms stated Council members are paid a stipend and they can use that for these types of expenses. Alderman Parker stated he donated his first year's salary to non-profits in Rock Island. Mayor Thoms replied that was his choice. Alderwoman Swanson said Council members can always get a cash advance if they need to purchase something. She said it has bothered her that with purchase cards, those expenses are paid months ago before coming to Council for approval. She said if purchase cards were limited to out of town travel and Council approves all other reimbursable expenses, she was told that Council would never see those expenses at a Council meeting. She thinks those expenses would then be driven underground and would never be seen. She asked if she was a City employee, she would have to submit a form with a receipt and submit it for approval by someone to be reimbursed. Ms. Masson said that would be correct. Alderwoman Swanson said Council members hold the proxy vote of all the citizens of Rock Island; couldn't expenses from aldermen come to Council for approval at every meeting before reimbursement. She wants transparency and accountability. Ms. Masson replied that it is probably not part of their current practices, but they can make changes if Council desires. She explained that is not how they normally pay bills. She said it is harder with elected officials because they can't be fired. If an employee has an improper expenditure, they have the option of disciplinary action. She said another option would be to share with Council the packet that is assembled of the purchase card statements, the receipts, and the coding of expenditures for charges to accounts for transparency.

Ms. Masson moved on to the topic of local meals. Alderman Hurt said that travel within a 25 mile radius should not be reimbursed for meals. Council members should also have to turn in odometer readings for meals beyond the 25 mile radius. He said meetings that are for the

purpose of City business should be discussed by Council. Alderman Parker questioned Alderman Hurt's reasoning. Alderman Hurt said there is a difference between two aldermen meeting over lunch and an alderman meeting a developer and discussing City business over lunch. Alderwoman Swanson asked why taxpayers should pay for an alderman's lunch. She added if it's a meeting with a developer, Community and Economic Development Director Chandler Poole should be present at the meeting and he has a budget for lunches. Alderman Parker responded no and said he can invite Mr. Poole if he wants. Alderman Parker said Council members do have lunch with people to discuss City business when invited; he is conducting City business.

Alderman Spurgetis said there are different scenarios for meals; he goes to meetings when there is a fee for those lunch time meetings. He should not have to pay for those meetings. The other meals he charges are not expensive, usually \$10 to \$12. He added the aldermen's salary of \$6,000 has been the same for 24 years since 1995. He thinks meetings with the City Manager or other aldermen should be paid for out of the ward account. Mayor Thoms noted that it is not Alderman Spurgetis's money, but the taxpayers' money. Alderman Spurgetis said it was budgeted for him to spend at his discretion. He also disagrees with Alderman Hurt regarding mileage and the 25 mile radius; any city business mileage should be reimbursable.

Mayor Thoms commented that a lot of the other cities do not have reimbursable expenses; there are funds for out of town travel and that's it. Mayor Thoms feels the \$2,000 discretionary funds should go away and the remaining \$2,000 is for travel which would simplify things. He added any other expenses can be brought up on a case by case basis for Council to decide (or the City Manager or Finance Director). Mayor Thoms would like to see the ward discretionary funds go away and nothing is reimbursable.

Alderman Hurt brought up the local travel issue again. He wanted to know when aldermen are filling their tanks and charging gas purchases to the City, are they using a second car for all of their personal business. He wants to know where the documentation is of the trips made according to IRS guidelines. The purpose of every trip should be documented. Gas should not be a City expense as some aldermen have done. Alderman Parker agrees with mileage having to be documented. He documents all of his meal receipts with whom he met with and what was discussed. He is fine with requiring that. Alderman Parker stated he does not want Council to overreact. Ignoring the good that has been provided by the representation fund because of the poor behavior of one person is an overreaction.

Alderwoman Swanson said she agrees with Mayor Thoms with restricting the budgets to \$2,000 and only for conferences. She also thinks they need to look at the conferences and determine which ones have been beneficial and who should attend. She would also like to see aldermen share the information and knowledge they gained at a conference with a presentation at a study session. Alderman Parker gave an example of session he attended at IML on vacant properties and how they are now working on a vacant property registry. He cautioned Council against overreacting.

Alderman Poulos didn't think that was the intent; the intent was to limit expenditures and to plan ahead and get pre-approval from Council. Alderman Poulos said it should be done in public and very transparent. Mayor Thoms said people didn't realize these Council expenditures were being done: the expenditures, the issues, and the dollar amounts available for spending.

Mayor Thoms wanted to summarize the discussion for staff. He noted they have not discussed who is making the final decisions on expenditures. He asked who should be making the final approvals: the Mayor, the City Manager, or Finance. Alderman Poulos said Alderwoman Swanson stated they each carry votes from the people in their ward. Alderman Poulos suggested Council vote on the expenditures so staff is not put in that position. He added it should be in open session so Council can hold themselves accountable.

Alderman Parker questioned how that would work. He had a call today from a business owner for lunch on Friday. Alderwoman Swanson suggested they each buy their own lunch. Mayor Thoms said he's hearing a majority of the Council are saying not to use representation money for local lunches. Alderman Poulos said he had coffee with someone this morning and paid for it himself. Alderman Parker doesn't think there is consensus. Alderman Spurgetis said there is one alderman not present tonight who could not speak.

Ms. Masson said she will take the notes from tonight's discussion and put forth a guide that can be used going forward. She said it will be useful for future Councils too. She believes there will be some compromise. There will be a policy, but it is also a personal choice what Council spends their money on. Ms. Masson said there will be some guidelines and limits; the guide can be changed. She added it's important to be transparent. Mayor Thoms would like the policy to state what is acceptable and if it's not in the policy, then it's not acceptable.

The study session concluded at 6:42 p.m.

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Judith H. Gilbert, City Clerk