

# Committee-of-the-Whole Minutes

Tuesday, May 12, 2020

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**PRESENT:** Mayor Stephanie Acri (*Chair*)  
Alderman Scott Williams (*Ward 1*)  
Alderman David Parker, Jr. (*Ward 2*) ~*Electronically*  
Alderman Mike Wendt (*Ward 3*) ~*Electronically*  
Alderman Richard “Dick” Potter (*Ward 4*) ~*Electronically*  
Alderman Sam Moyer (*Ward 5*)  
Alderman Kevin Schoonmaker (*Ward 6*) ~*Electronically*  
Alderman Mike Waldron (*Ward 7*) ~*Electronically*  
Alderman Sonia Berg (*Alderman At-Large*) ~*Electronically*

**ABSENT:** None.

**STAFF:** J.D. Schulte, Interim City Administrator  
Janine Hollembaek Parr, City Clerk  
Rodd Schick, Interim Public Works Director ~*Electronically*  
Alison Fleming, Human Resources Manager ~*Electronically*  
Eric Griffith, Parks Recreation Director ~*Electronically*  
Don Goff, Information Technology Manager  
Bryon Lear, Library Director ~*Electronically*  
Darren Gault, Chief of Police  
Jeff Snyder, Fire Chief  
Carol Barnes, Finance Director~*Electronically*  
Jeff Anderson, City Planner~*Electronically*  
Tony Loete, Utilities General Manager~*Electronically*  
Sarah Mark, Interim Fleet Manager~*Electronically*

**OTHERS:** Derke Price, Ancel Glink  
Mark Peterson, GovHR~*Electronically*  
Lori Grafton, Kiwanis~*Electronically*

Mayor Acri called the meeting to order at 6:00 p.m. in Council Chambers.

## **Remote Attendance**

Alderman Moyer, seconded by Alderman Williams, moved to approve the remote electronic attendance of Aldermen Parker, Wendt, Potter, Schoonmaker, Waldron and Berg. Motion passed unanimously.

## **Proclamation**

A Proclamation from the Kiwanis Club of Moline to declare May 11-17, 2020, as “Kiwanis Week.” President Lori Grafton addressed the Council remotely.

## **Questions on the Agenda**

There were no questions on the agenda.

### **Informational**

**COVID-19 Budget Update.** Carol Barnes, Finance Director, explained that revenue forecasts have been published by the Illinois Municipal League (IML) for the 2020-2021 fiscal year, May 1 – April 30. Barnes compared four revenue streams included in the IML forecast and when those projections are applied to the City's budget for the months of May-December, 2020, the projected shortfall shrinks by \$1.5 million. Barnes explained that this is encouraging, however staff recommends continuing down the conservative path toward a \$10 million shortfall. Cumulatively, application of those projections would put the general fund \$845,000 to the good, with the remaining \$662,000 to Motor Fuel Tax.

J.D. Schulte, Interim City Administrator, indicated that the Illinois Department of Transportation (IDOT) has implemented a \$1.5 billion grant program using proceeds from general obligation (transportation series A) bonds authorized in the REBUILD Illinois capital program to provide Local Public Agencies with the funds for capital (infrastructure) projects. Projects must follow IDOT requirements. The first REBUILD Illinois grants, awarded this month and based on the regular MFT formula, will yield \$477,617 semi-annually over a 3-year period to the City.

Staff has worked to reduce expenditures by \$5,926,000 across all major funds. Barnes noted that bond refinancing and credit card payment reductions increase annual savings. There was discussion.

Schulte explained that the TaxSlayer Intergovernmental Agreement requires that the City use hotel/motel tax to fund a reserve account to pay for any operating deficits at Quad City Civic Center Authority (QCCCA) and that each year, that reserve be maintained at a level equal to the prior year's operating deficit. All amounts generated by the hotel/motel tax in excess of that required amount may be used by the City for other purposes. If the reserve is deficient, the City would supplement the payment due to QCCCA from other sources. If the QCCCA has an operating surplus, that surplus must be reserved, in an interest bearing account, for use against future operating deficits and must be used before the City has an obligation to fund any deficit. At the end of last year, the reserve balance was \$7.6 million. Effects of the pandemic may result in an approximate \$6 million revenue shortfall, requiring a draw from the reserve account of \$2 million. There was discussion. Staff recommends maintaining the City's tourism (hotel/motel tax) fund balance of \$650,000.

Actuary reports for Police and Firefighter Pension Funds are due out next week. Net investment savings is recovering, however is still down for the year. Quarterly updates will continue to be provided.

### **COVID-19 Work Session**

Mark Peterson, GovHR, reviewed the attached presentation on the post COVID-19 economy and the impact on the City of Moline. Peterson explained that unlike other recessions, the impact on our current economy was caused by mandated closures, so it is difficult to gauge long-term implications. Peterson admittedly has a pessimistic perspective on the future of this economy as it relates to municipalities. It has become increasingly difficult for municipalities to balance budgets without raising taxes and fees. The current situation is forcing municipalities to make changes that they would have had to make eventually. Peterson stated that it is essential that the City put a plan in place to address financial challenges that are coming. Short-term plans are important, but greater importance should be placed on years 2, 3, 4 and beyond when profound impacts are projected. The City's projected \$10 million revenue shortfall is prudent and cuts to expenditures are critical. Peterson indicated that the City is in a good position to weather the storm for the remainder of this fiscal year. Some of what we know today may provide some clues as to what we can expect in the future. We cannot wait until we have all of the answers, but must make some assumptions and take action. The current economic condition, with a declining GDP and rising unemployment, has been compared to that of the Great Depression. The State of Illinois is projecting a \$7 billion revenue shortfall, and Peterson fears that pass-through revenue to municipalities could be jeopardized. Other factors that will likely continue to impact local economies were discussed. Bottoming out of the local economy will likely not occur until the virus is no longer a threat. If the economic downturn continues for another two years, it could be 2026 before it rebounds. The economic impacts will continue and may be severe. Several municipal revenue sources will likely continue to be weakened. A responsible city develops a financial response plan to bring costs in line with decreased revenues with strategic

policies that include: specific ways to cut costs via a reduction or elimination of specific municipal services; alternative methods for providing those services that the City continues to offer, including intergovernmental collaboration, insourcing, outsourcing, identifying more efficient service delivery methods; and restructuring and/or refinancing long-term debt. Cities cannot solve financial challenges by permanently avoiding infrastructure maintenance and equipment replacement. Waiting to make cuts will result in deeper, more profound cuts later. It is not prudent to wait until you are at the edge of the cliff before changing direction. The analysis of critical data points that provide insights into the evolving condition of the local economy will provide clues as to what is happening. Adverse data sets will trigger components of the plan. The City must fundamentally change the way it functions. At the end of the day, there is only so much that we can afford. The staff will be significantly smaller and services will be cut. The decisions that will be required of the City Council and the management team will be complex and difficult... often painful, but the sooner this is done, the better.

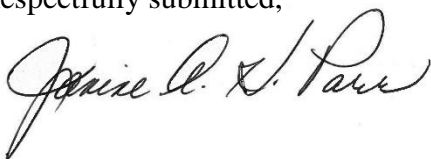
Mayor Acri asked Peterson to help guide the Council through the main points for discussion. What should be accomplished this evening? Looking beyond the current fiscal year and assuming the recession brought about by the pandemic will require dramatic cuts in spending. Strategic alternatives that provide decreased costs at a comfort level in this economy is an appropriate step. There was discussion that peripheral services should be cut. Service delivery should be reinvented. This is a challenge, but may be an opportunity. Concern for reaching \$10 million in cuts was expressed. There was agreement that starting early with changes is the best strategy. Staff has the expertise to identify changes that may be made. Tracking business development is important. Looking to the past could provide a path to success and redevelopment. Peterson's presentation validated the City's current path. Mayor Acri stated that we should be prepared for what lies ahead and begin looking at next year. Barnes stated that staff's work in revising the current budget is setting the stage for a leaner 2021 budget. Necessary capital expenditures (facilities, fleet and infrastructure) should move forward. Strategic changes to services provided will be ongoing. Peterson stated that current cuts assume that revenue does not continue to fall. If the economic decline continues into next year, the shortfall will be exacerbated. Mayor Acri expressed concern that pension returns will drop from the current 7 percent. There is much uncertainty and monitoring the changing economy is essential. Peterson stated that a 20% unemployment rate is earthshattering. Preparing for the worst is the best way to be prepared for what lies ahead. Mayor Acri asked Council to provide staff clear direction. Indicators, like the stock market and property/land values, point to a bigger picture. There was discussion. Alderman Wendt moved to direct staff to identify options for bridging the \$1.5 million gap this year and a \$5 million gap next year. Seconded by Alderman Schoonmaker. Alderman Schoonmaker asked that service cuts include alternatives and resulting cost savings. Motion carried with Aldermen Potter and Waldron voting nay. Staff will return in three weeks with options for Council's consideration. Mayor Acri asked that staff continue to provide a budget update at each meeting.

**Public Comment**

View recorded meetings at <http://www.moline.il.us/CivicMedia?CID=9>

The meeting adjourned at 7:49 p.m.

Respectfully submitted,



Janine A. H. Parr  
City Clerk

# Discussion of the Post COVID-19 Economy and the Impact on the City of Moline

*"What should we do  
and when should we  
do it?"*

Moline City Council  
May 12, 2020



# What Will Be the Financial Impact on the City of Moline from COVID-19?

- ▶ The short-term impacts are slowly becoming apparent. Significant revenue loss in the current fiscal year is anticipated.
- ▶ The long-term impacts, years 2 through 5, remain uncertain. However, the potential impact on the City of Moline is profound.



# The Short-Term Prognosis...

- ▶ The Finance Director is projecting a potential year-end revenue short-fall that could reach up to \$10 million across all funds.
- ▶ The City has already taken steps to address a large portion of this potential revenue loss:
  - ▶ Deferred most capital expenditures (vehicles and equipment) and several parks related construction projects
  - ▶ Implemented a hiring freeze on all open positions and on most seasonal positions.
  - ▶ Reduced various operating expenses such as travel & training, office supplies, professional services, publications, etc.
  - ▶ Reduced library and parks funding
- ▶ It is possible that other cuts will have to be made in the coming months in order to align spending in the General Fund with available revenue.



# The Long-Term Prognosis...

- This is the real purpose of the discussion this evening.
- What is the future for the Moline economy in a post COVID-19 world and how will the municipality be affected?
- There is a lot that remains unknown.
- **However, is it prudent to wait until we have all the answers before we develop a plan to protect our community from a possible financial calamity?**



The challenges facing the City of Moline and all other local governments could be ominous!

- *How and when will we know what the future holds?*
- *When must we act?*





Some of what we know today, may provide some clues as to what we can expect in the future...



GDP declined in the first quarter of 2020 by 4.8%

This is the largest annualized US GDP decline in the history of our country!

Remember that COVID-19 only had an impact on the Q1 economy in late-February and March. Even so, GDP experienced a record decline.

The Congressional Budget Office (CBO) predicts that US GDP will decline 12% in Q2 while economists from JP Morgan and Goldman Sachs are projecting a 30% and 34% decline in Q2 respectively.



The April unemployment rate was 14.7%

This is the highest rate of unemployment since The Great Depression in the 1930's!

Since the April unemployment numbers were calculated in mid-April, an additional 3 million people have filed for unemployment. The actual rate today is likely approaching 20%.

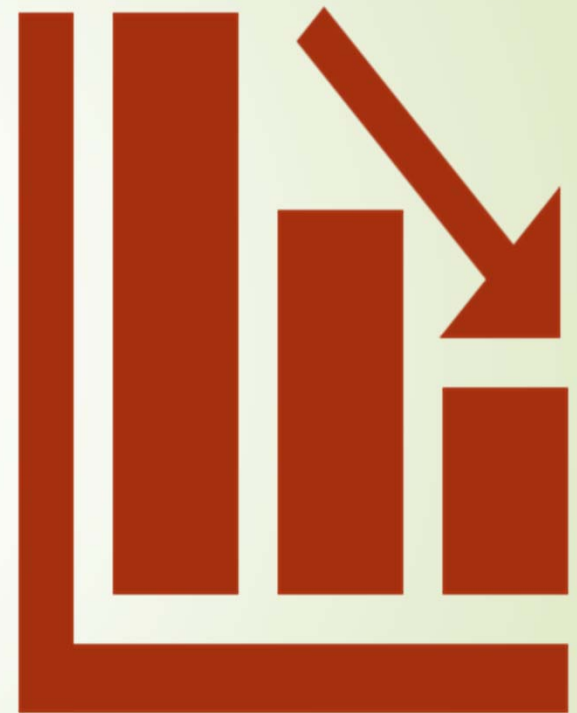
# Compare the Current Economic Condition to the Great Depression (1933-35) and the Great Recession (2008-09)...

## ► Annual GDP Rate of Decline:

- The Great Depression 12.9%
- The Great Recession 2.5%
- 2020 (Most optimistic projection) 30.0%

## ► Annual Unemployment Rate:

- The Great Depression 24.9%
- The Great Recession 9.7%
- 2020 (Most optimistic projection) 18.0%



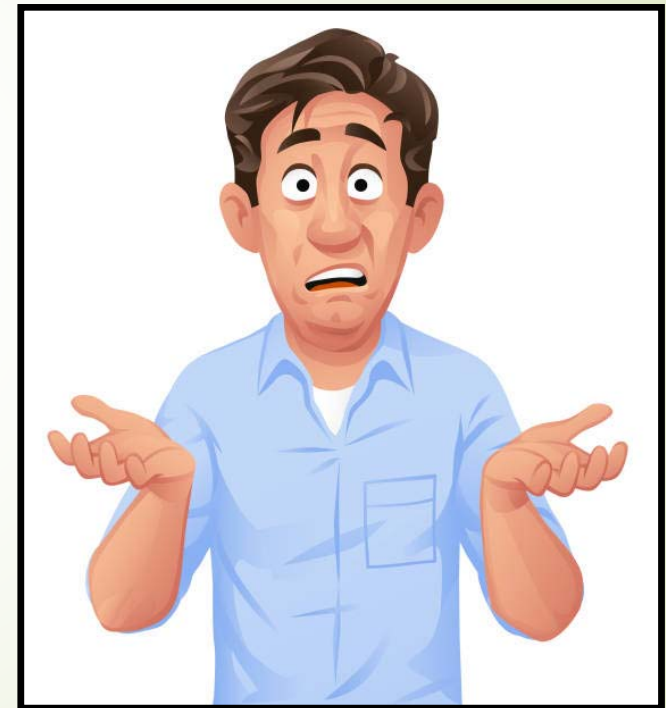
# Other factors that will likely continue to impact local economies and municipalities in Illinois...

- ▶ The current “Shelter in Place” mandate in Illinois will continue to remain in place until the end of May.
- ▶ It is expected that some of the current social distancing mandates will be relaxed in June
  - ▶ However, significant social distancing requirements are likely to remain in place during the next few months.
  - ▶ As long as the Coronavirus remains a health threat, it is expected that many people will continue to follow strict social distancing practices even if such practices are no longer mandated.
- ▶ As social distancing rules are relaxed, it is widely expected that the number of Coronavirus cases will increase as will virus related deaths
- ▶ The State of Illinois has reported an expected two-year budget shortfall of \$7 billion. This could jeopardize some of the current pass-through revenues from the State to municipalities in Illinois (Income taxes, sales taxes, MFT)



# When will the economic downturn resulting from COVID-19 bottom out?

- ▶ **Unknown...** But likely not until an effective vaccine is developed and is widely administered to most people throughout the world or until effective treatments are discovered to address Coronavirus symptoms.
- ▶ Experts in the field estimate that the development of a vaccine for the virus will take 18 to 24 months. However, although not likely, it is possible that a vaccine could be available as soon as the end of 2020.



# Once the bottom is reached, how long will it take our economy to recover?


- ▶ We might be able to draw some parallels from The Great Recession of 2008-09
  - ▶ This recession lasted an estimated 18 months
  - ▶ Recovery took 48 months
- ▶ Using the 2008 Recession as a predictor, if the COVID-19 Recession lasts two years, which seems to be a reasonable projection, full recovery may not occur until 2026.



So, based upon what we know today and the application of reasonable projections, can we assume that the following statements are likely to be true?


- ▶ The long-term economic impact of the COVID-19 recession on the City of Moline, and most municipalities for that matter, will be severe.
- ▶ The duration of this recession will extend well beyond the life of the Coronavirus, possibly for several years.
- ▶ Several major municipal revenue sources are likely to be weakened for multiple years





# What must responsible cities do in order to survive a severe, multi-year economic recession as a result of COVID-19?

1. Create a **financial response plan** with strategic policies designed to reduce the cost of municipal government and to be implemented when certain triggering events occur.
2. Depending upon the depth of the financial impact to the City, strategic policies could include such things as:
  1. Specific ways to cut costs via the reduction or elimination of specific municipal services
  2. Alternative methods for providing those services that the City continues to offer. Some of those alternatives might include:
    1. Intergovernmental collaboration
    2. Insourcing
    3. Outsourcing
    4. Finding and exploiting more efficient service delivery methods
  3. Restructuring and/or refinancing long-term debt
  4. Cities cannot solve their financial challenges by permanently avoiding infrastructure maintenance and equipment replacement.



# Why act now as opposed to later when the future state of the local economy will be more certain?

- ▶ The sooner that the City develops a plan for spending reductions, the more prepared it will be to act quickly in response to deteriorating financial conditions
- ▶ The longer the City waits to reduce expenses, the larger those expense reductions will have to be for the City to remain financially viable.
- ▶ If the revenue picture improves, or is not as severe as predicted, the City can choose to reverse spending cuts.
- ▶ **It is far better to prepare for the worst case and be wrong, than it is to prepare for the best case and be wrong.**



# What would be the “triggers” for implementing planned financial strategies?

- ▶ The analysis of **critical data points** that provide insights into the evolving condition of the **local economy**. Some of those local data points might include:
  - ▶ Performance and trending of key municipal revenue sources
  - ▶ Local unemployment rate
  - ▶ Local business closures
  - ▶ Utility payment delinquencies
  - ▶ New car sales
  - ▶ Interruption in State of Illinois pass-through funds to municipalities



Careful attention to national economic indicators will also be important!


- GDP Growth/Decline
- Unemployment Rate
- US Bond Market
- Manufacturing Output
- Sale of Durable Goods
- Consumer Confidence





If municipal revenue continues to be significantly diluted for years after the Coronavirus is eradicated, a reinvention of municipal government may be necessary.

- Most of the “low hanging fruit” to address budget challenges have already been used.
- There are some expenses that cities will be unable to avoid
  - Employee pension costs will likely increase due to investment income performance
  - Infrastructure maintenance needs cannot be ignored for too long.
  - Other major expense categories cannot be eliminated such as insurance, utilities, debt service, and contract payments
- In order to bring expenses in-line with available income, the footprint of local governments will likely have to shrink. ***That means fewer services and fewer employees.***
  - No function will be immune from significant changes... even public safety
  - Residents will have to adjust their municipal service expectations
  - The City Council will have to adjust its expectations related to new initiatives and staff responsiveness



The decisions that will be required of the City Council and the management team will be complex and difficult... often painful.

- Expect push-back from some community members and from some employees
- Some decisions will stress internal Council relationships... So it is extremely important for the City Council to remain unified, collegial and focused.
- The process will also be very stressful on City employees and their families. Make sure that all decisions are communicated quickly, clearly and empathetically. Support services should be made available to employees to help them cope with changes..
- The planning process will require open communication and very close collaboration between the elected leaders and the management team.
- Keep in mind that it is your job, as the elected leaders of Moline's municipal government, to make the hard decisions that are necessary for the long-term well being of your community. It is a solemn and vitally important responsibility.



# CITY COUNCIL DISCUSSION