

**MINUTES OF REGULAR SESSION
HIGHLAND CITY COUNCIL
MONDAY, OCTOBER 15, 2012**

Mayor Michaelis called the Regular Session to order at 7:00pm. Council members Schwarz, Bardill, Bellm and Nicolaides were present. Others in attendance were City Manager Mark Latham, City Attorney Terry Bruckert, Directors Cook, Gillespie, Korte, Rosen and Schoeck, Police Chief Bell, Fire Chief Bloemker, EMS Captain Crosby, Treasurer Foehner, Deputy City Clerk Hediger, City Clerk Bellm, Latzer Library Director Kim, eight citizens, and one member of the news media.

MINUTES

Councilman Bardill made a motion to approve the minutes of the October 1, 2012 Regular Session as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

PROCLAMATION

Kathy Eller, Margaret Bennett, and Paula Redman represented the Highland's International Federation of Business Women as Mayor Michaelis read a document proclaiming October 14-20, 2012, as Business Women's Week.

PUBLIC FORUM

Citizens' Requests and Comments:

St. Paul Trunk-or-Treat Request – Joan Riffel, representative of St. Paul's Church, requested closure of Olive Street between Main Street and 9th Street on Friday, October 26 from 5:00pm – 9:00pm. She stated, last year, we did not have to utilize the south parking lot; however, we would have it available if the turnout is large enough. Councilwoman Bellm made a motion to approve the street closure request for the St. Paul's Trunk-or-Treat on Friday, October 26, 2012 as requested; seconded by Councilman Bardill. All council members voted aye, none nay. Motion carried.

Requests and Comments of Council:

Nothing presented.

Staff Reports:

Scheffel & Co. - Combined Annual Financial Report – Mark Korte, principal of Scheffel & Co.'s Highland office, introduced the audit team in attendance: Howard Held, CPA and manager of Highland Office, Heather Weisemeyer, CPA, and Joel Bradley, CPA. Mr. Korte reported, once again,

we are able to give an unqualified opinion, which is the highest opinion we can give. That has been the case every year we have audited the City of Highland.

New this year, is Classification of Fund Balances, found towards the bottom of Page 17. This groups governmental funds: "Non-Spendable"; "Resisted", which are funds that outside entities have place restraints on, such as bonds or established with ordinance; "Committed" are funds already designated; "Assigned" are intended for a specific purpose, but not formally committed; and, then there are "Unassigned". Tabs divide the report into different sections. Director of Finance Kelly Korte and her staff put together the Management Discussion and Analysis, which is a quick summary of the city's financial health, what is going on and coming up in the city and, the resulting financial impact. Financial Statements follow this, as does the notes associated with the financial statements. Exhibit 1 is similar to a balance sheet; Exhibit 2 is similar to an income statement of a private entity. All statements recognize accruals versus actual. Exhibit 1 reports the business type activities for water, sewer, electric, and solid waste. Total assets for fiscal year ending April 30, 2012 were \$102,484,548 compared to \$98,955,119 in 2011, for an increase of \$3.5 million. Liabilities were \$39,560,027 compared to \$36,838,517 for an increase of \$2.7 million. The result is the city's net equity increased by ~\$800,000 this past year. Exhibit 2 breaks out the change in net assets for governmental activities, which showed positive growth, while business-type activities had a loss. Exhibits 4 & 6 reconcile back into Exhibits 1 & 2. Exhibits 8 & 9 show operating revenues and expenditures, which is important, because it helps determine what to charge for services. On Page 25, Exhibit 8 is the income statement for the enterprise funds. You can see, Electric (Light and Power) had a loss of \$279,007; Sewer, loss of \$195,325; and, Water, loss of \$116,129. The primary reason for the loss in electric appears to be due to a loss of gross revenue. If you will recall, we had a very mild winter. Water had a 3.8% decrease in expenses, due to efficiencies in the system. As HCS (Highland Communication Services) comes online, the depreciation of the system will begin. This year there was only a partial depreciation.

The final tab is the statistical section, which provides a history over the past ten years. General property tax increased by over \$242,000. Table 2 demonstrates sales tax, motor fuel tax, Illinois income tax, and simplified municipal telecommunication tax over the past few years. Table 3 provides an overview of funds governmental funds. The decrease in Highway and Streets shows the completion of several roadway improvement projects in the year. Table 4 shows the slight (1.2%) decrease in property tax assessment over the past year. A lot of communities would be happy with that small of a decrease. While the assessed valuation rate was increased to 1.8553, it is still lower than it was ten years ago (at 1.9122). The city realized \$3.3 million in tax revenue, even with a decrease in property tax evaluations. Mr. Korte pointed out there is a legal debt limit that the city could take on, based upon city's \$183,133,732 assessed valuation for 2011, is \$15,795,284. Currently, the city has zero general obligation debt.

Councilman Schwarz noted there are some disclaimers in the opening letter that you provided. I assume that is because you are giving an unqualified opinion. Mr. Korte explained an unqualified opinion is the highest opinion that we can give. We had no disagreement with staff, the records or other findings when preparing the financial statements in accordance with GASBY 34 standards. If we felt there was something missing, then we would provide a qualified opinion. Councilman Schwarz asked why the loss in electric. I understand a milder winter means less usage; however, how are we going to correct that. City Manager Latham stated we try to budget conservatively; we did miss the mark on that. Water and sewer has been down for three years, and will be reflective of one another. Mark Korte pointed out the operating revenues for the prior year (April 30, 2011), which is shown in Exhibit 8 (Page 26) was \$12,863,503 for electric. Compare that to this year, \$12,625,213 (Page 15). Expenses were less also, but not as much as revenue. City Manager Latham pointed out we have some fixed costs. There is also loss of industry and vacant homes in the past few years that impact those entities. Councilman Schwarz asked what we are going to do to change the loss. Is there going to rate increases? City Manager Latham responded we are going to have to do a better job at anticipating and

planning ahead. We have been faced with higher fuel, material, and insurance costs. Mr. Korte acknowledged there are some variables that are hard to account for.

NEW BUSINESS

Approve Combined Annual Financial Report – Councilman Bardill made a motion to approve the Combined Annual Financial Report for Fiscal Year Ending April 30, 2012 as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Approve 2012 Treasurer’s Report – Councilwoman Bellm made a motion to approve the 2012 Treasurer’s Report as attached; seconded by Councilman Bardill. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #12-117/ORDINANCE Abating Taxes Levied for 2006 Electric Bonds – Councilman Bardill made a motion to approve Bill #12-117/Ordinance #2553 abating taxes levied for 2006 Electric Alternate Revenue Bonds and Interest for 2012 taxes payable in 2013 as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #12-118/ORDINANCE Abating Taxes Levied for 2003 Korte Recreation Center Bonds – Councilwoman Bellm made a motion to approve Bill #12-118/Ordinance #2554 abating taxes levied for 2003 Korte Recreation Center Alternate Revenue Bonds and Interest for 2012 taxes payable in 2013 as attached; seconded by Councilman Bardill. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #12-119/ORDINANCE Abating Taxes Levied for 2007 Series Street Bonds – Councilman Bardill made a motion to approve Bill #12-119/Ordinance #2555 abating taxes levied for 2007 Series Street Alternate Revenue Bonds and Interest for 2012 taxes payable in 2013 as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #12-120/RESOLUTION Approving a Memorandum of Understanding Between St. Joseph’s Hospital and the City of Highland d/b/a Highland Emergency Medical Service – Councilwoman Bellm made a motion to approve Bill #12-120/Resolution #12-10-2086 approving a Memorandum of Understanding between St. Joseph’s Hospital and the City of Highland d/b/a Highland Emergency Medical Service as attached; seconded by Councilman Bardill. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #12-121/RESOLUTION Approving Ambulance Services Contract – St Rose SSA #5 - Councilman Bardill made a motion to approve Bill #12-121/Resolution #12-10-2087 approving ambulance services contract with St. Rose Township Special Service Area #5 and authorizing the city manager to execute the contract on behalf of the City of Highland as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #12-122/RESOLUTION Requesting Road Closure for Annual Chamber of Commerce Lighted Christmas Parade – Councilwoman Bellm made a motion to approve Bill #12-122/Resolution #12-10-2088 requesting road closure for annual Chamber of Commerce Lighted Christmas Parade on Friday, November 23, 2012 as attached; seconded by Councilman Bardill. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Award Bid #PW-14-12 for the Troxler Avenue Restoration Project – Phase II – Councilman Bardill made a motion to award Bid #PW-14-12 for the Troxler Avenue Restoration Project – Phase II to

Interstate Improvement, Inc. of Faribault, MN, in the amount of \$389,834.46 as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Approve Notice of Municipal Letting for Bid #E-15-12 for the RICE NESHAP (Reciprocating Internal Combustion Engine National Emission Standards for Hazardous Air Pollutants) Upgrade Installation for Two Nordberg Generators – Councilwoman Bellm made a motion to approve Notice of Municipal Letting for Bid #E-15-12 for the RICE NESHAP (Reciprocating Internal Combustion Engine National Emission Standards for Hazardous Air Pollutants) Upgrade Installation for two Nordberg generators as attached; seconded by Councilman Bardill. All council members voted aye, none nay. Motion carried.

REPORTS

Approve Warrants #892 & #893 – Councilman Bardill made a motion to approve Warrants #892 and #893 as attached; seconded by Councilman Schwarz. Roll Call Vote: Schwarz and Bardill voted aye, none nay. Bellm and Nicolaides abstained. Mayor Michaelis voted aye. Motion carried.

Councilwoman Bellm made a motion to temporarily adjourn, to conduct an Executive Session pursuant to the Illinois Open Meetings Act under Section 2(c)(21) discussion of executive session minutes, Section 2(c)(2) to discuss collective negotiating matters, and Section 2(c)(11) for discussion of probable litigation; seconded by Councilman Bardill. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried. Meeting adjourned at 7:42pm.

Mayor Michaelis reconvened the Regular Session at 8:12pm. Council members Nicolaides, Bellm, Bardill and Schwarz were present. Also present were City Attorney Terry Bruckert, Manager Latham, Director Schoeck, Chief Bell, Library Director Angela Kim, Deputy City Clerk Hediger, and City Clerk Bellm.

Bill #12-123/RESOLUTION Approving Collective Bargaining Agreement with the Fraternal Order of Police Labor Council – Telecommunicators – Councilman Bardill made a motion to approve Bill #12-123/Resolution #12-10-2089 approving collective bargaining agreement with the Fraternal Order of Police Labor Council – Telecommunicators as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaides voted aye, none nay. Motion carried.

Councilwoman Bellm made a motion to adjourn; seconded by Councilman Bardill. All council members voted aye, none nay. Motion carried and meeting adjourned at 8:14pm.

Joseph Michaelis, Mayor

Barbara Bellm, City Clerk