

State of the City Address

By Acting Mayor Don Monty

December 16, 2014

First, I want to thank you all for being here today to consider the state of our City. This is my first and last opportunity to give such an address. I will give an overview of where I see we are and where we could be headed. Then I will turn to podium over to the City Manager and his staff for some more specifics.



The current state of the City is good. If you look over the past year, you can see that the normal rhythms of the community continue. We had an excellent Memorial Day service, including a John A. Logan re-enactor and some of General Logan's descendants.



We had good news when fall enrollment was up at SIU Carbondale. Just recently we had another of our wonderful Lights Fantastic parades.



This was a year of economic growth in the community. I cannot remember a recent time when we had more ribbon cuttings for new or expanded businesses. They ranged from professional offices to retail, restaurants, an event center, and various service providers.

One particular area of growth in our community has been in the realm of communications. Recently there was an announcement that Carbondale is a “Gigabit Community.” Frontier Communications partnered with the City, SIUC and others to bring astoundingly fast internet speed to residents and businesses along the Route 13 corridor in Carbondale. This joins with the same tremendous speed that Clearwave has available, primarily to institutional and business users. Just a week ago, AT&T completed the transition of Alltel wireless customers into the AT&T network which has been upgraded to even faster speeds. What all this means is that Carbondale is among the foremost communities in the nation with the highest speeds of internet capability. This should be an important tool available to spur more economic development in our community.

The City continued to make physical improvements. Perhaps the most highly visible was the new Fire Station 2 on the west side of the City.





Another long awaited project was the reconstruction of two blocks of West Schwartz Street just west of Oakland Avenue.



Of particular importance to students was the construction or reconstruction of several blocks of sidewalks in the northeast and southeast areas of the City as a result of a Safe Routes to School grant

But there are many capital improvements critical to maintaining the City's infrastructure that most people do not see. For example the new above-ground water storage tank was completed on Park Street to assure reliable water service.



Improvements are underway to both the Northwest and Southeast wastewater treatment plants. The pumps at Cedar Lake that feed water to the City have been replaced. These are only a few of many projects needed to maintain the water and sewer system for the City. Beginning this coming Spring, the City will construct a public parking lot along the west side of the railroad tracks between Mill Street and Sidetracks.



The City is not the only public body making improvements to the community. The Carbondale Park District's Splash Park is becoming a reality and will open in May 2015. SIU opened its new Student Services Building. Many improvements

have occurred at the Southern Illinois Airport and others will begin in 2015.

Several private development projects have been completed or are underway. The Evolve project on South Illinois Avenue is dramatically changing the appearance of that area.



Another soon to start project on South Illinois Avenue at the site of the former American Tap building will bring new retail space on the ground floor with residences above.

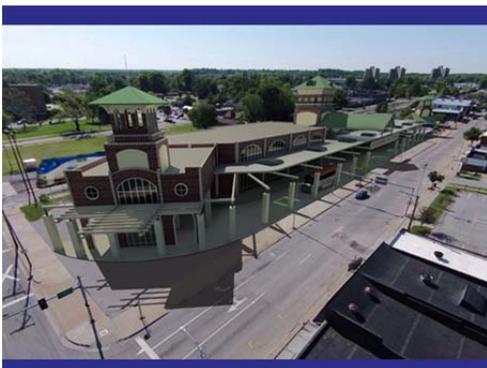


On East Walnut Street three old apartment buildings have been removed and will be replaced with retail space and medical offices.



Other medical offices were built this year and Carbondale Memorial Hospital is undergoing another expansion. Work is going on behind the scenes on some other significant private developments that should move forward in the coming year.

For many years there has been talk about “doing something about downtown.” I mentioned above some concrete actions that are underway. But critical to the future of Downtown is the development of a new Downtown Master Plan. The Downtown Master Plan Advisory Committee used the entire Fall to gather public input on what the public would like to see for the future of downtown. Their efforts resulted in an Interim Report to the citizens and City Council. Tonight the City Manager will receive guidance from the City Council on how to move forward with the next phase of the Downtown planning effort.

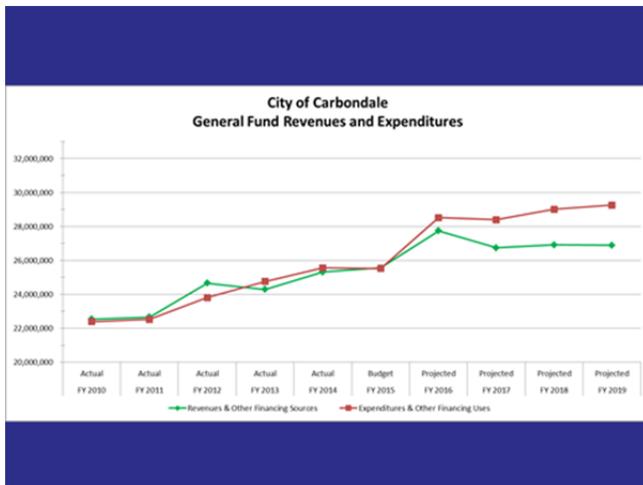


The Downtown Advisory Committee has recommended that we hire professional consultants with expertise in specific disciplines. Key components of the DAC’s recommendations include reconverting Illinois Avenue and University Avenue to

two-way traffic streets, the construction of a multi-modal transportation center to integrate our passenger rail and other transportation providers under one roof, increasing public parking by use of a parking garage, developing a hotel and more upscale housing, improving streetscapes (including burying overhead wires), expanding arts and entertainment downtown, renovating store fronts, providing recreation and open spaces, and reviewing City Codes to further facilitate development.

All of the above sounds very promising, but I must temper this with economic reality. Redeveloping Downtown, continuing to maintain the City's operations at current levels of service, and continuing to make capital improvements to the City's infrastructure all takes money. This is an area which few people want to contemplate, but it is essential for the community's progress. In recent years, the City's major sources of revenues have been relatively flat. Part of this is due to the national economy. Some is due to the decline in University enrollment over several years. And some is due to the increase in internet retail sales for which no local sales tax is collected. At the same time, the City faces increased operating costs. I don't want to go into lots of detail and put everyone to sleep after an excellent lunch, but there are a few facts to contemplate.

The City's basic operations (police, fire, finance, planning, code enforcement, legal, city clerk, etc.) come from the General Fund. The General Fund is also the source of funding for capital improvements that are not funded in special funds like the Motor Fuel Tax Fund, Waterworks and Sewerage Fund, Parking Fund and Solid Waste

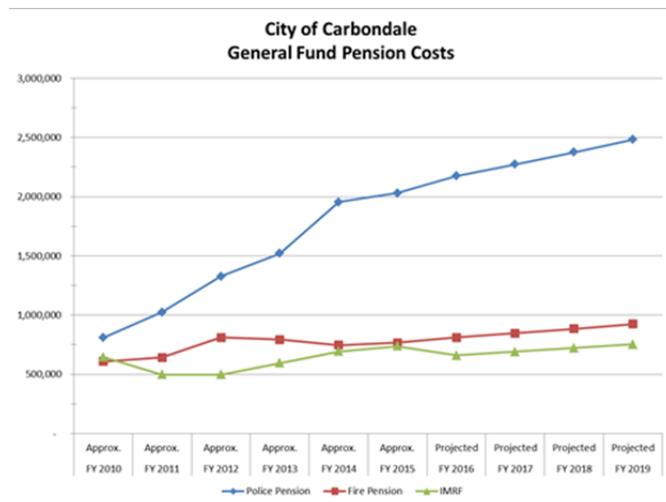


Management Fund. From Fiscal Year 2010 until Fiscal Year 2014, General Fund revenues and other financing sources increased from \$22,537,383 to \$25,309,712. In the same time frame, General Fund expenses went from \$22,383,530 to \$25,553,398. At the back of the

City's annual budget book, there is a series of tables which project revenues and expenditures for the current fiscal year (Fiscal Year 2015) and for the next four fiscal years. I don't think anyone's crystal ball is completely accurate over that time frame, but I think it is critical to look at what may be facing us in the future. The General Fund shows revenues and other funding sources going from \$25,550,681 in FY 2015 to \$26,888,096 in FY 2019. That is an increase of 5%, or just about 1.25% per year. But on the expenditure side, if current trends continue, expenditures and other financing uses in the General Fund will go from \$25,522,584 in FY 2015 to \$29,250,297 in FY 2019. This is an increase of almost 13% or an average of just over 3% per year. Obviously, expenses cannot be allowed to increase faster than revenues. In fact, it is projected that the fund balance in the General Fund will drop from \$7,728,796 at the beginning of FY 2015 to a projected \$377,636 by the end of FY 2019. That is not acceptable.

Steps are going to have to be taken to bring expenses and revenues closer together. There are three ways to do this. One is to increase revenues. The second is to decrease expenditures, and the third is a

combination of both. Revenues can be raised three ways. The first is to increase the rates for taxes and fees. Second is to grow the economy which will increase revenues. Third is to borrow money for operating expenses. The third choice is really not a choice. It just puts off the time of reckoning and results in interest costs that have to be paid in the future. Expenditures can always be cut, but the dilemma is how to do it without reducing the level of services provided to the community. City staff is always looking for efficiencies. Efforts have been made to cut utility costs by energy conservation measures and seeking lower priced energy. Some equipment purchases can be deferred. The reality is that the vast majority of the City's operating expenses are in personnel costs. In recent years, there have been reductions in City employees in order to live within available revenues. But some personnel costs seem to be beyond the City's control. Items like health insurance and worker's compensation insurance keep going up. Pension costs are causing great problems. In FY 2010, pension costs for the Police Pension Fund were \$808,304. By the current FY 2015 they are up to \$2,030,641,



and by FY 2019 they are estimated to be \$2,483,112. For the Fire Pension Fund the increases go from \$608,146 in FY 2010, to \$738,370 in FY 2015, and to an estimated \$924,384 in FY 2019. For the Illinois Municipal Retirement Fund (for General Fund employees not in the police or

fire pension funds) the increases go from \$645,237 in FY 2010, to

\$738,370 in FY 2015, to an estimated \$753,616 in FY 2019. Overall, the General Fund's pension costs are expected to increase 14% from FY 2016 to FY 2019, or about 4.5% per year. The City has very little control over these pension contributions since the State Legislature establishes the benefit levels and leaves it up to the municipalities to raise the revenue to pay the benefits.

I don't want to appear to be the messenger of doom and gloom. I am just trying to make sure everyone understands the City's financial situation. For the next several years, the City will have to make some very difficult decisions if we are to live within our means. It would be very irresponsible for me or any other City leader to announce grand new programs or projects unless sources can be identified to fund them. As it is, there are already many millions of dollars of Capital Improvements Projects that are shown on the City's "unfunded" list because there simply is no source of funds to finance them in the next five years or the foreseeable future. In the case of Downtown, the City may be able to fund some improvements with proceeds from the Tax Increment Finance Districts. Other projects, such as the multi-modal transportation center may be able to get State or Federal grant funding.

These budgetary challenges are not unique to Carbondale. Most cities in Illinois are wrestling with similar situations. If one pays careful attention to notices and articles in The Southern Illinoisan, it is clear that many local governments (cities, counties, school districts, etc.) are struggling to make ends meet. All of them are waiting to see what will happen as a result of the temporary state income tax rate declining beginning January 1, 2015. Does that mean that the State is going to

reduce the amount of funding it passes on to local governments? I see that school districts are all raising their property taxes. Even our friends in Marion's city government raised their property tax by 4% for the coming year.

The critical task facing every local governing board is how to balance the desires of the public for more or continued services and new projects versus the willingness of the public to pay for those services and projects. All too often the attitude is one of "give me the services I want, and let someone else pay for them." That will not work. It is incumbent on each one of us as citizens to realize that we have a responsibility to balance what we want with our willingness to pay for it.

Now I would like to turn the podium over to City Manager Kevin Baity.

Thank you Mayor Monty. Good Afternoon and Welcome.

To expand on some of the ideas Mayor Monty brought up, I first want to discuss sales tax revenue. For the first seven months of FY2015, tax revenues are about level. Home rule sales tax, is less than 1% below budget and 3% higher than last year. This is partially due to the ¼% increase approved by the City Council in March and effective July 1, 2014. The regular sales tax is 1.6% higher than last year. Over 59% of the City's annual general fund revenues come from sales taxes. Based on data prepared by the International Council of Shopping Centers, for

which the City is a member, the amount of annual revenue the City failed to receive due to internet sales is approximately \$1.5M. The Federal Marketplace Fairness Act, passed by the US Senate but sidelined in the US House would create a flat tax on all internet sales. The revenues generated would be passed along to cities and counties on a per capita (per person) basis. Based on the population of Carbondale, this equates to approximately \$1.5M of additional revenue the City could be receiving. If the internet tax were approved, it could possibly allow for the elimination one of the ¼% local tax increases which was implemented over the last 2 ½ years. This is an important piece of legislation that needs quick attention before the House adjourns later this month. Failure of the House to pass the legislation means the process will have to begin from square one in 2015 and pass both houses.

Over the last few years, the City has been purchasing its' electric and natural gas through a marketing broker. By locking in longer term, lower cost rates, the City has reduced its exposure to market and demand volatility. This action has reduced the overall costs for utilities by the City.

Another area where savings has occurred is in the City's casualty and workers compensation insurance. From 2013 through the end of

FY2015, the expected savings for the City is \$1.4M or 28% per year average. This is an area where substantial increases had been occurring before the change in carriers in 2013.

Shifting now to infrastructure projects, the City continue to invest in Capital Improvement Projects. Since the last State of the City, the City has installed over ½ mile of new sidewalks with a Safe Routes to School Grant. We have installed approximately 1.2 miles of new water main, rebuilt a segment of Schwartz Street

between Oakland Avenue, installed new pedestrian footbridge connecting Brook Lane to Eason Drive, completed an interior and exterior renovation to the Helen



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Street Water Tower and completed significant improvement projects at the water treatment and sewer treatment plants. These improvements exceed \$2.5M.

Projects that we are currently working on and will begin construction in during 2015 include: New parking lot in the 600-700 block of Southern Illinois Avenue, waterline replacement in Mill Street from Oakland Avenue to University Avenue, waterline replacement in Forest Street from Mill Street to Walnut Street, a new sanitary sewer main in Oak



Street from Poplar Street to Wall Street.

The sanitary sewer project is necessary to allow for the continued growth of

Memorial Hospital who is undertaking a \$54 million renovation and expansion of

their surgery center.

In keeping with the theme of infrastructure improvements, last year we announced the City had received a total of \$336,000 in grant funds to build a bike/pedestrian path from SIU to Main Street; this project is still moving along and we should see construction in the summer of 2015.

The two bike/pedestrian walkways on Main Street that were announced last year will see construction beginning in the summer of 2015. The two projects are funded by Safety Grants through the Illinois Department of Transportation. The first walkway will run along the south side of East Main Street from Lewis Lane to Giant City Road. Originally, this project included a mid-block crossing in front of the Post Office, however that has been eliminated and pedestrian signals will be added at the intersection of McKinney Drive and Main Street, allowing for a pedestrian crossing there. The second path that will run along the south side of West Main Street from Emerald Lane to Old Hwy 13 and include a signalized pedestrian crossing north onto New Era Road. This

project will allow the residents of the Southern Illinois Center for Independent Living to travel safely to the Murdale Shopping Center and West Park Plaza areas.

Although we do not have a big retail announcement for you today, one might say the big news is that the City recently signed the documents to complete the acquisition of the former Horizon Inn



property on East Main Street. This site is approximately 12 acres in size and has been a major contributor of blight on the East Main Street commercial area for a number of years. The City will evaluate the feasibility of removing the buildings or offering the property as is to potential developers. A property of this size could be used for multiple smaller retail stores or business offices or one larger retail store.

What I hope you take away from today's State of the City address is that we are taking the necessary steps in increasing our financial efficiencies and in reinvesting in our infrastructure. This is being done to better position the City for a major future turnaround in the economy. To close out my portion of the State of the City Address, I would like to remind you, the citizens that we are here to serve you. Every day, your City employees work hard to provide you with a safe

and healthy living environment while continuously looking at ways to reduce costs and increase efficiencies. I am continually amazed at the ideas and suggestions our staff develops in an effort to do more with less.

I want to welcome back to the podium, Mayor Don Monty.