

Mayor Charles L. "Skip" Lee called a meeting of the Sterling City Council to order at 6:30 pm on Monday, December 17, 2018. Roll call. Present: Aldermen Retha Elston, Mackenzie Hopping, Joe Martin, John Stauter, Christine Wilen, and Jim Wise. Absent: None.

Also present were City Attorney Tom Sanders, City Manager Scott Shumard, Financial Director Cindy Von Holten, Superintendent of Building and Zoning Amanda Schmidt, Superintendent of Public Works Brad Schrader, Fire Chief Gary Cook, Police Chief Tim Morgan, and City Clerk Marie Rombouts.

The Pledge of Allegiance was recited.

There were no communications from Visitors.

Alderman Elston made a motion to approve the following items on the Consent Agenda:

- A) Minutes of December 3, 2018
- B) Bills and Payroll totaling \$1,084,095.58
- C) Final Pay Request to O'Brien Civil Works in the amount of \$10,585.45 for the Avenue D Sanitary Sewer
- D) Partial Pay Request #3 for Twin City Construction in the amount of \$37,507.35 for the Dillon Avenue Project
- E) **Resolution #R2018-12-27 MFT Supplemental Resolution in the amount of \$666.36**

The motion was seconded by Alderman Hopping. Voting: Ayes – Aldermen Elston, Hopping, Martin, Stauter, Wilen, and Wise. Nays – None. Motion carried.

Alderman Martin made a motion to pass **Tax Levy Ordinance #2018-12-39 in the amount of \$4,908,575, a 3.91% increase**; seconded by Alderman Stauter. Manager Shumard explained the Equalized Assessed Value (EAV) is expected to increase by 4%, finally exceeding values before the recession of 2007-08. Shumard reviewed the pension situations which comprise over 50% of the tax levy. The state uses the Projected Unit Credit (PUC) funding ratio and our actuary uses Entry Age Normal (EAN) funding ratio. PUC costs less now and increases more at the end. EAN is a level percentage of payroll. Proposed increase is to cover the gap between current funding and past expenses. Shumard emphasized how important it is to cover these expenses and not pass them onto future generations.

Alderman Elston asked about the years when we did not totally fund the pensions. Shumard explained that in 2008, 2009, and 2010, we stepped back a bit with funding and met the state requirements versus the actuary's recommendation. Shumard stated the main reasons for the undesirable funding level are the recession causing a drop in the EAV, age expectancies have lengthened, and the 6.5% expected return on investments.

Mayor Lee commended Alderman Wise for his suggestion last year to consistently fund the pensions. This year we are able to add more without raising the taxes.

Alderman Wise understands the reasoning of the extra funding and accepts that the system for pensions is meant to fail. Wise does not like overtaxing the citizens. Manager Shumard stated that we have been under-taxing for our pension funds would be in better shape.

Voting on **Tax Levy Ordinance #2018-12-39**: Ayes – Aldermen Elston, Hopping, Martin, Stauter, and Wilen. Nays – Alderman Wise. Motion carried.

Chief Morgan thanked the Mayor and public for supporting Brinkley in the Pizza Ranch fundraiser. Morgan presented a check in the amount of \$1000 to Aldermen Stauter and Wilen from the Cops for Coats TO Sterling Kiwanis for the Coats for Kids program.

Superintendent Schmidt announced that two applications have been submitted for tree removal. Christmas tree pick-up will be from December 31 to January 11. Mayor Lee asked how the garbage company is handling the free bulk waste item. Schmidt stated that it is sporadic. Alderman Wise asked if the extra bulk waste item is seasonal. Schmidt stated that it is year-round.

Superintendent Schrader announced there may be some changes to the electronic recycling program. The City will need to partner with Whiteside County.

Manager Shumard announced City offices will be closed on December 24 and 25, as well as January 1 for Christmas and New Year's Day. Shumard encouraged everyone to attend the Business After Hours being held at the Mercantile Building; it will be a great opportunity to see the progress on the building. Shumard stated there will be an informational meeting for the public prior to the next Council meeting on January 7, 2019, from 4:30 to 6:30 pm regarding the round-about at Lynn and LeFevre.

Alderman Martin attended the fundraiser at Pizza Ranch and was impressed with Brinkley's manners and how she poses for the camera.

Alderman Hopping was impressed with the cleanup of the fuel spill on East Lincolnway. Hopping noted the intersection of Second Avenue and Miller Road has been paved and is open.

Alderman Elston thanked City staff for all their support throughout the year.

Alderman Stauter thanked everyone for the great Christmas Walk.

Mayor Lee thanked the high school students for attending and encouraged them to step forward and serve when the opportunity arrives. On behalf of the Council, Mayor Lee wished everyone a Happy Holiday season.

With no further business, the meeting adjourned to a study session at 7:21 pm.

Manager Shumard distributed a contract for sewer service agreement and a proposed ordinance change to address the sewer connection for Wahl Clipper. Attorney Sanders recommended the user agreement be used for all entities to prevent any discrimination.

Alderman Wise was encouraged with these documents and wants to proceed. He recommends designating fees to the pension funds. Questions followed regarding infrastructure maintenance costs, perception of the City being unfriendly to business, industrial versus residential, grandfather previous agreements, if Sterling is behind on the time of collecting in-lieu-of-tax fees, fees collected from all properties outside the City or just contiguous properties, and amount of funds that could be recuperated.

Superintendent Schmidt is concerned if properties are given an option to not annex, it will stall further development beyond that property. Attorney Sanders stated that annexation can be forced because sewer service does not need to continue.

Manager Shumard stated that Sterling is considered business unfriendly when a developer does not want to follow codes that are in place to protect the citizens' interests. The sign code is the most contentious.

It was noted that previous administrations had bypassed annexations for different reasons, such as offending a prominent citizen or outweighing benefits of annexation versus costs for providing services.

Mayor Lee outlined the three items to be considered.

1) Shall it be all encompassing for industrial and residential?

- 2) Shall it be retroactive?
- 3) Shall it be the full property tax equivalent if not annexed?

Manager Shumard suggested to apply only to contiguous properties. Alderman Elston suggested a grace period. Chief Morgan suggested the tax equivalent be phased in over a five year period. A phase in of fees would give them the opportunity to adjust and have the option to annex and receive all City services.

Mayor Lee suggested that Council contemplate these suggestions.

With no further business to discuss, the meeting adjourned at 9:02 pm.

Marie Rombouts
City Clerk