

**AGENDA
CITY OF SALEM
SPECIAL CITY COUNCIL MEETING
September 14, 2017
6:00 pm**

- I. Call to Order**
 - II. City Council Action**
 - a) Approval of Plan to Close Out Revolving Loan Fund**
 - III. Adjournment**
- Bill Gruen
City Manager
-

**MINUTES
SPECIAL CITY COUNCIL MEETING
SEPTEMBER 14, 2017
6:00 PM**

- I. Call to Order**

A Special Meeting of the Salem City Council was held in the Council Chambers of Salem City Hall on Thursday, September 14, 2017. The meeting was called to order by Mayor Barbee at 6:00 pm.

Council members present:
Councilman Tim Hudspeth
Councilman Nic Farley
Councilman Craig Morton
Councilwoman Sue Morgan
Mayor Barbee

Council members absent: None.

Others present:
City Manager Bill Gruen
City Clerk Bev Quinn
Economic Development Director Jeanne Gustafson
Finance Director Keli Barrow
Planning Commission Chairman Rick McCullum
Members of the Media
- II. City Council Action**
 - a) Approval of Plan to Close Out Revolving Loan Fund**

City Manager Gruen indicated Economic Development Director Jeanne Gustafson attended a mandatory meeting of all revolving loan administrators in Springfield on September 7th. Effective immediately, there can be no more RLF loans made. For now, communities will continue to collect payments. In January, the RLF balances must be returned to the State of Illinois, after which time the City will have the opportunity to apply for the funds as non-competitive grants.

Mr. Gruen indicated Council has approved the use of RLF funds to assist WKS/Denny's Restaurant with street construction. Mr. Gruen indicated he has spoken with Brent Taylor of Rhutasel and Associates, and Mr. Taylor does not feel it likely that the road can be completed before the funds must be returned to the State. Mr. Gruen added that if we let this project lapse, it is possible it could still be done, but the City would need to find a way to finance these projects.

City Manager Gruen suggested making a grant of \$140,000 to WKS towards the purchase of the land, in lieu of spending \$140,000 for the construction of the roadway, and an additional \$30,000 towards construction of the fence.

The second project Mr. Gruen wanted to talk about was the housing rehab grant that Council previously approved applying for, with assistance from SCIRPDC. Mr. Gruen indicated that the State will not look favorably on a grant application for housing rehab when they believe we have the RLF funds available.

Once the RLF fund balance is returned to the State of Illinois, the City will have the opportunity to apply for the funds to be used on two projects between now and 2020. Mr. Gruen added that the

City will have greater flexibility with spending using the State funds than it will have using Fund 18.

Discussion ensued regarding whether or not the City will actually receive these funds back, once they are returned to the State. Economic Development Director Gustafson indicated that Wendy Bell did most of the presentation, and she assured those present that they **will** receive the funds back.

Councilwoman Morgan commented that she does not want to wait on using these funds for projects, and the longer the City puts it off, the less likely it is that we will receive the money back. Dir. Gustafson indicated she feels the City can have the WKS project spent down prior to returning the funds. Councilman Farley indicated he has very little faith in the State returning the money, and he would also like to see the RLF funds used for a possible project at the former Selmaville North school building. Councilman Hudspeth asked if Wendy stood in front of a packed room, and assured those present that they would get their funds back. Dir. Gustafson responded that she did, and she believes her.

Discussion ensued regarding the sanitary sewer replacement project approved earlier this year, the street overlay project approved and the Salem Theatre building.

Councilman Farley indicated the Salem Theatre project would be \$35,000 plus \$35,000, and asked about the employment requirements. Dir. Gustafson indicated although there may not be many immediate hires, the theatre will have two years to have the hires in place. Additionally, we may be able to claim retention for some of the neighboring businesses, such as M & M Courtyard Café and Coffee House and the ABC. Gustafson added that we will be required to do surveys showing the full-time positions meet the low-to-moderate income requirements. Councilman Hudspeth asked if the City will have to go through the same hoops after the money is returned to the State that it has to go through currently. Dir. Gustafson replied, “yes”.

Mayor Barbee asked how many small projects the City could get in before the end of the year, and *then* apply for the two larger projects after the beginning of next year and before 2020. City Manager Gruen responded that there will be more ways that the money can be spent if we wait. Councilman Farley indicated the Theatre Board estimates that the expansion will cost approximately \$55,000, however, they are having problems with their architect. If they could get a new architect on board, they could break ground in October. There was discussion about using Round Table Design, or simply hiring a contractor and getting the work done.

Planning Commission Chairman Rick McCullum indicated he has held many positions in local government and economic development, and he put together the RLF program for the City of Olney. McCullum indicated that he started in Olney 35 years ago and left 26 years ago. The RLF program was monitored by DCCA and HUD, and his program received 17 accommodations. Now the State is trying to say it was done all wrong. Mr. McCullum indicated he was trained by Roger Kinney, and nothing that is being presented as having been done incorrectly in the past was done incorrectly. Mayor Barbee added that Council does not feel the fund was mishandled by the past administration. Mr. McCullum added that once the money was used two or three times, it was considered “washed”, and could be used for other projects. Mayor Barbee reiterated that no one on Council thinks the money was mishandled. Councilwoman Morgan added that the State just wants the money. Mr. McCullum indicated this is happening statewide. Economic Development Director Gustafson stated that she has known David Wortman, who is handling the RLF recapture, for years, and she trusts him and that she feels confident the City will be able to use the money after it is returned to the State.

Councilwoman Morgan indicated she would like to see the Theatre completed now, rather than as one of the City’s two projects after January. Mr. Gruen responded that the faster we try to push projects through, the more likely we are to make mistakes. Councilwoman Morgan added that the theatre is vital – it brings in people who eat, stay and enjoy our community, then they come back again. Councilwoman Morgan added that the Theatre is a great project to spend money on and she would like to see it done before the end of the year.

Mayor Barbee asked if helping the Theatre Board (*Cultural Center*) will hurt our chances in getting a movie theatre. Dir. Gustafson responded that it will not.

Mayor Barbee suggested spending \$300,000 on the WKS project, Theatre building and SCAC project, then returning \$700,000 to the State. Councilman Farley suggested doing the WKS project for the sale of property and the Theatre project. Director Gustafson indicated Cory Jobe loves the Theatre, and he can provide some powerful support. Mayor Barbee added that he feels

there are a number of projects that could be done fairly quickly, and he feels like it may be “use it or lose it”. Mr. Gruen responded that he is not worried about losing the money. Mayor Barbee added that since the City will be limited to two projects after January, he would like to do a few projects *before* January, then the City will still have the ability to do two projects after January.

City Manager Gruen summarized what Council has indicated they would like to see done as:

- 1) Grant WKS \$140,000 for the purchase of land, in place of building the road estimated to cost \$140,000; and
- 2) Work on the Theatre project before the end of the year or work on the Selmaville North prospect.

City Manager Gruen added that he does not want to “purchase” the four existing loans the City has. Gruen wants to send them all back to the State, although purchasing the loans might have insured that the City received more money back from the State. The four active loans are: “The Cottages”, “Hair Business”, “Reaching for the Stars” and “The American Legion”.

II. Adjournment

Motion was made by Councilwoman Farley and seconded by Councilman Hudspeth to adjourn the meeting at 6:48 pm.

Bev Quinn, CMC
City Clerk

Minutes Approved:

(Attachment: Handout provided by Economic Development Director Jeanne Gustafson)

Special City Council Session September 14, 2017 City of Salem Revolving Loan

- DCEO calls mandatory meeting of all revolving loan administrators in Springfield September 7, 2017
- Background: State of Illinois administers a revolving Loan Fund program that was started in the 1980's which was capitalized through HUD's CDBG Block grants. Loans were provided for local business for economic development but paid back to the local governments to start a revolving loan fund. 170 local funds were established.
- HUD 2013 Monitors: and state fails to demonstrate eligible uses – not documented properly and not actively disbursed.
- HUD hires TDA Consulting (Randall Mullen) to provide technical assistance to resolve this
- Not just Illinois issues: Kansas closed the program and took the money back at the state, Michigan regionalizes as examples
- Per CPD Notice 04-11, funds that were capitalized prior to October 1, 1992 lost their federal identity and those communities had their funds released to utilize in any fashion they desired (around 70 communities). Sixty-six communities (including Salem) remained with federal identity. HUD declares accounts “inactive if they have not issues a loan in the last year.. Fifty-six of the 66 communities were “inactive” with over \$23,267,000 in accounts. Only 20 percent of the active communities submitted environmental for their projects.
- Plan: 1) Effective immediately, no further RLF loans 2) for now communities will continue to receive payments from existing loans 3) Semi- annual report ending December 31, 2017 will be due January 31, 2018 and communities will remit their rlf bank balance with that report 4) DCEO will determine the amount of funds available to each community based on the report.
- RLF bank balance will be returned –plus current accounts receivable – less amount of losses post October 1, 1992 = “new grant amount”
- Plan for grant funds:
 - 1) Noncompetitive access to grants for up to two projects totaling the amount of their “new grant amount”
 - 2) Applications will be submitted to DCEO and must meet all CDBG requirements
 - 3) Cities must utilized these funds prior to applying for any other public grants (i.e. Housing Rehab)
 - 4) Must have the new two grant agreements under contract with DCEO by December 31, 2020 or balance returned to general pool
- Allowable activities:
 - 1) Public infrastructure projects in LMI areas without regard to threat to health and safety, including Design and Activity Delivery
 - 2) Housing Rehabilitation similar to regular annual program
 - 3) Economic Development Projects, no leverage required

- 4) Street improvements, including street and storm drains, curb and gutter work, installation of street lights or signs
 - 5) Sidewalks including improvements and installation of trash receptacles, trees, benches or lighting when part of a streetscape project
 - 6) Publicly or privately owned commercial/industrial improvements of a commercial building (include façade) or correction of code violations,
- Outstanding Accounts: Short term community continues to receive payments and payments are remitted quarterly to DCEO. Long term – businesses will remit to a loan servicer procured by DCEO through appropriate processes.

Salem Stats:

Revolving Loan Balance -July 27, 2017 \$ 1,072,017.71

Current RLF Loans: (3%)

The Hair Business
Reaching For the Stars
American Legion
Cottages of Salem, Inc.

Defaults/Bankruptcies: \$ 506,499.35

Utility Rate Requirements:

The rate must be greater than \$ 31.64 for 5000 gallons of water
Current rate: \$32.57

Amount of Grant Funds Available:

	<u>State Buys</u>	<u>City Buys Loans Back</u>
Balance in RLF as 8/31/2017:	\$ 1,075,760.76	\$ 1,075,760.76
A/R through 12/31/2017	\$ 6,595.12	\$ 273,700.82
Est. Balance in RLF as of 12/31/2017 (Sent back to State)	\$ 1,082,355.88	\$ 1,349,461.58
Plus: A/R for Life of Loan	\$ 339,040.27	\$ -
Minus: Bad Debts	\$ 506,790.35	\$ 506,790.35
Amount of Grant Funds Available	\$ 914,605.80	\$ 842,671.23

Probable Interest Earned Yearly if The City Purchases RLF Loans

Year	<u>Cottages</u>	<u>Hair Bus</u>	<u>Reaching</u>	<u>Legion</u>	<u>Total</u>
2018	\$ 4,467.86	\$ 544.54	\$ 1,493.38	\$ 1,276.17	\$ 7,781.95
2019	\$ 4,311.83	\$ 451.61	\$ 1,274.48	\$ 1,223.89	\$ 7,261.81
2020	\$ 4,139.34	\$ 355.85	\$ 1,048.91	\$ 1,170.03	\$ 6,714.13
2021	\$ 3,961.60	\$ 257.17	\$ 816.48	\$ 1,114.52	\$ 6,149.77
2022	\$ 3,778.46		\$ 576.99	\$ 1,057.33	\$ 5,412.78
2023	\$ 3,589.75		\$ 330.21	\$ 998.40	\$ 4,918.36
2024	\$ 3,395.30		\$ 8.25	\$ 937.68	\$ 4,341.23
2025	\$ 3,195.10			\$ 875.11	\$ 4,070.21
2026	\$ 2,988.94			\$ 810.63	\$ 3,799.57
2027	\$ 2,776.51			\$ 744.20	\$ 3,520.71
2028	\$ 2,557.62			\$ 675.74	\$ 3,233.36
2029	\$ 2,332.07			\$ 605.21	\$ 2,937.28
2030	\$ 2,099.66			\$ 532.52	\$ 2,632.18
2031	\$ 1,860.18			\$ 457.63	\$ 2,317.81
2032	\$ 1,613.42			\$ 380.46	\$ 1,993.88
2033	\$ 1,359.15			\$ 300.94	\$ 1,660.09
2034	\$ 1,097.15			\$ 219.00	\$ 1,316.15
2035	\$ 827.15			\$ 164.57	\$ 991.72
2036	\$ 549.00			\$ 47.57	\$ 596.57
2037	\$ 262.36				\$ 262.36
2038	\$ 22.65				\$ 22.65
Total	\$ 51,185.10	\$ 1,609.17	\$ 5,548.70	\$ 13,591.60	\$ 71,934.57

Interest Rates with Current CD's the City holds

<u>CD:</u>	<u>Value</u>	<u>Maturity Date</u>	<u>APY</u>	<u>Term</u>	<u>Average Yearly Interest</u>
10-1736-00	\$209,723.52	11/21/2019	1.92%	5 years	\$4,026.69
14-1736-00	\$11,265.59	3/28/2018	1.03%	2 years	\$116.04
16-1736-00	\$615,766.72	11/3/2017	1.05%	1 year	\$6,465.55
16-1736-03	\$490,832.24	7/17/2019	1.40%	2 years	\$6,871.65
17-1736-00	\$404,443.84	7/9/2018	1.21%	1 year	\$4,893.77
17-1736-00	\$410,180.59	7/17/2019	1.40%	2 years	\$5,742.53
17-1736-00	\$543,544.52	4/28/2019	1.46%	2 years	\$7,935.75
18-1736-00	\$548,483.08	4/20/2019	1.46%	2 years	\$8,007.85

Estimated Principle and Interest through 12/31/2017

<u>Loan</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
Cottages at Salem	\$ -	\$ 1,500.00	\$ 1,500.00
Hair Business	\$ 998.31	\$ 201.69	\$ 1,200.00
Reaching for the Stars	\$ 2,339.80	\$ 557.04	\$ 2,896.84
American Legion	\$ 561.54	\$ 436.74	\$ 998.28
Totals:	\$ 3,899.65	\$ 2,695.47	\$ 6,595.12

Estimated Principle and Interest for Life of the Loans

<u>Loan</u>	<u>Interest Rate</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
Cottages at Salem	3.00%	\$ 150,000.00	\$ 51,185.10	\$ 201,185.10
Hair Business	3.00%	\$ 19,544.27	\$ 1,609.17	\$ 21,153.44
Reaching for the Stars	3.00%	\$ 54,239.03	\$ 5,548.70	\$ 59,787.73
American Legion	3.00%	\$ 43,322.40	\$ 13,591.60	\$ 56,914.00
Total:		\$ 267,105.70	\$ 71,934.57	\$ 339,040.27

Total Bad Debt/ Bankruptcy Loss in RLF

<u>Business</u>	<u>Prin. Borrowed</u>	<u>Int. Owed</u>	<u>Prin. Recaptured</u>	<u>Int. Recaptured</u>	<u>Bad Debts</u>
Klassic Kreations	\$ 275,000.00	\$ 23,736.00	\$ 166.32	\$ 1,189.97	\$ 297,379.71
C&C Depot Inc	\$ 40,000.00	\$ 4,397.00	\$ 14,732.27	\$ 3,444.70	\$ 26,220.03
DJB Enterprises	\$ 85,000.00	\$ 7,045.00	\$ 50,158.28	\$ 8,287.45	\$ 33,599.27
Mensen's Amoco	\$ 100,000.00	\$ 10,174.51	\$ 211.56	\$ 1,648.94	\$ 108,314.01
Animal Hospital	\$ 100,000.00	\$ 11,175.00	\$ 85,357.82	\$ 8,760.31	\$ 17,056.87
Terrebonne Grill	\$ 33,571.97	\$ 2,063.00	\$ 11,414.51		\$ 24,220.46
Total:					\$ 506,790.35