

Emergency Meeting  
September 26, 2018

Present: Kurt Karlovich, Elizabeth Kremer, Richard Reichner, James Eister

Absent: Chris Reis

Guest: Joel Wiest, Terry Specht

Visitors: 6

An emergency meeting of city council was called to order by Mayor Kurt Karlovich. The meeting was turned over to City Treasurer Kevin Troup. Mr. Troup explained the debt incurred in 2018 that was brought into 2017 is the reason the city is short on cash at this time. Also, several police officers left the city's employ and were due paid time off which was not previously budgeted. \$106,342.61 was brought into 2018 from 2017. It does not show on the 2018 budget because that is what DCED recommended. Mr. Troup explained that because a line item is not spent, does not mean there is cash in the bank. He went through the 2018 budget and calculated line items that were 100% used and that amount is:

Dept. 1	\$205,592.19	81.12% of budget
Dept. 2	\$ 13,229.05	72.65% of budget
Dept. 3	\$ 16,043.89	72.57% of budget
Dept. 4	\$ 377.67	72.81% of budget
Dept. 5	\$ 12,466.75	79.86% of budget

General insurance was under-budgeted for 2018. Mr. Troup recommends putting insurance back in Dept. 2 as a total in the 2019 budget, not broken down by department. The total is \$247,709.55 that has been spent over budget. The city still has a payment of \$13,000 to the final police officer that left employment. That line item was budgeted at \$15,000 and right now stands at \$60,000.

This is why there is a need for an unfunded debt line of credit. Mr. Troup said no one at the table wants to do this but he feels it is necessary. Mayor Karlovich said he is new at city budgets and looking at the budget it shows \$1.3 million remaining of what was budgeted. He understands everything is one pot but if you subtract the \$247,709, was last year's budget not correct? Mr. Troup said the projected revenue remaining is \$479,000 to bring in and projected expenses of \$650,00 so expenses have to be watched to the end of the year and also the first 3 months of 2019. That leaves a shortfall of just under \$200,000. Councilman Eister said the departments are holding the line on expenses, with the exception of legal fees and pay-outs to police officers, which have been curtailed. He said in 2019 those costs will be gone.

With this unfunded debt line of credit, Mr. Troup said the city would not need to solicit for a tax anticipation loan (TAN) in 2019. Mayor Karlovich asked if this loan would work in the same way as the tax anticipation loan and Mr. Troup answered yes. Mayor Karlovich said the tax anticipation interest rates are much lower than the rate for the unfunded debt. Mr. Troup said Susquehanna Community Bank is lowest at 3.99%. Mayor Karlovich asked why we would take out a loan at that rate when the TAN is enough to cover the shortfall. Mr. Troup explained the TAN must be paid back in the year it is borrowed in and there may not be funding to pay it back. Councilman Eister said you pay nothing on the line of credit until the money is used.

Mr. Wiest summarized that between last year and this year, what had to be paid from 2017 in 2018 is approximately \$282,437. If you take away the shortfall projection of \$200,000, it means the city made up approximately \$82,437 during 2018. Councilman Eister said every department has been cutting expenses all year in 2018. He said it may be cost effective to go for a TAN in 2019 because of the lower interest rate and not touch this loan.

The line of credit is for 10 years with no penalty for early pay-back. Ms. No Ringer of Susquehanna Community Bank said the interest is paid on the portion of the loan used only. Mr. Troup said the payment would come from the debt tax. The city's debt is low at this time – a land loan and construction loan is the only outstanding debt at this time from the general fund for a total of about \$170,000.

Mr. Wiest explained the process for this loan – the intention to file a petition with the court must be published not less than 5 nor more than 20 days before filed, in the newspaper and the North'd County Legal Journal. After the 5<sup>th</sup> day, he can file a petition asking the court to give permission to the city to take out the line of credit. The court approves or disapproves and a hearing would be held with Mr. Troup telling the court what he just explained. It basically is a matter of getting through 2018 and the unusual expenses from 2018.

Mr. Troup said in the interim, the TAN note can be used again but must be paid in full by December 31<sup>st</sup>. All bills are current at this time.

Mr. Mark Walberg said if you have a line of credit and you don't need it, you don't pay. He said it sounds like by April of next year the line of credit could be paid off. He was pleased to hear the city's debt was so low and it should be commended. He said you should only use the line of credit if direly needed, such as for payroll. The following month the bill will come and it will just be interest on the amount borrowed. If there is a revenue source in the next month the amount borrowed and the interest could be paid off. The bad side, if revenue does not come in, you will pay the interest only but still have access to the line of credit.

Officer in Charge Brad Hare said the police union has done their part by settling some of the issues between the city and the union. They are worried about manpower. Councilman Eister commended Mr. Wiest for his help with the legal bills and help with settling issues with the police department.

Councilman Eister moved to allow Solicitor Wiest to proceed with borrowing a line of credit in the amount of \$500,000 for 10 years for unfunded debt. Second – Reichner. Unanimous vote. Susquehanna Community Bank is the low rate for the line of credit at 3.99%.

Terry Specht  
City Clerk