

**CITY OF OAKBROOK TERRACE  
BUDGET MEETING OF THE CITY COUNCIL MINUTES  
WEDNESDAY, MARCH 11, 2015**

**I. CALL TO ORDER**

The Mayor called the March 11, 2015, Budget Meeting of the City Council to order at 6:00P.M.

**II. ROLL CALL**

The following Aldermen were in attendance:

Present: Esposito, Przychodni, Swartz, Thomas, Vlach, and Mayor Ragucci

Absent: None

Also in attendance were City Clerk D. Greco, City Administrator A. Marrero, Building and Zoning Administrator M. Dragan, Public Services Director C. Ward, Assistant Finance Director D. Mark, and Finance Consultant Aileen Haslett.

**III. PROPOSED FY 2016 BUDGET DISCUSSIONS**

**General Fund Revenues**

Marrero estimated total General Fund revenues for FY 2016 will be \$7.2 million, reflecting an increase of 3% over the current fiscal year estimate and when compared to the FY 2014 actuals are up by \$441,001 or 6.5%. Marrero went on to discuss the City's key revenues. Marrero reported FY 2016 Sales taxes are estimated at \$1.75 million and are the City's number one (1) revenue source representing 24% of total revenues. Marrero indicated that with eight (8) months of data; Sales taxes are tracking at 3.4% higher than FY 2014 actuals.

Marrero said Hotel taxes in the amount of \$1.56 million are the City's second largest revenue source at 22%. Marrero added that with eight (8) months of data; Hotel taxes are tracking at 8% or \$87,609 higher than FY 2014 actuals. Marrero indicated the third largest revenue source is utility taxes, which represent 14% of total revenues. Marrero noted that for the past several years, the telecommunications tax has been the only "Utility Tax" revenue source in the General Fund. However, Marrero stated for FY 2016 a portion of the electrical utility tax will be allocated from the Water Fund to the General Fund due to the \$150,000 reduction in the Corporate property taxes. This allocation will be permanent, given that the General Fund can no longer rely on the Corporate property tax as a significant revenue source. Marrero reported the FY 2016 combined electrical and telecommunications taxes are proposed at a little over \$1 million, with telecommunication taxes comprising \$879,000 of this total and electrical taxes representing \$150,000.

Marrero stated Property taxes represent the fourth largest revenue source at \$923,187. As detailed in the chart, 99% of the property taxes are now dedicated to fund the police pension liability. Marrero added, Corporate property taxes decreased by \$138,568 or 91% for FY 2016. Marrero also noted that next year Public Act 96-1495 takes affect and authorizes the Comptroller to withhold state funds to municipalities that do not fund 100% of the actuarial calculation. Marrero said the City has to

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finance the police pension obligation or face reductions in future state shared revenues.

Marrero went on to discuss some of the possible future impacts to General Fund revenues. Marrero reported Governor Rauner is proposing to reduce the income tax base by 50%, starting July 1<sup>st</sup>. Marrero said this would mean a loss of \$106,000 in the General Fund. Marrero explained the income tax is based upon population. Ragucci said based upon his discussions with other Mayors and the City's lobbyist, there will most likely be a reduction, but not at 50%. Ragucci said there are ongoing negotiations with the DuPage Mayors and Managers and the West Central Municipal Conference regarding this.

Marrero noted in December of 2014, the Off-Track Betting Facility filed for Chapter 11 bankruptcy. Marrero noted the OTB receipts have dramatically declined since 2005 and continue to do so. Marrero noted some businesses continue to operate after they file for bankruptcy, however since this is an unknown, along with the historical decline in the revenue, she wanted to make the Council aware.

Marrero indicated if these losses were to happen, the General Fund has a very healthy fund balance, and the City could dip into the reserves to cover these losses. However for next fiscal year, the City would have to look at these losses more closely. Ragucci said the City will most likely lose the OTB revenues sooner or later and there has been some discussion of closing Maywood Park. Ragucci said several new restaurants will be opening this year that could offset this loss. Marrero said if the City does lose OTB revenues there would be a discussion and the City would make it work.

**General Fund Expenditures**

Marrero noted FY 2016 General Fund expenditures are at estimated at \$7.2 million reflecting a 7.1% increase over the FY 2015 estimate, and 16.3% higher than the FY 2014 actuals. Marrero said currently health insurance renewal rates are \$123,386 or 16.8% less than the current year actuals, while dental rates are \$5,832 or 12.6% less than the rates in force by Guardian. Marrero noted these health insurance figures will change as soon as the City receives more accurate information after open enrollment is over March 17<sup>th</sup>. Marrero said updated amounts will be presented in Executive Session at the March 24, 2015 meeting.

Marrero reported approximately 72% of the total FY 2016 expenditures are related to salaries and benefits. Marrero indicated the FY 2016 budget does not include any COLA or proposed personnel changes. Marrero said COLA recommendations and personnel requests will be discussed at the March 24, 2015 Meeting in Executive Session. Marrero said contractual services comprise 24% of the total budget at \$1.7 million, while commodities represent 3% of the total budget at \$194,570. Marrero noted the only major capital in the General Fund is the scheduled replacement of two (2) police vehicles at \$71,054 which will be funded by DUI revenues, which is restricted fund balance.

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**Future Impact On General Fund Expenditures**

Marrero went on to discuss some items that could impact General Fund expenditures. Marrero said the Health Savings Account is the only option offered to the Union employee's, where the non-union has the option to choose between the HSA and the HMO. Marrero said open enrollment is currently taking place and staff is finding that more non-union are in favor of the HSA. Marrero noted the union contract requires the City to contribute a portion of the high deductible for the officers and historically the City has mirrored the contract when it came to benefits for the non-represented employees.

Marrero said if all the non-union employees were to choose the HSA it would cost the City an additional \$62,244, which would cause a possible deficit of \$26,396. Marrero noted in order to offset this deficit, the City could transfer more electric utility tax from the Water Fund to the General Fund to balance the budget and end with a surplus of \$3,604. Marrero noted the Water Fund can sustain the additional transfer. Marrero asked for the Council's consideration to fund the high deductible for the non-union staff. Ragucci said funding the HSA deductible would be fair to all staff. After some discussion, the Council concurred to contribute to the HSA deductible for all staff members.

**General Fund Balance**

Marrero reported revenues are higher than ever and expenditures are increasing as well. Marrero reported revenues and expenditures are quite even for FY 2016. Marrero noted the City has been fortunate over the last four (4) years to have a budget surplus in excess of \$600,000. Marrero projected a \$35,848 surplus for FY 2016 and noted the gap between expenditures and revenues significantly narrows in FY 2016 primarily due to three (3) factors. Marrero said salaries and benefits increased \$304,249 over past year budgets for the three (3) new full-time staff members including: the Deputy Chief, the Community Service Officer, and the Assistant to the Mayor and City Administrator. Marrero also noted the 20% or \$153,580 increase in the Police Pension liability line item. Marrero stated the union contract negotiations increased the salary and benefit line items. Ragucci said the City costs should level out over the next few years and the gap should widen again.

Marrero said the FY 2016 ending fund balance for the General Fund is estimated at \$5,534,386 and reflects almost a 1% increase over the current year. Marrero said this is a very healthy fund balance and exceeds the General Fund budget reserve policy of at least forty (40%) of estimated yearly revenues, which amounts to \$2.9 million. Ragucci said the City has 13 to 14 months of reserves, which is unheard of. Marrero noted if there is a loss in Income tax or Off-Track Betting receipts for FY 2016, the City can dip into these reserves but for FY 2017 Marrero said she does not want to continue to dip into reserves and other avenues would need to be explored. Ragucci said he is hopeful that more development will come to the City.

Greco asked what the antennae income was. Marrero replied it represents the income from the cellular antennas on the City's water tank. Marrero added the income

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increases by 5% annually. Greco asked what the term was on the antennae agreements. Ward replied 20 years. Marrero added the City is 10 years into the agreement.

**Executive Management & Special Events**

Haslett stated the FY 2016 Executive Management budget is \$904,746, which reflects an increase of \$112,000 over the FY 2014 actual due to the new position, Assistant To the Mayor and Administrator that was created in the current year. Haslett noted in an effort to reduce redundancies and simplify the budget, Special Events is now included in the Executive Management budget. Haslett noted separate line items for July 4<sup>th</sup> and Special Events are still included. Haslett noted July 4<sup>th</sup> is budgeted at \$60,000 and Special Events at \$11,000.

**Building and Zoning**

Dragan stated the FY 2016 budget request is \$443,372, representing an increase of \$16,952 from the FY 2015 Budget. Dragan said the Building and Zoning budget for the most part remains the same as the current year. Dragan noted the new contractor registration fees are estimated to bring in \$20,000 in FY 2015 and for the period of January through December 2014 \$270,000 in building permits and public hearing fees were collected. Dragan said the contractor registration takes up a lot of staff time. Dragan also discussed some new possible developments within the City including: Starbucks at the former Caribou location, Specialty's Café, and Naf Naf Grill. Dragan also stated ComEd would like to add a floor to the parking garage and Pete's Fresh Markets is hoping to expand their store.

**Streets**

Ward said Marrero asked all the departments to decrease their budgets and Ward decreased most line items except for those accounts that are not under his control. Ward said the proposed budget at \$550,523 is 8% or \$47,086 less than the FY 2015 budget. Ward indicated the street lights are operating even more efficiently than originally thought. Ward said he overestimated the electrical costs for the new LED residential street lights in the current year budget, so this amount for next year was decreased by 61%. Ward noted the street signs have been replaced to reflect new industry standards. Ward indicated the City received a \$70,000 grant this year for curbs and gutters. Ward said not much grant funding is expected in the next year with the new Governor.

Swartz asked what the GSB-88 Gilsonite was. Ward replied it acts as a sealer and prolongs the street life before a complete mill and replacement is needed. Swartz asked if this is something that the Berkshire subdivision could combine efforts with the City on. Ward replied yes and he will provide the vendor information to Swartz. Swartz asked if the GSB-88 application will be done next year. Ward replied no, not for another three (3) to four (4) years. Vlach said he would like to see the City maintain the tree trimming efforts to avoid power outages. Ragucci asked when the pothole filling will begin. Ward replied potholes will be filled beginning Thursday, March 12, 2015. Ward said the streets are in really good shape.

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**Tourism**

Haslett said the Tourism budget is \$158,491 representing a decrease of \$38,583 less than the FY 2015 estimate and \$100,832 less than the FY 2014 actual. Haslett explained the significant decrease from the FY 2014 actual can be partially attributable to the \$58,000 reduction in the hotel marketing line item, which coincides with the City's Goals and Objectives. Haslett said even with the reduction in the marketing line item, the City's hotels are doing well according to the Hotel Commission reports. Haslett also noted the City will no longer be contributing financially to the Chamber, but will still remain active in recruitment and retention efforts. Haslett stated the \$6,000 contribution towards the Oakbrook Terrace Historical Society was for a two (2) year period and expires in the current year.

Ragucci stated the Chamber opted to no longer charge both Oakbrook Terrace and the Village of Oak Brook for membership services. Marrero said the Oakbrook Terrace Historical Society will be making a presentation at the first meeting in April to update the Council on their recent activities.

Greco asked if there were any plans to provide alternate marketing opportunities beyond the DCVB as detailed in the City's Goals and Objectives. Marrero said at one point it was discussed that each hotel would be given grant money for which they could decide what they wanted to do. Marrero said this alternative raised other questions such as who would maintain the hotel website. Marrero said for now the hotel marketing plan is status quo. Ragucci said it is status quo and this is something we could do in the future. Marrero said it appears the hotels are flourishing even with a reduced marketing budget. Marrero said the hotels are working together and making this budget work. Ragucci said we will continue to monitor the revenue and if it declines take another look at the marketing campaign. Marrero said staff is reviewing the hotel commission financials on a quarterly basis.

**Police Commission**

Haslett said the Police Commission FY 2016 Budget is \$19,135 and is standard from past years with no real changes. Haslett said all the eligibility lists are up to date.

**Finance**

Mark noted the FY 2016 budget is \$463,787, representing a decrease of \$18,493 less than the FY 2014 actual and \$56,135 more than the FY 2015 estimate. Mark explained the FY 2016 Budget is less than the FY 2014 actual because of a reduction in salaries. Mark noted she is now the only position funded in Finance because of last year's promotion of the Finance Director to the City Administrator position. Mark noted the City risk management and workers compensation line items increased due to more claims submitted.

**Economic Development**

Haslett noted the Economic Development FY 2016 Budget at \$186,066 is significantly higher than the FY 2014 actual because last year represented year ten

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(10) of the Home Depot agreement. Haslett explained in year ten (10) of the agreement, the City is allowed to retain the \$125,000 normally paid to Home Depot if the traffic light on 22<sup>nd</sup> Street is not constructed. Haslett added since the traffic light was not installed, the City kept the \$125,000 for FY 2014 and the payment resumed in FY 2015. Haslett noted the City also has economic incentive agreements with Redbox and SIRVA.

**Water Fund Revenues**

Marrero noted even with allocating \$150,000 of the electrical utility tax to the General Fund, revenues are still expected to exceed FY 2014 actuals by 21%. Marrero noted this increase is largely due to the new customers acquired. Marrero said the City has vigorously recruited new water customers over the last few years. Swartz asked if Berkshire could connect to the City's water system. Ward replied if the former Bennington Oaks property is developed then this would provide the conduit to connect Berkshire to the water system. However, Ward noted at this point in time, Berkshire could not connect to the water system. Marrero noted water sales are estimated to increase by approximately 7% from FY 2015, and approximately 40% from 2014 actuals.

**Water Fund Expenses**

Marrero noted Water Fund expenses followed a downward trend from FY 2007 through FY 2013. Marrero explained this downward trend was primarily due to the delay in capital improvements due to the cash flow issues in the Water Fund. Marrero indicated the last major capital improvement was completed in FY 2005, when the East/West Water Main Project was constructed. Marrero said more recently in FY 2014, expenses increased by 53% from FY 2013, due to the Regency Place water connection which cost \$361,529. Marrero said the FY 2015 Budget includes \$270,000 for repairing and repainting the Water Tank. Marrero said FY 2016 drops approximately 18% or \$214,000 from FY 2015 estimate due to fewer capital projects.

Vlach said he noticed fuel prices at \$3 per gallon in the budget and this could be decreased. Ward noted he just purchased fuel for the City at \$1.87 per gallon. The Council concurred to keep fuel at the current price as detailed in the budget.

Marrero said salaries and benefits comprise 24% of total expenses for FY 2016, at \$281,000. Marrero reported contractual services comprise 50% of the proposed budget at \$594,650, which includes the DuPage Water Commission charge of \$427,550. Marrero said capital expenses will significantly decrease in FY 2016 because no major capital improvements are planned. Marrero also noted that bond expenses decreased by 7.2% from the current year, and the good news is that the 2003 & 2004 bonds mature next FY, so only the 2010 restructured bonds will remain outstanding.

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**Water Gains/Losses**

Marrero said the Water Fund is once again in the black beginning in FY 2013. Marrero said FY 2013 marked the first net gain in five (5) years for the Water Fund. Marrero reported a gain of \$90,470 was achieved in FY 2014 and respective gains of \$334,337 and \$276,498 are expected for FY 2015 and FY 2016. Marrero said all in all, the City is beginning to realize some benefits in its efforts towards stabilizing the Water Fund.

Ward indicated the current Water Tank repair and repainting is going well and should be back online by May. Ward said he was able to utilize the western pressure zones while the Water Tank is down and still has Lombard on back-up if necessary. Ward noted for next year the SCADA system will be replaced as well as some of the pressure reducing valves. Ward said acquiring the Joint Commission as a new water customer last year was a major accomplishment and the City received a \$150,000 tap-on fee for this. Ward said for next year he is hoping to get Lincoln One to connect to the City's water system.

Ward said once again the Water system accounted for 99% of the water pumped under the DNR Water Use Audit. Ward added the State allows an 8% loss. Vlach commended Ward for all of his efforts at turning the Water system around.

Ragucci said we have another budget meeting next Wednesday, March 18, 2015 at 6PM. Ragucci thanked the staff and Council for their efforts.

**ADJOURN**

**The meeting was adjourned at 8:05P.M.**

Submitted by,

Aileen Haslett  
Recording Secretary