

**CITY OF OAKBROOK TERRACE
BUDGET MEETING OF THE CITY COUNCIL MINUTES
WEDNESDAY, MARCH 13, 2013**

I. CALL TO ORDER

The Mayor called the March 13, 2013, Budget Meeting of the City Council to order at 6:03P.M.

II. ROLL CALL

The following Aldermen were in attendance:

Present: Durham, Sarallo, Shadley, Thomas, Vlach and Mayor Ragucci

Absent: None

Also in attendance were City Manager J. Carpino, Public Services Director C. Ward, Building and Zoning Administrator M. Dragan, Finance Director A. Marrero, and Finance Consultant Aileen Haslett.

III. PROPOSED FY 2014 BUDGET DISCUSSIONS

Opening Comments

Carpino distributed hard copies of the PowerPoint slides to the Council. Carpino stated the City has received five (5) Distinguished Budget Awards from the Government Finance Officers Association. Carpino noted the 2011-13 Goals and Objectives served as the guiding principles for the proposed budget.

Carpino explained during tonight's meeting he will be providing an overview of General Fund, Water Fund, and Executive Management. Carpino said that Ward will be discussing Public Services Streets and Water, while Dragan will discuss Building and Zoning. Carpino noted that Marrero will discuss Special Events, Tourism, Economic Development, Finance, and Police Commission.

Historical And Current Budgetary Impacts In Response To Economic Downturn

Carpino stated since 2008 the City has been impacted by the economic downturn and in response has reduced many operating costs over the last five (5) years. Carpino commented that prior to the recession; expenditures were increasing at a rate of 10% in FY 2007 and 18% in FY 2008. Carpino indicated the FY 2014 budget at \$5.6 million is well below the FY 2008 actuals of \$6.5 million. Carpino said since FY 2008, expenditures have decreased \$881,731. Carpino also reported that since FY 2010, the City's goal has been to do more with less, while maintaining the high level of service in Oakbrook Terrace. Carpino said many of the City's past budget cuts have been incorporated into the FY 2014 budget as well.

Carpino said as a result of the recession, the City has contended with a revenue base that declined from the peak amounts in FY 2008. Carpino added the ability to cut expenditures has helped the City efficiently and effectively respond to the new revenue baseline. Carpino said the FY 2014 estimated revenues of \$6.1 million are \$195,709 less than the FY 2008 amount of \$6.3 million. However, Carpino noted estimated revenues are inching back towards pre-recession levels and that the FY

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2014 General Fund revenues are estimated at \$6.1 million which surpasses the pre-recession FY 2007 actual of \$5.9 million by \$123,100.

General Fund Revenues

Carpino highlighted the new revenues for FY 2013 and FY 2014. Carpino said the City began receiving the first video gaming tax in October of 2012. Carpino estimated the video game tax revenue for FY 2013 at \$15,700 and \$31,280 for FY 2014. Carpino indicated this growth is due to several restaurants currently seeking State licenses for video gaming.

Carpino said at the February 12, 2012 meeting, the City Council approved a digital sign at the Public Services Facility, which will bring in new revenues for FY 2014. Carpino also stated that changes to the Administrative Adjudication process will increase City code violation fees in FY 2014 because the City will be collecting 100% of the fee, rather than sharing these revenues with DuPage County. Carpino explained under this program the City can collect 100% of the fees imposed for non-moving violations. Carpino said with the recently instituted local DUI enforcement program, the City should receive approximately \$1,500 per DUI arrest, which is a significant increase.

Carpino went on to discuss the City's key revenues. Carpino said Sales taxes are the City's number one (1) revenue source representing 27% of total revenues. Carpino explained that sales taxes have stabilized over the last couple of years consistently hitting the \$1.6 million mark since 2011. Carpino reported that current sales taxes are tracking at \$176,000 higher than FY 2012 with eight (8) months of revenue reported. However, Carpino indicated this increase is entirely attributable to the Business District, so the General Fund is not benefiting from this increase. Carpino noted that to date, \$183,714 in Sales taxes has been reallocated to the Business District to pay-off the bonds for the redevelopment of the shopping center.

Carpino reported that Hotel taxes are the City's second largest revenue source at 22% and are proposed at \$1.36 million for FY 2014. Carpino displayed a graph detailing the City's top two (2) revenue sources namely Sales and Hotel taxes versus the City's top two (2) expenditures, Police salaries and benefits. Carpino noted that in the past, the City's Sales and Hotel taxes exceeded the Police Department's wages and benefits by over \$1 million. However, Carpino explained that this gap is narrowing with Sales and Hotel taxes only expected to exceed police wages and benefits by \$373,147 in FY 2014.

General Fund Expenditures

Carpino said the FY 2014 General Fund expenditures at \$5.6 million are \$184,000 higher than the FY 2013 estimate. Carpino noted approximately 68% of the total FY 2014 expenditures are related to salaries and benefits. Carpino indicated that there are no new personnel requested for FY 2014 and approximately \$30,000 is included for step increases and 1% capped-out bonuses for non-union personnel.

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Carpino said the only major capital in the General Fund is the scheduled replacement of three (3) police vehicles at \$87,739 which will be funded by DUI revenues. Carpino said the proposed budget included a 30% increase for health benefits and 9% increase for dental insurance. However, Carpino noted that actual premiums for FY 2014 increased for by an average of 37% for health insurance and only 5% for dental, meaning that the General Fund budget will experience a net increase of \$26,590 over the proposed amount.

General Fund Balance

Carpino said the General Fund should conclude FY 2013 with a surplus of \$686,089, compared to \$800,858 for FY 2012. Carpino estimated that FY 2014 would have a surplus of \$494,119. Carpino specified that due to the projected surpluses in FY 2013 and FY 2014, a Home Rule Sales Tax diversion will not be necessary. Carpino conveyed that all departments were prudent with their FY 14 budget projections, with most budgets remaining flat.

Carpino projected the General Fund's FY 2014 ending fund balance at \$4,914,931, which reflects an 11% increase over the current year. Carpino added the City far surpasses the budget reserve policy of maintaining a General Fund reserve equal to at least 40% of estimated yearly revenues, which is \$2.4 million. Carpino noted that due to prudent financial practices over the last five (5) years, the City's fund balance is exceeding pre-recession amounts. Carpino explained that the proposed fund balance for FY 2014 is \$1.5 million more than the pre-recession amount in FY 2007.

Carpino asked if the Council members had any questions. Durham asked why the corporate property taxes were lower for FY 2014. Marrero replied the City levied more for the Police pension, which decreased the 2012 General Fund levy. Durham suggested the City may wish to use some of the General Fund's surplus to pay down the Police pension obligation. Marrero said the Council is allowed to transfer a portion of the fund balance into the Police pension. Durham asked what the FY 2013 Economic Development budget in the amount of \$282,500 was for. Marrero replied this amount represents the sales tax rebates to Lee Lumber, Home Depot, and Redbox. Marrero said the Lee Lumber agreement terminated on December 31, 2012. Carpino indicated the City recently informed Home Depot of the traffic signal provision and are awaiting their response.

Water Fund Revenues

Marrero said total Water Fund revenues for FY 2014 are proposed at \$1.1 million representing a 58% increase over the FY 2012 actuals. Marrero explained this increase is due to the reallocation of Electrical Utility taxes, new water customers, and higher water rates.

Marrero projected that Water sales will increase by approximately 15% from FY 2013. Marrero explained that this increase includes the City's planned rate increase for January of 2014 and new water customers including: Regency Place, Terra Vista

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Assisted Living Facility, and the new retailers at the Oakbrook Terrace Square Shopping Center.

Water Fund Expenses

Marrero said there have not been many capital improvements in the Water Fund due to the cash flow issues. Marrero indicated that Regency Place is the first major capital expenditure in eight (8) years. Marrero said the construction for the Regency Place water connection is set to begin in April.

Marrero noted salaries and benefits comprise 38% of total Water expenses for FY 2014 and are expected to increase by 8% over FY 2012. Marrero said contractual services comprise 40% of the proposed budget and include the estimated DuPage Water Commission charge of \$190,000.

Water Gains/Losses

Marrero said FY 2014 marks the first year in six (6) years that the Water Fund will be reporting a net gain. Marrero projected a surplus of \$95,168 in the Water Fund for FY 2014. Marrero explained that the net gain is partially due to the switch to the bi-monthly billing process that took place in January of 2012 and the redirection of the Electric Utility tax to the Water Fund as discussed earlier.

Sarallo asked how the bi-monthly water billing is going. Sarallo indicated he has spoken with some residents who find the bi-monthly bills more cumbersome. Marrero replied that the City is mailing more delinquent letters and that more people are on payment plans. Ward said prior to bi-monthly billing the City would have about five (5) or six (6) water shut-offs a month, but since bi-monthly took effect the shut-offs have increased to approximately 12 per month. Ward indicated it is typically the same customers who experience delinquency problems.

Discussion ensued regarding the bi-monthly billing process. Carpino said staff will keep track of the delinquent customers and report back to the Council if there are any major billing issues. Ragucci said the City works with the customers who are experiencing a hardship. Durham asked if auto-pay could be set-up to deduct the same amount every month. Marrero replied that she will need to check into this. Durham said possibly this service could be offered to those customers experiencing a hard time paying their bill. Sarallo expressed concern that the bi-monthly billing process maybe a burden for some residents. Vlach indicated customers should set aside appropriate funds to pay their water bill every other month.

Public Services – Street

Ward stated that the FY 2014 Street budget at \$543,270 is a mirror of the current year budget. Ward reported the FY 2014 budget increased by 4.5% over the current year. Ward explained this increase is due to higher salaries and wages, a \$4,000 increase to a street repair line item, and the replacement of some computers. Durham asked what the City budgeted for fuel. Ward replied \$3.50 per gallon. Marrero said the City

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currently pays about \$3.20 per gallon. Ward said the City is also using bio-diesel and that the next *Terrace Leaves* should contain information about the City using this type of fuel.

Vlach asked about the tree care line item. Vlach indicated the Council discussed tree trimming this past summer when all the electrical outages. Ward said ComEd has really stepped up their tree trimming. Carpino noted that ComEd has been real aggressive in their tree trimming efforts along Butterfield Road.

Water Fund Distribution and Operations and Maintenance

Ward expects that the City will acquire additional water customers in FY 2014 including the Wendland property, possibly BP Amoco, and the Courtyard Marriot. Ward said he is still in discussions with Lincoln 1 and the Joint Commission. Ward also noted the Regency Place water connection will allow an emergency water interconnect with Lombard.

Ward said the Water Fund's budget is a mirror of the current year as well. Ward noted he requested that his vehicle be replaced in FY 2014. Ward said the City accounted for 98% of the water pumped, which is a great accomplishment. Ward indicated the State of Illinois allows an 8% loss. Durham asked if the water loss includes the flushing of the fire hydrants. Ward replied yes.

Building and Zoning

Dragan stated the FY 2014 Building and Zoning budget decreased by approximately \$50,000 from the current year. Dragan added the FY 2014 budget is the lowest request in many years. Dragan noted the largest decrease results from not filling the Building and Zoning secretary position and the in-house plan reviews of interior office remodeling jobs. Dragan estimated the City saved \$50,000 through reviewing interior office remodeling jobs in-house. Dragan said Don Morris continues to review retail, restaurants, and new construction. Dragan noted the line items are same as previous years.

Carpino indicated in the next few months the Building and Zoning building will be vacated and that he is hoping to accommodate Dragan and her staff here at City Hall. Carpino said with the anticipated construction projects and the relocation of employees, he hopes to leave the Building and Zoning Secretary position vacant for FY 2014, but not eliminated. Discussion ensued regarding the relocation of employees during the construction process.

Executive Management

Carpino stated a couple of items contributed to the 17% increase in Executive Management over the current year including: increased stipends for the elected officials, along with the provision of insurance for the Mayor, and the overall increase in health insurance premiums. Durham expressed concern as a taxpayer over the 4%

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step increases and the cost of living adjustments provided to City employees versus the private sector. Durham suggested the 4% step increases be reevaluated.

Carpino replied he compares union to non-union. Carpino said if you treat non-union employees poorly, they may consider joining a union. Carpino said the City only has a handful of non-union staff. Carpino said the consultant revised the salary survey to include the Police union comparables, which will be discussed at a later date during Executive Session.

Special Events

Marrero indicated the FY 2014 Special Events budget is 7% more than the FY 2013 estimate and 28% more than the FY 2012 actual. Marrero said these increases are due to higher insurance premiums. Marrero noted that special event and July 4th line items represent 48% of the total budget. Marrero noted the July 4, 2013 line item increased by \$5,000 due to the purchase of new fans and bingo equipment.

Tourism

Marrero said the Tourism budget increased about \$50 more than the FY 2013 estimate and \$7,020 more than the FY 2012 actual. Marrero said the Chambers line item decreased, while the DCVB's line item increased. However, Marrero noted the Mayor met with the Chamber this morning and they are asking for additional funding. Carpino said Don Hill requested more funding for advertising, signage, and banners, which is why their budget increased by \$15,000. Carpino said the hotels are deserving of this money considering that hotel taxes comprise the City's second largest revenue source.

Carpino referenced the memorandum from the Chamber which provides a breakdown of their \$40,000 budget request. Carpino noted that the Chamber's request is \$15,000 more than what is proposed in the FY 2014 Tourism budget. Carpino said the Council will have to determine if the Chamber's budget should be increased. Ragucci said he was going to leave this up to the Council as to whether the budget should be increased. After some discussion, the Council concurred to increase the Chamber's line item by \$10,000 for a total of \$35,000.

Economic Development

Marrero said the Economic Development budget is way down from past years. Marrero explained the decrease is due the termination of the Lee Lumber agreement and the Home Depot traffic light provision. Marrero said the traffic light has not been installed, therefore the City can retain Home Depot's \$125,000 portion of sales taxes.

Finance

Marrero indicated the FY 2014 Finance budget is about \$486,000, representing an increase of \$48,000 over the FY 2013 estimate and \$124,000 more than the FY 2012 actual. Marrero explained this increase is due to the new business license inspection program and higher health and workers compensation insurance premiums. Durham asked how much the City has spent on the business license inspection program.

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Marrero replied about \$25,000. Durham asked how much has the City recouped in revenue from this program. Marrero replied about the same amount. Discussion ensued regarding the business license inspection program.

Durham stated the Finance Director's vehicle allowance of \$2,400 is on the City's website, but not in the FY 2014 budget. Marrero replied that the car allowance is commingled in the full-time salaries line item. Carpino said last year after the Assistant City Manager left the City; he authorized Marrero to have the car allowance instead. Carpino explained that Marrero goes to meetings and runs errands for the City with her own car.

Durham asked what the Financial Consultant does. Durham said at \$27,000 a year, does the City need a part-time person. Marrero said the Financial Consultant assists with the budget, audit, internal control efforts, and special projects. Carpino said the Financial Consultant does not receive any benefits.

Police Commission

Marrero said the Police Commission prepares their own budget and the FY 2014 budget increased by \$2,200 over the current year estimate. Marrero noted the Police Commission budget contains nothing new and it is mostly comprised of testing and examinations. Sarallo asked where the City is at with the current officer listing. Carpino replied there is a current list from the traditional test and that on March 2, 2013 a test was administered for lateral hiring. Carpino noted the Sergeant list was just published and is good for three (3) years. Durham asked if the City will be hiring any new police officers in FY 2014. Carpino replied no.

ADJOURN

The meeting was adjourned at 7:35P.M.

Submitted by,

Aileen Haslett
Recording Secretary