

**CITY OF OAKBROOK TERRACE
BUDGET MEETING OF THE CITY COUNCIL MINUTES
WEDNESDAY, MARCH 19, 2014**

I. CALL TO ORDER

The Mayor called the March 19, 2014, Budget Meeting of the City Council to order at 6:00P.M.

II. ROLL CALL

The following Aldermen were in attendance:

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

Absent: Sarallo

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

III. PROPOSED FY 2015 BUDGET DISCUSSIONS

Opening Comments

Marrero distributed copies of the PowerPoint slides to the Council. Marrero stated that the City has received six (6) budget awards since 2009. Marrero said the 2013-2015 Goals and Objectives continue to be guiding principles for the budget. Marrero stated Building and Zoning and Police will be distributing requests for additional personnel to the Council. Marrero noted these requests will be for informational purposes only and were not included in the FY 2015 proposed budgets. Marrero said the personnel requests will be discussed further during an Executive Session.

Marrero stated that there has been some revisions to the budget since the Council received their books in February. Marrero explained that the benefit line items have been reduced in total by over \$100,000 to reflect the health insurance renewal amounts discussed at the last meeting. Marrero reported the proposed budget included a 12% health insurance increase, which actually came in at only 6.6% higher. Marrero also noted that the workers compensation line items have been reduced in total by \$10,000, because the renewals came in lower than anticipated. Marrero said these changes have resulted in a net decrease of \$103,640 for the General Fund and a net decrease of \$6,308 for the Water Fund. Marrero indicated these changes have greatly improved the projected bottom-line for both funds.

Marrero said the revenue amounts include the new contractor registration fees and revised IML projections, improving revenues by \$27,000.

Historical And Current Budgetary Impacts In Response To Economic Downturn

Marrero stated that since 2008, the City has been impacted by the economic downturn and in response has reduced many operating costs over the last six (6) years. Marrero stated the graph displays how effectively the City has been able to control costs since the 2008 recession hit. Marrero said the FY 2015 budget at \$6.1 million is still well below the FY 2008 actuals of \$6.4 million. Marrero noted that the FY 2015 budget increased by 8.5% over the current year, due to higher salaries and benefits.

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Marrero said with the property tax reduction of \$144,272 the City has found new revenue sources amounting to \$190,500 to relieve some of the burden on the General Fund. Marrero detailed the new revenues including: \$81,000 for video gaming, \$90,000 for the recently approved digital billboard sign, and \$20,000 for the new contractor registration program.

Key General Fund Revenues

Marrero said overall revenues for FY 2015 remain flat when compared to the current fiscal year. Marrero indicated Sales taxes are estimated at \$1.75 million and are the City's number one (1) revenue source representing 28% of total revenues. Marrero noted Hotel taxes are the City's second largest revenue source at 23%, representing \$1.4 million. Marrero said property taxes comprise only 2% of total revenues for FY 2015, whereas for the current year they comprise 5%. Marrero said Sales and Hotel taxes are slowly inching back towards the pre-recession amounts from FY 2008 and the City is now seven (7) years out from the height of the recession. Ragucci said the economy is taking its time to improve and the City is in good shape.

Marrero said the gap between the City's top two (2) revenues and the top two (2) expenditures, Police salaries and benefits, is becoming narrow, whereas in the past the gap was wide with revenues exceeding police salaries and benefits by well over \$1 million.

General Fund Expenditures

Marrero stated the FY 2015 General Fund expenditures at \$6.1 million are 8.5% higher than the FY 2014 estimate and approximately 65% of the total budget is related to salaries and benefits. Marrero noted that approximately \$17,000 is included for step increases and the 1% capped-out bonuses for non-union personnel. Marrero also noted the budget does not include any COLA or proposed personnel changes. Marrero projected salaries to increase by 6% from FY 2014.

Marrero noted the only major capital in the General Fund is the scheduled replacement of two (2) police vehicles at \$61,308, which will be funded by DUI revenues.

General Fund Balance

Marrero said the City should conclude FY 2014 with a surplus of \$804,886, compared to \$851,968 for FY 2013. Marrero said the year end surplus for FY 2015 drops to \$234,661. Marrero explained that this surplus amount includes the updated amounts discussed earlier for health insurance and workers compensation. Marrero said the revised surplus amount is an improvement over the initial surplus of \$121,254 that was projected.

Marrero said the General Fund has a significant healthy fund balance projected at \$5,626,170, which continues to grow with an expected increase of 18% for FY 2014

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and 4% for FY 2015. Marrero noted that the FY 2015 fund balance is \$2.3 million more than the pre-recession amount in FY 2007.

Marrero said for FY 2015 the City is estimating revenues at \$6.4 million, of which a 40% reserve is required equating to \$2.5 million. Marrero said the City has an excess of \$3 million over the reserve requirement for FY 2015. Marrero recommended that the Council may want to consider for next year transferring a portion of the fund balance to the Capital Improvement Fund or the Business District. Marrero noted that in FY 2015, the Business District will be dipping into the reserves to meet the principal and interest payments. Marrero said she would like to wait a year to see how the Oakbrook Terrace Square Shopping Center develops and see how much the new Police Station will end up costing. Haslett noted that back in 2008 the Council approved a transfer-out from the fund balance in the General Fund to the Capital Improvement Fund.

Executive Management

Haslett stated the Executive Management budget is consistent with prior years and increased by \$114,141 from the FY 2013 actual, which is due to higher salaries and contractual services. Haslett stated the budget also includes \$36,000 for the lobbyist fees. Haslett noted the Executive Secretary position was eliminated and the person in this position was moved to Building and Zoning. Haslett also noted that Executive Management will now be paying 50% of the Special Events Coordinator's salary because this position is performing more Administrative Assistant duties for Executive Management. Haslett said the Coordinator position is still helping with Utility Billing.

Haslett said Executive Management accomplished many tasks this year including: selection of a Construction Manager, oversaw the demolition of former City properties to make way for new Police Station, guided the installation of the residential street lights, assisted with transferring the Fik House to the Oakbrook Terrace Historical Society, entered into an economic development agreement with SIRVA, improved the City's website, and updated the goals and objectives plan for 2013-2015. Marrero said the City is thinking about terminating the Code Red program for next year due to the minimal participation.

Building and Zoning

Dragan stated the FY 2015 budget request for the Building and Zoning Department is \$423,000, which represents about \$100,000 increase from FY 2014. Dragan explained that the increase is due to the following: the salary of the former Executive Secretary is now being paid from the Building and Zoning budget because this position now works here, various expenses due to the relocation into the trailer, printing costs for different forms, and new aerial maps.

Dragan noted the Building and Zoning Department issued 260 permits during FY 2013. Dragan indicated building permits and public hearings resulted in

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approximately \$300,000 in revenues for the City. Dragan distributed a listing of the major building projects.

Dragan proposed that the part-time Building and Zoning Assistant be made a full-time position for FY 2015. Dragan distributed a personnel request form justifying why this position should be made full-time. Dragan indicated this position responds to public inquiries, reads blue-prints, organizes elevator inspections, works with the Finance Department on business licensing, and oversees the new contractor registration program. Dragan also said this position will be organizing the Building and Zoning files on the computer.

Dragan said the part-time Building and Zoning Assistant's salary is approximately \$37,000 and the full-time amount is \$45,000. Vlach asked how many hours the part-time position currently works. Dragan replied 32 hours. Marrero said during Executive Session the Council may ask their questions regarding the change to full-time status for this position. Ragucci asked the Council to review the personnel request and then discuss this proposal during Executive Session.

Streets

Ward mentioned several of the Street Department's FY 2014 accomplishments including: 98 new LED residential street lights, 38 retro-fitted LED pathway lights, the wood chipper replacement, the one (1) ton dump truck replacement, and additional curb installed along Eisenhower, Monterey, Wainwright, and 16th Street. Ward said it does not appear that any grant money will be available for FY 2015 for additional curbs.

Ward indicated that the new LED street lights use about 86% less electricity than standard lights. Ward indicated that each street light will cost the City approximately \$30 per year in energy fees. Ward said the Street budget is increasing by about \$40,000. Ward said this increase is due to the new electricity utility charges for the new street lights and a higher amount for tree care. Ward explained that the tree care line item increased by \$11,000 for removal of dead ash tree and new tree plantings. Ward said he should come in about \$20,000 under budget for FY 2014.

Ward said the City participates in the State cooperative for purchasing salt in bulk. Ward mentioned that the price for next year's salt is still unknown at this time and that later in the year the joint bid will go out. Ward noted that the City paid \$51.49 per ton of salt this year. Ward indicated that the recent salt shortage due to this past year's extreme weather conditions will factor into the new price. Ragucci asked how much salt the City has in reserves. Ward replied about 200 tons. Ward said the City can purchase up to 600 tons at the agreed upon bid price and any tons after; the City is required to pay a premium rate. Ward said the City used 730 tons of salt this year for the 80 inches of snow. Ward commended his staff for rising to the occasion in handling the extreme weather conditions experienced this season.

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Greco asked if the Street budget included any money for new tree plantings. Ward replied that the City does not have a lot of room for new tree plantings and he follows standards for a nice uniform look with quality trees. Vlach asked if the budget including funding for tree removals related to the recent ComEd issues. Ward responded yes which is another reason why the tree maintenance line item increased.

Special Events

Haslett stated the FY 2015 Special Events budget is 7% or \$10,000 less than the current year estimate because of a combination of lower health insurance costs and reduced salaries. Haslett explained that previously, 70% of the Special Events Clerk's salary was paid from Special Events and 30% from Water. Haslett noted that for the new year, the Special Events Clerk salary split will be 50/50 between Executive Management and Special Events because this position is assuming more of an Administrative Assistant role.

Haslett noted actual special events total \$77,150 and comprise 55% of the total budget. Haslett added that the line item for the spring egg hunt, employee holiday party, and Children's' winter party increased by \$1,000 over the current year budget because the number of children attending the City's programming events continues to increase. Haslett stated the July 4th line item includes \$1,900 for the new inflatables. Haslett reported that the City received almost \$22,000 in sponsorships for last year's July 4th activities and \$22,000 is budgeted for FY 2015.

Tourism

Marrero said the Tourism budget increased by 1.3% from the current year. Marrero said the biggest increase is in the DCVB membership fees line item, which is based upon hotel tax revenue. Marrero said all the other line items were budgeted at the same amount as the current year with the Chamber at \$35,000 and the \$6,000 contribution toward the Oakbrook Terrace Historical Society, which the City promised them over a two (2) year period.

Marrero said according to the Goals and Objectives, the Council was concerned about the DCVB marketing campaign costs. Marrero distributed some DCVB related materials. Ragucci said the DCVB is sometimes vague and it is difficult to get information from them. Marrero said the DCVB discussion tonight is for informational purposes only and the Council does not have to decide anything because we do have some time.

Marrero stated the "*Supporting Municipality Proposal*" document details the services provided by the DCVB for the yearly membership dues paid, which is about \$47,000 for FY 2015. Ragucci said the City must pay these dues to participate in the DCVB. Marrero added that the membership dues are based upon 20% of the first 1% of hotel taxes collected by the City.

Marrero indicated the second document is the marketing budget provided by the DCVB that has been broken down into quarters. Marrero said the document is not

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user-friendly and that she has asked the DCVB to provide a budget that is based upon projects instead.

Marrero said the Triple AAA advertising costs about \$43,000 of the \$158,000 marketing budget. Marrero said the Hotel Commission voted on this and the City was not advertising in Triple AAA in FY 2011. Marrero said the DCVB has informed her that the revenues generated from the Triple AAA greatly outweigh the expense. Marrero said the DCVB also indicated that specifically for the Hiltons every dollar that was spent in Triple AAA advertising resulted in \$50 in generated revenues and that the other hotels have experienced growth as well.

Marrero said the second largest expenditure is for the hotel website which costs approximately \$24,000 a year to maintain. Marrero said the DCVB is currently going out to bid for this service. Marrero said the DCVB spends approximately \$20,000 for internet search optimization. Marrero also reported that the City's hotel website receives an average of 15,000 hits per month. Marrero explained that the other \$4,000 is spent on fees to make changes to the website. Marrero said another option is for the City to possibly operate this website.

Marrero said the third largest component of the budget is the holiday and shopping packages comprising \$18,000. Marrero said the DCVB budget also includes \$9,000 for the American Bus Association membership to increase group business. Marrero noted the DCVB plans to continue the Salvation Army Day at a cost of \$4,000. Greco asked if the City could obtain any type of supporting documentation that would back-up the Triple AAA advertising claims. Marrero said she did not think so because of the proprietary nature of the information. Greco suggested surveying other area communities to determine whether they are happy with the services provided by the DCVB in relation to the membership dues.

Ragucci said the City should not cut the DCVB out of the budget all together, but rather see what the City is really getting for their \$158,000 marketing campaign. Ragucci said he has a real problem with the \$24,000 for the website maintenance. Ragucci said the City needs to take some time to look at this and see what we can do. Ragucci asked Marrero to obtain an updated sheet from the DCVB detailing the fees paid by every DuPage municipality. Ragucci said Marrero brought up a good point, if the City opts to stay with the DCVB, then the City has a right to audit how they spend the marketing campaign budget. Marrero said her recommendation is to keep the DCVB, possibly not at the \$158,000 amount. Marrero added that staff can work with the DCVB to get more precise detail documents and the next agreement can include a provision whereby the City will be auditing them on a quarterly basis.

Esposito suggested that the City take a stance and cut back the marketing campaign to \$70,000, but asked how that is going to impact the City's tourism. Marrero said the City will be able to see the impact through measuring the actual hotel tax revenues. Vlach agreed with tapering it down and see the impact it has. Greco said for a quarter of the money that the City gives the DCVB; a full-time staff member could be doing

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this job. Marrero said we also have to keep in mind that the Hotel Commission votes on these items and then the DCVB implements their ideas.

Marrero said the Chamber will be attending the Tuesday, March 25, 2014 meeting. Ragucci said we have had our ups and downs with the Chamber. Ragucci stated the Chamber still does well for the City and brings in businesses. Ragucci said \$35,000 is fair for the Chamber for FY 2015. Greco said the City receives a lot from the Chamber. Thomas agreed with Greco's comments.

Ragucci stated the City will provide a \$6,000 contribution towards the Oakbrook Terrace Historical Society. Marrero said this is the last year for the Oakbrook Terrace Historical Society contribution because the City said it would be re-evaluated after two (2) years.

Police Commission

Haslett indicated that the Police Commission budget is flat and is \$1,000 less than last year's actual because all the applicant lists have been updated. Haslett explained that there are three (3) lists maintained by the Police Commission including the Sergeant, new officer, and lateral are all current, which is why testing and examinations decreased from last year.

Finance

Marrero said the FY 2015 Finance budget decreased about 16%, which is partially attributable to her salary no longer budgeted here due to her appointment as the Interim City Administrator. Marrero said the budget does reflect an increase in contractual services due to risk management and workers compensation, but that these insurance renewal rates dropped, so they came in lower than budgeted. Marrero said software is up 71% due to the City's server software. Marrero explained that the City has four (4) servers including: Finance, Police, and two (2) disaster recovery servers. Marrero discussed several of the Finance Department's accomplishments: including the Certificate of Achievement for the Comprehensive Annual Financial Report and for the Budget, assisting in revamping the City website, switched City investments managers from MB Financial to Sawyer and Falduto, and the hotel audit which will be done every two (2) years. Vlach asked how much the business license inspection program, line item 5603, brings in. Marrero said it is pretty much a wash. Vlach asked about the tuition reimbursement line item 5607. Marrero replied this line item is for Denise Mark who is considering going for her Masters degree.

Economic Development

Haslett stated the Economic Development FY 2015 budget is \$159,000, which includes \$141,000 for Home Depot, \$9,000 for Redbox, and \$9,000 for SIRVA. Haslett indicated for FY 2014, the City will only be reimbursing Home Depot approximately \$15,000 because the current year represents year ten (10) of the Home Depot agreement. Haslett explained that in year ten (10) of the agreement, the City is allowed to retain the \$125,000 sales tax incentive payment normally paid to Home Depot, if a traffic light on 22nd Street is not constructed. Haslett noted that since the

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traffic light was not installed, the City is keeping the \$125,000 for FY 2014. However Haslett noted in FY 2015 the \$125,000 payment to Home Depot resumes.

Water Fund Revenues

Marrero stated reallocating the Electrical Utility tax last year has enabled the Water Fund to exceed the \$1 million mark for revenues for fiscal years 2013, 2014, and 2015. Marrero said FY 2015 proposed revenues will exceed FY 2007 (last highest year on record) by approximately 43% or \$392,000 and will exceed FY 2014 by 13%. Marrero said water sales are estimated to increase by approximately 16% from FY 2014, which includes the City's planned 15% rate increase and new revenues from Regency Place, Courtyard by Marriot, Gardner School, and Terra Vista as well.

Water Fund Expenses

Marrero said expenses followed a downward trend from FY 2006 through FY 2012, due to the delay in capital improvements. Marrero said the Water Fund budget has been updated to reflect over \$6,000 in reductions for workers compensation and health insurance. Marrero said the last major capital improvement was completed in FY 2005, when the East/West Water Main Project was constructed. Marrero said the FY 2014, expenses included the Regency Place and no major capital is planned for FY 2015.

Marrero said salaries and benefits comprise 32% of total expenses and are expected to decrease by 5% from FY 2014. Marrero explained that this decrease is due to a change in salary allocations where the Utility Billing's salary share of 30% will no longer be allocated to the Water Fund. Marrero said contractual services comprise 55% of the proposed budget and include the estimated DuPage Water Commission charge of \$349,600. Marrero reported that contractual serves are expected to increase by 22% from FY 2014.

Marrero said from FY 2009 through FY 2012, the Water Fund experienced losses. Marrero said a small gain occurred in FY 2013 and a loss will happen again in FY 2014 due to Regency Place. Marrero said the proposed FY 2015 budget is showing a nice estimated gain at \$197,000.

Ward reported that the Water Fund added several new customers including: Regency Place, Courtyard by Marriot, Gardner School, and four (4) new residential customers. Ward said that the Regency Place and Courtyard by Marriot will be purchasing a combined total of 16,000,000 gallons of water per year. Ward said last year the City delivered a total of 65,000,000 gallons of water.

Ward said the City accounted for 99% of the water pumped under the annual DNR allocation. Ward said the water system is 15 years old and the City is still accounting for nearly 100% of the water. Przychodni asked what would be a bad rate for water accountability. Ward replied that the State allows an 8% loss, which is considered good. Ward said some cities struggle to maintain a 16% loss.

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Greco asked how the City acquires the next big water customer. Ragucci replied that he is working on this now with Marrero and Ward. Ragucci said the rates are going to go up next year again. Ragucci said currently the Village of Oak Brook supplies water to Versailles. Ragucci said the Village's unincorporated water rate is going to go up to \$9.15 per 1,000 gallons next year and the City's rate is comparable. Ragucci said if the City can acquire Versailles then the City could possibly bring in \$25,000 per month. Ragucci said he will be working with Versailles to see if they can hook-up to the City's water system.

Vlach asked if the City's water tank and infrastructure are sufficient to cover new customers. Ward replied yes, but at a certain point if for example the Krich development came on board, additional storage would need to be considered.

ADJOURN

The meeting was adjourned at 7:50P.M.

Submitted by,

Aileen Haslett
Recording Secretary