

**CITY OF OAKBROOK TERRACE
BUDGET MEETING OF THE CITY COUNCIL MINUTES
WEDNESDAY, MARCH 14, 2018**

I. CALL TO ORDER

The Mayor called the March 14, 2018, Budget Meeting of the City Council to order at 6:06P.M.

II. ROLL CALL

The following Aldermen were in attendance:

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

Absent: None

Also, in attendance were City Administrator A. Marrero, Public Services Director C. Ward, Assistant to the Mayor and Administrator M. Sarallo, Finance Coordinator J. Haug, and Finance Consultant A. Haslett.

III. PROPOSED FY 2018 BUDGET DISCUSSIONS

City Administrator Marrero welcomed everyone to the second FY 2019 Budget meeting and displayed a PowerPoint presentation.

Streets

Public Services Director Ward stated the FY 2019 budget for the Street Department is \$640,019 representing a 5.5% increase over the FY 2018 budget. Public Services Director Ward explained the increase is due to higher utility and vehicle maintenance costs. Public Services Director Ward highlighted some of the Street Department's accomplishments including:

1. Achieving 100% compliance for the Manual on Uniform Traffic Control Devices.
2. Constructing a memorial garden on the City Hall's west-side.
3. Installing about 1,200 feet of curbs and gutters.

Public Services Director Ward updated the Council on the status of the City's salt inventory. This winter season the City experienced 22 snow events and 422 tons of salt have been spread. Public Services Director Ward projected that the per ton price will increase due to the harsh winter, which is why he recommends renewing the current salt per ton price of \$45.97 for another year. Alderman Greco asked how much salt the City can store. Public Services Director Ward replied 400 tons. Alderman Vlach asked if the State charges the City to store the salt. Public Services Director Ward replied no and there are inventory controls in place to monitor the City's salt stored at the shared IDOT storage facility.

Water Fund

City Administrator Marrero stated the FY 2019 Water Fund revenues are estimated at \$1.3 million, up by \$15,000 from the current year estimate. City Administrator Marrero indicated that Water sales at \$947,000 comprise the largest revenue source at 75% of total revenues. These figures could increase once the new BP Amoco gas station along Midwest and the new La Quinta connect to the City's water system.

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The Water Fund expenditures are estimated at \$1.6 million, which represents an increase of about \$393,250 from the current year estimate. This increase is due to the proposed Midwest-Drennon Water Main Loop. Public Services Director Ward said the proposed water main will create redundancy for the Water system especially with acquiring the new BP Amoco and La Quinta customers. This loop will make the water system more reliable. Mayor Ragucci noted this new water main will enable to City to add more new water customers. Public Services Director Ward said the route for the water main loop is not in Oakbrook Terrace, and an easement with a property owner within the Village of Oak Brook will be needed. Alderman Esposito asked what happens if the City cannot obtain the easement. Public Services Director Ward replied the water main could be constructed using another route, but would be more expensive, because you would have to drill underneath Butterfield Road.

City Administrator Marrero discussed the Water Fund's gains and losses and noted that beginning in FY 2018 a shortage of \$22,947 is projected and a deficit of \$41,914 is estimated for FY 2019. These are conservative estimates. City Administrator Marrero noted that some solutions to possibly reverse these shortages will be discussed later this evening.

Public Services Director Ward said the FY 2019 Water Fund Distribution budget is \$591,214 and includes the Midwest-Drennon Water Main Loop. The FY 2019 Operations and Maintenance budget is \$1,062,364, representing a 4.4% increase over the current year budget. This increase is due to higher workers compensation premiums and an increase for the purchase of water from the DuPage Water Commission, which means the City is selling more water.

Public Services Director Ward highlighted some of the FY 2018 accomplishments detailed below.

1. Installed the new mandated DNR software to track the amount of water pumped. This new software showed that the City accounted for 95% of the City's water pumped under the M-36 AWWA Audit.
2. Completed the 18th year of not testing positive for coliform and bacteria sampling.

Business District

City Administrator Marrero projected the FY 2017 taxes collected within the Business District will increase by 3.5% over FY 2017, but no growth anticipated for FY 2019. With Office Depot set to open this spring hopefully sales taxes collected within the Business District will increase beyond FY 2019 projections. For FY 2017, revenues exceeded expenses by \$19,262 and a surplus of \$27,498 is projected for FY 2018, while FY 2019 is estimated to break-even. Principal and interest costs will continue to increase in the Business District and Office Depot will most likely just delay the potential deficit a few years.

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Capital Improvement Fund

City Administrator Marrero said the home rule sales tax is the largest revenue source for the Capital Improvement Fund at \$1.6 million. In FY 2017 home rule sales taxes increased 33% due to a one-time audit finding issued by the Illinois Department of Revenue. For FY 2019, infrastructure improvements at 66% represent the largest expense at \$1,279,573, while bond costs comprise 18%, and equipment and services are at 3% of the total budget. The FY 2017 fund balance increased by \$1.2 million and in five years the ending fund balance is estimated at \$6.8.

City Administrator Marrero stated the projects in the five (5) year Capital Improvement Plan will now be discussed. City Administrator Marrero stated the FY 2018 budget includes \$68,000 for the scheduled replacement of two (2) **police cars**.

Public Services Director Ward discussed the other Water Fund capital improvement projects detailed below:

1. the scheduled replacement of the **W3-Pickup Truck** at \$35,000 in FY 2020 – this vehicle will be used for snow plowing; and,
2. the addition of a **Water Main extension at Summit Avenue** – Public Services Director Ward explained there has not been much interest in pursuing this project by the current property owners, but this project would be ideal if the property is redeveloped.

Public Services Director Ward highlighted some future equipment purchases as detailed below.

1. In FY 2019 – replace two (2) **lawn mowers** for a total of \$14,000, these units have logged 1,200 hours and will be purchased through the State bid.
2. In FY 2019 – replace the T-4 2002 **Dump Truck** with plow package for \$150,000. Public Services Director Ward also requested that another **Dump Truck** be purchased at \$150,000 for a combined total cost of \$300,000. Public Services Director Ward noted replacing both trucks will eliminate break downs during snow events. Public Services Director Ward added both new units will have a V-Box salt spreader which will save on salt costs. City Administrator Marrero said financially the Capital Improvement Fund can handle the purchase of both units in FY 2019. The Council concurred with replacing both dump trucks in the FY 2019 budget.
3. In FY 2019 – add **curbs and gutters** for \$80,000. Public Services Director Ward suggested the City may be able to take advantage of some better pricing if the street resurfacing project for next year includes some curb and gutter work as well.
4. In FY 2019 – begin the two (2) year project for the **street resurfacing program** at a cost of \$1,199,573 for the first year and \$403,000 for the second year. The first year of the program will cover all the residential streets, while the second year will be for the outside streets. The City will be working with York Township on this because they are resurfacing as well.

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5. In FY 2020 – upgrading the **Spring Road Street Lights to LED** for \$8,000 which will save the City approximately 80% on utilities.
6. In FY 2020– replace the **front-end loader** at \$80,000.
7. In FY 2020 – replace the **Public Services Director’s vehicle** at \$32,000.
8. In FY 2020 – replace the T-5 2003 **Dump Truck** with plow package for \$165,000.
9. In FY 2021 – replace the T-1 2003 **Pick-up Truck** with plow package for \$38,000.
10. In FY 2021 – replace the T-2 **Versa Lift Truck** at \$115,000. This truck passes the annual safety inspection.

Finance Consultant discussed the proposed **replacement of the furniture for the City Hall offices** for \$50,000. When the City Hall was remodeled the front counter and the open areas were outfitted with new furniture, but none of the offices received new furniture. The new furniture will be more modular and blend-in with the existing furniture for a more cohesive look. City Administrator Marrero added some of the file cabinets will be replaced as well.

City Administrator Marrero discussed **Phase II of the Document Imaging** program at \$46,000 for Building and Zoning. City Administrator Marrero indicated so far this year the City purchased a large scanner and smart board for this project. City Administrator Marrero indicated once Building and Zoning is digitized then Finance will start the document imaging process.

City Administrator Marrero discussed the Police Department’s capital request for the new mandatory **ETSB report writing system**. City Administrator Marrero said the Council formally approved the City upgrading to the new software and the City can expect to be billed around \$30,000 a year for this project for the next five (5) years.

Assistant to the Mayor and Administrator Sarallo said the existing **microphones** in the Council Chambers need to be replaced. The FY 2019 budget includes \$9,039 for this expense.

Bob Shanahan of the Oakbrook Terrace Historical Society asked the Council to consider a \$4,000 contribution to the Historical Society to re-side the exterior of the Fik House to its original look. City Administrator Marrero asked if this would be in addition to the \$6,000 contribution. Shanahan replied yes. Alderman Vlach said he does not see spending anymore money on this.

The Council discussed updating the City’s goals and objectives.

The Council took a five (5) minute break.

Principal Issues Impacting the FY 2019 Budget

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City Administrator Marrero noted in her budget message that the fund balance for the General Fund is very healthy and exceeds the 40% reserve requirement. The City's fund balance is estimated to increase from \$7.2 million in FY 2018 to \$8.2 million in FY 2019. Since the excess reserve requirement has been met, now the Council has an opportunity to redirect these funds and incur some significant savings. City Administrator Marrero noted the excess reserves could be used to:

1. pay-down the City's bonds;
2. improve cash flow in the Water Fund; and,
3. and possibly reduce the police pension funding liability.

The City's total debt service requirements to maturity are \$14,080,540 for the Public Services Facility, Business District, and Water Fund. City Administrator Marrero said one option is to transfer \$763,000 to the Business District to alleviate the potential deficit beginning in FY 2027 and continues through FY 2031. This option will resolve the liability in real-time and represents a valid solution but will not save the City any interest fees.

City Administrator Marrero discussed the status of the City's various bond issues and their call dates. The City can pay-off the bonds on the call dates without any pre-payment penalty. Although the City is unable to pay-off all the bonds at this time, it is realistic to pay-off some of the bonds when they reach their call dates. City Administrator Marrero suggested the following bonds could reasonably be paid-off with the excess cash reserves.

Bond Series	Call Date	Balance Due @ Call Date	Est. Interest Savings
2010 B Business District	12/15/2019	275,000	122,920
2012 B Business District	12/15/2022	825,000	141,200
2010 Water Refinance	12/1/2018	1,165,000	146,370
		2,265,000	410,490
		Less: Est. Financial Advisor Fees & Bond Counsel Fees	(10,000)
		Adjusted Savings	400,490

City Administrator Marrero indicated that paying-off the 2010B & 2012B Business District bonds will create a surplus in that fund of approximately \$500,000 and could be used to pay-down the other outstanding bonds as they reach the call dates. The Council concurred to pay-off these bonds early.

City Administrator Marrero also suggested that since the General Fund is in such good financial condition that the \$150,000 portion of electrical utility tax could be re-allocated back to the Water Fund. City Administrator Marrero said this would help create cash reserves for the future capital replacements and repairs. The Council concurred to reallocate the \$150,000 back to the Water Fund.

City Administrator Marrero said the Council should consider establishing a capital replacement fund for the Water Fund. City Administrator Marrero said

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even though the water system is only 20 years old it has experienced some repairs such as the replacement of the riser pipe from a few years ago.

City Administrator Marrero said the City's pension contributions continue to increase and one of the ways to counteract these increases is to switch from the normal cost approach to a 15-Year Open approach. City Administrator Marrero said Finance Consultant Haslett would discuss this option because she has been in contact with the City's actuary, Jason Franken. City Administrator Marrero said the goal is to reduce the unfunded liability and the excess cash reserves give the City the opportunity to do this. Haslett stated the City's actuary recommends the funding approach be switched from the normal cost approach to the 15-Year Open method. The Illinois Municipal Retirement Fund currently uses the 15-Year Open method and is funded in the upper 80's percentile.

Haslett discussed the historical increases in the City's contribution towards the police pension. Haslett said at the outset under the 15-Year Open, higher contributions are required because you are going from a 21-year amortization period to a 15-year period. Haslett noted in the first year of the 15-Year Open the City's contribution would increase by \$410,000. Haslett stated the contribution under the 15-Year open will eventually decrease, while under the current method as the City gets closer 2040, *when the pension has to be 90% funded*, the required contribution is going to increase and become very volatile. In contrast, the 15-Year Open the unfunded liability will steadily decrease each year. City Administrator Marrero recommended the City switch to the 15-year Open since the City has the excess funds now. Discussions ensued regarding switching to a 15-Year Open. Due to the many variables and unknown factors regarding this approach, the Council determined to revisit this method when the levy determinations take place in November 2018. Alderman Vlach suggested the City pay-off all the bond issues before transferring money to the police pension fund.

City Administrator Marrero said if the City takes the estimated unassigned fund balance of \$6.7 million at April 30, 2018 and pays-off the \$1.1 million in Water bonds, pays-off the \$1.1 million in Business District bonds, redirects the \$150,000 electrical utility tax portion back to the Water Fund, and transfers \$410,000 to the police pension then the General Fund would still have significant excess reserves. Alderman Esposito asked if the City has forecasted the fund balance over the next five (5) or ten (10) years. Haslett stated staff will bring this forecast back to the Council.

City Administrator Marrero summarized the Council's feedback and said the Council is in favor of the bond pay-off suggestions and redirecting the electric utility tax back to the Water Fund. City Administrator Marrero noted the Council will revisit the police pension funding options in the fall when the tax levy is determined. City Administrator Marrero said the City's actuary can provide a comparison between the normal cost and 15-Year Open funding models. Mayor Ragucci thanked staff for their efforts at putting together the budget meetings.

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ADJOURN

The meeting was adjourned at 8:54P.M.

Submitted by,

Aileen Haslett
Recording Secretary