

***Proceedings of the Council of the City of Joliet, Illinois
held on the 23rd day of November, A.D. 2009***

SPECIAL MEETING of the Council of the City of Joliet, Illinois called for the purpose of reviewing the 2010 BUDGET held on Monday, November 23, 2009 at 4:00 P.M. in the Council Chambers, Joliet Municipal Building, 150 W. Jefferson Street, Joliet, Illinois.

ROLL CALL

PRESENT: MAYOR PRO-TEM JOSEPH R. SHETINA and DISTRICT 4 COUNCILWOMAN SUSIE A. BARBER, DISTRICT 2 COUNCILMAN TIMOTHY M. BROPHY, DISTRICT 5 COUNCILMAN WARREN C. DORRIS, COUNCILMAN AT LARGE THOMAS C. GIARRANTE and COUNCILWOMAN AT LARGE JAN QUILLMAN.

ABSENT: MAYOR ARTHUR SCHULTZ, COUNCILMAN AT LARGE MICHAEL F. TURK and DISTRICT 3 COUNCILMAN ANTHONY UREMOVIC.

ALSO PRESENT: CITY MANAGER THOMAS A. THANAS, DIRECTOR OF MANAGEMENT AND BUDGET KEN MIHELICH AND FINANCE DIRECTOR HUGH BRENNAN.

PUBLIC COMMENTS

Mr. Glen Martin of Lockport, owner of a five-unit apartment building in Joliet, spoke against an increase in the property taxes. He said a 20% rise in taxes is ridiculous; we're in the biggest recession since the Depression. He said the City just eliminated the water rebate and increased the water and sewer rates by 45%. He said the well is dry, there are foreclosures all over Joliet and he understands the City needs to do something, but when times are tight, the City can't just keep running to the residents and expect them to bail the City out. He suggested other ways to generate revenue such as vehicle stickers, traffic cameras, using a collection agency for outstanding fines and tickets, selling bonds and cutting fat out of the City budget. He also suggested that City employees take a 10% pay cut for one year.

MAYOR PRO-TEM TURK arrived at the meeting at this point.

COUNCILMAN SHETINA said with respect to taxes, Joliet has the lowest tax rate ever and has kept it that way by subsidizing it with riverboat gaming dollars and impact fees. He said the history of Joliet has been and still is that when we have money, we share it and reduce the taxes, and our rate is the lowest of everybody. He said regarding the 20% increase, nothing has been done yet on the tax rate. He also said we are using collection agencies.

Mr. Martin said he understands what the City does when it is flush with a little bit of money, but maybe we should have put some of that aside. He asked if there was another way to generate revenues without hitting the homeowners.

COUNCILMAN BROPHY said the only thing Mr. Martin suggested that would make any kind of impact would be the 10% one time cut on employee wages; the rest of them all together would generate between \$1.2 and \$1.5 million. He said what we're looking at though is a structural deficit in our budget over the next couple of years that needs to change like the water rates. He said we kept that rate fixed for 15 years, and if we would have let it increase just like inflation a little

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bit over time, it would be to where we moved it to now. He said the total that the water customers saved was about \$65 million. He said it's the same thing with the real estate tax rate, we haven't increased the rate all these years which meant profit for the land owner. He said Mr. Martin's points are well taken and we are here to discuss these very things, and depending on what they quantify, they can be implemented, but we still may have a budget gap. He said the only thing that has any teeth to it is very difficult to implement with the type of labor arrangements that we have.

COUNCILMAN GIARRANTE asked how much the vehicle stickers were when they were eliminated.

The City Manager said \$25.00 per vehicle.

COUNCILMAN GIARRANTE said so if they were to be reinstated at \$40.00, a two car family would pay \$80.00 for their vehicle tags. He said for a person paying \$5,000 in taxes, if taxes go up 20%, it would cost them \$150, if it goes up 10%, it would cost them \$75, and that's less than two vehicle tags.

The City Manager said when we did the analysis, we believe there are about 45,000 households and businesses in Joliet, and assuming each one has an average of 2 vehicles, that's \$50 per account and that would generate roughly \$2 million. He said we assume there would be \$500,000 or \$600,000 in administrative costs just to buy and sell the stickers and have police enforcement of it. He said we would get about 60% to 70% compliance, at least we did in the old days, so it would generate about \$1.3 million in revenue for the City if we went back to the stickers. He said if someone had a higher end home, they would probably come out better with vehicle stickers, but the person with the \$100,000 homes would pay \$71.00 based on the 20% increase, so it's probably very close. He said the advantage with real estate taxes is it's deductible on income tax, so there is a cost savings there, whereas the tax on the vehicle is not deductible.

GENERAL TAXING FUNDS EXPENSE OVERVIEW

The City Manager said tonight we would like to show the taxing fund expense side, detailed by fund and department, look at the revenues we are projecting for 2010 and at the gaming, parking and water and sewer funds.

The City Manager said there is a slide for each department, and we're asking the Council to help us make further cuts. He said we've made substantial cuts already, and if the Council has suggestions for other cuts, now is the time to do that because for every dollar that we cut from something else, we can pull that away from a tax increase.

MAYOR EXPENSE REVIEW

Director of Finance Hugh Brennan showed the first slide corresponding to Appendix B of the proposed budget which showed the Mayor's Office, City Council and City Clerk's Office. He said there are no pay raises for the Mayor, Council, City Clerk's Office and Mayor's Secretary, and the hours of the Liquor Commission employees have been reduced. He said \$165,000 has been taken out of the Mayor/Council at Large Neighborhood Improvement Program.

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The City Manager explained the breakdown of the salaries in the Mayor's Office and Liquor Commission.

CITY MANAGER'S OFFICE EXPENSE REVIEW

Mr. Brennan explained the details of the City Manager's office which include no management raises and the elimination of the Deputy City Manager's Office. He explained the creation of a new Marketing and Communications Division which incorporates Visitor Services, Front Desk, Public Information Office and Council Liaison. He said there is a total of 10 position vacancies in this department.

COUNCILMAN SHETINA asked how this will function.

The City Manager said Visitor Services will continue doing what they're doing and they will be moving to City Hall. He said they will also assume the responsibilities of Public Information Officer and send out media releases, be involved in community events and help out with festivals and the website. He said the Director of Visitor Services will take over supervision of the front desk that was previously handled by Human Resources, and he also will be the Council Liaison's supervisor. He said by consolidating all of that under one division, he thinks there will be a better handle on it and more production. He said the 10 vacancies include the Deputy City Manager, Office Manager, several recycling positions and the Public Information Officer.

MANAGEMENT AND BUDGET EXPENSE REVIEW

Mr. Brennan advised that Management and Budget has taken over the responsibilities of the Human Resources Department and there is a combined reduction of 7 positions. He noted that this does not include the Motor Maintenance Division. He said payroll variances are still in consideration and there are no management raises. He said this includes \$180,000 for the new payroll system.

The City Manager said we merged two departments and a Human Resources Manager will be supervising this staff. He said we have reassigned the Building and Grounds division and the Copy Center from Human Resources to Management and Budget. He said we are trying to shrink the departments and take some of the proven leaders that we have and put them in charge of some of the various functions.

COUNCILMAN BROPHY asked for a list of those non-union employees that have been retired or laid off and their previous title and approximate salary. He said it appears from the earlier public comments that the public still doesn't see that we've taken action not just in reducing the payroll, but by wholesale layoffs and cutting of employees, so we need a summary of that.

The City Manager said it's a work in progress. He said he had a meeting with the 100 or so management employees, which are down by about 20 from where we were 10 months ago, and he was very frank with them by letting them know that there may be further cuts in management positions. He said everybody knows that while we go through this process and see where the revenues come out, he can't assure anybody that they will have a job in the future. He said as we know, the management employees are at-will employees and they can be let go at any time, so we all understand that.

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The City Manager said regarding the payroll variances still in consideration, that's for the Local 440 employees who are assigned to Management and Budget as well as all the other departments. He said we are still having conversations with 440 and there are variances to the 440 contract that are needed much like the variances in the Local 44 contract. He said we'll be meeting with 440 probably next week sometime to resume our conversations about adjustments we're asking for in their contract.

COUNCILWOMAN QUILLMAN asked the City Manager if he has talked to all of the unions and where we are with them.

The City Manager said we've not had a conversation with the Police Supervisors Association leadership for a few months, and it was made clear to him at that time that contract adjustments were very unlikely. He said we wanted to secure two of the unions that we thought would be responsive to our situation and that was Local 44 and Local 440. He said we have met with Local 2369 (Fire Officers) and have not made much progress with them.

SPECIAL ACCOUNTS EXPENSE REVIEW

Mr. Brennan said Special Accounts is included within Management and Budget and is where the reserve accounts, insurance costs and special programs are. He said the big difference here is an increase of \$7.1 million which is a carryover from prior years for future investments, the two primary ones being the Intermodal Development Fund and the Evergreen Terrace Fund. He said those are prior year revenues that we collected and were carried over into 2010.

The City Manager said we have those revenues in hand and the Intermodal Development Fund is funded solely by CenterPoint. He said in the annexation agreement we had a commitment by CenterPoint to contribute about \$8.5 million over a five year period and we've collected about \$3.5 million so far, and then we have an additional payment of \$1.6 million due right around the first of the year. He said we are suggesting retaining that money for CenterPoint because that is a big project and there will be some expenses that we may incur along the way such as snow plowing and some traffic enforcement, things like that, and our recommendation is to keep that in the fund and at some point in the future we need to do some brainstorming as to where that money will go.

COUNCILMAN BROPHY asked why the CenterPoint payments are being kept in this fund and are we talking about economic stimulus type things or real expenses like police, plows and emergency calls.

The City Manager said there will be some additional expenses especially with the road maintenance and snow plowing. He said we won't see the impact of that during the 2009-2010 winter season because everything is still under construction. He said when it's finished and it's turned over to the City we'll need some help, whether that means buying an additional plow or having additional staff put on to help with that, and we want to make sure we've got money in hand to cover the cost. He said the other thing we need to look at are long term projects such as a bridge over the DesPlaines River, Vetter Road extended connecting to Houbolt Road or Empress and that may happen some day, so our recommendation is to keep that as it was intended as a separate fund and have it build a little interest, and when we start looking at how this area will develop, see what our needs are and make sure that it will be ready for whatever comes our way.

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Mr. Brennan said Special Accounts also includes the anticipated Metra Commuter Park Grant of \$900,000.

COMMUNITY AND ECONOMIC DEVELOPMENT EXPENSE REVIEW

Mr. Brennan said this department currently has 8 vacant positions, payroll variances are still in consideration and there were no management raises. He said the HUD Neighborhood Stabilization Program Grant accounts for \$2 million of the decrease, \$150,000 for the Will County CED was moved to Special Accounts, and there were significant cuts made to beautification and tree maintenance.

COUNCILMAN SHETINA asked about the latter cuts.

Mr. Mihelich said those were for entryway enhancements and other special projects. He said the purchase of a chipper is in the budget to do some work in-house which will save some money.

LEGAL DEPARTMENT EXPENSE REVIEW

Mr. Brennan said the Legal Department currently has one position vacancy and no management raises.

OTHER ACCOUNTS EXPENSE REVIEW

Mr. Brennan said other accounts in the General Fund include Municipal Waste and reflects the contractual agreement for a rate increase.

Mr. Brennan said the other big portion is the Disaster Recovery Fund of \$3.5 million. He said the recycling program expenses have also been eliminated.

POLICE DEPARTMENT EXPENSE REVIEW

Mr. Brennan said the decrease in payroll expenses reflects a reduction of 32 sworn and 10 non-sworn personnel, no management raises and payroll variances still being considered.

The City Manager said the payroll variances referred to are the current negotiations with FOP which is in mediation with one more mediation session the first week in December. He said if that is not successful, it would go to arbitration and subject to negotiated agreement.

COUNCILWOMAN QUILLMAN asked what miscellaneous compensation refers to.

Mr. Mihelich said that is generally contractual agreements with employees, the biggest items being clothing allowances and additional IMRF payments, court stipends, educational payments, vehicle allowances, overtime meals, etc. that is paid on a payroll check.

COUNCILWOMAN QUILLMAN asked for a list of those contractual payments. She asked about the line item for pagers and cell phones.

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Mr. Mihelich said in the beginning of the year the City had about 300 pagers and have eliminated all but a handful, so that line item is mostly for cell phones now.

Mr. Brennan said also included in the Police Department budget is \$551,000 more for grants.

COUNCILMAN BROPHY asked what that amount represents.

Police Chief Fred Hayes said this is for grants that were awarded in 2009 and carried over into 2010. He said \$229,910 of that is stimulus money that was awarded under a JAG grant to the Police Department.

COUNCILMAN BROPHY asked if any of those grants obligate the City to match it or continue the employment of anyone.

Chief Hayes said no, these are all equipment grants and there is no match to any of them.

EMERGENCY MANAGEMENT AGENCY EXPENSE REVIEW

Mr. Brennan said the biggest change here is the sirens purchased and budgeted for in 2009. He said no new sirens have been budgeted in 2010.

VEHICLE ROAD & BRIDGE EXPENSE REVIEW

Mr. Brennan said this is comprised of Public Works and Motor Maintenance which is part of Management and Budget. He said there are 11 position vacancies, 8 in public works and 3 in motor maintenance, payroll variances are still being considered, fuel costs are projected to be \$830,000 lower and budgeted roadway projects are \$120,000 lower.

COUNCILMAN GIARRANTE asked if we police these fuel costs and if this is strictly for City operated vehicles.

Mr. Mihelich said the fuel is primarily City-related, but there are other agencies that use the fuel and then reimburse us with a small surcharge. He said the City of Crest Hill, the Joliet Park District, the Village of Rockdale, the Housing Authority and others use it.

STREET LIGHTING EXPENSE REVIEW

Mr. Brennan said this expense is based on the rates that we were able to negotiate with the provider and we've estimated it to be about \$150,000 less for a total of \$3.1 million.

COUNCILMAN SHETINA said people have suggested that every other streetlight be shut off, and he asked if that is functionally possible and does it save any money.

Director of Public Works Jim Trizna said the City pays ComEd a rate based on each light that is put in for us and we pay them a rate for maintenance and electricity. He said the cost for maintenance is about 90% of the bill and the actual cost of running the electricity is relatively small.

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COUNCILMAN GIARRANTE asked the Police Chief if turning off every other streetlight would affect crime and the Police Chief said yes.

FIRE DEPARTMENT EXPENSE REVIEW

Mr. Brennan said a large chunk of the payroll savings in the Fire Department has to do with the overtime reduction of about \$970,000 which is tied to the recently approved payroll variances with Local 44. He said there are no management raises. He said this also includes an increase for the replacement of a fire station based on the stimulus funds we have received and a City match.

The City Manager said there would be no new people added for the replacement fire station which would be Station 3, and that should be discussed in the near future.

COUNCILMAN BROPHY said he thought the savings for the payroll variances was estimated to be \$3 million.

The City Manager said the savings would be \$1.6 million per year over a two year period, so that's where the \$3.2 million savings was.

SCHOOL CROSSING GUARD EXPENSE REVIEW

Mr. Brennan said the changes are minimal to the cost of the school crossing guard program.

COUNCILWOMAN QUILLMAN said we have talked about this before, and she asked if we have approached the schools about splitting this cost. She said the reason she is bringing this up is that the schools seem to have a lot of money these days.

Police Chief Hayes said we have had some preliminary discussions with school officials about working on a program to try and turn this over into more of a voluntary program. He said some of the ideas we've explored are reaching out to a couple of schools as pilot programs, meeting with school officials, meeting with the parent-teacher organizations and try and develop a volunteer force where we would actually train people to take over the crossing guard duties and in the safety procedures that are involved, and provide them with the equipment to do that. He said it would basically begin to be a volunteer program from that point on, and year after year we would expand that to try and eventually turn the whole program over.

COUNCILWOMAN QUILLMAN said that's all well and good, but she is talking about right now, that's going to be a long time out, this is an expense now. She asked if we have talked to them about splitting this cost. She asked why the City of Joliet is incurring that whole cost, that's her question.

The City Manager said he believes it has been Council policy going back to the 1950s and 1960s. He said it's a Council decision.

COUNCILWOMAN QUILLMAN said her question is have we talked to anybody from the schools about this cost because we simply can not afford to bear this whole cost any more, maybe we could in the 1950s and 1960s, but we can't do it now and her question is can we approach them about bearing some of this cost or picking up the whole cost. She said she is not saying get rid of the school

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guards, because we need them, but she thinks there should be a shared expense.

COUNCILMAN BROPHY suggested that COUNCILWOMAN QUILLMAN talk to the School Board members if she wanted to.

COUNCILWOMAN QUILLMAN said she wouldn't dare go ahead and represent the Council without Council approval.

COUNCILMAN BROPHY said he's not suggesting that, but if she wanted to test the waters of that elected board on whether they would meet us halfway, that would be quite an apple to bring home, but he's not suggesting that the City Manager have that conversation with the Superintendent over there.

COUNCILWOMAN QUILLMAN said she thinks it's an avenue we need to address and she asked what is the reasoning for not doing it.

COUNCILMAN SHETINA said this was brought up before about the City abandoning the crossing guard expense, and there was a hue and cry throughout the City about not doing that. He said his own personal opinion is, with the nuts that are out on the street today grabbing little kids, we can not afford to have amateurs out there watching these kids; we need crossing guards who know who the kids are and the \$450,000 we spend is nothing compared to what it takes to go out and find somebody that's been stolen by these nuts. He said it's a really bad idea to talk about doing anything other than what we're doing right now. He said if anyone wants to go to the School Board and talk to them about helping us, that's fine.

COUNCILWOMAN QUILLMAN said she wanted to reiterate again that she is not suggesting that we get rid of school crossing guards, but she feels that it's part of the school's responsibility to bear some of the cost as well for the safety of the school children.

Police Chief Hayes said that's why we're trying to explore a couple of options to try and reduce costs here. He said certainly we do not want to compromise safety one bit, so as we begin to explore that we'll ensure that safety is the number one priority. He said other communities have been able to use parental volunteers in their programs and those are the kinds of things that we will look at.

MOTOR FUEL TAX FUND EXPENSES

COUNCILMAN BROPHY said the Neighborhood Improvement Program gave us the opportunity to listen to resident needs and then suggest design solutions to them. He said without that, these projects are already pre-designed out of Motor Fuel Tax funds without any Council input. He said he assumes staff has evaluated these as most needy, and the question is, is that in fact the case, and if so, will we have the opportunity at least at the Public Service Committee for some review of proposed future projects so we can have some Council input as to the order of those things.

The City Manager said there is a \$1 million line item for road reconstruction and staff will bring recommendations to the Council, and we can start with the Public Service Committee and then have it come to the full Council, but he has asked Director of Public Works Jim Trizna and his engineering staff to prioritize what roads need attention very soon, and make those recommendations to the

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Council, probably in January. He said there are a few projects that are designated, and a lot of those projects have started in previous years such as Essington and Hennepin, so those are carryovers.

Mr. Trizna said there is \$500,000 for deteriorating road overlay and we will look at neighborhood and major streets that need overlays. He said he is looking to use the \$1 million road reconstruction fund for more neighborhood type streets. He explained the Bronk Road reconstruction from Black to Frank which is allocated for \$565,000 and the Bronk Road overlay from Frank to Claire for \$165,000.

Mr. Trizna said we will be looking at improving the neighborhood type streets and unless we are told differently, we will continue the policy of asking for participation if we're going to rebuild some of the neighborhood streets.

The City Manager said with the \$500,000, let's see what the winter is like and if we have a mild winter, that money will be available for actual road reconstruction projects and we will review that with the Public Service Committee.

BICENTENNIAL PARK EXPENSE REVIEW

Mr. Brennan said there are no management pay raises budgeted and many of the costs were reduced in 2009. He said a large amount of their operations, \$65,300, is if for utilities, primarily electric.

Mr. Mihelich said their corporation is going to invest in a new lighting system which they think in the end will help their electric bill go down. He said they have cut some programming and tried to be more efficient, but they have greater participation by the corporation as well. He said their utilities include the Visitors Bureau building and the fountain as well.

FIREMEN/POLICE PENSIONS EXPENSE REVIEW

Mr. Brennan said these funds were based on the City actuaries' reports and recommended City contributions.

The City Manager said the assumption on the investment return was changed to 7%.

Mr. Mihelich said that change was made after a study of the various assumptions and those are still incorporated. He said after the actuaries went through the report, we met with the presidents of the pension boards, went over the report with the actuaries, and all came to an agreement that that was the best measurement that could be done. He said that was also reviewed with the Finance Committee and it's included in the budget.

COUNCILMAN BROPHY said a conservative return is supported by recent data which showed that the average return on investment funds is 7.82%.

Mr. Mihelich said that may be a little bit high because the fire and police pension funds have restricted percentages on their investments; they can only invest 45% in equities, and a lot of other pension funds can go much higher than that.

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The City Manager said we did meet with representatives from each pension board about a month ago and have had a full exchange of information. He said we are trying to develop a good relationship and make sure they have everything that we have; obviously they would like to see us contribute more, and they understand that we're back on a path of building up the funding to a level that will be satisfactory, but it won't happen overnight. He said these additional funds gets us on that road and we need to keep doing that; our projection shows substantial increases in future years.

IMRF, FICA & MEDICARE EXPENSE REVIEW

Mr. Brennan said the employer contribution rate increased from 13.48% to 14.83% in 2010, social security and Medicare rates remained constant, and the decrease is due to less personnel and wage adjustments with payroll variances still being considered and no management pay raises.

PUBLIC COMMENTS

Mr. Jim Swenson of 359 N. William Street said he had some concerns when he sees budgetary items become sacred such as the crossing guards because of personal reasons or otherwise. He commented on the destruction of Vetter Road due to the CenterPoint truck traffic and asked about the plans and costs to repair it. He said his other concern is the condition of the sidewalks where it is hard to walk. He also commented on his opposition to property taxes going up and said he was told that's just the way it is.

COUNCILMAN SHETINA said that is not the history of the City of Joliet; we have lowered the taxes and subsidized water and a lot of things. He said the City gets 15% of the property tax bill and the schools get about 62% because they are funded by the property tax.

Mr. Swenson said when he hears things like "it's in the contract", he feels the citizens own that contract and when these are negotiated, we take on that burden of what is in those contracts, and all those things add up, and as a citizen he pays for those things. He said he doesn't get a guaranteed increase each year and he's sure that is going to be on the negotiating table, but where's the reality check.

COUNCILMAN GIARRANTE said the contracts we're talking about have two years to go on them and one is up for negotiation right now that management is working on. He said we can not unilaterally not live up to the agreements, we have to depend on the employees to sit down and change some of the things in the contract.

Mr. Swenson said he understands the collective bargaining process, his point is is that it's a contract and we're going to continue on the same path with these same expenses. He said he wants to have some hard discussion on budget line items, not just that it's a sacred item and that's a tough issue and people got upset about it so we don't want to talk about it.

COUNCILMAN SHETINA said there's nothing that we won't talk about.

Mr. Swenson said that's not the impression he got, but thanks for the time.

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COUNCILMAN GIARRANTE explained the 50/50 sidewalk program where if a homeowner has a bad sidewalk in front of their house, the City will pay for 50% and we ask the homeowner to pay for the other half.

MAYOR PRO-TEM TURK asked the City Manager to comment on Vetter Road.

The City Manager said CenterPoint is obligated to reconstruct the entire stretch of Vetter Road, and put in three lanes, and that will be done as part of a phase probably about two years from now. He said they will continue to maintain the roadways and we've asked them to stay on it on a weekly basis so we don't have the two foot potholes. He said it is a challenge because we do have hundreds and perhaps thousands of trucks going down those roads every week now, but we still have to look at the ultimate prize and it really is a tremendous project.

Mr. Doug Redmond of 1603 Richmond Street said he would urge the Council to keep in mind that salaries have been frozen amongst many citizens as well as the senior citizens, and there will be no increase in social security over the next two years. He said there's also going to be a potential increase in Medicaid which means they're going to be getting less dollars per month, and he asked the Council to please keep that in mind while going through the budget discussions.

Mr. Redmond asked if there is an office supply or equipment warehouse that is centralized to have furniture, computers and other items recycled rather than buying new. He said the streetlight reduction was brought up, but in the future, is there a way to put them a little bit farther apart. He also suggested doing bulk purchases and teaming up with adjacent cities to purchase salt or other equipment similar to the gas program the City currently has. He asked how other cities similar in size and who have the same type of makeup are handling this recession and their budget problems. He said he would imagine those cities with riverboats are having the same decrease in revenue and he asked what kind of ideas they have come up with.

COUNCILMAN DORRIS left the meeting at this point.

The City Manager said he keeps close tabs on Elgin, Aurora and Peoria that do have the benefit of having gaming in their town, and as an example, in Elgin the City Manager made a recommendation two weeks ago for a 9% increase in water and sewer rates each of the next 5 years, in other words a 45% increase just like this Council approved a few weeks ago. He said Elgin has gone through a round of layoffs, Naperville has gone through two rounds of layoffs and Aurora just did a second round of layoffs last week. He said Joliet is in the same situation as similar sized cities, and we're all going through the same thing, and all of this is being caused not because of mismanagement, but because of a substantial decrease in sales tax, income tax and in some towns, gaming tax, and all of the other construction related fees.

The City Manager said we have probably reduced the number of employees more than any other city with the exception of Chicago, and we've done it in the least painful way possible through the early retirement incentive program and a few other things.

The City Manager said regarding Mr. Redmond's other points, the City does buy salt through a co-op in the State of Illinois. He said as far as office supplies, the Purchasing Department watches every penny spent and we're going to start sharing a lot because we've cut that budget across the board by 20%. He said

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these are common sense suggestions and we're glad to hear citizens recommending the same things that we're recommending to the Mayor and Council.

Mr. Mihelich said regarding furniture and recycling, we pretty much put the kibosh on new furniture about a year ago. He said about the only exception is maybe chairs that have gone bad.

COUNCILWOMAN QUILLMAN asked about the \$257,000 allocated for office and household furniture for Port Security.

Mr. Mihelich said none of that is really office furniture, that's specialized police equipment. He said the problem that we have is that our numbering system has lumped everything together and we need to provide an addendum to break out some of these things with a better explanation, and we will get that explanation out next week.

Police Chief Hayes said this line item is for surveillance camera equipment that is being deployed along the DesPlaines River which is being paid for from a Homeland Security grant we received about three years ago.

Mr. James Alston of 215 Doris Avenue presented petitions with 78 signatures opposing the increase to property taxes. He said a lot of the people he talked to were not aware of the increase in this and the water and sewer, and he told them we can deal with the water and sewer because that may be rescinded if the revenue increases, but once the property taxes are increased, that doesn't get rescinded.

COUNCILMAN SHETINA said he wanted to make it clear that the Council has reduced City taxes time and time again so our portion was reduced.

Mr. Alston said the other taxing bodies don't do that. He said a lot of people are against this and he asked that the Council look at this more; this isn't a real good time to raise taxes and a lot of people can't afford it. He said the money from CenterPoint should offset some of the need for an increase.

The City Manager said we could have easily taken the \$3.5 million in hand and the \$1.6 million coming in in the next couple of months from CenterPoint and the \$3.5 million allocated for the Evergreen Terrace project and plugged the hole in the budget this year and not raise property taxes, or we could have taken \$7.5 million from the \$19 million rainy day fund which we believe we can keep at \$19 million through the budget that has been proposed. He said what we didn't want to do is do what Chicago is doing right now. He said they received hundreds of millions of dollars for the parking meter deal that they did, and that is a one time source of funding that needs to go into a development fund so it gets invested and returns dollars much like the NIP project does where money is put into the community and we get a benefit from it. He said if we use that money we would just be plugging a hole for one year and the money would be gone, and that's why our recommendation is not to use those one time funding sources just to plug a hole so we have an easy out this year and defer this conversation until next year. He said we all know that the assessments will be going down and we need to get out in front of it; we just happen to be the first governmental agency having the conversation and the others will be following suit in the next couple of years.

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COUNCILMAN GIARRANTE said no one up here is enjoying this; we're trying to cut every possible thing short of laying more people off. He said the reason we're up here is to cut as much as we can to limit how much we have to raise taxes if in fact we have to raise them. He said he's not enjoying all the e-mails and the phone calls he is getting, but we have to address the problem. He said the problem wasn't created by us with this recession, but we have to address it.

COUNCILMAN BROPHY asked Mr. Alston what the average home value is in his neighborhood.

Mr. Alston said according to the assessor last year it was about \$120,000.

The City Manager said on a \$125,000 home last year, if that dropped about 10% like everybody else's in the area, it would be \$110,000, and that would cost about \$80.00 a year for the increase.

COUNCILWOMAN QUILLMAN said his property is still valued at what it was three years ago, so he is going to be taxed on what his property was valued at then because those lower assessments have not come out yet, so let's tell it like it is, they're being assessed on what their property values were three years ago and not on what it's worth today.

The City Manager said \$94.00 would probably be the increase and with the decrease that will probably start showing up in the next couple of years on our assessments, it will probably drop about \$10.

COUNCILWOMAN QUILLMAN said \$94.00 might not sound like a lot to somebody up here, but to this man here and other people who are out of work, that is a lot of money.

COUNCILMAN GIARRANTE said we're going to try and cut as much as we can out of this budget, and when we're all done and have a \$6, \$7, \$8 million shortfall, how can we make that shortfall up short of raising taxes.

Mr. Alston asked about the vehicle stickers and whether we really know that it will cost us more to implement it.

The City Manager said that would generate \$1.3 million so it would take care of about 1/5 of the shortfall that we would have. He said it is an option, he's not bringing it forward though and it's not his recommendation. He said if the Council thinks a City sticker would be better than a full increase in the taxes as he is suggesting, that's fine too, but he thinks for the effort that it takes and the imposition on all the citizens to pay that \$50 and then we have 30% of our neighbors that don't pay it, it just doesn't seem very fair.

The City Manager said we could also increase the sales tax instead of increasing real estate tax, we could increase the utility tax, the hotel/motel tax, the gas tax, there's a lot of other taxes that are out there; the bottom line is, it's still a tax and it still comes out of the taxpayer's pockets, and there are some policy calls that need to be made. He said considering the history of real estate taxes where the City has held the tax rate at an extremely low rate over the years and we've actually had the lowest rate around, we thought that this was an area that would probably make more sense than the other taxes. He said if we don't do a tax increase of any kind, then we need to take \$7.5 million out of the budget, and most of the cost is in personnel, so we're probably talking about reducing the

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workforce by 80 to 100 people over and above the 100 vacancies that we currently have. He said that's going to be a hard thing to do because we are then cutting into service dramatically.

COUNCILMAN SHETINA asked if one of the budget review meetings could be held at a later time to make it easier for the public to attend.

It was agreed to change the start time of the budget review session scheduled for November 30, 2009 to 5:30 p.m. instead of immediately following the Pre-Council meeting.

GENERAL TAXING FUNDS REVENUE OVERVIEW

Mr. Brennan showed slides of the history of the City's major taxes and fees from 2003 to present including the state income tax, state sales tax, home rule sales tax, utility tax, food and beverage tax, ambulance fees, real estate transfer tax, permit revenues and impact fees.

Mr. Brennan showed a chart on the real estate taxes and said from 2003 to 2009, the rate has remained the same. He said the growth shown is due to the equalized assessed valuation (EAV) growing; the rate has stayed at \$1.11 throughout this whole period of time.

The City Manager said we have doubled the amount of taxes we've collected in six years without raising the tax rate. He said we went from \$15 million the City used to collect to up to almost \$30 million without a single tax rate increase; the reason for that of course is all the growth. He said now that that is all flat lining we need to find a way to make sure we maintain that and fill other holes that we have, so that's why we're making the recommendation we are.

PROPERTY TAX DISTRIBUTION BREAKOUT

Mr. Brennan showed the property tax distribution breakout for 2003, excluding the library, which showed that fire and police pensions accounted for 40% of the taxes with the other 60% going for operations. He showed that in 2009, that increased to 59% of the entire tax levy for fire and police pensions. He also showed that in 2010, if nothing was done and the same level of property taxes collected was maintained, operations would only be 33.5%, and pensions would take up 2/3 of the tax levy. He said by implementing the rate increase, it brings it down to about a 50/50 split between the pensions and the other operations.

CITY'S PROPERTY TAX RATE PORTION

Mr. Brennan explained the City's total tax rate of \$1.11 in 2008 payable in 2009 and the proposed 20% increase payable in 2010 that would raise that portion to \$1.3672.

Mr. Mihelich pointed out the rate of \$0.0352 for the General Obligation debt which increases the rate by 23% or 24%. He said that debt for the additional borrowing we did in 2002 to enhance the roadways will retire in 9 or 10 years.

The City Manager said this debt was abated by gaming revenue in the past, and we're recommending that we put that back and not abate it this year because of the absence of the gaming revenue.

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PROPERTY TAX RATE INCREASE ANALYSIS (JOLIET TOWNSHIP)

Mr. Brennan said the total tax rate for Joliet Township for all of the taxing bodies in 2008 payable in 2009 was 6.851 of which Joliet comprised 16% of the entire tax levy. He said for the 2009 levy payable in 2010, Joliet's rate would increase to 1.3672 which represents 19% of the tax levy that would be paid.

PROPERTY TAX RATE INCREASE – OWNER'S IMPACT

Mr. Brennan said the proposed property tax rate increase on the owner of a \$100,000 home would be \$71.59, the increase on a \$200,000 home would be \$157.34, and the increase on a \$300,000 home would be \$243.06. He said these are based on a 24% increase.

COUNCILMAN SHETINA said the 24% increase is news to him, and staff better start looking at some other ways to enhance revenues besides this. He said whatever it takes, look at other revenue enhancements so we don't have to do this 24%. He said he's talking for himself, but the 24% increase is just not going to happen.

TAXING FUND SUMMARY

Mr. Brennan ended the presentation with the following summary:

- 2010 Budget is structurally balanced
 - Assumes Payroll Variances in Consideration
 - Assumes Property Tax Increase
 - Assumes New Parking Transfer (Increasing Rates)
- Structural Imbalances Still Exist in Future Years
 - Reduces 2012 Projected Shortfall
 - Estimated Per 2009 Budget (\$66,888,117)
 - Estimated Per 2010 Budget Proposal (\$17,484,057)
- Efficiencies will be Explored and Implemented to Further Reduce Future Expenses

The City Manager said at the next budget session the water and sewer fund, the parking fund and the gaming fund will be presented. He said we can also bring back the menu of other tax increases. He said the other option is cuts that the Council would suggest to be made in the budget as presented, knowing that those costs will be hard because that will cut into service.

COUNCILMAN BROPHY said if we took the risk and dig into the reserves we would carry a reserve of \$11 million instead of \$19, and that \$11 million represents about three weeks of operating. He asked how a City like ours borrows in the short term. He said bonding is not an option overnight, is it.

The City Manager said the bonding companies look for long term stability and we have worked hard to improve our bond rating and put us in a great position. He said that's why our recommendation is to try and maintain that \$19 million reserve for 2010 which is still not adequate, but is better than dipping into it as far as that being the option.

COUNCILMAN BROPHY said he thinks the Council needs to be presented with that information as far as what short-term borrowing would cost us. He said long-term borrowing takes a while to set up, and we need to understand the long-term

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damage we would do to ourselves because of it.

The City Manager said the suggestion has been made why don't we borrow our way out of this much like the State of Illinois and federal government does, and we don't think at this level of government that we should be doing that. He said we don't think committing dollars that we can't identify a source for to pay off in the future makes sense at this point. He said we will have road or utility projects that we will be bringing back for a bond issue where there will be a return on the investment, and that's where we are going to need some help to identify some sources of revenue, and maybe that's where a vehicle sticker may come into play or a 1% gas tax to help pay off that kind of debt.

COUNCILMAN BROPHY moved that the Council adjourn at 6:30 p.m.

Motion seconded by MAYOR PRO-TEM TURK.

Motion carried by the following vote:

AYES: COUNCILWOMAN BARBER, COUNCILMEN BROPHY, GIARRANTE,
COUNCILWOMAN QUILLMAN, COUNCILMAN SHETINA and MAYOR
PRO-TEM TURK.

NAYS: NONE.

ARTHUR SCHULTZ
Mayor

JANET K. TRAVEN
City Clerk

Recorded on Tape