

COUNCIL- MANAGER FORM

***Proceedings of the Council of the City of Joliet, Illinois
held on the 12th day of December, A.D. 2007***

SPECIAL MEETING of the Council of the City of Joliet, Illinois held on Wednesday, December 12, 2007 at 4:00 P.M. in the Council Chambers, Joliet Municipal Building, 150 W. Jefferson Street, Joliet, Illinois.

ROLL CALL

PRESENT: MAYOR PRO-TEM MICHAEL F. TURK and DISTRICT 2 COUNCILMAN TIMOTHY M. BROPHY, DISTRICT 5 COUNCILMAN WARREN C. DORRIS, COUNCILMAN AT LARGE THOMAS C. GIARRANTE and DISTRICT 1 COUNCILMAN JOSEPH R. SHETINA.

ABSENT: MAYOR ARTHUR SCHULTZ and DISTRICT 4 COUNCILWOMAN SUSIE A. BARBER, COUNCILWOMAN AT LARGE JAN QUILLMAN and DISTRICT 3 COUNCILMAN ANTHONY UREMOVIC.

ALSO PRESENT: CITY MANAGER JOHN M. MEZERA, DIRECTOR OF MANAGEMENT AND BUDGET KENNETH R. MIHELICH and BUDGET ANALYST CARL MCCANN.

A Notice of Special Meeting of the Council of the City of Joliet, Illinois to be held on Wednesday, December 12, 2007 at 4:00 P.M. in the City Council Chambers, Joliet Municipal Building, 150 W. Jefferson Street, Joliet, Illinois, called by COUNCILMEN BROPHY, DORRIS and GIARRANTE for the purpose of reviewing the proposed 2008 Budget was submitted.

The City Clerk read the following statement from MAYOR SCHULTZ: "The Mayor apologizes for not being here today. He is still recuperating from a bleeding ulcer. He does look forward to returning to work soon and attending the next budget meeting."

The City Manager stated that there was a request made to have some discussion on the status of the Police and Fire pension funds.

Ms. Amy Williams from the actuarial firm Gabriel Roeder Smith and Co. (GRS) was present to respond to any questions.

COUNCILMAN SHETINA said what he is looking for is information on our outstanding debt for pensions and for insurance and how we are funded in those areas. He asked if we are funding this future outstanding indebtedness or liability to the extent we should be funding it and if not, what do we need to do.

The City Manager said a long time ago they would underfund the pensions so the percent funded was really low, down to about 50%, so we started increasing that every year and it went up to about 70%, but then a couple of things happened. He said the investments went way down in 2001 and 2002, so they took a real hit on their assets, and now our percentages are down to the low to mid 60's, depending on how you look at it in terms of percent funded, so we went from 70% maybe down to 62% or 63%.

COUNCILMAN GIARRANTE asked what the latest pension numbers are.

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The Director of Management and Budget said for January 1 of 2006 the police pension is 63.7% funded and the fire is 57.5% funded.

COUNCILMAN SHETINA asked if it was a legislative function in 1993 that said this is what you have to pay in or what.

The Director of Management and Budget said the legislature got together with the pension boards and said we can't keep letting cities that owe a million dollars a year put in \$300,000, but we realize if we made you pay it all today, we'd put you in dire straits, so we gave you 40 years to make up that difference.

COUNCILMAN SHETINA said but the liability doesn't end there at that 1993 period, and does the liability continue or is it accumulative.

The Director of Management and Budget said there's two types of liabilities, there's that 1993 portion that we're trying to fund over 40 years and then there's the current portion where every year we add to it because we hire new employees so we have to pay their pensions as well.

COUNCILMAN GIARRANTE referenced a report from June 5, 2007 from Wermer Rogers and said it shows for the police pension fund, in 1998 it was 73.9% funded, and every year it has less and less and less until 2005, which is the last one in the report, and it's 58.3%, and now you're saying it's 63%, so they have gone up.

The Director of Management and Budget said this past year it did go up and it would have gone up even more except we changed the actuarial assumption to be more conservative.

The City Manager said we would have looked better this year had we not reduced the earnings assumption from 7.75% to 7.50%, but we said let's go ahead and do that because it's probably not likely in the short term that we're going to be able to bring the average up that high. He stated we said we should reduce it knowing that it makes our percentage look lower, but we're actually adding more money at a time when our percentage looks lower. He said it seems counterproductive, but you need to do it.

MAYOR PRO-TEM TURK asked what our total dollar obligation is for 2008.

The Director of Management and Budget said about \$11.1 million.

MAYOR PRO-TEM TURK asked how does our percentages compare to cities of our size.

Ms. Amy Williams from GRS said generally in Illinois funded ratios seem to run a little lower than the overall national average, but state-wide about 70% to 80% would be about average, and regardless of size, municipalities should shoot for something that is probably around 80%. She said it's important to look at where you are now, but also where you're going based on the funding policies.

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COUNCILMAN GIARRANTE asked if we could get that information on other municipalities, and the Director of Management and Budget said he would get that data.

COUNCILMAN BROPHY asked if our employee complement behaves any differently than the average employee complement; are our retirement decisions different than anyone else's.

Ms. Williams said she could find out that information.

The City Manager said one of the things that we looked at is IMRF and they're at about 97% funded and their investments over time run about 7.5%. He said we called them and said if police and fire wanted to invest their money in their funds could they do that, and they said they're prohibited by statute from doing that, however what they can do is provide information on the investment managers that they use, and we could set up the same kind of portfolio that they have and we'd get the same kind of returns. He said we should probably do that.

COUNCILMAN SHETINA asked when can we get to a point where we're satisfied that we're funding the current employee complement and the people who are retired and any other debts we have for health and pension at the level that we need to fund it, and can we meet all our outstanding debt.

The Director of Management and Budget said with police and fire you can say that right now with the pensions.

COUNCILMAN SHETINA said we used to contribute what the actuarial said, rather than what the State said.

The City Manager said we still do that.

COUNCILMAN SHETINA asked why.

The Director of Management and Budget said we use the assumption of 7.5% and the State uses the assumption of 7%, and we're a little less conservative, but our mortality tables are more conservative, so those two things even out. He said there is also another assumption regarding the actuarial value of the assets.

Ms. Williams stated the difference in the asset values between State valuation results and GRS valuation results are that the State is using a market value of assets and GRS uses an actuarial value of assets, and she explained the differences between the two.

The City Manager said we can go into more detail when we get the whole report done in January.

COUNCILMAN GIARRANTE asked where in the budget is the \$500,000 that we're supposedly getting from contracting out the ambulance bills.

The City Manager said that's in here under general revenues.

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COUNCILMAN GIARRANTE said he would like to see the \$500,000 set aside in the Fire Department budget, and he'd like to see the Fire Chief and the bargaining unit sit down and work out a 3 or 5 year plan to phase that in so we don't have to hire all those people right off the bat and see if the bargaining unit can make some concessions as far as manpower. He said right now the trucks and ambulances call for 3 personnel on each, and if they would forego one of them to try to institute this plan we would be looking at buying the equipment and you already have some money in there for that.

The City Manager said the only thing is, we'd have to replace that revenue with something else. He said he would recommend that if we are going to do that, we should take a revenue source and try to find one that's the same and plug it in here somewhere and then the money is there for whatever you want to do.

COUNCILMAN GIARRANTE said but the revenue source is there and created by the contracting out of the ambulance billing.

The City Manager said we put all of the revenue sources in here to be shared by all of the departments, and we would just to need to put another revenue source in here if we're going to take any of this revenue and set it aside.

COUNCILMAN GIARRANTE said we need to take some of these expenses out of here.

The City Manager said if there are certain projects that we don't want to do we can take them out of here or we can cut some employees along the way or something.

COUNCILMAN GIARRANTE said he's not looking at cutting employees or raising taxes, he's looking for staff to come up with some way to fund this, but if there's no support, then there's no support. He said and when you come back with your suggestions, we have to all agree on them, no question.

The City Manager said and it has to be something that you can do without in the budget every year, just for one year doesn't work, so it's got to be something that's going to last forever. He said you need a revenue source or you need a cut that is going to produce that every year, and that gets difficult.

COUNCILMAN GIARRANTE said he would just like some suggestions.

The City Manager said we would be glad to do that.

The City Manager then began explaining some of the highlights of the 2008 budget message. He said there's nothing earthshaking about this budget that would make it different than previous years. He said one of the biggest differences is we're not adding employees this year, but our growth has slowed really a lot so it's easier for us to do that.

The City Manager said in 2007 we experienced revenue decreases in construction related items such as tap-on fees, permits and things like that because housing construction was down, but we had revenue increases in a lot of the other items so they kind of balanced out a little bit and allows us to have a

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beginning balance in 2008 of about \$20 million. He said in the past we didn't have beginning balances of this amount and we've tried to build that beginning balance up so that over the next four years we'll have financial stability. He said over the next four years if you don't do anything to cut expenses or increase revenues, then you have a substantial gap, so it's something you have to work on, but this beginning balance allows you the luxury of having some time to work those things out.

The City Manager said the budget, including the Sewer and Water Fund, is balanced at \$268,114,901 compared to \$279,293,525 in 2007. He said it was a little bit higher in 2007 because we had the utility program in there at a little higher level of spending. He said the budget, excluding the Sewer and Water Fund, is balanced at \$210,075,704 compared to \$206,383,365 last year, and excluding the Sewer and Water Fund and riverboat gaming revenue, the budget is at \$173,340,174 compared to \$167,964,752 last year.

COUNCILWOMAN QUILLMAN arrived at this meeting at this point.

COUNCILMAN SHETINA asked about the riverboat gaming revenues on page 9 of the budget message. He said it looks like in 2007 we're going to be getting about \$2 million over what we thought we would, and in 2008 we're looking at about a \$4 million reduction versus the 2007 estimate. He said they're talking about a 7% reduction as the result of the smoking ban, and he's assuming that the riverboats are doing something to try to offset that.

The City Manager said he has talked to the local riverboats and asked them what the impact could be, and they say the impact could be 7%, and that's what we put in there, but they're also saying that they are not going to let that 7% happen, because their bosses will not let them take a 7% reduction. He said they are pouring more money in for marketing and they're marketing all up and down 355 and the new 355, and that's mostly from Harrahs. He said probably 2/3 of our revenues are coming from Harrahs, so we look at their projections real hard, and they're very good.

MAYOR PRO-TEM TURK said so any reduction in riverboat gaming revenues due to increased competition wouldn't be in effect until probably the 2009 budget.

The City Manager said that's correct. He said they are trying to grow the market here and if they get hit a little bit they can make that up. He explained the gaming proposal now in the State legislature and the possible effects it would have on existing riverboats.

The City Manager continued with page 2 of the budget message and said that the Neighborhood Improvement Program would increase by \$1 million.

COUNCILMAN GIARRANTE asked where that additional money is going.

The City Manager said it hasn't been earmarked. He said it's been suggested by some members of the Council that it should be an equal distribution, but that's open for discussion. He said that \$1 million could go into the NIP, or it could go anywhere.

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COUNCILMAN GIARRANTE said we could take \$500,000 of it and put it towards the Fire Department truck engine concept that we've talked about.

COUNCILMAN BROPHY said before we do that, he'd like to see the Fire Department's 5 or 10 year plan because he doesn't get any calls from constituents saying they don't feel safe and their fire protection isn't good enough.

COUNCILMAN GIARRANTE said we're not spending it, all he's saying is to put it aside and if they can sit down and work out a plan, fine. He said if it's acceptable to everyone, fine, and if not, then it goes back into the budget.

COUNCILMAN BROPHY said he wants the professionals to come to us and say this is what we need over the next 5 years and tell us how to do it.

COUNCILMAN GIARRANTE said they have, they came to the Public Safety Committee and told us that the quint concept is not working, and he reported that. He said we talked about raising the taxes, and everybody backed off, so they've already come to us and told us the quint concept does not work.

COUNCILMAN BROPHY asked if you are going to put that in a comprehensive plan for the Fire Department.

The Fire Chief said you will have a 10 year plan in front of you.

COUNCILMAN BROPHY said for now we can assume that \$1 million will be spent for the purposes listed in the Neighborhood Improvement Program.

COUNCILMAN GIARRANTE said he won't support that. He said it's not fair the way it is now.

COUNCILMAN BROPHY said he's not saying not to give it to the At Large Council members and have them figure out what to do with it. He said he'd like to ask staff where they would recommend we spend the money.

COUNCILMAN GIARRANTE said it's very obvious which districts need it.

COUNCILMAN BROPHY said he'd like to see what they'd say if we do it by need instead of by political district.

COUNCILMAN SHETINA said the last he heard, the engineers don't have a vote and they don't run for office, so the people who have to decide are the 9 people who sit up here. He said he thinks we all need to sit down and talk about it. He said we don't need to vote on anything today. He said if the \$1 million comes in, that's great, and if the Council wants it to go to certain areas, that's fine.

COUNCILMAN GIARRANTE said but we need to make that decision because if we put this in the NIP Fund, the District Councilmen are going to allocate that money and decide what to use it for.

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COUNCILMAN DORRIS said his understanding is that we were going to discuss the budget today, but MAYOR SCHULTZ asked that no final decisions be made today, and he hopes we would honor that.

COUNCILMAN GIARRANTE said all he is doing is expressing his opinion, he hasn't asked for a vote or anything.

COUNCILWOMAN QUILLMAN said she would just suggest that since this is such a hot topic and everybody has their projects, maybe we should have a separate meeting just to discuss NIP funds because to her that's going to be a long drawn out meeting.

The City Manager said we used to have the staff make a priority list and then we divvied it up among Districts, but your understanding of what it takes to do it is so much higher now because you have this money and you have to fight over it and you have to guard it, and you have to try to stretch it and spend it here and there, and it is so helpful to the community to have you involved at that level. He said we could go back to just having the staff do it, but he wouldn't recommend it. He said the way we do it now keeps you involved at a really grass roots level, and he thinks it's really important to do that.

COUNCILMAN DORRIS left the meeting at this point.

The City Manager explained the major capital projects including setting funds aside for Evergreen Terrace, the new Fire Equipment Maintenance Facility and the Far West Street Maintenance Facility, the City Hall South Renovation and the City-Wide Technology and Communication Network, as well as a new phone system which has been installed. He said the next phase of that system is to put public safety on it with their mobile vehicles, which will cost \$6 or \$7 million, and over the next two years we hope to fund that with about \$3.5 million of gaming revenues this year and the same next year. He said then you'd be done with the project and you'd have a tremendous asset in place and operational.

The City Manager continued with page 4 and said the budget provides for decreasing overall staffing by three positions by deleting one Cable TV Coordinator position, adding one Chief Water Plant Operator position and deleting three Waste Water Plant Operator positions. He said regarding personnel, the Council had asked that we add no new positions this year, and we've done that.

COUNCILMAN GIARRANTE said he knows that was COUNCILMAN SHETINA'S thing, but he doesn't remember ever voting on that. He said he knows COUNCILMAN SHETINA spoke up and said we don't want any new positions, but to make the statement that we asked you do that, he doesn't think that's a correct statement. He said he doesn't ever remember voting on it.

COUNCILMAN BROPHY said it wasn't a vote, but we had some discussions.

COUNCILMAN GIARRANTE said but something like that he thinks should come in the form of a motion and a vote.

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COUNCILMAN SHETINA said he thinks there was at least a tacit opinion of the Council, and he thinks we should look at a hiring freeze until we can figure out where we're at with the pensions and our long term liability. He said that's the only concern he has, whether we can fund and meet our responsibility for the people here from now on and those who are retired, and he's not satisfied with that. He said and if we have to vote on it, fine, but he doesn't want to see anybody hired until we know that when that person comes on, we can pay all the expenses for them and for the people who are retired, and he thinks the employee complement we have now is most important. He said he thinks we have enough employees right now, and he doesn't think we're hurting in any areas. He said and at the same time if there are going to be increases in employee complements, we need to make sure that we can pay for them in all ways. He said he is not satisfied with it, and if we have to vote on a freeze, that's fine, and if it doesn't pass, that's fine.

COUNCILMAN GIARRANTE said he just thinks with something that major, we should have a consensus of the Council on it. He said he doesn't have any problem with it.

COUNCILMAN SHETINA said he thinks the intention was to watch any hiring and not hire anybody and to also look at any people that come on to replace people. He said he doesn't want to see us micromanaging, but it's incumbent upon us to look at who we put on as to what long term liability we have, and he's not satisfied that we can meet the long term liability right now for our current employee complement and those who are retired.

MAYOR PRO-TEM TURK asked if this budget includes replacing employees who quit or retire.

The City Manager said yes, every position that we currently have is carried forward.

MAYOR PRO-TEM TURK said he thinks it's essential that we do that.

COUNCILMAN SHETINA said but we can also look at each position as they come up and the Council can vote on each one, and we do.

The City Manger said he thinks the message that was sent to us was that you wanted us to look very hard at the budget and try not to add new positions if possible because the 4 year financial plan doesn't provide funding for that in the long term. He said he thinks that was an appropriate message for you to send to him and he heard it loud and clear.

COUNCILMAN SHETINA said if at some point in time it does come up for a vote, he thinks it's important that we realize that this Council has displayed that it does not have the will to increase taxes or any other revenue sources that you need to meet the obligation that we're talking about in this time frame of 4 years. He said if the Council is not willing to make those kinds of decisions, then he doesn't think we ought to be talking about hiring any new positions.

The City Manager said that's probably a good position to take, and every new position and replacement has to come to you anyway.

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COUNCILMAN SHETINA said and if through the attrition process we see we can save and don't need the position, then we can eliminate it.

The City Manager then continued with the budget message and said the budget provides for the continuation of City-wide landscaping/beautification and funding to support the Quality of Life Task Force recommendations, with Corridor Studies funded at \$200,000 and \$50,000 set aside for investment in the new Community Development Corporation.

The City Manager said regarding the Corridor Studies, the Planning Department would like to hire some consultants to come in and take a look at those corridors and see what we need to do from a business standpoint to make them attractive and to aggregate some parcels to where we can get the Jewel/Oscos and the Home Depots and some of those people in on some 12 to 20 acre sites.

The City Manager said the other thing we wanted to do is to do some study downtown. He said the latest downtown plan was put together in 1990 and we need to update that. He said we've got about \$240,000 in TIF funds, so we thought we'd use some of that for the downtown study and hire somebody. He said he also thinks we need a professional to help guide you through the process with the County, and we can take that downtown study and run that all the way down to I-80 and allocate some of that for what the County might think their needs are and how we would respond to it and how it would fit into the plan. He said he thinks that would go a long ways towards what you are doing and put a little money on the table to do that.

COUNCILMAN SHETINA said at our last meeting with the County, he got the impression that they were willing to identify their needs and willing to find a funding source, and so that's a good step in the right direction. He said there needs to be someone there who kinds of runs those meetings so there's somebody we can look at to keep some cohesion, because right now it flies all over the place.

The City Manager said if you had a consultant and you brought him in, part of his job could be to do this planning, and another part of his job could be to guide you through the process, and that would probably be very helpful.

COUNCILWOMAN QUILLMAN asked what exactly the \$50,000 for the CDC is for and would we have control over how they spend that.

The City Manager said it would probably be something as members of that committee you might want to discuss with them whether restrictions on it are appropriate or not. He said generally you would give it to them and they would use it to accomplish their mission, but you can put whatever restrictions you want on it.

COUNCILWOMAN QUILLMAN asked where they got the impression that we had already approved \$150,000 for them.

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The City Manager said he thinks at the last Council meeting where they had some Board members, COUNCILMAN DORRIS may have at the beginning of that meeting said to the group that he's going to try to deliver \$150,000 to them.

COUNCILMAN GIARRANTE said on top of the \$200,000.

The City Manager said it would be \$50,000 here plus he thinks COUNCILMAN DORRIS was thinking \$50,000 from him and maybe \$50,000 from COUNCILWOMAN BARBER to make \$150,000.

COUNCILMAN GIARRANTE said he can't support that unless we put some guidelines on it.

COUNCILWOMAN QUILLMAN said that since the CDC appointed their Board there have been many issues that have popped up. She said she thinks before we give them any monies at all, the Board needs to be settled and if we are going to give them that kind of money, we need to have some kind of restrictions on the monies and what it should go for. She said she's not against this and it needs to be done and it needs to be funded somehow, but there should be some restrictions.

The City Manager said there would probably have to be an agreement and some understanding. He said this would have to come back to you before you would actually approve the expenditure.

COUNCILMAN GIARRANTE said we can earmark this for the CDC, but when they come to us for the money we want to know what the money is going to be spent for before we let it go. He said we should make them accountable like we do everybody else that we give money to.

The City Manager continued with the budget message and said the budget maintains the Emergency Fund balance at \$3,500,000, a Contingency Fund of \$600,000, a Reserve for the Four Year Plan of \$20 million, a Revenue Reserve Fund of \$1.4 million and a Real Estate Tax Reserve of \$500,000, so we've got about \$6 million of reserves here which is probably the highest level that you've had.

The City Manager continued with page 5 and said the budget provides \$1.9 million for the Combined Sewer Overflow Elimination River Tunnel Line and \$2.4 million for a potential CSO Bond issue of up to \$30 million. He said we need to begin a tunnel under the DesPlaines River so we can pass that flow under there and treat it at the plant.

The City Manager said the budget includes an additional \$1 million for the I-55/Route 59 interchange west of I-55 to raise the Route 59/Seil Road intersection.

The City Manager finished explaining page 5 of the budget message and it was agreed to stop at this point and to have another meeting in the future.

The meeting adjourned.

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ARTHUR SCHULTZ
MAYOR

JANET K. TRAVEN
CITY CLERK

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