

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

SPECIAL MEETING of the Council of the City of Joliet, Illinois held on Friday, February 22, 2008 at 4:50 P.M. in the Council Chambers, Joliet Municipal Building, 150 W. Jefferson Street, Joliet, Illinois.

ROLL CALL

PRESENT: MAYOR ARTHUR SCHULTZ and DISTRICT 4 COUNCILWOMAN SUSIE A. BARBER, DISTRICT 2 COUNCILMAN TIMOTHY M. BROPHY, COUNCILMAN AT LARGE THOMAS C. GIARRANTE, COUNCILWOMAN AT LARGE JAN QUILLMAN, DISTRICT 1 COUNCILMAN JOSEPH R. SHETINA, COUNCILMAN AT LARGE MICHAEL F. TURK and DISTRICT 3 COUNCILMAN ANTHONY UREMOVIC.

ABSENT: DISTRICT 5 COUNCILMAN WARREN C. DORRIS.

ALSO PRESENT: CITY MANAGER JOHN M. MEZERA, DIRECTOR OF FINANCE HUGH BRENNAN and BUDGET ANALYST CARL MCCANN.

A Notice of Special Meeting of the Council of the City of Joliet, Illinois to be held on Friday, February 22, 2008 at 4:00 P.M. in the City Council Chambers, Joliet Municipal Building, 150 W. Jefferson Street, Joliet, Illinois, called by MAYOR SCHULTZ for the purpose of reviewing the proposed 2008 Budget was submitted.

The Mayor and Council agreed to meet again on Monday, February 25, 2008 at 4:00 p.m. to continue discussion of the 2008 budget due to the late start of today's meeting.

The City Manager continued with page 7 of the 2008 budget message and began explaining the four year Comprehensive Financial Plan. He said you will still have room within those four years where you don't have to do anything drastic, and in the fifth year you may have to raise some revenues or cut expenses, but you really don't know what's going to happen in those four years.

The City Manager said one of the things that he is recommending is that we go ahead with the O&S Holdings project for a 1.5 million-square-foot lifestyle retail center at I-55 and I-80. He said that would be a good project that could bring you \$5, 6, 7 million a year even if you use 50% of the sales tax to pay off a bond to finance an interchange that would provide access to the shopping center. He said the real estate taxes could be \$2.5 million, and we'll have some projections here in another week or two. He said your half of the sales tax after you pay for interchange expenses and that kind of stuff would be a huge revenue increase for you which would help you in that fifth year an awful lot and it would be expected to open in 2011, so the timing of that is really good. He said other things may happen like the CenterPoint project if we can work out the financial aspects and transportation impacts. He said if those two projects happen, you could have some substantial real estate taxes coming in off of those in these out years here because it's going to take 2 to 3 years to build those things out and start getting some taxes on it.

COUNCILMAN TURK asked what our concerns are regarding exposure in the O&S project and what do they want from us.

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

The City Manager said there's no exposure to the City at all. He said we have had preliminary discussion points with them on the financial side of this. He said the Corporation Counsel is going back to them with some ideas and we would hope within a few days we can get those ideas finished and put them into an agreement that we could then bring to the Finance Committee at their next meeting and maybe get all of that going, but the bottom line here is that there would be no expenditures on this from the City that would be from any current City funds or any general obligations that would obligate the City in any way to put any taxes in there. He said the only revenue that the City would put in would be revenue that would come to the City from the project, and right now, like the real estate tax portion that would come to the City, 100% of that would come to the City and would not go to pay for anything else. He said you'd be able to use that for the financing of other things.

COUNCILMAN GIARRANTE asked if we have any idea of what that would be.

The City Manager said he's thinking our share might be \$2 million a year, but it could be a little higher than that. He said the proposal is that half of the sales tax that would spin off of that would pay for the interchange and there would be a bond issue that would be done. He said they're supposed to buy the property, which is probably worth \$30 million, in June, and they are paying for the engineering which is in the neighborhood of \$10 million. He said all of those project expenses including the engineering and right-of-way acquisitions along with the interchange and Houbolt Road connector will total around \$90 or \$93 million. He said we've asked Kevin McCanna of Speer Financial to put together a team of people including an underwriter and a third party that analyzes all of this and project the sales tax that would come off of that, and O&S has to build enough square footage, probably a minimum of 900,000 sq. ft., that when you apply the anticipated sales tax per square foot there's enough to retire the debt.

COUNCILMAN TURK asked how many years would it take to pay off the interchange.

The City Manager said there would be regular sales taxes and then there would be a business tax, so there's an extra 1% that would be on just that property. He said that would run for 23 years which is as far as you can go with a business tax.

COUNCILMAN UREMOVIC asked is it a business tax on sales.

The City Manager said yes, just on that project though. He said it would take about a 30 year bond issue to pay off the interchange at the 50% level.

COUNCILMAN UREMOVIC asked how much debt service would there be on that 30 year bond issue. He said he keeps reading the memo the City Manager sent to Councilman Brophy saying not to do a 20 year bond to do NIP projects because you would have all this debt service that you're laying on future Councils, but this is a 30 year bond and you're saying this is OK.

The City Manager said here's the difference. He said you have a source of revenue now for your Neighborhood Improvement Program. He said the question that Councilman Brophy asked is it better to spend say the \$5 million that's there each year or is it better to take that \$5 million and pledge it over a 20 year period and bind future Councils, but that revenue stream is still there, so he

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

doesn't think that's probably a good idea, because regardless of how much work you do this year with your NIP there will be more requests from property owners next year. He said even if you do all the projects you can imagine this year, the residents will ask for more next year and you will have no money to address that. He said the difference between the two is that there's a dedicated stream of revenue now for the NIP, but to build the interchange and the mall, there is no revenue. He said if you don't do the interchange and you don't do the mall, there's no money.

COUNCILMAN GIARRANTE asked what happens if we don't do the mall.

The City Manager said you get zero.

COUNCILMAN GIARRANTE said because nobody else is going to do it.

COUNCILMAN UREMOVIC said this is supposedly the hottest corner/intersection in the country. He said now you're going to sit here and tell me that if this isn't the chosen developer, nobody else is going to come here. He said he was at a meeting when he was Mayor Pro-Tem with another developer who is interested in it.

The City Manager said there's a huge difference between those two companies; one of them asked you for 100% of all revenues.

COUNCILMAN UREMOVIC said no, they didn't; they haven't asked for anything.

The City Manager said no, that's not true. He said we were at the same meeting where he explained the Council's position on the 50% sales tax, and they said they needed 100% of sales tax and 100% of real estate taxes.

COUNCILMAN UREMOVIC said if that's the case, have them come in and talk to us.

The City Manager asked the Director of Community and Economic Development, who was at that meeting, if that developer said they wanted 100% of real estate and 100% of sales tax.

The Director of Community and Economic Development said yes, it was the heaviest incentive a developer has ever requested.

COUNCILMAN BROPHY asked if O&S owns any of the property right now.

The City Manager said they have contracts out.

COUNCILMAN GIARRANTE said so if we don't build this thing, there's no revenue, and everybody's talking about new revenue sources, that we've got to find new revenue sources because expenses are going up and the revenues are going down, and we have a chance to do this.

The City Manager said and here's another way to look at this. He said let's just say you weren't going to get any revenue off of this project, but you could take this vacant ground and you could put an upscale lifestyle mall that would service the residents of Joliet so they wouldn't have to run to other communities for all of these things, and upgrade the image of Joliet, and if you didn't get a nickel off it,

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

it would be worth doing it. He said you can build an interchange which will be paid for by the project and you can get yourselves \$2 or \$3 million in real estate taxes and maybe \$6 or \$7 million in sales tax. He said he couldn't imagine not doing it.

COUNCILMAN GIARRANTE said he likens it to what we did with the ballpark, water park and the library. He said it cost us \$55 million and we didn't get too much back on those. He asked how much this cloverleaf is going to cost.

The City Manager said it's about \$70 million for the interchange and about \$20 million to do Houbolt Road.

COUNCILMAN GIARRANTE said so \$90 million, and we're talking about how much in sales tax a year. He said it's a no-brainer.

COUNCILMAN UREMOVIC said when you say upscale, he would agree with that and if it's upscale and it works, it's one thing, but he sees in the paper that there will be a Maid-Rite Sandwich Shoppe restaurant and a discount or no frills motel there.

The City Manager said not at O&S.

COUNCILMAN UREMOVIC said he's not throwing cold water on this project, but he sure wants to see every number that he can. He asked who pays the bond if the revenue stream is not there.

The City Manager said the bond is paid for by sales tax from the project, nothing else.

COUNCILMAN UREMOVIC said we've had calls from other developers saying they need a little assistance for off-site improvements and they've been told that the City doesn't do any economic incentives for off-site, but here you're saying let's spend 50% dedicated 30 years.

The City Manager said what we're saying is let's let the sales tax pay for the debt service, and if you don't like 30 years then you'd have to adjust the percentage higher than 50. He said that's what he told them from day one; they've asked for more than that and he has declined, so to pay for the interchange, 30 years works. He said that's the reason it's 30 years, because it works, and if it worked at 20 we'd do 20, but you have to be practical about the thing. He said there's no money going to be coming in if you don't do anything; if you do something you get an interchange, you get an upscale lifestyle mall, and you get maybe \$8, \$10 million a year coming into the City after that.

COUNCILMAN UREMOVIC said maybe.

COUNCILMAN BROPHY asked how the business tax works with regard to the non-sales tax type businesses.

The City Manager said it applies only to the same things that sales tax applies to.

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

COUNCILMAN BROPHY said so the estimates are based on the amount of square footage that they guarantee will go into sales tax producing ventures.

The City Manager said yes.

COUNCILMAN BROPHY said obviously they have to build enough to produce those numbers, and he asked if the residential portion is still there.

The City Manager said it still is.

COUNCILMAN BROPHY asked what happens first in a doomsday scenario and they go broke, business is bad, and we've got an interchange that's half-built.

The City Manager said the interchange gets fully funded from the bond issue that's sold in anticipation of the project.

COUNCILMAN BROPHY said so the investors take that risk.

The City Manager said that's exactly right; the City takes no risk whatsoever, none.

COUNCILMAN UREMOVIC asked if O&S does the bond or the City does the bond.

The City Manager said we do the bonds, and it carries no full faith of the City; it is solely a revenue bond and the only thing that can be drawn on are the revenues that are projected for that project.

The City Manager said let's say that there's an \$8 million debt service payment that's due every year, but the project only delivers \$7.5 million. He said the other half a million gets spread over the commercial properties as a Special Service Area (SSA), and that has to be paid by the owner of those properties just like any other SSA, so the bonds can't default because you're going to have a SSA on the rest of the property. He said there will be many protections built in the way you put these bond issues together.

COUNCILMAN UREMOVIC asked what these protections are where the bond holders can't lose anything.

The City Manager said you dedicate 50% of the sales tax and that's going to pay for it, but if there is some sort of a shortfall, you want to put that on the back of the developer so it doesn't come back to the City. He said we don't want to pay it and we said we're not going to do it, so you do a special service area, it goes on their tax bill, they make that payment and then that goes in with the sales tax and makes the debt service. He said it's on whoever owns the commercial property.

COUNCILMAN UREMOVIC said to pay off that bond, assuming that you have the worst case scenario, now we've got this special service area that's a higher tax, and square foot to rent this goes up even higher, how are they going to be competitive with any of the other areas around and get tenants to come in. He said if this SSA doesn't go, then what do you do.

The City Manager said it does go; it has to go, it's on the taxes, it has to be paid.

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

COUNCILMAN UREMOVIC said let's say it's not successful and they don't get the tenants; they can't make the payment on the bond. He said you say there is no problem, we'll have a SSA for everybody else who rents there to get that amount of money back.

The City Manager said no, it's a SSA that's on the owner of the property. He said if he wishes to pass it onto the tenant, he passes it onto the tenant, and if he wants to pay it himself he can pay it himself, so if you've got one stall that's vacant, the owner has to pay for that. He said if he wants to pass that onto the tenants, they have to agree to that upfront.

COUNCILMAN GIARRANTE asked how close we are.

The City Manager said about two weeks.

COUNCILMAN GIARRANTE said good, he thinks it's a no-brainer.

The City Manager said what we'd like to do is within two weeks we'd like to go to the Finance Committee with the financing, go to the Land Use Committee with the land use portion of it, and then bring that to the full Council for discussion.

COUNCILMAN SHETINA said you have a proven developer in the country that has done projects throughout the country, we have Council people who are going to go down there next week sometime and look at a project they've done that's under their aegis, so he doesn't know that somebody else is going to come in and do the things they've done. He said they have all the land options; they're supposed to close in June and he knows some people who've dealt with them and they've dealt fairly with them. He said he doesn't know how we can lose in this situation. He said how long did the staff chase this, it's not like they just walked in the door, and he thinks this is one of the best projects we've seen in a long time. He said he understands Councilman Uremovic's concern but he thinks it's been answered.

The City Manager said it will be scheduled for the Plan Commission probably the second meeting in March if we finish up a couple of the financing items and get the development agreement out.

COUNCILMAN GIARRANTE asked the City Manager if he is going to wrap this up before he is gone.

The City Manager said he's going to try to have it all in place as best he can before the end of March, but it may not happen.

COUNCILMAN BROPHY said regarding the NIP, what he wanted to do by borrowing money and doing more work now is completely exhaust both the staff and the local engineering and construction firms' annual capacity to build. He said he thought it would be most efficient to use everybody to their full capacity in a given summer and get as much work done as possible for a couple reasons, one you'd please more constituents faster and we'd finish the sewer work that we're trying to get done, the curb, the gutter and so on, so that the decorative stuff that we do in the NIP program would be more palatable because there are still folks without storm sewers and basements backing up and all that stuff. He said he asked the City Manager what if we borrowed and what would be the efficiencies gained from them knowing 3 to 4 years out that we're going to do full bore work for 3 to 4 years or whatever it would take to finish, and we could get it

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

totally done with competitive bids and we'd put more people to work. He said the City Manager did a pretty exhaustive list of numbers of what that would be and he still recommends doing it as we have been for 20 years, over time.

The City Manager said and keep in mind that your NIP and some other projects in gaming that we do on an annual basis, maybe we do \$5 million worth of projects and \$5 or \$6 million worth of NIP, that's sort of a contingency fund if you want to look at it that way. He said let's just say you get out 4 years and you didn't really want to deal with a financial situation where you might need to raise some revenue after 4 years, and you might say we might want to use some of that NIP money and some of that project money and not have to deal with any user fees or anything else like that and it's available to you. He said had you done a bond issue you foreclose on that option and you begin to box yourself in in a way that is probably not necessary.

COUNCILMAN GIARRANTE asked when we decide where the additional \$1 million for the NIP goes.

The City Manager said there is a surplus of about \$2.6 million in additional gaming dollars going back to 1992 that is being brought forward, and if you offset \$750,000 that we need for the SSA fund, there's about another \$1.8 million, so you'll have maybe \$2.8 million to deal with and you can decide whenever you want what to do with it. He said he would suggest that we wait and see how the gaming revenues come in at least until July or August, because right now they're running a little bit lower.

The City Manager said he would recommend that you keep that \$2.8 million there until July or August and then look at your pension funds and get a resolution there. He said regarding the pension funds, there's a real simple explanation and we didn't get around to it the other day just because there were a lot of things going on, but your auditors that look at the actuarial side of this whole thing, they've got everything in there. He said the only difference is that they traditionally projected the earnings from the pension funds at 7.75%. He said that was their choice, they recommended that to us and we said OK. He said the fund actually brings in about 6% and they said 8% the other day, and we should look at it. He said he can't say for sure, but he knows our auditors looked at the numbers and said it's about 6%, so it probably is. He said the 8% might not have had the fees taken out.

COUNCILMAN BROPHY said we were talking about averages. He said your average of 6% is over a longer period of time; they took a shorter amount of time and it could have a different average. He said we should compare apples to apples here because we're talking about so many numbers.

The City Manager said right, but here's the answer to the thing. He said what we did this year is we could have left it at 7.75% and then we would have had to throw in say another million dollars this year like we normally do. He said this recommendation to you said don't leave it at 7.75%, let's take the first step, let's bring it down to 7.5%, so you take 25 basis points off of that, and what we talked about is we said OK we'll do this over a 3 or 4 year period so we'll go from 7.75% to 7.5% this year. He said next year you could go to 7.25%, the following year you go to 7%.

COUNCILMAN GIARRANTE said and that raises the contribution.

***Proceedings of the Council of the City of Joliet, Illinois
held on the 22nd day of February, A.D. 2008***

The City Manager said absolutely, and here's what else might happen. He said let's just say that the unions take a look at that pension fund and whether they can make some adjustments and maybe their managers scrutinize it a little bit more, maybe we look at what IMRF is doing and what they're investing in, and

let's say they go from 6% to 6.25%, and then maybe they go to 6.50% just by being real prudent, well you can see we're closing the gap. He said you close that gap and we're fully funded, because they make maybe \$3 million more a year, you put in over 4 years \$3 million more a year, now you've got \$6 million a year, that takes care of your \$100 million and it's done, and it's done over a 3 year period, there's no panic, it's just gradual. He said that's what we wanted to explain to you, and we didn't really have a good chance to do that the other day, but he thinks that's kind of the practical way to approach it.

COUNCILMAN GIARRANTE asked if there has been a meeting set with the bargaining units.

The City Manager said he doesn't think it's been set yet.

COUNCILMAN BROPHY said we probably need it be a special meeting of the Finance Committee and not a regularly scheduled one.

The City Manager said and if you wanted, the staff could meet with them a few times and find out whether it's 6 or 8%, whether fees are in that, and so that when you meet we can present you with something that we agree on, instead of you having to look at this big report from the City and this big one from the unions. He said the staff can work with them and get to the point where we can agree on something. He said the only thing is how long of a period of time it would take to bring these numbers back together.

COUNCILMAN SHETINA said that's a good plan.

The meeting was adjourned at 5:30 p.m. until Monday, February 25, 2008 at 4:00 p.m.

ARTHUR SCHULTZ
MAYOR

JANET K. TRAVEN
CITY CLERK

Recorded on Tape