

# SYCAMORE CITY COUNCIL

## AGENDA

March 17, 2003

### City Council Committee Meetings

#### **6:30 P.M. Second Joint Meeting of the City Council's Ordinance Committee and Ad Hoc Committee to Revise the Liquor Code.**

At the Ordinance Committee meeting of March 3, the Committee and its ad hoc advisory panel consisting of representatives from three licensed businesses (Tom Carls, Louie Schoenburg, and Dick Petrucci) and Police Chief Don Thomas introduced a variety of suggestions for the revision of the current liquor codes. The discussion was wide-ranging but much of the concern was focused on the following topics:

- a) the need for a more accurate definition of "restaurant" and "package store;"
- b) the need to assure current licenseholders that their businesses will have a market value in the future;
- c) the interest of three existing restaurants in a full liquor license (e.g. Taxco, Michael's and La ZaZa Trattoria);
- d) the fairness of proposed liquor license renewal fees;
- e) the possibility of higher first-time license fees;
- f) the possibility of diluting the market and diminishing the business of existing firms with "unlimited" licenses for restaurants and other classifications.

The Committee directed the City Administrator to try to distill the comments into some proposed revisions that would be the focus of further discussion. The following text is offered as it might appear in a revised Title 3, "Business and License Regulations," Chapter 2, "Liquor Control".

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**3-2-1: DEFINITIONS:** Unless the context otherwise requires, the following terms as used in this Chapter shall be construed according to the definitions given below:

**ALCOHOLIC LIQUOR:** Any spirits, wine, beer, ale, or other liquid containing more than one-half of one percent (1/2%) of alcohol by volume, which is fit for beverage purposes.

**BEER:** A beverage obtained by alcoholic fermentation of an infusion or concoction of barley or other grain, salt, and hops in water. This definition includes, among other things, beer, ale, stout, lager beer, porter, and the like.

**BEER AND WINE ESTABLISHMENT:** Any public place kept, used, maintained and advertised where beer and wine are sold for consumption off the premises only. The display of beer and wine shall be separated from other non-

alcoholic beverages, food, or dry goods. Only persons who have attained the age of twenty-one years of age shall be permitted to sell beer and wine.

**BOWLING ALLEY:**

An establishment or building or part of an establishment or building wherein the game of bowling, played with composition balls and ten (10) wooden pins, is played.

**CLUB:**

A corporation organized under the laws of this State and not for pecuniary profit, solely for the promotion of some common object other than the sale or consumption of alcoholic liquors. Such corporation shall own or lease a building or space in a building which shall be kept, used, and maintained by its members through the payment of annual dues. The owned or leased space shall have a suitable and adequate kitchen and dining room with equipment and accommodations approved by the City's Building and Zoning Department and the DeKalb County Health Department. At the time of the initial license application, and with each subsequent license renewal application, each club shall file with the Mayor two (2) copies of a list of names and addresses of its members and officers, and shall also regularly update the names and addresses of its officers and new members within thirty days of their appointment to membership or office. No member, officer, or employee of a club shall be paid directly or indirectly from the profits from the distribution or sale of alcoholic liquor, beyond the amount of salary that may be fixed from time to time by the governing body of the club out of the club's general revenue.

**GOLF COURSE:**

Any eighteen-hole facility, public or private, that offers alcoholic beverages for sale to its patrons for consumption on premises only. Space for the consumption of alcoholic beverages shall be limited to an indoor lounge, restaurant, or food court, or an attached area for outside seating. Such outside seating shall be an adjunct to the food service business of the lounge, restaurant or food court and shall conform to the following provisions:

- (a) it shall be owned and operated by the governing authority of the golf course;
- (b) it shall be enclosed with a non-barricade type fence or railing or other barrier that allows viewing;
- (c) access shall be limited through the licensed premises or monitored entrances that are controlled by employees during all hours when alcohol may be served;

- (d) seating shall not be included to meet the required guest seating capacity for any license classification of this Chapter;
- (e) music may be played in the outdoor area but may not exceed ordinance limits;
- (f) the hours of operation are restricted from twelve o'clock noon until dusk.

**LICENSEE:**

Any person, firm, corporation, partnership or club holding a license under the provisions of this Chapter.

**PACKAGE GOODS:**

Any bottle, flask, jug, can, barrel, keg, hogshead, or other receptacle or container whatsoever, that is corked, capped, sealed and labeled by the manufacturer of alcoholic liquor for the purpose of containing and conveying alcoholic liquor.

**RESTAURANT:**

Any public place that is kept, used, maintained, advertised and held out to the public to be a place where meals are served, and are actually served, during regular hours, at least five days per week. Restaurants that are licensed to serve liquor shall meet the following standards:

- (a) such establishments shall not prepare or sell a substantial volume of food or beverages for consumption off premises. Fast-food restaurants are prohibited from serving liquor;
- (b) such establishments shall have a sanitary kitchen with a three-compartment sink, grease trap, hood suppression system, and other features as may be required by the City's Building and Zoning Department and the DeKalb County Health Department;
- (c) such establishments shall have one or more fixed seating areas for dining where patrons are served by paid wait staff. After the effective date of this ordinance, the minimum occupancy for a new restaurant license issued to an establishment that has not heretofore been a licensed liquor establishment in the City of Sycamore shall be 100 persons if a bar with seats is included. The maximum floor area allowance per occupant shall be 15 net square feet. For smaller restaurants that do not have a bar with rail and stools, the minimum occupancy shall be 50 persons.

WINE: Any fermented spirits containing not more than twenty percent (20%) of alcohol by volume, which is fit for beverage purposes.

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### **3-2-6: CLASSIFICATION OF LICENSES; FEES; HOURS AND DAYS**

#### **A. Classifications and Fees**

1. Initial License Fee. Persons or firms that currently do not hold any valid City liquor license shall pay an initial application fee of \$2,500.00. This fee is in addition to, and not in place of, any license renewal fees that may apply on an annual basis. Persons or firms that are presently licensed and that may apply for a license in another classification, as defined by this Code, are exempt from this initial application fee.
2. Class A: Restaurants. Class A licenses shall apply to establishments that meet the definition in Section 3-2-1 of this Code. This license authorizes the sale of alcoholic liquors for consumption on the premises only, and the sale of alcoholic liquors for consumption off the premises in the context of a catered event permitted by the local liquor control commissioner and this Code. The annual fee for such licenses shall be \$1,500.00.  
Restaurants may not sell package liquors.
3. Class B: Bar. Class B licenses shall apply to establishments where the sale of alcoholic beverages for consumption on premises constitutes at least thirty percent (30%) of the gross annual receipts. Bars may also sell packaged liquors, but under no circumstances may a bar be converted to a package goods store unless in conformance with the provisions of this Code and by the licensing authority of the Liquor Control Commissioner. The annual fee for Class B licenses shall be \$1,500.00. Bars that sell package goods shall pay an additional annual fee of \$250.00. Any lawful establishment on the effective date of this ordinance that does not conform to the provisions of this section or this Code in terms of the proportion of package sales and consumption on premises may be continued in use.
4. Class C: Club. The annual fee for such licenses shall be \$1,500.00. Clubs may sell package goods. Clubs that sell package goods shall pay an additional annual fee of \$250.00.
5. Class D: Package Goods Store. Class D licenses authorize the sale of alcoholic liquor for consumption off the premises. The annual fee for such licenses shall be \$1,500.00.
6. Class E: Recreation.
  - a) Bowling Alley. A Class E license may authorize the sale of alcoholic liquors for consumption on or off the premises of a bowling alley, provided that establishment shall contain no less than twenty-four (24) lanes for bowling. The annual license fee for such licenses shall be \$1,500.00.
  - b) Golf Course. A Class E license may authorize the sale of alcoholic liquors for consumption in the clubhouse lounge of an eighteen-hole golf course, provided only those persons who have attained the age of twenty-one (21) years may pour or serve

liquor in such facilities. The annual license fee for such licenses shall be \$1,500.00. An additional annual license fee of \$200.00 shall be charged for the operation of an attached outdoor service area where alcoholic beverages are sold or consumed. The City Council may waive the initial license fee of \$5,000 for public not-for-profit bodies.

7. Class F: Beer and Wine Licenses for Consumption Off the Premises. Existing convenience and food/fuel establishments holding beer and wine licenses on the effective date of this ordinance shall be issued a Class F license. The annual license fee for Class F licenses shall be \$1,500.00.
8. Class G: Special Events. (Same language as existing code)

**C. Sunday Operations.** Any Class A, B, C, D, E, or F licensee under this chapter may serve or sell liquor as defined in their license on Sundays from eleven o'clock (11:00) A.M. until twelve o'clock (12:00) midnight on Monday.

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### **3-2-7: NUMBER OF LICENSES**

#### **A. Maximum Number of Licenses**

1. Class A: Restaurants. No limitation except as provided under Section 3-2-1, "Definitions."
2. Class B: Bars. A maximum of \_\_\_\_\_ for the first 12,100 in population. Thereafter, one class B license shall be authorized for each three thousand (3,000) in population. By a three-quarters vote of the corporate authorities, the pro-ration of licenses by population may be waived to accommodate an application for a new bar license.
3. Class C: Clubs. No limitation.
4. Class D: Package Goods. There shall be one Class D license for each five thousand (5,000) population, as computed by the latest regular federal census or any special census taken. By a three-quarters vote of the corporate authorities, the pro-ration of licenses by population may be waived to accommodate an application for a new package goods license by a firm that is principally involved in the retail sale of general merchandise.
5. Class E: Recreation.
  - a) Bowling Alley. There shall be no more than two (2) class E licenses for each fifteen thousand (15,000) population which shall authorize the sale of alcoholic liquors for consumption on or off the premises of an operating bowling alley; provided, that said bowling alley shall contain not less than twenty-four (24) lanes for bowling. Said bowling alley shall derive not less than fifty percent (50%) of its gross revenues from bowling or goods and services other than alcoholic liquor. An area shall be designated within said bowling alley for said service of alcoholic liquor and separated from the rest of the bowling alley, and shall be constructed in accordance with locally-adopted building codes. Said area for the service of alcoholic liquor may contain a bar of

sufficient size to accommodate no more bar stools than there are lanes in the bowling alley, it being the intention of the corporate authorities to authorize the service of alcoholic liquor only as an adjunct to bowling activities. Additional seats may be installed in a dining area. The local liquor control commissioner, or his designated agent, shall be allowed to examine any records of receipts of the licensee at any time.

b) Eighteen-Hole Golf Course. No limitation, provided the consumption of alcohol is prohibited outside the clubhouse area and any authorized, attached seating area.

6. Class F: The number of Class F licenses is limited to those in effect on the effective date of this ordinance.
7. Class G: The number of Class G licenses in any given year shall be governed by the provisions of Sections 3-2-6 of this code.

**B. Exception for Existing Licenses:** The limitation on the number of licenses herein provided shall not affect licenses in existence at the effective date hereof. However, all existing licenses shall be re-titled as per the provisions of Section 3-2-6 and the number of existing licenses shall be counted in determining the issuance of future licenses.

### **Summary of Proposed Changes**

- ◆ The classifications have been re-titled. Class “A” is for restaurants; “B” is for bars; “C” is for clubs; “D” is for package goods; “E” is for recreational uses; “F” was created to grandfather the one convenience or food&fuel store (Marathon) that needs some designation for its beer and wine package sales; and “G” is for one-day events as in the present regulations.
- ◆ There are no more liquor licenses for convenience or food&fuel stores.
- ◆ The general level of license renewal fees increases by 50% (from \$1,000 in most cases to \$1,500).
- ◆ An additional license fee of \$250 is charged for clubs and bars that wish to sell package goods.
- ◆ Restaurants are no longer permitted to sell package goods.
- ◆ Restaurants are re-defined so as to prohibit liquor sales from fast food outlets and to reduce the prospect of newer, small restaurants becoming de facto bars.
- ◆ An initial license fee of \$2,500 is imposed on new entrants to the local liquor industry. This is a response to the concern about the proliferation of restaurant licenses, in particular, but would apply to any and all license classifications. The three restaurants looking for full liquor licenses—Michael’s ZaZa, and TAXCO—would not have to pay this additional fee since they already hold licenses.
- ◆ Population limits are maintained for bars and package stores. However, a supermajority of three-fourths of the corporate authorities (the Mayor and the Council combined) may suspend the proration on a case-by-case basis. In effect, the market will dictate the number of restaurants but, to a lesser extent, the number of bars and package stores because of the legislated constraints on numbers.
- ◆ A threshold for the sale of liquor for consumption on premises is established for bars to keep them from becoming de facto package stores. If an existing licensee (e.g. Cub &

Spanks) does not conform to this threshold, it may nevertheless continue to operate in a “grandfathered” fashion.

- ◆ The present number of bars will need to be established to nail down the threshold for further bar licenses. Because of the re-classification of licenses, some current restaurants may want to be considered bars, and vice-versa. The point is to establish a number after all license designations have been established, and move on.
- ◆ An additional bowling alley license is made available, in response to the concern of some Council members about the restrictive language in the current regulations.

Ordinance Committee direction is recommended. In order for the proposed license fees to be in effect at the beginning of the next fiscal year, City Council action will be required at one of the two April meetings.

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## **Regular City Council Meeting**

### **7:30 P.M.**

- 1. CALL TO ORDER**
- 2. INVOCATION**
- 3. PLEDGE OF ALLEGIANCE**
- 4. APPROVAL OF AGENDA**
- 5. AUDIENCE TO VISITORS**
- 6. CONSENT AGENDA**
  - A. Approval of the Minutes of the Regular City Council Meeting of March 3, 2003;
  - B. Payment of the Bills for March 17, 2003;
  - C. Plan Commission Minutes for the Meeting of February 24, 2003.
- 7. PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
- 8. REPORTS OF OFFICERS**
- 9. REPORTS OF STANDING COMMITTEES**
- 10. PUBLIC HEARINGS--None**
- 11. ORDINANCES**
  - A. Ordinance No. 2002.73—An Ordinance Amending Title 8, “Water and Sewer,” Chapter 4, “Sewer Use and Service,” Section 8-4-2, “Additional City Fees,”**

**Paragraphs F(2) and F(3) of the City Code of the City of Sycamore, Illinois.  
Second Reading.**

On February 17 the City Council reviewed an ordinance draft that would increase the land annexation fee from \$1,000 to \$3,000 per acre (excluding retention and parks). The ordinance further stated that for each annexed acre, \$2,000 would be deposited in the General Fund; \$500 would be deposited in the Capital Fund (Fund 6) for street improvements; and \$500 would be deposited in the Sewer Fund to offset the cost of improvements to the collection system and treatment plant.

At the March 3 meeting, the City Administrator asked the Council to defer action for another two weeks to allow further time for the DeKalb County Building and Development Association and other developers to make a formal reply. The staff were also interested in exploring fee systems in other cities that are based on the actual lots in a subdivision versus the gross acreage.

Here are some options for the Council's consideration:

Option A: Base the annexation fee on the gross acreage and increase the fee to \$3,000 per gross acre as proposed by the Council on January 20, 2003.

Example: 198-acre residential subdivision; 391 lots with 52 acres of retention ponds and drainage ways.

Option A: \$3,000 per acre times the gross acreage minus retention (52 acres) = \$3,000 x 146 = \$438,000 in annexation fees.

Option B: Base the annexation fee on the gross acreage but show consideration for the impact of the higher fee on those developments that have already been planned or approved. Practically speaking, this might mean allowing developers who have already annexed and who have made their investments on the basis of the current system an opportunity to pay in full at the current price of \$1,000 per acre within six months of the date of the enacting ordinance. Those who do not participate and those who petition to annex in the future would be assessed the new fee of \$3,000 per acre.

Option C: Implement a new system focused on the number of lots developed. This system has the advantage of leveling the playing field for all residential subdivisions, some of which may have higher dedications for open space than others. The disadvantage is that it does not work with commercial and industrial subdivisions.

Example: 198-acre residential subdivision; 391 lots with 52 acres of retention ponds and drainage ways.

Option C: \$1,000 per lot paid at the time of permitting. Total revenue: 391 x \$1,000 = \$391,000.

Option D: Increase the land annexation fee to \$3,000 per acre for all new developments but deduct the land dedicated for school or park purposes along with the land set aside for retention purposes. In addition, with respect to approved subdivisions and the one development plan that has been held in limbo since the October Plan Commission

meeting (the John Clare development on Plank Road), the City might permit the payment of the current \$1,000 per acre fee if it is paid in full for all acres within six months. The allowance for the deduction of park and school dedications from the calculation of gross acreage is fair in that the developer's yield from those acres is already "taxed." Though school and park dedications yield a fair market return to the developer at today's prices, the land if kept in development would increase in value by at least the per acre annexation price in a few years. Further, with this deduction, the option of computing annexation fees on a cost per lot basis can be compared more effectively with the current system.

Example: 198-acre residential subdivision; 391 lots with 52 acres of retention ponds and drainage ways.

Option D: \$3,000 per acre times the gross acreage (198) minus retention (52 acres) and dedications (20 acres) =  $\$3,000 \times 126 = \$378,000$  or 2.59 times the present fee.

Method	Option D	Option C
Flat fee per gross acre (less deductions)	$\$3,000 \times 126$	n.a.
Flat fee per lot	n.a.	$391 \times \$1,000$
Total	$\$378,000$	$\$391,000$

Computing annexation fees on a cost per lot basis may be more fair when subdivisions of comparable densities are compared. However, in the case of multifamily subdivisions with higher densities, the assessment of a fee by unit would be exorbitant:

Type of Subdivision	Per Lot Price	Per Unit Price
Single-Family Detached, 3 lots per acre; 126 net acres of developable land	$\$1,000 \times 391$	n.a.
Multiple Family; 8 units per acre; 126 net acres of developable land.	n.a.	$8 \times 126 \times \$1,000$
Total	$\$391,000$	$\$1,008,000$

### **Recommendation**

1. Retain a per-acre fee system for industrial and commercial subdivisions at the increased level of \$2,000 per gross acre. Industrial and commercial developments have a lesser impact on City services and facilities. In addition, we are not anxious about the pace of such development; in fact, we welcome such development. The higher per-acre fee (a 100% increase) makes a reasonable adjustment for the City's increased costs over the past decade.
2. Give a residential developer who proposes a single-family development the option of paying a per-acre fee at the time of final platting that allows for the deduction of retention and park/school dedications; or a per-lot fee of \$1,000 at the time of final

platting. In the case of multiple family densities, the only option would be a per-acre approach.

3. Give those developers who are already annexed and who have made their investments on the basis of the current system an opportunity to pay in full at the current per-acre price of \$1,000 per acre within six months of the date of the enacting ordinance. This will accelerate the payment of fees that would otherwise be paid at final platting, and would not affect the pace of revenue resulting from future subdivisions.

If the Council agrees with this approach, a revised Ordinance No. 2002.73 can be prepared for the April 7 Council meeting.

**B. Ordinance No. 2002.78—An Ordinance Amending Title 10, “Subdivision Regulations,” Chapter 5, “Subdivision Administration and Enforcement,” Section 10-5-4, “Payment of Fees on Annexation, Planned Unit Development, or Subdivision,” Paragraph B of the City Code of the City of Sycamore, Second Reading.**

As with the proposed annexation fee, a final recommendation on a fair increase for the City’s engineering plan review fee was deferred to March 17 to allow more time for the DeKalb County Building and Development Association to make a formal reply, and for the staff to digest some fee models in other cities. The proposal before the Council is to increase the engineering plan review fee from 2% of the total estimated cost of the required public and private land improvements (excluding buildings) to 3%. The City’s fee is currently more than a “review” fee. It includes the City Engineer’s review of plans, as well as the City Engineer’s field inspections and inspections performed by Public Works and Water Department employees on sewer and water lines, respectively. The latter take many hours. Each sewer line is pressure tested and tested for deflection by pulling a mandrel from manhole to manhole. Water lines have to be pressure-tested and samples taken before they are put into service, and service taps have to be inspected.

In the attached letter, the DeKalb County Building and Development Association recommends the separation of the plan review and inspection fees to better reflect actual costs. Additionally, the Association proposes an upfront deposit to reimburse the City for the cost of reviews prior to the City approval of a subdivision. Presently, if a subdivision is not approved, there is no charge. In the case of projects under review for months or even years, the City could potentially invest many dollars with no return. This Association proposal is particularly favorable to the City and is patterned after procedures in place in other growing communities.

After reviewing the Association proposals, consulting with other communities, and assessing actual City costs, the City Engineer and City Administrator propose the following:

- a) The imposition of a nonrefundable \$350 deposit to cover the review of subdivision or planned development plans prior to annexation. This fee would be in addition to the filing fees for Plan Commission and Council review. If the City Council

approves a subdivision, the deposit becomes a credit and is deducted from the final accounting of the review and inspection costs. If the subdivision or P.U.D. is not approved, the City keeps the deposit.

- b) The imposition of a 2.5% engineering plan review and inspection fee. The separation of the two components of our fee is logical; however, there is no reliable method for estimating the proportional costs of review and inspection that might apply to all subdivisions. Since there is an element of speculation here, the staff felt it would be more accurate and fair to assess one fee that, on average, promises to cover the City's actual out-of-pocket expenses.

The City Engineer believes that a 3% fee would yield well in excess of the actual City expenses associated with even the smaller subdivisions. It has been the City's practice to tie development costs to actual expenses. In other areas of public service, such as police and fire services, the pricing of services is less exacting since the universe of need is not as finite as in the case of a certain land area, with known infrastructure.

In short, the City staff recommend a 2.5% engineering fee with an additional requirement of a \$350 deposit. If the Council concurs with this approach, a revised Ordinance No. 2002.78 can be prepared for the April 7 meeting.

**C. Ordinance No. 2002.83—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to the Petition of Menard, Inc. for a Second Resubdivision of the Menard's of Sycamore Subdivision in the City of Sycamore, Illinois. First and Second Reading.**

Menard, Inc. has requested a resubdivision to accommodate new commercial interest in the subdivision. The attached final plat would create Lots 8, 9 and 10. Lot 10 includes the Menard store, the vacant area between the store and Peace Road, and two retention areas—one 4.82 acre retention area south of Mercantile Drive and one smaller retention area of 2.22 acres at the north end of the frontage along Illinois Route 23. Lots 8 and 9 would be frontage lots along Rt. 23. Typically, this re-subdivision would be the responsibility of the plat officer. However, the proposed plat also shows two public easements and the addition of such features does not fall within the purview of the plat officer.

The Plan Commission reviewed this petition on March 10 and recommended its approval by a vote of 11-0. City Council approval of the Plan Commission recommendation is requested.

**D. Ordinance No. 2002.84—An Ordinance Amending Title 4, "Public Health and Safety," Chapter 1, "Fire Department," Section 4-1-2, "Membership; Appointments and Discharges," Paragraph C of the City Code of the City of Sycamore, Illinois to Lower the Entry Age for Paid-On-Call Firefighters From Twenty-One Years to Eighteen Years. First and Second Reading.**

Fire Chief Bill Riddle is requesting Council action on a recommendation to lower the entry age for paid-on-call firefighters. Paid-on-call firefighters traditionally include those who want to gain experience that will help secure them positions as career firefighters, and those who have an enduring commitment to their community and want

to serve their town in a more substantial and professional way. The latter have traditionally filled the ranks of Sycamore's POC firefighters. POC firefighters remain an integral part of the Sycamore Fire department in terms of emergency response and as ready backup or reserve forces for multiple incidents.

Like many service organizations and community groups, Fire departments across the country have had trouble recruiting people who want to give the kind of unselfish service and time that Fire departments demand. In addition, mandated training requirements have challenged modern volunteers to continually balance their after-hours volunteer capacity with their home life.

The Sycamore Fire Department has a core of dedicated and seasoned POC firefighters. However, attempts to attract new POC's have met with limited success. In recent years, some candidates have used the experience and training that we provide as leverage to gain full-time employment with other fire departments.

Lowering the entry age to 18 will help the Fire department expand the pool of volunteer help. Most people in the 18-21 age group have available time, high motivation to gain fire experience, and want to use this experience to get hired as career firefighters.

If the age limit is lowered, the Fire Chief believes we should insist on a pre-employment agreement that asks for a three-year commitment in exchange for the college-level training the City will provide at no cost to the candidates. To make the job more interesting, the Chief is also interested in giving POCs opportunities to work 24-hour shifts.

The lowering of the age to 18 is the first step toward implementing the program. The effort is ground-breaking in the Illinois Fire Service, and would involve a partnership with IAFF Local 3046, Sycamore Fire Department, Rock Valley College and Kishwaukee Community College.

City Council approval is recommended.

**E. Ordinance No. 2002.85—An Ordinance Amending an Agreement Between the City of Sycamore and Ceridian for a Flexible Spending Account Plan for Medical and Child Care Expenses by City Employees to Increase the Maximum Amount of the Flexible Spending Account to \$4,000 Per Employee in the City of Sycamore, Illinois. First and Second Reading.**

Human Resource Director Jean Tritle has requested the Council's consideration of an increase in the allowable employee contribution for flexible spending accounts. A Flexible Spending Account (FSA) plan is an IRS Section 125 cafeteria plan that allows employees the option of pre-tax payroll deductions for some insurance premiums, unreimbursed medical expenses (such as copayments, deductibles, and dental expenses) and child or dependent care expenses. The Federal government doesn't limit how much employees can set aside in an FSA for medical expenses each plan year as long as it

doesn't exceed their income. Most employers place a \$2500-\$5000 maximum on this account. The IRS does cap the maximum contribution allowed to the dependent care FSA at \$5,000.

When the City originally implemented the Flexible Spending Plan in 1995, a \$1,000 maximum contribution to the medical FSA was allowed. This was increased to \$3,000 in the year 2000. There are currently 21 participants in the City's plan. Of the 21 employees, 4 pledge the \$3,000 maximum contribution allowed for their medical FSA. Several of these employees have asked that we increase the maximum allowable contribution to accommodate increases in the cost of medical and dental services. The benefits of this increase to our employees include a larger reduction in their taxable income, allowing them to pay for medical expenses that otherwise would have been paid with after-tax dollars. The benefit to the City is the reduced benefit costs for Social Security and Medicare, owing to the reduction of taxable incomes. The disadvantage to the employee is primarily the "use it or lose it" rule – employees lose any contributions that remain in their accounts at the end of the year. This would not change regardless of the maximum contribution level. The only downside of the program to the employer is the Uniform Coverage Rule, which holds that the employer must make available the full amount pledged by the employee for the plan year whenever reimbursable expenses occur. If an employee terminates before he or she has made his or her full contribution to the account, the City must cover the loss.

Since the employee forfeitures at year end can help to offset any potential losses to the City due to an employee's termination, and since there is only one instance on record of an employee termination affecting the City's balance, it is recommended that the Council adopt the resolution to increase the maximum contribution to the medical FSA to \$4,000 for the FY04 plan year.

**12. RESOLUTIONS--None**

**13. CONSIDERATIONS**

**A. Consideration of the Preliminary FY2003-2004 City Budget.**

The City Administrator will distribute copies of the proposed FY2003-2004 City Budget to the City Council prior to the March 17 meeting, when it will be received and filed. Copies will also be distributed to the media. Additionally, a copy will be placed in the reference section of the Sycamore Library where it will be on record for interested citizens to review.

Special Finance Committee workshops will be held at 7:00 p.m. in the Council Chambers on Monday, March 24, Tuesday, March 25, and Wednesday, March 26 to review all of the budget funds. All Council members are welcome to attend and participate as in previous years, as are the aldermanic candidates. On March 24 the General Fund departments will be reviewed as well as the Water Department and Treatment Plant budgets. The City's department heads will be on hand to assist the City Administrator in this review. If these operational departments are covered to the Council's satisfaction on March 24, the Committee will be asked to review the special and capital funds, and possibly the bond funds, on March 25. If time does not permit

the full review of the special, capital and bond funds on March 25, the Committee will have an opportunity to conclude its work on March 26.

**B. Consideration of a Report from the City Engineer Regarding the FY04 Street Maintenance Program.**

City Engineer John Brady has prepared a preliminary list of streets that will be targeted for maintenance during the summer and fall of this year. A copy is attached for the Council's review. The FY04 street maintenance budget is \$200,000. The sources of these dollars are the General Fund (\$150,000 from the Public Works department budget; 731-8316) and the Capital Fund (\$50,000; Fund 6-8321).

The annual street maintenance program includes crack-filling, micro-surfacing and some re-surfacing. Crack-filling prevents the infiltration of water and ice to the aggregate layers beneath the road surface. The application of this rubberized asphalt can extend the service life of a street up to five years. Microsurfacing is another temporary measure that can extend the life of a street by 5 to 7 years. The application of this asphalt emulsion has a binding effect that improves the road surface.

In FY04, the City Engineer proposes substantial microsurfacing in the Electric Park area, on streets that have not seen any temporary repairs for about twenty years, and the re-surfacing of Maness Court from Conlin Avenue to Lynn Avenue. Finally, about 30,000 square yards of crack-filling material will be applied. A detailed list of the streets and alleys is attached.

City Council direction is recommended. Following Council direction, the City Engineer can get to work on the specifications for bidding.

**C. Consideration of an Administration Request for Direction Regarding the Placement of Certain Informational Signs.**

The City has been informed by the Illinois Department of Transportation that signs honoring the Sycamore Girl's bowling team may only be erected at two entry points on state-marked routes leading into the City. This direction does not preclude the City from installing special signs on Peace Road, Plank Road or Somonauk Street. The staff propose the following locations for the special signs:

1. on IL Rt 64 heading westbound in the right-of-way east of Airport Road;
2. on IL Rt. 23 heading northbound in the right-of-way at the north edge of Northland Plaza;
3. on Somonauk Street heading north into the city, in the right-of-way just south of Bethany Road;
4. on Plank Road heading westbound in the right-of-way at about the intersection of Lindgren Road;
5. On Peace Road heading northbound in the right-of-way just south of the intersection with Bethany Road.

City Council direction is recommended.

**D. Consideration of an Administration Request for a Closed Session to Discuss Closed Session Minutes.**

**14. APPOINTMENTS**

**15. ADJOURNMENT**