

**SYCAMORE CITY COUNCIL**  
**AGENDA**  
July 20, 2009

**CITY COUNCIL COMMITTEE MEETINGS**  
No Meetings Are Scheduled

**REGULAR CITY COUNCIL MEETING**  
7:00 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 for the Regular City Council Meeting of July 6, 2009.
  - B. Payment of the Bills for July 20, 2009.
  - C. Plan Commission Minutes for the Meeting of June 8, 2009.
  - D. Proclamation Declaring the Month of July, 2009 as Elder Abuse Awareness Month in the City of Sycamore, Illinois.
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. 2009.25—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to The Final Plat of Subdivision for the Pappas-Cassett Re-subdivision in the City of Sycamore, Illinois. First and Second Reading.**

The attached plat re-subdivides the 11.59-acre former Kmart site in anticipation of future re-development. Two parcels would result. Lot One would create a combined area of roughly 8.46-acres south of the Radio Shack outlot, which is situated in the proposed Lot Two. The plat also provides a 60-foot access easement so that Lots One and Two would be better served, as well as a new access easement along the east side of the site to provide unfettered access for service vehicles.

The exciting prospect of a thoroughgoing redevelopment of the former Kmart site has been long-awaited. The approval of this plat is an initial step to establish two vendible parcels with development potential.

The Plan Commission reviewed this plat on July 13 and voted 11-0 to recommend its approval. City Council approval of the Plan Commission recommendation is requested.

### **B. Ordinance No. 2009.26—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to the Petition of Dale Hoffman for a Rezoning of the Property at 324 N. Sacramento Street from “C-2” Central Business District to “R-2” Multiple Family Residence District in the City of Sycamore, Illinois. First and Second Reading.**

The petitioner, Dale Hoffman, owns the property at 324 N. Sacramento and wishes to build a garage on the property. However, his lot is presently zoned “C-2” Central Business District and the existing residential use on the lot is legal, but non-conforming. The addition of a residential accessory use such as a garage would intensify the non-conforming aspects of his lot, which would be illegal. Unlike some recent variance requests seeking the addition of a new garage on a residentially-zoned lot, this request carries a double-whammy from a zoning perspective: the proposed garage would exacerbate the non-conforming nature of the lot and would not be permitted in the “C-2” commercial zoning district.

Since the “C-2” zoning is an anomaly in this neighborhood, and represents a zoning remnant (see the attached exhibit) of an earlier era, the petitioner has been encouraged by City staff to pursue a zoning change. The petitioner had requested the rezoning of his property to “R-3,” Multiple Family Residence District. This zoning would allow the owner to construct five, two-bedroom apartment units. However, although the land area might suffice for such intensity of use, the erection of a five-unit apartment building and the required off-street parking would create a density that is not compatible with the majority of structures on the block.

The City Manager recommended the alternative of a rezoning to “R-2” Two-Family Residence District to the Plan Commission on July 13. After some discussion, and with the consent of the

Hoffmans, the Commission voted 11-0 to recommend a rezoning to “R-2,” Two Family Residence District.

City Council approval of the Plan Commission recommendation is requested.

**C. Ordinance No. 2009.27—An Ordinance Amending Title 6, “Motor Vehicles and Traffic,” Chapter 4, “Traffic Schedules,” Section 6-4-1, “Stop Intersections,” of the City Code of the City of Sycamore, Illinois. First and Second Reading.**

The attached ordinance updates the City’s traffic ordinances to add stop signs in the following locations:

**Right-of-Way Street**

Bethany Road  
Dosen Drive  
Gateway Drive  
Gateway Drive  
Wirsing Parkway

**Stop Street**

Klein Road  
Oakland Drive  
Dosen Drive  
Hauser Ross Drive  
Dosen Drive

The need for these signs arises because of the continuing commercial development in Milan Krpan’s Thanks America subdivision.

City Council approval is recommended.

**12. RESOLUTIONS--None**

**13. CONSIDERATIONS**

**A. Consideration of the Sycamore Library’s Annual Report.**

Sarah Tobias, executive director of the Sycamore Public Library, will present the Library Board’s annual report to the Council.

**B. Consideration of an Administration Report on Funding Options for an Addition to the Public Safety Building.**

As the Council was reminded during its recent tour of City facilities, the City’s Police department occupies a grossly undersized space of 3,220 square feet—about the area of the average-sized new single-family home built in Sycamore in the period 2003-2008. The department layout offers no separation of administrative and processing functions (i.e. prisoners must walk through the administrative office area), no sally port, no patrol locker rooms or gear storage, no armory (a coat closet is presently used for gun storage) a report writing area for only three persons (shifts are presently at a seven-person minimum), and undersized electrical and HVAC systems.

As the City budget was being reviewed in the spring of this year, the plans for an addition to this 1983 structure were nearing completion. The proposed two-story addition would comprise 18,250 square feet of area including a basement with an emergency shelter and an emergency operations center serving the city at large. The space allocation conforms to a 20-year department plan that will eventually see a staffing of 50 persons (the present staffing is 39.5 FTE). According to the bid-ready building plans, the floor areas would be as follows:

**First Floor:** 8,200 sq. ft. including a 1,220 square foot sally port.

**Second Floor:** 5,090 sq. ft., including 1,290 square feet of “shell space” that would not be finished initially to save money.

**Basement:** 4,960 sq. ft.

The total cost of the addition and the remodeling project is estimated to be between \$3.25 million and \$3.5 million plus site development (est.: \$200,000).

In the past ten years, the City has used general operating fund reserves to pay for such building projects. The Sycamore Center (formerly Henderson’s Department Store) was purchased in the fall of 2002 and renovated for the City’s administrative and finance operations in 2003. The second Fire Station was built in 2007-2008 with such reserve funds. Significantly, these projects did not impose \$1 of debt on local property tax payers.

The proposed Police department remodeling and expansion remain contingent upon funding. The FY2010 City Budget did not anticipate a general obligation bond issue because conventional public borrowing would have involved a reliance on new general operating revenues to the tune of about \$100,000 per year for every \$1 million borrowed. Such funds have not materialized since May 1. In fact, based on a month-on-month comparison with FY09, key FY10 revenue categories (e.g. sales taxes; development-related fees) are off as much as 10% as the first fiscal quarter draws to a close.

Nevertheless, borrowing costs are favorable and general building contractors are hungry in these slow economic times. With few projects on municipal or state building lists, the pricing of larger public building projects in Northern Illinois has been aggressive in the past six months, meaning savings to municipalities of as much as 10%-15% in some cases. If such a savings was realized for Sycamore’s Police department addition, the savings would more than cover the anticipated site improvements (e.g. parking, landscaping, utility extensions, concrete steps and walks, etc.).

**Do we have any funding options that would allow us to proceed?**

We have several options that grow out of a new and unique federal program. Since the City budget was approved we have learned details about the federal “American Recovery and Reinvestment Act of 2009” which may be the key to proceeding with the project. The act established a new category of interest-subsidized taxable bonds known as “Build America Bonds.” The appeal of such bonds versus traditional tax-exempt municipal bonds will vary as the spread between benchmark 15-year Treasury bonds and tax exempts changes. However, at present, a lower rate of interest would be realized by the City of Sycamore if Build America Bonds were issued for a 15-year term. Over the life of a bond, as rates rise with later maturities, the Build America discount becomes significant. For example, on July 1 the comparable rates on Build America Bonds and conventional tax-exempts for a fifteen year bond were as follows:

<b>Maturity Year</b>	<b>BAB Taxable Rate</b>	<b>35% BAB Subsidy</b>	<b>BAB Net Rate</b>	<b>Tax Exempt Rate</b>
2010	2.00%	-0.70%	1.30%	1.00%
2011	2.50%	-0.88%	1.63%	1.60%
2012	3.00%	-1.05%	1.95%	2.20%
2013	3.50%	-1.23%	2.28%	2.50%
2014	4.00%	-1.40%	2.60%	2.80%
2015	4.40%	-1.54%	2.86%	3.10%
2016	4.80%	-1.68%	3.12%	3.40%
2017	5.10%	-1.79%	3.32%	3.60%
2018	5.40%	-1.89%	3.51%	3.80%
2019	5.70%	-2.00%	3.71%	4.00%
2020	5.85%	-2.05%	3.80%	4.10%
2021	6.00%	-2.10%	3.90%	4.20%
2022	6.15%	-2.15%	4.00%	4.30%
2023	6.30%	-2.21%	4.10%	4.40%
2024	6.40%	-2.24%	4.16%	4.50%
2025	6.50%	-2.28%	4.23%	4.55%
2026	6.55%	-2.29%	4.26%	4.60%
2027	6.60%	-2.31%	4.29%	4.65%
2028	6.65%	-2.33%	4.32%	4.70%
2029	6.70%	-2.35%	4.36%	4.75%

In this example, a blending of tax-exempts in the first years with Build America bonds from the third year might make the most sense.

The new federal program is attracting investors who have become wary of traditional tax-exempt municipals issued for governmental bodies that have experienced fiscal constraints without adequate reserves, or which may be taking on new debt just to sustain operations. The exclusive focus of the Build America program is capital projects, and the most attractive discounts offered by investors will go to public entities that have managed their operations with the prudent use of reserves. Sycamore is well-positioned to qualify for this federal program, and to realize some attractive rate discounts.

#### Sycamore's Current General Obligation Debt

The City's general obligation debt capacity does not include the loan obligations funded by the Water and Sewer enterprise funds, which stand on their own in terms of dedicated revenues (i.e. user fees) and do not compete with general revenues for either operating or capital purposes. The City's present general obligation debt load includes annual payments on four general obligation bonds: the 2002 G.O. Bond; the 2003 G.O. Bond; the 2005 Refunding Bond and the 2007 G.O. Bond. The 2005 Bond refunded the 1999 Refunding Bond which refunded a portion of the outstanding 1996 Bond funds. In 1996, the Council committed \$155,000 in annual property tax proceeds to service the debt on bonds issued for several general capital purposes (e.g. the regional retention bond at Bethany and Somonauk and the Public Works facility). Since that time, successive Councils have abated any general obligation debt service

by using general revenues (e.g. sales taxes) rather than property tax proceeds to pay the annual principal and interest on all general capital debt over \$155,000 per year.

The 2002, 2003 and 2007 G.O. bonds funded almost \$8 million in infrastructure and general capital improvements at no cost to the city's property tax payers. Among the infrastructure improvements were the reconstruction of about 1,000 feet of Home Street, the 100 block of S. California Street, the 100 block of Somonauk Street, the 100 block of N. Maple Street, the 100 block of S. Maple Street, the 100 block of S. Main Street and the 100 block of E. State Street. The 2008 debt service on these improvements is shown in the table below:

<b>Bond</b>	<b>2008 Debt Service</b>	<b>2008 Abatement</b>	<b>2008 Levy</b>
2002	\$305,065	\$305,065	\$0.00
2003	\$147,568	\$147,568	\$0.00
2005	\$422,535	\$267,535	\$155,000
2007	\$195,753	\$195,753	\$0.00
Total	\$1,070,921	\$915,921	\$155,000

The outstanding debt on these G.O. bonds is shown in the next table. In projecting the bond and interest tax rate on the existing debt, the table makes the very conservative assumption that the City's EAV will grow by only 3% each year through 2022.

<b>Year</b>	<b>Principal and Interest Tax Levy</b>	<b>Principal and Interest Abatement</b>	<b>Net Principal and Interest Tax Extension</b>	<b>Principal and Interest Tax Rate Per \$100 EAV</b>
2007	\$1,076,014	\$921,014	\$155,000	\$0.0377
2008	\$1,070,920	\$915,921	\$155,000	0.0351
2009	\$974,688	\$819,688	\$155,000	0.0339
2010	\$973,165	\$818,165	\$155,000	0.0328
2011	\$969,687	\$814,687	\$155,000	0.0317
2012	\$969,875	\$814,875	\$155,000	0.0306
2013	\$968,512	\$813,512	\$155,000	0.0296
2014	\$803,813	\$648,813	\$155,000	0.0286
2015	\$648,253	\$493,253	\$155,000	0.0276
2016	\$644,543	\$489,543	\$155,000	0.0267
2017	\$499,745	\$344,745	\$155,000	0.0258
2018	\$499,720	\$344,720	\$155,000	0.0249
2019	\$378,858	\$223,858	\$155,000	0.0240
2020	\$302,045	\$147,045	\$155,000	0.0232
2021	\$302,523	\$147,523	\$155,000	0.0224
2022	-	-	-	-
Total	\$8,935,427	\$6,920,427	\$2,325,000	

Funding Options

The following options assume participation in the Build America Bond program, which is only available in 2009 and 2010. Each option also takes advantage of the City’s steady retirement of existing debt over the coming years. Some key considerations are presented for each option in bullet fashion after the “numbers.”

**Option One: \$3.5 Million Level Debt Over 15 Years At 4.25%**

<b>Year</b>	<b>Current G.O. Debt</b>	<b>Series 2009 Principal and Interest</b>	<b>Principal and Interest Tax Levy with 2009 Bond</b>	<b>Principal and Interest Abatement</b>	<b>Net Principal and Interest Tax Extension</b>	<b>Principal and Interest Tax Rate Per \$100 EAV</b>
2007	\$1,076,014	-	\$1,076,014	\$921,014	\$155,000	\$0.0377
2008	\$1,070,920	-	\$1,070,920	\$915,921	\$155,000	0.0351
2009	\$974,688	\$324,750	\$1,299,438	\$1,144,438	\$155,000	0.034
2010	\$973,165	\$324,750	\$1,297,915	\$1,142,915	\$155,000	0.033
2011	\$969,687	\$324,750	\$1,294,437	\$1,139,437	\$155,000	0.032
2012	\$969,875	\$324,750	\$1,294,625	\$1,139,625	\$155,000	0.031
2013	\$968,512	\$324,750	\$1,293,262	\$1,138,262	\$155,000	0.030
2014	\$803,813	\$324,750	\$1,128,563	\$973,563	\$155,000	0.029
2015	\$648,253	\$324,750	\$973,003	\$818,003	\$155,000	0.029
2016	\$644,543	\$324,750	\$969,293	\$814,293	\$155,000	0.028
2017	\$499,745	\$324,750	\$824,495	\$669,495	\$155,000	0.027
2018	\$499,720	\$324,750	\$824,470	\$669,470	\$155,000	0.026
2019	\$378,858	\$324,750	\$703,608	\$548,608	\$155,000	0.025
2020	\$302,045	\$324,750	\$626,795	\$471,795	\$155,000	0.025
2021	302,523	\$324,750	\$627,273	\$472,273	\$155,000	0.024
2022	-	\$324,750	\$324,750	\$169,750	\$155,000	0.023
2023	-	\$324,750	\$324,750	\$169,750	\$155,000	0.023
<b>Total</b>	<b>\$8,935,427</b>	<b>\$4,871,250</b>	<b>\$13,806,677</b>	<b>(\$11,481,677)</b>	<b>\$2,325,000</b>	

**Key Considerations:**

1. The increase in debt in this scenario requires the City to find substantial new general revenues to abate the expanded bond and interest taxes down to a net value of \$155,000 each year. This is unrealistic in the present economic circumstances. Even as the existing debt obligations diminish in upcoming years, the new abatement costs would be about \$230,000 higher each year through 2013.

2. Assuming an annual city-wide EAV growth of 3% per year for the next fifteen years, the debt service “rate” would decline incrementally over time if all but \$155,000 was abated each year.

**Option Two: \$3.5 Million Borrowing Structured Around Current Debt Over 15 Years At 4.50%**

<b>Year</b>	<b>Current G.O. Debt</b>	<b>Series 2009 Principal and Interest</b>	<b>Principal and Interest Tax Levy with 2009 Bond</b>	<b>Principal and Interest Abatement</b>	<b>Net Principal and Interest Tax Extension</b>	<b>Principal and Interest Tax Rate Per \$100 EAV</b>
2007	\$1,076,014	-	\$1,076,014	\$921,014	\$155,000	\$0.0377
2008	\$1,070,920	-	\$1,070,920	\$915,921	\$155,000	0.0351
2009	\$974,688	\$210,000	\$1,184,688	\$1,029,688	\$155,000	0.034
2010	\$973,165	\$157,500	\$1,130,665	\$975,665	\$155,000	0.033
2011	\$969,687	\$157,500	\$1,127,187	\$972,187	\$155,000	0.032
2012	\$969,875	\$157,500	\$1,127,375	\$972,375	\$155,000	0.031
2013	\$968,512	\$157,500	\$1,126,012	\$971,012	\$155,000	0.030
2014	\$803,813	\$157,500	\$961,313	\$806,313	\$155,000	0.029
2015	\$648,253	\$215,000	\$863,253	\$708,253	\$155,000	0.029
2016	\$644,543	\$220,000	\$864,543	\$709,543	\$155,000	0.028
2017	\$499,745	\$360,000	\$859,745	\$704,745	\$155,000	0.027
2018	\$499,720	\$360,500	\$860,220	\$705,220	\$155,000	0.026
2019	\$378,858	\$496,000	\$874,858	\$719,858	\$155,000	0.025
2020	\$302,045	\$570,000	\$872,045	\$717,045	\$155,000	0.025
2021	302,523	\$570,000	\$872,523	\$717,523	\$155,000	0.024
2022	-	915,000	\$915,000	\$760,000	\$155,000	0.023
2023	-	\$918,750	\$918,750	\$763,750	\$155,000	0.023
<b>Total</b>	<b>\$8,935,427</b>	<b>\$5,622,750</b>	<b>\$14,558,177</b>	<b>(\$12,233,177)</b>	<b>\$2,325,000</b>	

**Key Considerations:**

1. This option defers the retirement of principal until about half-way through the term.
2. It increases the overall abatement costs by about \$750,000 over Option One without identifying the new source of general revenues (sales tax increase?) to fund the higher costs.
3. Assuming an annual city-wide EAV growth of 3% per year for the next fifteen years, the debt service “rate” would decline incrementally over time if all but \$155,000 was abated each year.

**Option Three: \$3.5 Million Borrowing Structured To Produce A Flat Principal And Interest Tax Rate Over 15 Years at 4.5%.**

<b>Year</b>	<b>Current G.O. Debt</b>	<b>Series 2009 Principal and Interest</b>	<b>Principal and Interest Tax Levy with 2009 Bond</b>	<b>Principal and Interest Abatement</b>	<b>Net Principal and Interest Tax Extension</b>	<b>Principal and Interest Tax Rate Per \$100 EAV</b>
2007	\$1,076,014	-	\$1,076,014	\$921,014	\$155,000	\$0.038
2008	\$1,070,920	-	\$1,070,920	\$915,921	\$155,000	0.035
2009	\$974,688	\$210,000	\$1,184,688	\$1,025,535	\$159,152	0.035
2010	\$973,165	\$157,500	\$1,130,665	\$966,738	\$163,927	0.035
2011	\$969,687	\$157,500	\$1,127,187	\$958,342	\$168,845	0.035
2012	\$969,875	\$157,500	\$1,127,375	\$953,464	\$173,911	0.035
2013	\$968,512	\$157,500	\$1,126,012	\$946,884	\$179,128	0.035
2014	\$803,813	\$157,500	\$961,313	\$776,811	\$184,502	0.035
2015	\$648,253	\$215,000	\$863,253	\$673,216	\$190,037	0.035
2016	\$644,543	\$220,000	\$864,543	\$668,805	\$195,738	0.035
2017	\$499,745	\$360,000	\$859,745	\$658,135	\$201,610	0.035
2018	\$499,720	\$360,500	\$860,220	\$652,562	\$207,658	0.035
2019	\$378,858	\$496,000	\$874,858	\$660,970	\$213,888	0.035
2020	\$302,045	\$570,000	\$872,045	\$651,740	\$220,305	0.035
2021	302,523	\$570,000	\$872,523	\$645,609	\$226,914	0.035
2022	-	915,000	\$915,000	\$681,279	\$233,721	0.035
2023	-	\$918,750	\$918,750	\$678,017	\$240,733	0.035
<b>Total</b>	<b>\$8,935,427</b>	<b>\$5,622,750</b>	<b>\$14,558,177</b>	<b>(\$11,598,106)</b>	<b>\$2,960,071</b>	

**Considerations:**

1. This option offers annual tax abatement costs similar to Option One but spreads the impact across the tax base without increasing the “rate” paid by local property tax payers in 2008.
2. No new general sales tax revenues are needed to fund the increase in annual abatement costs.
3. With an annual city-wide EAV growth of only 3% over the next fifteen years (the annual average in the period 1998 to 2008 was 10.27%), the debt service “rate” could remain the same and still generate the new annual debt service required by the 2009 Bond, as old debt falls off.
4. The increase in abatement costs in 2009 could be paid from the Public Building Fund reserve or residual capital funds.

**A Final Note on Separately Financing Site Improvement Costs**

As noted on page 4 of this Council background, the potential savings in construction costs that may be realized by going to bid in the next six months may be significant. If that savings approaches only 6% of the architectural estimate of \$3.5 million, about \$210,000 would be

available for the paving, sidewalks, landscaping, utility extensions and storm water improvements (estimated to be about \$200,000). The City's Engineering department would perform the site design and engineering "in-house." Another potential resource for the site improvements would be some cost-shifting in the City's capital funds. For instance, the residual bond proceeds in the 2002, 2003 and 2007 Bond Funds which have not been committed (about \$190,000) can be committed to the completion of the Peace Road bikepath and general sidewalk replacement in FY10 and the equivalent amount dedicated for such purposes in Fund 22 could be dedicated toward site improvements (a combined total of \$190,000 was set aside for these two purposes in Fund 22 in FY10). In addition, the Public Building Fund (Fund 11) had an unaudited reserve of about \$387,000 on April 30 of this year. In short, we have several options that will enable us to avoid paying any borrowing costs for the site improvements.

**The City Manager recommends Option Three.** The City's portion of the overall tax rate imposed on local property tax payers--\$0.57723 out of a total \$7.91155 per \$100 EAV (7.3%)—need not increase to fund this new borrowing and will likely continue to decrease over time (the city portion of the overall Sycamore property tax rate is one-half what it was only ten years ago). The very conservative projection of annual EAV increases for the next fifteen years (3% per year on average) should reasonably support the new debt service levies without increasing the debt service portion of the City rate (.035 per \$100 EAV) despite the wildest imaginable swings in the regional and national marketplace over the next fifteen years.

Rather than competing with general operating revenues, the new debt service funding will come from the expanding property tax base without imposing an increased burden on local taxpayers in the form of a higher tax rate.

**City Council direction is requested.** Eric Anderson of BMO Capital Markets has researched the Build America Bond program for the City staff and will be on hand to answer any Council questions about its relevance to the City's funding needs. His firm handled the first BAB deal in Illinois—an \$8.2 million bond for the financing of three fire stations in Plainfield. Mr. Anderson has been engaged on a total of six BAB deals thus far (including a \$2.4 million bond for the Oswegoland Park District and a \$5.5 million bond for the Minooka Fire District). If the Council wishes to pursue a new borrowing, an action item can be added to the August 3 Council agenda.

**14. OTHER NEW BUSINESS**

**15. APPOINTMENTS**

**16. ADJOURNMENT**