

SYCAMORE CITY COUNCIL
AGENDA
August 3, 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 20, 2009.
 - B. Payment of the Bills for August 3, 2009.
 - C. Proclamation Declaring the City of Sycamore's support for the U.S. Census Bureau and the 2010 Decennial Census.
7. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
8. **REPORTS OF OFFICERS**
9. **REPORTS OF STANDING COMMITTEES**
10. **PUBLIC HEARINGS—None**
11. **ORDINANCES—None**

12. RESOLUTIONS

A. Resolution No. 523—A Resolution Supporting Issuance of New Debt Service to Fund an Addition to the Public Safety Building.

At the last Council meeting on July 20, the City Council approved a staff proposal to issue new debt service in order to fund an addition to the Public Safety Building.

Built in 1983, the current undersized police facility is only 3,220 square feet and staffs 39.5 full-time equivalent employees. In addition to inadequate overall space requirements, the current layout does not allow for separation between administrative and processing functions, has no sally port or armory (a coat closet is presently used for gun storage), and contains a report-writing area suitable for only three persons (shifts are presently at a seven-person minimum).

Bid-ready building plans call for a two-story addition that would add 18,250 square feet, including a sally port, expanded patrol locker rooms, and 1,290 square feet of unfinished “shell space” that would allow for future expansion that conforms to a 20-year department plan of 50 staff members. Additionally, a basement area would house an emergency shelter as well serve as the City’s emergency operations center.

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

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.).

As part of the “American Recovery and Reinvestment Act of 2009” a new category of interest-subsidized taxable bonds known as “Build America Bonds” are available for projects such as this. 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:

Maturity Year	BAB Taxable Rate	35% BAB Subsidy	BAB Net Rate	Tax Exempt Rate
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%

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 which is only available in 2009 and 2010, and should realize some attractive rate discounts.

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. 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 (\$.035 per \$100 EAV in 2008).

On July 20, after discussion of various funding options using the Build America Bonds, the City Council directed the City Manager to bring back the option that includes borrowing \$3.5 million without increasing the debt service portion of the City's property tax rate. The table below reflects the flat principal and interest tax rate over 15 years at 4.5%.

Year	Current G.O. Debt	Series 2009 Principal and Interest	Principal and Interest Tax Levy with 2009 Bond	Principal and Interest Abatement	Net Principal and Interest Tax Extension	Principal and Interest Tax Rate Per \$100 EAV
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
Total	\$8,935,427	\$5,622,750	\$14,558,177	(\$11,598,106)	\$2,960,071	

- The impact is spread across the tax base without increasing the “rate” paid by local property tax payers in 2008.
- No new general sales tax revenues are needed to fund the increase in annual abatement costs.
- 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.
- The increase in abatement costs in 2009 could be paid from the Public Building Fund reserve or residual capital funds.

Eric Anderson of BMO Capital Markets will be available to answer any questions the Council may have. Mr. Anderson and his firm have been engaged in a number of Build America Bond transactions in northern Illinois.

City Council approval is recommended.

13. CONSIDERATIONS

A. Consideration of an Administration Recommendation Regarding Health Insurance Coverage for Active and Retired City Employees.

The City's new plan year for all of its insurance policies begins on September 1, 2009. Broken down by plan type, the renewal rates received by our carrier are as follows:

Health Insurance: Our broker received quotes from our current carrier plus three other carriers, Aetna, The Principal and Humana. Aetna declined to quote as they cannot be competitive in our area. The Principal's quote was higher than our current carrier. Humana offered a quote lower than the current carrier's quote, however our broker cautioned against making the move as Humana is trying to break into the area by offering low rates; while this would save the City premium dollars this year, it could mean a double digit increase next year. Our broker cited one employer who received a 77% increase on their first renewal. The initial renewal rate received from Blue Cross, our current carrier, was for a 14.32% increase, based upon the following:

- The City had 13 large claims, the same as in the last plan year. **Each** of these claims incurred a minimum of \$25,000 in expenses.
- The City paid \$1,629,211 in premium and incurred \$3,220,695 in claims expense, for a loss ratio of 185% (as compared to 101.69% last year).

We are happy to report that our broker was able to negotiate this increase down to 8.68% overall, which is less than 1% more than the current trend of 7.78% in medical insurance increases resulting from inflation. Broken down by plan, the overall HSA premium increased 10.8%, the overall PPO plan increased by 7.2% and the HMO increased by 7.5%.

As was the case last year, even though the HSA plan incurred the largest increase in premium, it continues to be the most economical of the three plans offered. For this reason, we are proposing that the City once again fund 100% of the deductible for HSA participants, which is \$1,500 for a single participant and \$3,000 for a family. The total fiscal year employer cost for an employee + family under the PPO plan will be \$20,776.54. The total employer cost for an employee plus family under the HSA for the same time period, including the contribution to the deductible, is \$18,229.26, for a savings in premium of \$2,547.28. There are currently 38 employees participating in the HSA, 20 of which have family coverage. As has been past practice, the amount that the City will fund going forward will be determined every August based upon savings realized once the renewal rates are received, as well as other budgetary considerations.

One of the reasons our broker was able to negotiate a 5.64% decrease in the original rate quoted was due to the fact that we moved the post-65 retirees to a Medicare supplemental plan effective January 1, 2009. We are happy to report that, after a few glitches in the initial enrollment process, the plan is running smoothly; several of the retirees have reported that they have realized a savings in their out-of-pocket expenses under the Hartford supplemental plan.

Dental Insurance: The City switched dental carriers on September 1, 2007. At that time, Assurant guaranteed their rate for two years. This 2-year period ends on September 1, 2009. Assurant is proposing a 35% increase, due to the fact that we have a 100% loss ratio. Assurant did supply us with claims information, which shows that the majority of our claims were for

preventative services. Assurant offered an alternate plan, under which we would only incur a 25% increase. Under this plan, the annual deductible would increase from \$50 to \$75 and a 12 month waiting period for major services would be imposed on new entrants. If we renew with them, Assurant would also guarantee a 4% increase for the next plan year.

Our broker was able to secure a quote for dental coverage from Blue Cross. Their premium for essentially the same features as our current plan would be approximately 5% more than the City is currently paying. However, their quote was not based on claims history. If we were to switch to Blue Cross, we could potentially see a 35% rate increase again next year.

We discussed our options with the Health Insurance Committee, and they shared it with their respective union groups and managers. All four groups expressed a desire to renew with Assurant under the proposed alternate plan. The committee members cited the 4% renewal rate for the next plan year as the main reason. However, in the reports that were supplied by Assurant, out of all the employees and dependents who participate in the plan, only 73 had met their deductible while covered under the Assurant plan. This was also a factor that was considered in the decision made by the four groups.

Vision Insurance: VSP will not be changing our premium rates for the next plan year.

Life/Short-term Disability Insurance: Fort Dearborn Life will not be changing our premium rates for the next plan year.

Based upon the new premiums quoted, the City cost for all benefits in FY10 is calculated as follows:

Month	Blue Cross Blue Shield Premium (8.68% INCREASE)						
	Retiree Premium (under age 65)	Retiree Premium (over age 65 - Hartford Plan)	Less Retiree Share	Total Employer Share, Retirees	Total Premium Active Employees	Less Employee Share	Total Employer Share, Active Employees
May 09	22,467.00	6,174.06	0.00	28,641.06	110,341.46	7,648.60	102,692.86
June 09	22,467.00	6,174.06	0.00	28,641.06	114,290.05	8,013.08	106,276.97
July 09	22,320.87	6,174.06	(1,828.17)	26,666.76	113,351.81	11,720.42	101,631.39
August 09	14,976.77	6,174.06	(609.39)	20,541.44	112,222.37	7,863.48	104,358.89
SUBTOTAL	82,231.64	24,696.24	(2,437.56)	104,490.32	450,205.69	35,245.58	414,960.11
September 09	23,097.31	6,174.06	0.00	29,271.37	121,684.07	9,195.87	112,488.20
October 09	23,097.31	6,174.06	0.00	29,271.37	121,684.07	9,195.87	112,488.20
November 09	23,097.31	6,174.06	0.00	29,271.37	121,684.07	9,195.87	112,488.20
December 09	23,097.31	6,174.06	0.00	29,271.37	121,684.07	9,195.87	112,488.20
January 10	23,097.31	7,100.22	0.00	30,197.53	121,684.07	9,195.87	112,488.20
February 10	23,097.31	7,100.22	0.00	30,197.53	121,684.07	9,195.87	112,488.20
March 10	23,097.31	7,100.22	0.00	30,197.53	121,684.07	9,195.87	112,488.20
April 10	23,097.31	7,100.22	0.00	30,197.53	121,684.07	9,195.87	112,488.20
SUBTOTAL	184,778.48	53,097.12	0.00	237,875.60	973,472.56	73,566.96	899,905.60
TOTAL	267,010.12	77,793.36	(2,437.56)	342,365.92	1,423,678.25	108,812.54	1,314,865.71
HSA ER Cont.	0.00			0.00			90,000.00
GRAND TOTAL EMPLOYER PREMIUM	342,365.92				1,404,865.71		

Month	ASSURANT DENTAL - 25% INCREASE			VSP VISION PREMIUM (NO INCREASE)			FT DEARBORN LIFE/STD - NO INCREASE		
	Total Premium Active Employees	Less Employee Share	Total Employer Share, Active Employees	Total Premium Active Employees	Less Employee Share	Total Employer Share, Active Employees	Total Premium Active Employees	Retiree Premium (Life only)	Total Premium
May 09	5,550.68	2,542.71	3,007.97	1,293.93	427.25	866.68	3,866.98	138.00	4,004.98
June 09	5,533.89	3,921.12	1,612.77	1,292.39	643.05	649.34	3,866.98	138.00	4,004.98
July 09	5,739.90	2,721.80	3,018.10	1,343.80	473.50	870.30	3,866.98	138.00	4,004.98
August 09	5,739.90	2,721.80	3,018.10	1,343.80	434.57	909.23	4,088.86	138.00	4,226.86
SUBTOTAL	22,564.37	11,907.43	10,656.94	5,273.92	1,978.37	3,295.55	15,689.80	552.00	16,241.80
September 09	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
October 09	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
November 09	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
December 09	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
January 10	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
February 10	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
March 10	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
April 10	6,916.70	3,602.15	3,314.55	1,307.37	490.38	816.99	3,909.85	138.00	4,047.85
SUBTOTAL	55,333.60	28,817.20	26,516.40	10,458.96	3,923.04	6,535.92	31,278.80	1,104.00	32,382.80
TOTAL	77,897.97	40,724.63	37,173.34	15,732.88	5,901.41	9,831.47	46,968.60	1,656.00	48,624.60

Summary:

Total Budgeted - Active Employees	
General Fund	1,338,611.00
Water Fund	111,257.00
Sewer Fund	94,735.00
	1,544,603.00
Estimated Benefit Costs - Active Employees	
Medical	1,404,865.71
Dental	37,173.34
Vision	9,831.47
	1,451,870.52
Surplus	92,732.48
Total Budgeted - Retirees	
	325,000.00
Estimated Benefit Costs	342,365.92
Deficit	(17,365.92)
Life Insurance	
Total Budgeted	
General Fund	46,481.00
Water Fund	3,596.00
Sewer Fund	3,690.00
	53,767.00
Estimated Benefit Costs	48,624.60
Surplus	5,142.40
SURPLUS	80,508.96

The savings realized between the amounts budgeted and the estimated FY10 insurance costs may be needed to help offset the cost of the City's Liability/Workers Compensation premium if the renewal rate is larger than the amount budgeted.

Recommendation

The City Manager recommends that the Council approve the renewal of our contracts with Blue Cross and Assurant, with the plan changes as outlined above. It is also recommended that the Council approve the City's continued contribution to the HSA deductible as an incentive for more employees to choose this plan, as it will save the City and the employees premium dollars in the long run.

B. Consideration of a Recommendation from the Architectural Review Committee Concerning a Façade Grant Request from Sweet Earth, Inc. for the Property at 341 West State Street.

On July 16th the Architectural Review Committee met to consider a downtown façade grant request from Rich and Roseann Para of Sweet Earth Jewelry and Gifts, formerly known as Ben Franklin. Earlier this year, the Paras reached out to the community for input on a new name for their store. Along with the name change, substantial façade improvements have been completed including new windows and a new awning. In 2008, the petitioners were granted \$1,560 to assist with the new awning. As part of the project, the petitioners are requesting assistance to replace their present sign to reflect their new identity (see attachment).

The Downtown Improvement Program description allows property owners to receive funding up to \$5,000 for a project every two years. The rationale behind the allowance was that many small business owners cannot afford to address all of their remodeling goals at one time. The program anticipates a dollar-for-dollar match from the owners.

With the application a quote was submitted from Sycamore Signs for a high density urethane sign. The Committee reviewed the application on July 16 and voted 4-0 to recommend City participation of up to 50% of the actual cost of the new sign. With a cost of \$4,150 as submitted, the City's participation would be \$2,075, if approved. Over the course of the two years, the City's participation would be well within the maximum allowance of the program.

City Council approval of the recommendation of the Architectural Review Committee is requested.

- 14. **OTHER NEW BUSINESS**
- 15. **APPOINTMENTS**
- 16. **ADJOURNMENT**