AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
November 10, 2014
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Review of FY2014 Comprehensive Annual Financial Report (CAFR) - Mr. Ron Amen, Lauterbach & Amen, LLP

B. Police Station Update

C. Proposed 2014 Property Tax Levy

D. Operating Fund Overview/Recommended Budget Ceilings - For the "8 Month Period Ending December 2015"

V. OTHER BUSINESS

VI. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Item: Review of FY2014 CAFR

Department: Finance

Review of the FY2014 Comprehensive Annual Financial Report (CAFR)
Mr. Ron Amen, Lauterbach & Amen, LLP

ATTACHMENTS:

Description	**Type**
No Attachments Available	

Item: Police Station Update

Department: Planning & Community Development

Background

The Village Board authorized the preparation of a Request for Proposals to select an architectural firm which specializes in Police Station and Law Enforcement architectural design. The objective was to hire an architectural firm to prepare a feasibility study for utilizing the current Police Station site and Municipal Campus including Village Hall.

On September 2, the Village Board authorized the execution of a contract with FGM Architects to prepare a Police Station Feasibility study. FGM Architects will review the most recent Space Needs study from 2010 and revalidate the space required based upon changes in employment, technology, and law enforcement standards. Schematic concept plans shall be developed to determine whether a new Police Station meeting modern day standards can be feasibly developed upon the existing Municipal Campus.

In early October 2014, FGM started its first phase of the Space Needs study. The consultants have completed a series of multi-day meetings with Police Command Staff and Department divisions to evaluate current operations, needs and objectives. Also in October, FGM Architects conducted a project kick-off meeting with the Police Station Committee, including discussion of project goals and questions that must be answered, as part of the evaluation of the Police Station.

The Police Station Committee consists of the following representatives:
Thomas Glasgow - Village Trustee
James Tinaglia - Village Trustee
Charles Witherington-Perkins - Director of Planning & Community Development
Diana Mikula - Interim Village Manager
Gerald Mourning - Chief of Police
Nick Pecora - Police Captain
Tom Kuehne - Director of Finance
Cris Papierniak - Assistant Director of Public Works
Steve Hautzinger - Design Planner

Purpose of the Committee-of-the-Whole Meeting of November 10, 2014

The purpose of the Committee-of-the-Whole Meeting on November 10 is to obtain input and comments from the Village Board regarding the Project Goals and questions that must be answered as part of the scope of work for this assignment. This meeting with the Committee-of-the-Whole is one of several “check in” points in the process to obtain input from the Village Board.

No official action or motion is necessary at this time.

ATTACHMENTS:

Description	**Type**
Goals	Correspondence
Questions	Correspondence

FGM ARCHITECTS

PRELIMINARY PROJECT GOALS

Project Name: Arlington Heights Police Station Concept Review and Feasibility Study
FGM Project No. 14-1933.01

November 6, 2014

Develop the project's goals - these are overarching goals that will drive the direction of solutions and project decisions. The Goals below were identified by the Task Force at the October 9, 2014 Kick Off Meeting and items discussed at the August 25th Village Committee of the Whole Meeting:

1. The primary goal of this part of the process is to determine whether a new police station meeting modern day standards can feasibly be developed upon the existing municipal campus.

2. Develop a cost effective solution that maximizes the budget and is not "overdone". The budget should be less than what was proposed in 2010 which is believed to be too high.

3. Understand this is a utilitarian building and this being used 24 hours a day, 7 days a week and needs to stand up to the wear and tear necessary for a police station.

4. Ensure duplicity is taken advantage of. Spaces can be shared with the Village Hall if it can be done effectively, i.e. if the building is connected to the Village Hall. Share functional spaced for various functions to the greatest extent possible.

5. Develop a solution that is secure. Safety of the officers is paramount. This issue supersedes cost.

6. Complement the architecture already on the campus remembering that it is a police station in a cost effective way. The building needs to be presentable from all sides and the front needs to be complementary to the exiting Village Hall and Fire Station

7. Make sure the police department has a highly functional building where they can do their job efficiently.

8. Design the police station to be flexible for future changes.

9. Provide adequate workout facilities dedicated to the Police Department.

10. Provide a firing range within the police station that is safe, functional and meets the needs of the department.

11. Evaluate the site for maximum benefit and efficiency. The solution should utilize the entire site. Nothing is to be taken as sacred.

12. Covered parking should be provided for marked patrol vehicles.

13. Maximize the size of the parking garage.

QUESTIONS THAT MUST BE ANSWERED

Project Name: Arlington Heights Police Station Concept Review and Feasibility Study
FGM Project No. 14-1933.01

November 6, 2014

Identify all questions that must be answered as part of this study. The following questions were identified from meeting with the Task Force at the October 9, 2014 Kick Off Meeting and from the Request for Proposals:

1. Is the space needs study completed in 2010 still valid based on changes in employment and policing methodology?

2. Will the Police Station fit on the Municipal Campus site in an effective and safe manner that will meet the needs of the Police Station, Village Hall, and Fire Station.

3. What is the best option for providing a police station on the Municipal Campus?
   a. Re-validate previous study conclusion of renovating and adding an addition onto the existing police station
   b. Review utilizing portions of the existing Village Hall for police functions
   c. Tear down the existing police station and building new
   d. Other options as identified during the course of the study

4. What are the best solutions for providing public, staff and police department parking?

5. What can be moved off site? Does offsite storage for police vehicles and equipment make sense?

6. What is the best method for keeping long term evidence?

7. Is a connection to the Fire Department beneficial?

8. What will the various solutions for keeping the police station on the Municipal Campus cost?

9. What will it cost to relocate the Police Department temporarily if the chosen solution keeps the police station on the Municipal Campus?

10. How much will it cost to build a new police station on a new site?

11. If the police station is moved to a new site, how much will it cost to demolish the existing police station and restore the site, or renovate the building for lease to another user?

Item: Proposed 2014 Property Tax Levy

Department: Finance

The proposed 2014 property tax levy request for the Village and the Arlington Heights Memorial Library reflects a 0% increase over the prior year. Exhibit 1 outlines the total proposed 2014 tax levy calculations for the Village and Library, and shows the required truth-in-taxation calculation. The State's Truth-In-Taxation Act requires that the Village Board review the proposed tax levy request to determine if the aggregate levy will be more than 105% of the preceding year's tax levy extension, exclusive of debt service. If the aggregate levy had exceeded 105%, State law would have required that a legal notice be printed and a public hearing be held.

A key contributing factor for recommending a 0% property tax increase is due to the upcoming change in the Village's and Library's fiscal year. In order to change from a fiscal year ending on April 30th to one ending on December 31st, the Village and Library will utilize an eight month year beginning on May 1, 2015 and ending December 31, 2015. Thereafter the Village's new fiscal year will be the same as a calendar year. The Village's annual tax levy covers various costs including personnel, contractual, debt and capital expenses. With an eight month transition year, the Village's personnel costs and a portion of the contractual costs will be less than a normal 12 month fiscal year. However, summer help costs will be the same as a normal year, debt costs which are made in June and December of each year will not change, and capital costs will be substantially the same as most of these projects are undertaken during the summer months. As a result, there will be lower overall costs for the shortened fiscal year, but not proportionally lower. This will provide the Village with a one-year opportunity to transfer much needed funds to use toward augmenting the Village's capital funds, while keeping the 2014 levy increase at 0%.

The largest portion or about 66% of an average homeowner's property tax bill continues to go toward funding the community's highly ranked school districts. The Village's levy represents only about 11% of a typical property tax bill, the Library's portion comes to about 5%, and the remaining 18% goes to other taxing bodies.

Pension Funding Requirements and Options

Pension related levies comprise nearly 40% of the Village's tax levy. The Village has three defined benefit pension plans that cover all qualifying Village employees. These include the Police Pension Plan, the Firefighters' Pension Plan, and the Illinois Municipal Retirement Fund (IMRF). All three of these pension plans have historically been governed by State law and can only be amended by the State. Accordingly, the benefit levels, employee contributions, and employer contributions are all governed by State Statute. Each year the Village hires an actuary to calculate its annual required contribution to the Police and Fire Pension Plans based on actuarial assumptions on future year earnings and pension plan payments. The calculation also includes paying down a portion of the unfunded pension obligation based on the number of years left until the target date is reached for the plan to be fully funded.

Since the end of the recession, the Village has seen a significant improvement in the actuarial interest rate earned by the Village's Police and Fire Pension funds. This has improved the funded ratio of these funds, and has tempered the increases to the annual required contributions or property taxes levied for these funds by the Village. In 2011 the Village was able to take a more conservative funding approach for the Police and Fire Pension funds by lowering the assumed long-term interest rate from 7.5% to 7.0%. This was accomplished at very little cost because it was done in conjunction with a new State law that extended the amortization period for the unfunded actuarial liability from 2033 to 2040. By changing this assumption the Village's goal was to present a more accurate funding position based on more recent long-term investment returns. This helps hold down the long-term growth of the unfunded public safety pension obligation and future employer contribution requirements.

Following this same line of thinking, the Village took another step toward a more conservative long-term approach to funding its public safety pension funds in 2013 by lowering the interest rate assumption even further from 7.0% to 6.75%. There was a cost to lowering the interest rate assumption, as the Village's projected revenue from interest earnings used by the actuary between today and 2040 is now decreased by .25% to 6.75%. To offset a portion of this cost increase, the actuarial assumption for future wage expense increases was decreased from 5.5% to 4.75%.

The Police Pension Board and the Firefighters' Pension Board were supportive of the actuarial changes that were made in 2011 and 2013. They have also reviewed the actuary's calculations for the 2014 levy and concur with the proposed 2014 levy amounts for the Police and Fire pensions.

Corporate/Capital Improvement Levies

The Corporate and Capital Improvement levies are used toward the payment of public safety operations, other day to day services, and infrastructure improvements. These levies are the only discretionary levies that the Village can control on an annual basis. Pension increases are mandated by the State, required by Federal law, and are subject to the actuarial assumptions noted above. The debt service levy reflects the annual amount the Village owes on its outstanding bonds.

Over the last few years the corporate levy has been held down or reduced in order to cover the significant increases in prior year public safety pension levies. As noted earlier, due to the shortened 8 month year ending December 2015, a portion of the 2014 Corporate levy which is accounted for in the General Fund is recommended to be transferred to various Village capital funds during the Village's annual budget process.

Debt Service Levy

The Debt Service Fund levy represents the annual principal and interest payments due on the general obligation property tax supported bond issues, net of abatements. Exhibit 2 is a summary of the Village's various bond issues. As shown in this exhibit the Village plans on abating over $1.1 million of the debt service levy for the 8 Month Period Ending December 2015 by using other available funds.

Exhibit 3

Exhibit 3 presents historical data about the Village's assessed value, EAV, new and other growth. Since levy year 2009 the total equalized assessed value of all properties located in the Village has decreased by $1.2 billion, or about 33%. This is due to declining property values as reflected in the 2010 and 2013 reassessments, the reduction in the State equalizer for Cook County, and the large number of successful commercial/industrial tax appeals approved by Cook County.

Exhibit 4

Exhibit 4 is an analysis comparing the effects of the 2013 and proposed 2014 tax rates on an average homeowner given different options and scenarios. The final Village and Library tax amounts will depend on a homeowner's actual property value and the Village's total EAV. The recommended 0% aggregate property tax increase for the Village and Library represents no change in the Village's and Public Library's property tax levy for an average homeowner.

Recommendation

It is recommended that the Village Board announce a total estimated tax levy of $45,021,154 or a 0% increase over the 2013 extended levy. Thereafter, staff will prepare the tax levy and abatement ordinances for the Village Board's action in December.

ATTACHMENTS:

Description	**Type**
Proposed 2014 Property Tax Levy Exhibits 1-4	Exhibits

EXHIBIT 1

VILLAGE OF ARLINGTON HEIGHTS
TOTAL PROPOSED VILLAGE AND LIBRARY CALCULATIONS
(2014 Tax Levy for the 8 Month Period Ending December 2015 with 2013 Extended Tax Levy)

2014 EAV	2,477,910,486 (EST.)
2013 EAV	2,477,910,486

		EXTENDED 2013 LEVY FOR FY 15	PROPOSED 2014 LEVY FOR 8 MONTH PERIOD ENDING DECEMBER 2015	DOLLAR CHANGE	% CHANGE	EST. 2013 LEVY RATES
VILLAGE						
	CORPORATE	9,292,000	**9,331,063**	39,063	0.42%	0.3766
	IMRF	1,709,829	**1,714,300**	4,471	0.26%	0.0692
	SOCIAL SECURITY	1,223,413	**1,247,300**	23,887	1.95%	0.0503
	POLICE PENSION FUND	4,574,694	**4,500,000**	(74,694)	-1.63%	0.1816
	FIRE PENSION FUND	5,057,373	**5,057,400**	27	0.00%	0.2041
	CAPITAL IMPROVEMENT	2,828,000	**2,900,000**	72,000	2.55%	0.1170
	DEBT SERVICE	6,778,262	**6,713,508**	(64,754)	-0.96%	0.2709
TOTAL VILLAGE TAX LEVY		**31,463,571**	**31,463,571**	**0**	**0.00%**	1.2698
LIBRARY						
	LIBRARY	12,130,435	**12,153,852**	23,417	0.19%	0.4905
	IMRF	892,617	**865,388**	(27,229)	-3.05%	0.0349
	SOCIAL SECURITY	534,531	**538,343**	3,812	0.71%	0.0217
TOTAL LIBRARY TAX LEVY		**13,557,583**	**13,557,583**	**0**	**0.00%**	0.5471
GRAND TOTAL TAX LEVY		**45,021,154**	**45,021,154**	**0**	**0.00%**	1.8169

TRUTH-IN-TAXATION CALCULATION

VILLAGE TAX LEVY W/O DEBT SERVICE		24,685,309	**24,750,063**	64,754	0.26%	0.9988
TOTAL LIBRARY TAX LEVY		13,557,583	**13,557,583**	0	0.00%	0.5471
	TOTAL TAX LEVY-TRUTH IN-TAXATION PURPOSE	**38,242,892**	**38,307,646**	**64,754**	**0.17%**	**1.5460**
	DEBT SERVICE	6,778,262	**6,713,508**	(64,754)	-0.96%	0.2709
GRAND TOTAL TAX LEVY		**45,021,154**	**45,021,154**	**0**	**0.00%**	**1.8169**

EXHIBIT 2

VILLAGE OF ARLINGTON HEIGHTS
2014 DEBT SERVICE LEVY FOR 8 MONTH PERIOD ENDING DECEMBER 2015
PRINCIPAL & INTEREST / ABATEMENTS

BOND ISSUES	PROJECT	8 MONTH PERIOD ENDING DECEMBER 2015 PRINCIPAL	8 MONTH PERIOD ENDING DECEMBER 2015 INTEREST	8 MONTH PERIOD ENDING DECEMBER 2015 TOTAL	ABATE	DEBT SERVICE LEVY
TAX SUPPORTED:						
2003B	RFD 97B (SENIOR CENTER)	310,000.00	24,800.00	334,800.00	(150,000.00) *	184,800.00
2006	PUBLIC BUILDINGS	3,400,000.00	136,000.00	3,536,000.00		3,536,000.00
2006A	RFD 97C AND 98A	305,000.00	51,800.00	356,800.00		356,800.00
2011	ADV PRTL RFD 04 (PUBLIC BUILDING)	60,000.00	381,700.00	441,700.00		441,700.00
2012A	PRTL RFD 04 (PUBLIC BUILDING)	185,000.00	185,800.00	370,800.00		370,800.00
2013	PRTL RFD 06 (PUBLIC BUILDING)	35,000.00	286,750.00	321,750.00		321,750.00
2014	STREET RESURFACING	1,265,000.00	236,658.33	1,501,658.33		1,501,658.33
	TOTAL TAX SUPPORTED	5,560,000.00	1,303,508.33	6,863,508.33	(150,000.00)	**6,713,508.33**
SELF SUPPORTED:						
2003A	RFD 97A (TIF III PORTION)	245,000.00	20,000.00	265,000.00	(265,000.00)	0.00
2005	TIF V TOWN & COUNTRY REDEV.	425,000.00	15,512.50	440,512.50	(440,512.50)	0.00
2010	RFD 02A (NWCDS BUILDING)	225,000.00	56,800.00	281,800.00	(281,800.00)	0.00
	SUBTOTAL SELF SUPPORTED	895,000.00	92,312.50	987,312.50	(987,312.50)	**0.00**
	TOTAL 2014 DEBT SERVICE TAX LEVY	6,455,000.00	1,395,820.83	7,850,820.83	(1,137,312.50)	**6,713,508.33**

* Annual transfer from CDBG for the Senior Center through levy year 2015.

SUMMARY BY BOND ISSUE

2003A	245,000.00	20,000.00	265,000.00	(265,000.00)	0.00
2003B	310,000.00	24,800.00	334,800.00	(150,000.00)	184,800.00
2005	425,000.00	15,512.50	440,512.50	(440,512.50)	0.00
2006	3,400,000.00	136,000.00	3,536,000.00	0.00	3,536,000.00
2006A	305,000.00	51,800.00	356,800.00	0.00	356,800.00
2010	225,000.00	56,800.00	281,800.00	(281,800.00)	0.00
2011	60,000.00	381,700.00	441,700.00	0.00	441,700.00
2012	185,000.00	185,800.00	370,800.00	0.00	370,800.00
2013	35,000.00	286,750.00	321,750.00	0.00	321,750.00
2014	1,265,000.00	236,658.33	1,501,658.33	0.00	1,501,658.33
	6,455,000.00	1,395,820.83	7,850,820.83	(1,137,312.50)	6,713,508.33

EXHIBIT 3

VILLAGE OF ARLINGTON HEIGHTS
COMPARATIVE EQUALIZED ASSESSED VALUATIONS (EAV)
AND EAV GROWTH (NEW AND OTHER)

LEVY YEAR	ASSESSED VALUATION	X	STATE EQUALIZER FACTOR	=	(EAV)	EAV GROWTH INCREASE/ (DECREASE)	% INCR/-DCR	NEW GROWTH/ ANNEX.***		OTHER GROWTH (LOSS)*
2005	1,016,978,981	X	2.7320	=	2,778,386,575	184,128,052	7.10%	30,473,860 0	NG A	153,654,192
2006	1,064,216,763	X	2.7076	=	2,881,473,308	103,086,733	3.71%	24,157,993 0 70,653,883	NG A TIF I	8,274,857
2007	1,190,755,477 **	X	2.8439	=	3,386,389,500	504,916,192	17.52%	33,332,652 163,431	NG A	471,420,109
2008	1,217,037,426	X	2.9786	=	3,625,067,678	238,678,178	7.05%	31,470,099 303,219	NG A	206,904,860
2009	1,097,669,514	X	3.3701	=	3,699,256,030	74,188,352	2.05%	12,135,265 96,265 25,799,279	NG A TIF 2	36,157,543
2010	1,030,194,540 **	X	3.3000	=	3,399,641,981	(299,614,049)	-8.10%	14,324,179 0	NG A	(313,938,228)
2011	1,041,462,664	X	2.9706	=	3,093,768,989	(305,872,992)	-9.00%	7,773,021 0	NG A	(313,646,013)
2012	1,019,375,020	X	2.8056	=	2,859,958,555	(233,810,434)	-7.56%	7,396,556 0	NG A	(241,206,990)
2013	930,810,445 **	X	2.6621	=	2,477,910,486	(382,048,069)	-13.36%	9,482,804 0	NG A	(391,530,873)
2014*	930,810,445	X	2.6621	=	2,477,910,486	0	0.00%	0 0	NG A	0

* ESTIMATED EAV, NEW AND OTHER GROWTH
** TRIENNIAL REASSESSMENT
*** NEW GROWTH INCLUDES IMPROVEMENTS OR ADDITIONS THAT INCREASED THE EAV OF PROPERTY DURING THE LEVY YEAR.
**** OTHER GROWTH (LOSS) INCLUDES REASSESSMENTS (TRIENNIAL/SALE OF PROPERTY), REMODELING, EXPIRED INCENTIVES, AND INCREASES IN THE STATE MULTIPLIER. DECREASES IN PROPERTY VALUE ARE DUE TO VACANCIES, TEARDOWNS, MARKET PRICES, TAX APPEALS, AND DECREASES IN THE STATE MULTIPLIER.

THE EAV IS COMPUTED BY MULTIPLYING THE ASSESSED VALUATION BY THE STATE EQUALIZER FACTOR.

EXHIBIT 4

TAX LEVY SUMMARY
VILLAGE OF ARLINGTON HEIGHTS/PUBLIC LIBRARY

WHAT EFFECT WILL THE 2014 LEVY HAVE ON MY TAXES?

	2013 LEVY	(EST.) 2014 LEVY	$ DIFFERENCE
COUNTY PROPERTY VALUE (EST.)	$300,000	$300,000	
X (TIMES) CLASSIFICATION FACTOR	10%	10%	
= (EQUALS) ASSESSED VALUATION	$30,000	$30,000	
X (TIMES) STATE EQUALIZER	2.6621	2.6621	
- (MINUS) MAX. HOMEOWNERS' EXEMPTION	$7,000	$7,000	
= (EQUALS) EQUALIZED ASSESSED VALUATION	$72,863	$72,863	
/ (DIVIDED BY) 100	$729	$729	
X (TIMES) VILLAGE TAX RATE	1.2698	1.2698	
= (EQUALS) **VILLAGE TAX BILL**	$925.21	$925.21	**$0**
X (TIMES) LIBRARY TAX RATE	0.5471	0.5471	
= (EQUALS) **LIBRARY TAX BILL**	$398.63	398.63	**$0**
TOTAL VILLAGE & PUBLIC LIBRARY TAX BILL	$1,323.85	$1,323.85	**$0**

Notes:
1. For the Village and Library combined the total estimated tax increases by 0%.
2. Assumes no changes in assessed values or other effects on taxes, such as reassessments, tax appeals, changes in the State multiplier, or changes in the homeowner's exemption.

Lvy14-4 AVG TAX
3-Nov-14

Item: Operating Fund Overview/Recommended Budget Ceilings-For The "8 Month Period Ending December 2015"

Department: Finance

The General Fund and the Water & Sewer Fund are the Village's key operating funds covered in this analysis. As of the end of FY2014 these funds had ending balances as a percent of expenditures equal to 34% for the General Fund and 38% for the Water & Sewer Fund. Both of these are in excess of the Village's minimum fund balance policy of 25% of expenditures. Maintaining adequate reserves helps ensure the Village's excellent bond rating, which lowers bond interest charges associated with that rating. These reserves also provide a source of funds for extraordinary weather related events or other damages, and provide the flexibility needed to make prudent decisions during times of economic uncertainty.

For the three-year projections prepared for each of these operating funds, conservative revenue assumptions have been made, and full staffing levels have been assumed without regard to temporary vacancies that occur each year. For this reason the projections can be considered "worst-case" scenarios of the future. This is more evident with the General Fund because of the variety of revenue sources that are dependent on the local economy. On the other hand, the Water & Sewer Fund's revenue stream is based on user fees, which are more predictable but vary depending on usage.

This past July the Village Board unanimously approved changing the Village's fiscal year-end from April 30th to a calendar year-end of December 31st. One of the key reasons for this change was to align the budget and property tax levy processes, with the intent of making the tax levy process less confusing for interested parties. As a result of this change in fiscal year the Village Board and staff will go through two budget and audit cycles within one year. The Village will use an eight month transition year starting on May 1, 2015 and ending on December 31, 2015. The Village's first calendar year budget will start on January 1, 2016.

General Fund

During FY2014 natural gas utility tax receipts came in over budget by nearly $600,000 due to unusually cold winter weather. Building permits also came in over budget by about $400,000 due in large part to the Arlington Downs and Lutheran Homes projects. As a result of these and other positive budget results on the expenditure side, the Village was able to transfer FY2014 General Fund surplus monies to various capital funds. Future year revenue projections do not include a continuation of these one-time revenues. FY2015 estimated actual revenues and expenditures are coming in better than expected through September 2014, and this is projected to continue through the end of the current fiscal year. Sales taxes are estimated to come in about $640,000 over budget, but this will be partially offset by Telecommunications taxes coming in under budget by about $240,000. Personal Services expenditures are estimated to come in under budget by about $970,000 due to vacancies occurring during the year.

The estimated actual results for FY2015 form the basis for the proportional (8/12) revenue projections for the "8 Month Period Ending December 2015" through 2017. One revenue source that will not be received proportionally is property tax receipts. The Village receives property tax receipts from Cook County in two installments; one in March and the other around September of each year. Although the first installment of property tax receipts is received in March, the Village has not recognized this revenue until the following fiscal year in order to match the levied taxes with the intended budgeted expenditures.

With an eight month transition year, the Village's personnel costs and a portion of the contractual and commodities costs will be less than a normal 12-month fiscal year. However, summer help costs and some overtime costs will be the same as a normal year. Contractual expenditures for auditing, property maintenance, engineering services, street and sidewalk maintenance, equipment rental, and tree services are also either the same or nearly the same as a normal year. As a result, there will be lower overall costs for the shortened fiscal year, but not proportionally lower. Based on current projections for the "8 Month Period Ending December 2015", which include a full year of property tax receipts, proportional revenue from other sources, and lower projected expenditures, we can expect a one-time transition year surplus of about $2 million. This provides the Village with an opportunity to transfer much needed funds to use toward augmenting the Village's capital plans, while keeping the 2014 levy increase at 0%.

During the Village's review of the 5-year Capital Improvement Plan (CIP) in October 2014, it was noted that a recently completed study analyzed the physical condition of the Village's four public parking garages. The consultant for the public parking garage study recommended that the Village undertake a $2.35 million retrofit program to return these structures back to their original integrity. The four public parking garages range in age from 15 to 33 years and after the repair work is completed they would have a new service life of 40 to 50 years. As indicated in the CIP, the $2.35 million cost of this program was projected to be covered by a bond issue or a transfer from another fund, should funds become available. As part of the proposed General Fund budget ceiling for the "8 Month Period Ending December 2015", it is recommended that $2 million be transferred from the General Fund to the Parking Fund for the public parking garage renovation project, negating the necessity for a bond issue to complete this project.

The attached three-year projections for the General Fund for the "8 Month Period

Ending December 2015" through 2017 reflect an estimate of future cash flows from the current revenue stream and projected expenditures. Nearly 80% of the General Fund's expenditures are for Personal Services, which include wages and benefits. To project these expenditures staff prepares detailed spreadsheets which include each authorized position. As noted earlier, these projections conservatively assume that all positions are filled and that there are no vacancies. Some of the key revenue and expenditure assumptions include the following:

General Fund Assumptions

Revenues:

Food & Beverage Tax (FBT)	+ 1% in "8 Mo. Period, 2% in 2016, and 3% in 2017
Home Rule Sales Tax	same as above
Sales Tax	same as above
Income Tax	same as above
Telecommunications Tax	+ 0%
Utility Tax	+ 0%

Expenditures:

Wages	+ 2.5% (5/1/15), steps if applicable, (2/3 of employees do not receive)
Health Insurance	+ 8%

Water & Sewer Fund

The Water & Sewer Fund remains stable due to the five-year water and sewer rate adjustment plan approved by the Village Board in September 2014. Even with the planned rate adjustments, the Village's water and sewer rates will be at or below the average for communities in the Chicago area. FY2015 estimated actual results for the Water & Sewer Fund show revenues coming in below budget. The Village experienced a relatively cool, wet summer which resulted in lower overall water usage. Water and sewer revenues for the "8 month Period Ending December 2015" reflect a normal year of water usage on a proportional basis.

The projected Water & Sewer Fund revenues and expenses for the "8 Month Period Ending December 2015" for the budget ceiling process are somewhat different compared to the estimate of this period during the recent rate study, but the totals for 2016 and 2017 are statistically the same. The difference in the eight month transition figures is because a detailed analysis of this period was still being prepared at the time of the rate study, and 67% or 8/12th's of a year was applied to most revenues and expenses. During the analysis for budget ceiling purposes it was determined that the basic service charge revenue should be reduced by $247,000 to reflect 67% of a normal year. Some expenses such as utility services, the annual consumer report, sewer supplies, and street and sidewalk supplies are also closer to a normal year's expenses. Capital expenses for all three years are the same as presented in the rate study.

Proposed Budget Ceilings for the "8 Month Period Ending December 2015"

Historically, the Village's fiscal year has begun on May 1st of each year, and during the following October the Village typically started the budget process for the next fiscal year. This process is being followed for the eight month period needed to transition from a fiscal year to a calendar year end. The eight month transition year-end is December 31, 2015 and the Village's new fiscal year will begin on January 1, 2016. The 2016 budget process will begin in April 2015. The budget process begins with the preparation and Village Board review and approval of a five-year Capital Improvement Plan (CIP). The first year of the CIP is subsequently included in the proposed budget for further consideration by the Board during its budget deliberations.

The second step in the Village's budget process is estimating the annual property tax levy based on statutory pension and debt service requirements, with the balance of the levy going toward the Village's street program and basic Village services. The third step of the budget process includes the financial review of the two key operating funds, the General Fund and the Water & Sewer Fund, culminating in the establishment of budget ceiling amounts for these two operating funds. These three steps lead to the development of the proposed budget document which is reviewed prior to approval of the final budget. Attached is a draft copy of the budget calendar for the "8 Month Period Ending December 2015" and next year's budget for 2016.

The Village Board and Staff will be initiating the process to develop the 2016 budget immediately following the approval of the eight month transition year budget, as Staff will begin the next five-year Capital Improvement Program starting in April 2015. For this next year only, it is recommended that a more streamlined approach be used for the review and approval of the budget for the "8 Month Period Ending December 2015". Staff recommends that only an executive summary of the transition year budget be prepared for Board review. Such a summary would be similar to the Introduction and Financial Summary sections of a normal fiscal year budget presentation, although additional materials which outline key budget variances would also be provided to the Village Board. It should be noted that the eight month transition year will make it more difficult to compare yearly variances over the next couple of years. For these various reasons it is recommended that for this year only, the Village Board utilize an abbreviated budget review schedule by holding only one meeting to review the summarized budget for the "8 Month Period Ending December 2015".
The recommended expenditure ceilings for the General Fund and the Water & Sewer Fund are based on the following projections:

	General Fund	Water & Sewer Fund
Revenues	$54,992,200	$10,870,000
Expenditures	(54,992,200)	(12,347,500)
Surplus (deficit)	0	(1,477,500)*
Beginning Balance		

	25,803,057	5,075,778
Ending Balance	$25,803,057	$3,598,278

*The planned deficit in the Water and Sewer Fund is due to eight months of water and sewer revenues versus a normal year of water and sewer capital expenses during the “8 Month Period Ending December 2015”.

Recommendation

It is recommended that the Board approve the proposed budget ceilings for the “8 Month Period Ending December 2015” of $54,992,200 for the General Fund, and $12,347,500 for the Water & Sewer Fund.

ATTACHMENTS:

Description	**Type**
Operating Fund Overview/REcommended Budget Ceiling Exhibits	Exhibits

GENERAL FUND
THREE YEAR PROJECTIONS
FISCAL YEARS 2015 THROUGH 2017

SOURCES OF FUNDS

	FY2014 ACTUAL	FY2015 EST ACTUAL	FY2015 CURRENT BUDGET	8 Mos. 2015 PROP BUDGET	2016 PROJ BUDGET	2017 PROJ BUDGET
BEGINNING FUND BALANCE	**$23,181,423**	**$24,009,204**	**$24,009,204**	**$25,803,057**	**$25,803,057**	**$25,513,257**
TAXES	$58,616,016	$59,323,100	$58,709,900	$47,347,700	$61,073,800	$62,561,000
INTERGOV'T	154,205	138,800	33,000	85,700	98,000	98,000
LICENSES/PERMITS	4,012,111	3,651,800	3,650,500	2,595,200	3,599,400	3,599,400
FEES	4,095,479	4,033,700	4,189,400	2,628,900	4,034,000	4,034,000
FINES	666,060	605,200	635,200	392,700	603,200	603,200
SERVICE CHG	2,079,339	2,126,100	2,126,100	1,526,900	2,236,100	2,293,600
INTEREST INC.	92,574	92,000	90,000	66,000	100,000	100,000
SALES/REIMB/RENTS	189,151	116,200	139,300	85,800	132,800	132,800
OTHER	717,954	291,900	313,700	263,300	305,700	315,900
SUB-TOTAL	**$70,622,889**	**$70,378,800**	**$69,887,100**	**$54,992,200**	**$72,183,000**	**$73,737,900**
TRANSFERS IN	0	0	0	0	0	0
TOTAL REVENUES	**$70,622,889**	**$70,378,800**	**$69,887,100**	**$54,992,200**	**$72,183,000**	**$73,737,900**

USES OF FUNDS

	FY2014 ACTUAL	FY2015 EST ACTUAL	FY2015 CURRENT BUDGET	8 Mos. 2015 PROP BUDGET	2016 PROJ BUDGET	2017 PROJ BUDGET
PERSONAL SERVICES	$52,867,875	$54,242,500	$55,209,300	$41,213,300	$57,865,400	$58,614,500
CONTRACTUAL	9,459,034	10,412,308	10,412,308	8,029,600	10,731,400	11,015,200
COMMODITIES	2,420,859	3,012,668	3,024,668	2,239,200	2,792,300	2,847,800
OTHER CHARGES	647,340	817,471	816,871	710,100	783,700	788,700
SUB-TOTAL	**$65,395,108**	**$68,484,947**	**$69,463,147**	**$52,192,200**	**$72,172,800**	**$73,266,200**
CONTINGENCY	0	100,000	310,500	500,000	0	0
TRANSFERS OUT	4,400,000	0	360,000	300,000	300,000	300,000
PROPOSED TRANSFER TO PARKING	0	0	0	2,000,000	0	0
TOTAL EXPENDITURES	**$69,795,108**	**$68,584,947**	**$70,133,647**	**$54,992,200**	**$72,472,800**	**$73,566,200**
SURPLUS(DEFICIT)	**827,781**	**1,793,853**	**(246,547)**	**0**	**(289,800)**	**171,700**
ENDING FUND BALANCE	**$24,009,204**	**$25,803,057**	**$23,762,657**	**$25,803,057**	**$25,513,257**	**$25,684,957**
FUND BALANCE AS % OF EXP.	**34%**	**38%**	**34%**		**35%**	**35%**

Note: Village policy is to maintain at least a 25% fund balance.

ASSUMPTIONS:

Expenditures

Salaries increased 2.5% on May 1st of 2015 for both bargaining unit and non-bargaining unit employees . All years include an estimated 8% health insurance increase. Contractual Services and Commodities increased 2%.

Revenues

Sales Tax, Home Rule Sales Tax & Income Tax: FY2015 Estimated Actual plus 1% increase times 8/12 for 8 month period ending December 2015; 2% increase 2016; 3% increase 2017.

WATER AND SEWER FUND

THREE YEAR PROJECTIONS

FISCAL YEARS 2015 THROUGH 2017

(Water and Sewer Rate Increases FY2009 Through FY2015)

SOURCES OF FUNDS

	FY2014 ACTUAL	FY2015 EST ACTUAL	FY2015 CURRENT BUDGET	8 Mos. 2015 PROP BUDGET	2016 PROJ BUDGET	2017 PROJ BUDGET
BEGINNING WORKING CASH	**$5,663,252**	**$5,453,478**	**$5,453,478**	**$5,075,778**	**$3,598,278**	**$3,521,978**
SERVICE CHG	$14,152,307	$15,513,000	$15,994,100	$10,796,300	$19,026,100	$19,962,100
INTEREST INC.	10,762	11,000	11,000	7,400	11,000	11,000
SALES/REIMB/RENTS	91,314	98,000	84,000	56,200	84,000	84,000
OTHER	(67,429)	20,000	15,000	10,100	15,000	15,000
SUB-TOTAL	**$14,186,954**	**$15,642,000**	**$16,104,100**	**$10,870,000**	**$19,136,100**	**$20,072,100**
TRANSFERS IN	0	0	0	0	0	0
TOTAL REVENUES	**$14,186,954**	**$15,642,000**	**$16,104,100**	**$10,870,000**	**$19,136,100**	**$20,072,100**

USES OF FUNDS

	FY2014 ACTUAL	FY2015 EST ACTUAL	FY2015 CURRENT BUDGET	8 Mos. 2015 PROP BUDGET	2016 PROJ BUDGET	2017 PROJ BUDGET
PERSONAL SERVICES	$5,785,780	$5,988,600	$6,023,900	$4,147,100	$6,336,900	$6,648,100
CONTRACTUAL	2,065,417	2,411,200	2,411,160	2,078,800	2,521,200	2,581,800
NORTHWEST WATER COMMISSION	3,471,097	3,667,200	3,667,200	2,457,000	3,667,200	3,667,200
COMMODITIES	643,909	974,700	976,159	709,400	944,100	963,200
OTHER CHARGES	1,501,686	1,516,000	1,516,000	1,053,700	1,681,200	1,728,300
CAPITAL ITEMS	928,839	1,412,000	1,412,046	1,551,500	4,011,800	3,786,700
SUB-TOTAL	**$14,396,728**	**$15,969,700**	**$16,006,465**	**$11,997,500**	**$19,162,400**	**$19,375,300**
CONTINGENCY	0	50,000	175,900	300,000	0	0
TRANSFERS OUT	0	0	80,000	50,000	50,000	50,000
TOTAL EXPENDITURES	**$14,396,728**	**$16,019,700**	**$16,262,365**	**$12,347,500**	**$19,212,400**	**$19,425,300**
SURPLUS(DEFICIT)	**(209,774)**	**(377,700)**	**(158,265)**	**(1,477,500)**	**(76,300)**	**646,800**
ENDING WORKING CASH	**$5,453,478**	**$5,075,778**	**$5,295,213**	**$3,598,278**	**$3,521,978**	**$4,168,778**
WORKING CASH AS % OF EXPENDITURES	**38%**	**32%**	**33%**	**29%**	**18%**	**21%**

Note: Village policy is to maintain at least a 25% fund balance.

DRAFT BUDGET CALENDAR

For Preparation of the Budget for the 8 Month Period Ending December 2015

(May 1, 2015 – December 31, 2015)

DATE	DAY	ACTIVITY
August – September, 2014	–	Capital Improvement Program (CIP) and five-year projections prepared.
October 3, 2014	Friday	CIP released to Village Board for discussion at October 13 Committee-of-the-Whole meeting.
October 13, 2014	**Monday**	**Committee-of-the-Whole** reviews CIP.
October 20, 2014	Monday	Board considers any motions stemming from October 13 Committee-of-the-Whole meeting regarding CIP.
November 4, 2014	Tuesday	CAFR, Proposed 2014 Property Tax Levy and the Operating Fund Overview/Recommended Budget Ceilings for the 8 Month Period Ending December 2015 released for Village Board for discussion at November 10, Committee-of-the-Whole meeting.
November 10, 2014	**Monday**	**Committee-of-the-Whole** reviews CAFR and discusses Proposed 2014 Property Tax Levy and the Operating Fund Overview/Recommended Budget Ceilings for the 8 Month Period Ending December 2015.
November 17, 2014	Monday	Board considers any motions stemming from November 10 Committee-of-the-Whole meeting regarding CAFR, Proposed 2014 Property Tax Levy and the Operating Fund Overview/Recommended Budget Ceilings for the 8 Month Period Ending December 2015.
November 21, 2014	Friday	Budget worksheets are forwarded to departments. Departments prepare detailed budgets.
December 1, 2014	Monday	Board approves 2014 Tax Levy and Abatement Ordinances.
January 5, 2015	Monday	Department budget requests and projections due.
January 5 - January 16, 2015	–	Finance Department compiles departmental budget submissions.
January 12, 2015	**Monday**	**CDBG Public Hearing #1** for Consolidated Plan / Annual Action Plan at **Committee-of-the-Whole**.
January 16, 2015	Friday	First draft of Budget for the 8 Month Period Ending December 2015 forwarded to Village Manager, Budget Team and all departments for review.
January 20 – January 30, 2015	–	Departments meet with Village Manager and Budget Team.
February 2 – February 27, 2015	–	Final draft of Budget for the 8 Month Period Ending December 2015 prepared.
February 16, 2015	Monday	Village Board holds **CDBG Public Hearing #2** and approves Consolidated Plan / Annual Action Plan including CDBG Budget.
February 27, 2015	Friday	Release final draft of Budget for the 8 Month Period Ending December 2015 to Village Board & departments.
March 9, 2015	**Monday**	**Budget Meeting** at Committee-of-the-Whole to discuss the Budget for the 8 Month Period Ending December 2015.
March 23, 2015	Monday	Notice of Public Hearing on Budget for the 8 Month Period Ending December 2015 published in newspaper.
April 6, 2015	Monday	Public Hearing on the Budget for the 8 Month Period Ending December 2015. Approval of Budget at formal meeting (alternate date for passage is April 20, 2015).

DRAFT BUDGET CALENDAR

For Preparation of 2016 Budget

(January 1, 2016 – December 31, 2016)

DATE	DAY	ACTIVITY
April - May, 2015	–	Capital Improvement Program (CIP) and five-year projections prepared.
May 29, 2015	Friday	CIP released to Village Board for discussion at June 8 Committee-of-the-Whole meeting.
June 8, 2015	**Monday**	Committee-of-the-Whole reviews CIP.
June 15, 2015	**Monday**	Board considers any motions stemming from June 8 Committee-of-the-Whole meeting regarding CIP.
July 2, 2015	Thursday	Operating Fund Overview/Recommended 2016 Budget Ceilings and Proposed 2015 Property Tax Levy released to Village Board for discussion at July 13 Committee-of-the-Whole meeting.
July 13, 2015	**Monday**	Committee-of-the-Whole discusses the Operating Fund Overview/ Recommended 2016 Budget Ceilings and the Proposed 2015 Property Tax Levy.
July 20, 2015	**Monday**	Board considers any motions stemming from July 13 Committee-of-the-Whole meeting regarding the recommended 2016 Budget Ceilings and 2015 Property Tax Levy.
July 27 , 2015	Monday	Budget worksheets are forwarded to departments. Departments prepare detailed budgets.
August 31, 2015	Monday	Department budget requests and projections due.
Aug 31 – Sep 11, 2015	–	Finance Department compiles departmental budget submissions.
September 11, 2015	Friday	First draft of 2016 Budget forwarded to Village Manager, Budget Team and all departments for review.
Sep 15 – Sep 18, 2015	–	Departments meet with Village Manager and Budget Team.
Sep 21 – Oct 16, 2015	–	Final draft of 2016 budget prepared.
October 12, 2015	**Monday**	Committee-of-the-Whole reviews Comprehensive Annual Financial Report.
October 16, 2015	Friday	Release final draft of 2016 Budget to Village Board.
October 19, 2015	**Monday**	Board considers motion stemming from October 12 Committee-of-the-Whole meeting regarding the Comprehensive Annual Financial Report.
November 4, 2015	**Wednesday**	**1st Budget Meeting** – Overview (with schedule of budget related actions taken by Committee-of-the-Whole & Board to date), revenue analysis, and budgets for Board of Trustees, Village Manager, Human Resources, Legal, Finance, Information Technology, and GIS.,
November 9, 2015	**Monday**	**2nd Budget Meeting** – Budgets for Arlington Heights Memorial Library, Building & Health Services and Performing Arts at Metropolis Theater.
November 12, 2015	**Thursday**	**3rd Budget Meeting** – Budgets for Planning & Community Development, Engineering, Public Works, Water & Sewer, Parking Operations, and Fleet Services.
November 18, 2015	**Wednesday**	**4th Budget Meeting** – Budgets for all Boards & Commissions, Fire, Police, and carryover items from prior meetings. Discuss Proposed 2015 Tax Levy and Abatement Ordinance Committee-of-the-Whole makes recommendation to Board to approve 2015 Tax Levy and Abatement Ordinances and the 2016 budget as amended.
November 23, 2015	Monday	Notice of Public Hearing on 2016 Budget published in newspaper.
December 7, 2015	**Monday**	Board approves 2015 Tax Levy and Abatement Ordinances. Public Hearing on 2016 Budget. Approval of 2016 Budget at formal meeting (alternate date for passage is December 21, 2015).