



MINUTES

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 9, 2015
7:30 PM

I. CALL TO ORDER

President Hayes called the meeting to order at 7:30 PM

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

BOARD MEMBERS PRESENT:

Mayor Thomas Hayes, Trustees Blackwood, Farwell, Glasgow, LaBedz, Rosenberg, Scaletta, Sidor, & Tinaglia

STAFF MEMBERS PRESENT:

R. Recklaus, D. Mikula, T. Kuehne, M. Juarez, D. Ruda, P. Wilkiel,

OTHERS PRESENT:

Greg Zyck, Arlington Heights Memorial Library, Village Department Heads and Various Support Staff

IV. NEW BUSINESS

Mayor Hayes thanked staff and employees for all they do for the Village of Arlington Heights. He said that the budget process is the most important thing that Village Board does as elected officials and said that the Board continues to be good stewards of the taxpayers' money.

A. Arlington Heights Memorial Library Budget Review (Page 440)

Mr. Greg Zyck, Treasurer of the Arlington Heights Memorial Library introduced the Library staff and trustees that were present this evening. He thanked the Village's finance team for helping the Library through this budget process and thanked his finance team as well.

Mr. Zyck went on to say that the Library received a five-star rating by the Library Journal for eight years consecutive years, saying that they are constantly striving to improve their services and facility. He also said that the Library has had a 0% tax levy for six straight years and that General Fund revenue of about \$14.1 million are projected and that operating expenditures are about \$14.6.

Trustee Rosenberg asked Mr. Zyck what the large Innovation and Other Equipment line items entailed. Mr. Zyck explained that the Innovation line item is for certain projects that the Library will be undertaking during the budget year that may not become a permanent part of what they are doing, and that the Other Equipment line item is a place holder for the expansion of services that is being considered, as well as replacement of all the computers and an upgrade to Windows 10. He went on to say that other capital improvements include a boiler replacement, replacement of the skylight, and an upgrade to the computer system database, as well as addressing parking lot concerns.

Mayor Hayes congratulated the Library on their award and stated that the Library is a very important community partner.

TRUSTEE GLASGOW MOVED, SECONDED BY SCALETTA, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE BOARD OF TRUSTEES THAT THE BOARD ACKNOWLEDGE WITH THANKS THE PROPOSED 2016 BUDGET FOR THE ARLINGTON HEIGHTS MEMORIAL LIBRARY FUND. The motion passed unanimously.

B. Village Budget Overview for 2016 - Randy Recklaus/Tom Kuehne

Mr. Recklaus acknowledged that preparing two budgets within a year is very difficult. He also said that going from an 8-month to a 12-month budget is difficult to compare, but it is also difficult to project. He commended the Finance Department and all departmental staff for all their work with the budgets in addition to all the other good work that they do, saying that the work was done in a very diligent and thorough manner.

Mr. Recklaus stated that the budget is a codification of all the planning that goes on throughout the year which includes formal goal setting, the capital improvement process, Village Board preferences, resident identified problems, as well as observation and trends at the State level and assessments of operations from staff. He said the budget synthesizes all the data into a single plan, noting that there is flexibility to make changes throughout the year to address unforeseen or undefined challenges, or take advantage of unforeseen opportunities. Mr. Recklaus stated that with the onset of the great recession and a few years afterwards, the Village made many difficult decisions regarding how it operates, saying that the Village has retained the service cuts and reductions in staff since that time. He went on to say that the Village has the lowest number of employees in 21 years with a higher level of services than it has ever provided, and said that this

year's budget does not propose to change the operations that the Board has established. He said that by making the hard operational decisions in recent years, the Village Board has put the Village in a position to allow a temporarily shift in focus from operational to maintenance and enhancement of physical assets and infrastructure, which this proposed budget represents.

Mr. Recklaus went on to say that the State of Illinois' budget issues is a present threat on the horizon and is no longer a question of whether the Village will be impacted by the State's budget crisis, but how the Village will be affected and for how long. He added that the lack of information from Springfield has had a significant impact on this year's proposed budget, as many of the recommendations assume certain State decisions and reflect the presence of uncertainty in others. Mr. Recklaus explained that the Village receives about \$35 million in State pass-through and shared revenues on an annual basis, which represents about 43% of General Fund revenues. He also said that there is more of a threat on the shared revenue, which represents about \$11.3 million. He added that since this summer, the State stopped paying the Village its motor fuel tax and use taxes, and are no longer forwarding the Village's share of E911 funds to Northwest Central Dispatch, adding that it is not known whether the amount owed the Village will ever be paid back. Mr. Recklaus said that there has been some suggestion from Springfield that there may be a two-year property tax freeze for all units of government in Cook County in 2017 and 2018 as well as potential cuts to the Local Government Distributive Fund (LGDF). Mr. Recklaus went on to say that despite the threat from the State, staff does recommend going forward with planned increases to infrastructure investments, explaining that putting them off would only worsen those conditions resulting in higher costs later. He explained that this year's budget proposes a 2.79% property tax increase which will be 100% dedicated to fund increases in the Village's Road Improvement Program.

Mr. Recklaus said that once the Village adjusts to a normal fiscal year there will be more time for the Board and the public to review the budget. He said that he believes that next year there will be more opportunity for the Board to have upfront discussions about each department's overall direction in the months leading up to the budget process so that there is less pressure on budget meetings. He said that one of his goals is to reorient the Village's process so that feedback and input received is at the right time in the decision making process in order to maximize the impact, adding that adjustments to the process can be made based on the Board's input.

Mr. Recklaus & Mr. Kuehne went on to present their budget and tax levy presentation to the Board.

Mr. Kuehne started his presentation showing a list of revenues that the Village receives from the State saying that the State is spending more than it brings in and is looking at a \$5 billion dollar deficit this year. He classified the revenues as pass-through or shared. He then explained that pass-through revenues include sales and telecommunication taxes that are collected by the

State and forwarded on to municipalities, whereas shared revenues which include income, motor fuel and E911 taxes, are distributed to municipalities based on population. He stated that of the Village's \$157 million budget, \$35 million of that are shared revenues received from the State.

He continued by saying that it is difficult to plan when the direction of the State is unknown, but added because of the Village's good financial position the Village will have some time to react and plan. He said that if the State permanently takes Village revenues, that operation and capital changes as well as revenues increases would need to be looked at, noting that all municipalities would be in the same boat. Trustee Rosenberg asked if it is known what funds are more likely not to be received compared to others. Mr. Recklaus said that in the short-term, the revenues we are not currently receiving require an annual appropriation. Long term there is more uncertainty. Mr. Kuehne added that the one shared revenue that is of concern is the State potentially withholding some of the Village's income tax revenue. He said whether it's a legal issue is open to question.

Trustee Farwell wanted to make very clear that when the Village says it can absorb a two-year hit based on our reserves that is by no means an endorsement of the State's actions. He went on to say that there is something to be said for the legality or constitutionality of the State keeping pass-through taxes. He then asked if decreasing Village reserves could affect the Village's bond ratings and be more costly for the Village. Mr. Kuehne stated that it could, and is hopeful that the AA1 rating can be maintained as we go through rating agency work in December. Mr. Recklaus stated that the Village is not endorsing possible State actions, but is planning for the worst. Mr. Kuehne clarified that he didn't say that the Village could simply absorb a two-year hit and go on, but that we can absorb it for a short period and have time for planning. He said that there would be some very difficult decisions to be made if the State takes Village money permanently. Trustee Farwell said that the Village anticipates that every dime owed the Village comes to the Village.

Mr. Recklaus said that this budget reflects the adopted Capital Improvement Plan which included priority projects without an identified funding source, the Storm Water Control Project and the expansion of the road program which were discussed in detail during the CIP process. He continued by saying the Village's roads are deteriorating faster than they are being repaired or replaced. He said that despite the uncertainty with the State, the issue with the roads cannot be put off. He went on to explain staff's proposal of a two-year phased increase to the Road Program of \$2.7 million beginning this year which include;

- \$500,000 annual allocation from the Solid Waste fee transfer
- \$1.3 million proposed property tax increase
- \$200,000 reallocation of existing property tax
- An additional \$700,000 Capital Projects levy increase for roads next year

Mr. Kuehne noted the Village is very conservative in their revenue and expenditure projections and project for worst case scenarios. He said that this has been a very difficult year with preparation of the budget and the tax levy because of what is going on with the State. He gave an overview of the upcoming tax levy and explained that debt service is decreasing prior to the Village selling a bond issue for the new police station, and that operating levies decreased this year because of prior year's sales and income taxes, but said the overall property tax levy is recommended to be increased for road purposes.

Mr. Kuehne went on to say that one of the provisions of the proposed State legislation to freeze property taxes is a non-referendum debt freeze as of March 2016. He said that selling bond issues for the new police station was originally planned for the end of next year, but said that after speaking with Village Bond Counsel, it was agreed to recommend moving the bond sale to January 2016 in order to get the debt service levy at a proper level before March 2016. Trustee Glasgow asked how long the funds can be kept without using them for the Police Station. Mr. Kuehne explained that there is a three-year spend down. Trustee Scaletta asked how much the bond sale would cost the Village if we plan on not using the money for a year. Mr. Kuehne said that interest would be earned on it and said that the bonds would mature in twenty years regardless if you purchased them sooner or later. Trustee LaBedz asked if doing the bond issue in January could be more favorable for the Village. Mr. Kuehne said that if the Federal Reserve raises interest rates selling a bond issue earlier may help, and said that since there are not many bonds issues sold in January it may be a more competitive time.

Mr. Kuehne explained the four tax levy options presented to the Village Board saying that staff is recommending a 2.79% increase over the 2014 extended levy. He said the basis for this recommendation is because of the decreases in the operating levies and because of the State's proposed property tax freeze proposal that may not take effect in Cook County in Levy 2017 and Levy 2018. He added that this recommendation would provide the Village a portion of the money that is needed for the road improvement program.

Mr. Recklaus then gave a brief overview of some key budget variances that were listed in a previous memo to the Board which included; web enhancements, a compensation study for non-bargaining employees, an increase in police & fire testing, an increase in the Health Insurance Fund, a decrease in Police Overtime, budgeted amounts for Professional Services for Planning and Engineering, to name a few. He went on to say that Arlington Heights has the most conservative practices that he has seen, and have yielded good results. Mr. Recklaus finished his presentation by highlighting a cost of government survey with comparable communities done by the Finance Department that show the different services and fees charged residents, saying that the Village is in the bottom half. He said that it was important to note that these figures reflect not only the proposed property tax increase, but also the proposed water and sewer increases that were

approved and will go into effect January 1st.

Mayor Hayes said that this budget paints a positive picture and tells a good story about the sound financial condition that the Village of Arlington Heights is in. He continued by saying that unfortunately the Village is faced with a lot of uncertainty because of what is happening downstate, saying that he would join other mayors and municipalities in calling on the legislature to come up with a budget to end this uncertainty so that municipalities can get on with the business of the people.

C. Village Budget - Questions from the Village Board

Each Board member asked a number of questions regarding various line items in each department's budgets which were answered by the department heads and/or staff member.

Trustee Sidor asked what the \$1.5 million increase for streets would cover. Mr. Massarelli explained what the street resurfacing/reconstruction maintenance project consists of. Trustee Sidor said that he would not want to see a street repaired that would be torn apart in a year or so. Mr. Massarelli explained that the consultant is analyzing all roadways so that Engineering has a better understanding of what roads are in poor condition and what roads need work in five or ten years. He also said that they have requested a more detailed report in order to put together both a three-year and five-year plan for roads that need to be either resurfaced or reconstructed. Trustee Sidor asked that these plans get integrated with the water and sewer study in regards to roads that may have to be torn up. Mr. Massarelli stated that the projects will be integrated with the GIS mapping system.

Trustee Blackwood asked how they factor in the repairs of roadways that are cement. Mr. Massarelli stated that there is a pavement committee that goes out as a group to investigate about thirty miles of streets per year saying that they look at resurfacing, reconstruction, and concrete panel replacement as function of the resurfacing program. He continued by saying that \$350,000 was spent this year on necessary concrete replacement. Trustee Blackwood stated that although the Surrey Ridge area has had some improvements made a few years ago, there is still a lot of disrepair in that area and asked how that fit into the overall study. Mr. Massarelli said that although the concrete panel replacement is still part of the resurfacing program, it is being looked at as more of a project of its own so that dollars can be put towards it as ratings show a need for repair.

Trustee Sidor stated that conversation has taken place with combining the Discover Arlington website with the new Village website and questioned budgeted amounts for Discover Arlington. Mr. Perkins explained that items in the Planning Department and TIF Fund budgets totaling about \$80,000 are for Discover Arlington marketing. Trustee Sidor questioned the \$5,000 for Discover Arlington upgrades in the Arlington Economic Alliance budget. Mr. Perkins said that when the Alliance put their budget together they were going through a transition so they just duplicated the budget from last year, and

added that they were advised of the talks on combining websites, and that the money may or may not be necessary, or rolled into the IT budget.

Trustee Scaletta asked if the Discover Arlington budget was decreased significantly. Mr. Perkins answered that the budget has been reduced saying that amounts in several of the TIF funds were reduced because there was a concern with the legality of using TIF funds for all of the marketing efforts. He said that the \$80,000 budgeted reflect actual amounts spent compared to the \$119,000 that was budgeted and not spent.

Trustee Glasgow asked what happens if the property tax freeze the State is talking of doing doesn't happen. Mr. Kuehne explained that there is a priority for the maintenance of streets, saying that phasing in it over two years with a property tax freeze in place makes sense, but added that if it doesn't take place a 3-4 year phase in could be possible. He stressed that the streets would deteriorate over time if we take longer to do this. Mr. Kuehne added that the entire recommended 2.79% tax levy increase is going to street infrastructure. Mr. Kuehne said that to be absolutely clear that the property tax freeze in place as it is currently written, excludes Police and Fire operations and pensions, so those levies could rise.

Trustee Glasgow stated that he would like to go back to having each department giving their budget presentations, saying that it shows more transparency for the public. Trustee Scaletta agreed. Trustee Glasgow then asked Mr. Recklaus how future performance measures would be implemented into the budget. Mr. Recklaus said that he wants to have a better tie-in between goal setting and the budget process than we do today. He said that he would like to consider being on a two-year cycle where early on, staff members make presentations to the Village Board prior to a Village Board planning session, saying that the Board would benefit from data gathered from having the opportunity to interact with staff members far in advance of the budget process. He said that the Board would come up with a list of actionable goals over the next two-year cycle, give it back to staff, and then staff would come up with a business plan of more detailed goals that would go back to the Board for review, explaining that that would serve as the basis for the budget. Mr. Recklaus felt that doing that work in advance would makes things easier to review and prioritize things, saying that as part of the performance evaluation process for the management team we would look at how successful they were at accomplishing their goals in their business plan.

Trustee Scaletta said that if the State reduces or eliminates any of the pass-through or shared taxes, they would be weakening the financial stability of municipalities throughout the State due to the irresponsibility of the legislature and the governors over the past decade, while municipalities like Arlington Heights have operated on a balanced budget and have built up reserves as a responsible unit of government. He said that it is very frustrating asking for more money than what we need this year because of the goal that we set to provide a quality of life in this town, and added that the streets are an important quality of life for the residents.

Trustee Scaletta asked if anything is budgeted if the Village does not receive the E911 funds from the State that it is holding. Mr. Recklaus said that the Board of Directors of the Northwest Central Dispatch stated that they have been using their reserves for the last few months and have discussed looking at opening a line of credit to cover costs in anticipation of the revenue being restored or start requiring an assessment of each of the member municipalities. He added that 911 centers in Illinois are looking at legal alternatives to get that money restored.

Trustee Scaletta asked why estimated income for the new car dealership is not included in the budget. Mr. Kuehne said that it is a very good conservative practice not to count revenue until it is received. He added that to date, the Village has not yet received sales tax revenues from this dealership. He also said that there could be sales tax decreases in other businesses during 2016. Mr. Recklaus added that this philosophy and practice is applied to all revenues. Trustee Tinaglia asked Mr. Kuehne what the Village would do with the additional taxes collected from the new car dealership. Mr. Kuehne stated that it would be built into next year's revenue base, which would help with balancing property taxes next year, and said that it would give a bit of a cushion to work with because of what is going on with the State.

Trustee Scaletta questioned the high increases in the police and fire uniform line items. Chief Koeppen answered that it was contractual. Mr. Recklaus said that he will get more information to provide the Board at the next meeting.

Trustee Scaletta said that there is a continual increase in the amount being spent on contractual services and asked that if at some point a staff member should be added. He said that other municipalities contract out some positions and felt that people contracted out may not have the same customer service skills or be as responsible as a Village employee would be. Mr. Recklaus explained that contracting out is experimental and said that at some point in the future, staff will look at whether or not it makes more sense to look at hiring more employees. Trustee Scaletta also expressed his concern with the amount of vehicles that continue to be purchased, saying that the savings can help fund a position in a department. Mr. Recklaus said there are conversations taking place regarding having more shared pool cars between departments, and that it will be looked at further going into future years.

A number of Trustees questioned the increase in the training line item for several departments. Ms. Rath stated that Human Resources always promotes training, noting that a lot of training for departments is for continuing education. Chief Mourning stated that the Police training line item has gone up for increased participation in the basic academy, saying that the Police Department currently has seven vacancies and that their budget is based on being fully staffed.

A number of Trustees also questioned the increase in the office supply line item for several departments. Mr. McCalister said that office supplies have increased because of the need to replenish the surplus of permit folders and because of the outsourcing of business licenses. Ms. Mikula stated that a printer will be purchased for the Manager's office.

Trustee Rosenberg asked what the scheduling software for Police and Fire is for. Chief Mourning explained that it will help manage employee schedules and would be time saving for support personnel and that over time it would be cost saving, noting that it has not yet been purchased. Trustee Rosenberg also asked about some of the Fire Department's performance measures including mutual aid. Chief Koeppen stated that the Fire Department is in the process of reviewing all of the mutual aid agreements with the surrounding communities and writing up new agreements because the current ones are very old and have had amendments.

Trustee Rosenberg asked about the taxi service subsidy in the Senior Center budget. Mr. McCalister stated that it was a program that the Village has had for a long time, saying that Ms. Hansen has been meeting with Ms. Mikula regarding this program. Ms. Hansen explained that the taxi program is a Village subsidized program that began in the late 90's and that it was a very integral part of the way seniors and persons with disabilities got around adding that it is the only method of transportation for many. She said that there have been problems with reliability of vendors and said that if money is put into this program it should be done well. She went on to explain some of the things that need to be looked at in order to make this program work again. Mr. Recklaus said that the amount budgeted is a place holder, and that there would have to be changes in the program for it to work. He noted that there is an identified need, but that the current marketplace is not supporting that need.

Trustee Rosenberg questioned the Overtime Civilian line item for public works, saying that depending on the nature of the overtime and thought that if it is on an ongoing basis, there could be a need for hiring another person. Mr. Shirley explained how that line item gets budgeted and how it compared to a previous budget. He stated that funds are budgeted but only spent when needed, saying that overtime is not only for snow removal or for just one person's overtime, but mainly for after hour work that needs to be handled. He also said that hiring an additional employee is not currently being looked at. Trustee Rosenberg also asked about various increases regarding restoration and maintenance issues. Mr. Shirley stated that there will be additional asphalt, edge grinding, concrete, and paver work, adding that the work is also being supplemented with contractual work in order to keep up with the work that has to be done.

Trustee Rosenberg asked about the large increase in the Health Insurance Fund's Claims Medical Loss line item. Ms. Rath said that there has been an increase in the amount of HMO and PPO claims. Ms. Juarez stated that Blue

Cross Blue Shield provide the numbers to budget on and that they are based on our past claims and on the trend from what the insurance rates are going to be for claims. She added that Village medical claim expenditures went up a lot this year. Mr. Kuehne added that health insurance is always budgeted for a worse-case scenario. Mr. Recklaus said that staff will look at the assumptions in detail and provide the Board with a detailed response.

Trustee Rosenberg asked Mr. Kuehne if he was being conservative with and is comfortable with the amount budgeted for general liability and workers comp. Mr. Kuehne said the numbers are conservative, saying that there have been a higher number of claims reported this year for both General Liability and Workers Comp.

Trustee Rosenberg asked if the method for Technology Fund allocation on computers has changed based on greater usage versus the actual number of computers. Mr. Kuehne stated that allocations for the IT portion are still based on the number of computers each department has, and said that the change is in the GIS portion explaining that the breakout of department usage is now known compared to when GIS was first implemented

Trustee Farwell asked about the Professional Services item in the Planning Department. Mr. Perkins explained that the contractual employee helps the department keep up with the workload in the department recently worsened by a recent staff resignation. Mr. Recklaus explained that the employee who resigned will still be replaced and the contract position will remain given the increase in workload post-recession. He went on to say the increase in that line item will provide additional help net of any vacancies.

Trustee Tinaglia commended staff for their hard work with the budgets in regards to transitioning to a calendar year, saying that it makes it easier when talking about the tax levy. He said that this budget is pretty much a maintenance budget, except for the increase in the tax levy which is going to be used strictly for roads. He asked what the proposed 2.79% or \$1.2 million increase would mean for a resident. Mr. Recklaus stated that it would cost a resident with a home value of \$300,000, \$37.00 a year. He also said as a point of reference that some of the waste removal scenarios that are being reviewed by the Village have a household savings of more than the \$37.00 per year. Trustee Tinaglia said that because of the expected savings with waste services and because there wouldn't be much difference in cost to a resident, he would be in favor of the 4.33% or \$1.9 million levy increase in order to get more done with the roads. He said that it is easier for him to look someone in the eye saying that we are doing everything we can as a village to be careful with your money, but costs do go up. He said that everyone he has talked to that uses Village roads knows how bad some of them are.

Trustee Tinaglia said that he likes Mr. Recklaus' performance goal setting ideas with doing periodic discussions throughout the year with departments instead of crunching everything in during the budget season. He

complemented Mr. Recklaus for his excellent work and said he is happy with the proposed budget.

Mayor Hayes said that although a different method of reviewing the budget was done this evening, he said that it is clear from the questions that were asked tonight that the Board is taking seriously and fulfilling its obligation to the residents of this community by looking at the budget on a line-by-line basis whether in the Board Room or at home, and making sure they are good stewards of the residents' money and are spending it wisely.

V. OTHER BUSINESS

VI. ADJOURNMENT

There being no further business to discuss,

Trustee Tinaglia moved, seconded by Trustee Rosenberg to adjourn the meeting at 10:36 P.M. The motion carried unanimously.