COMMITTEE-OF-THE-WHOLE
MINUTES OF THE MEETING OF THE MAYOR AND THE BOARD OF TRUSTEES OF THE VILLAGE OF ARLINGTON HEIGHTS COMMUNITY ROOM
MONDAY, JULY 14, 2014 7:30 P.M.

BOARD MEMBERS PRESENT:	President Hayes; Trustees: Blackwood, Farwell, Glasgow, LaBedz, Rosenberg, Sidor and Tinaglia
BOARD MEMBERS ABSENT:	Trustee Scaletta
STAFF MEMBERS PRESENT:	Diana Mikula, Interim Village Manager; Tom Kuehne, Director of Finance; Bill Enright, Deputy Director of Planning & Community Development; Eileen Hellstrom, Recording Secretary

SUBJECTS:

A. Consideration of recommending to the Liquor Commissioner the issuance of a Class "DD" Liquor License to Arlington Lanes Entertainment, LLC, dba Arlington Lanes, located at 3435 N. Kennicott Avenue. Liquor License to be issued upon surrender of License currently held by Arlington Lanes, LLC.
B. Use of public sidewalk for outdoor dining café for Peggy Kinnane's Restaurant – 8 N. Vail Avenue
C. Possible Change in Fiscal Year

President Hayes called the meeting to order at 7:30 PM. The Pledge of Allegiance was recited.

A. Consideration of recommending to the Liquor Commissioner the issuance of a Class "DD" Liquor License to Arlington Lanes Entertainment, LLC, dba Arlington Lanes, located at 3435 N. Kennicott Avenue. Liquor License to be issued upon surrender of license currently held by Arlington Lanes, LLC.

Mayor Hayes swore in Robert Kuhn who was present for consideration of the "Class DD" liquor license for Arlington Lanes.

Diana Mikula, Interim Village Manager, indicated that Mr. Kuhn is seeking a Class "DD" liquor license for a bowling alley which allows for full service of alcohol beverages. Arlington Lanes is located at 3435 N. Kennicott. On June 6, 2014 a background check report was issued on applicant Robert Kuhn who has 100% ownership interest in the business entity. No convictions were disclosed and no lawsuits, judgments or liens are outstanding.

Mr. Kuhn currently owns and operates Timber Lanes bowling alley located in Chicago.

Mayor Hayes asked if there was a restaurant at Arlington Lanes. Mr. Kuhn replied yes there is a restaurant. He also said there are two bars in the bowling alley, the main bar and a service bar.

Mayor Hayes asked if he would be selling alcohol at both bars. Mr. Kuhn replied yes that is correct.

Mayor Hayes asked if they serve drinks at the bowling lanes so people can order alcohol while they bowl. Mr. Kuhn said yes they can be served alcohol by servers while they bowl. He has both a wait staff and bartenders.

Mayor Hayes asked Mr. Kuhn what his experience is with the restaurant and liquor business.

Mr. Kuhn said he has been in the bowling business for 42 years. He purchased Timber Lanes bowling alley in 1985 and has owned it now for 29 years.

Mr. Kuhn said at the bowling alley he owns in Chicago, Timber Lanes, they don't allow anyone under 21 years old in this establishment after 6:00pm. He would like to create more of an adult environment in the evenings at Arlington Lanes since it's much easier to control the sale of alcohol.

Mayor Hayes asked Mr. Kuhn if he is going to have any age restrictions at this time at Arlington Lanes. Mr. Kuhn replied no not at this time, but at some point in the future he might section off areas for adults only.

Mayor Hayes asked Mr. Kuhn about two previous liquor violations at his other establishment. Mr. Kuhn said one was thirteen years ago and the other violation was two and a half years ago both other servers.

Mr. Kuhn said he is basset trained and all of his employees are also basset trained.

Ms. Mikula clarified that there is no requirement after 11:00pm that food must be served in this classification of "DD" liquor license. Having a limited menu after 11:00pm does not apply for this license.

Mr. Kuhn said he closes the restaurant in the bowling alley around 11:00pm.

Trustee Glasgow said he would suggest the bowling alley have some type of menu after 11:00pm even though it is not required.

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE TINAGLIA TO RECOMMEND THAT THE VILLAGE BOARD OF TRUSTEES RECOMMEND TO THE LIQUOR COMMISSIONER THE ISSUANCE OF A CLASS "DD" LIQUOR LICENSE TO ARLINGTON LANES, LOCATED AT 3435 N. KENNICOTT AVENUE. LIQUOR LICENSE TO BE ISSUED UPON SURRENDER OF LICENSE CURRENTLY HELD BY ARLINGTON LANES, LLC.

Trustee Farwell said he feels Mr. Kuhn is committed to the fact that underage drinking will not be tolerated. He asked about the comment made of curtailing bowling lanes after a certain hour for underage bowlers.

Mr. Kuhn explained that in the evening the bowling alley is more of an adult environment and by not allowing underage bowlers after a certain time, this makes it easier for everyone.

Trustee Farwell asked if he would be checking ID's at the door and at what time this would occur.

Mr. Kuhn replied this would possibly occur on a Saturday night at 8:00pm and the bowling alley would be for adults only.

Trustee Farwell said this is a little different neighborhood than his other establishment in the City of Chicago. Arlington Heights is a family orientated community. He is not crazy about the idea of barring children of a certain age after 8:00pm.

Trustee Farwell said there was another establishment that was also looking at curtailing underage patrons after a certain hour, but this became an issue for the Board and the applicant changed their requirement.

Trustee Farwell said there is no way he could vote for this liquor license if Mr. Kuhn was going to be curtailing admittance to the bowling for underage bowlers after 8:00pm. He said if this reflected the curfew hours he would not have a problem with this requirement but not at 8:00pm.

Mr. Kuhn said he would not impose an age limit after 8:00pm unless he came back to the Board to discuss it.

Robin Ward, Assistant Village Attorney, said if the motion were to be amended to include language that said should the license holder want to engage any kind of restriction for age during a specific curfew they would need to come back to the Board. This could be part of the motion.

Trustee Glasgow said he has concerns with this Village Board telling every person coming before the Board how they should run their business. This is the applicant's liquor license and he is responsible to ultimately police his building in the manner he sees most fit which should be left up to him and not to the Board to decide. He is not in favor of stepping into a business and telling them what to do.

Trustee Farwell said Arlington Lanes is an entertainment facility much like Star Cinema and by not mirroring what was done with Star Cinema he believes this could be viewed as a double standard. He would like to see this treated in a similar way.

Trustee Rosenberg suggested maybe having a certain area for kids only.

Mr. Kuhn replied that they looked at possibly partitioning off part of the building and having one side for adults and one side for kids and have the bar open on the adult side.

Mayor Hayes said he would encourage Mr. Kuhn to take what Trustee Farwell said to heart. We want this bowling alley available to kids to enjoy as much as possible.

The following voice vote was recorded:
Ayes: 6 Nayes: 1

Ayes: Blackwood, Glasgow, LaBedz, Rosenberg, Sidor, Tinaglia and Hayes
Nayes: Farwell

The motion carried.

B. Use of Public Sidewalk for Outdoor Dining Café for Peggy Kinnane's Restaurant – 8 N. Vail Avenue

Ms. Mikula said Peggy Kinnane's Restaurant located at 8 N. Vail Avenue, has submitted an application for outdoor dining on the public sidewalk alongside their restaurant on the Campbell Street frontage. They are seeking to have about nine tables with four chairs and two tables with two chairs for a total of 40 seats. Chapter 28, Section 5.1-14.2 does allow the use of public sidewalks for outdoor eating cafes subject to certain criteria. Because this request is to use public sidewalk, it requires a License Agreement, and to serve alcohol on that public sidewalk, it does require approval by the Village Board.

Trustee Rosenberg asked how the outdoor area would be enclosed.

Ms. Mikula said it is a relaxed requirement and the area would be delineated by planters.

Ms. Ward added that outdoor dining does not need to be fully enclosed anymore. The Board relaxed the requirements and it no longer needs to be fully enclosed.

This is compliant with the new regulations.

Trustee Rosenberg asked how they would be serving people and would it be from the rear entrance.

Fran Brennan, Manager of Peggy Kinnane's, said that seating would primarily take place at the main front door. Hopefully in the future there might be a door installed in the middle, between the other doors, which would alleviate this issue.

Trustee Farwell said he thinks this is a great idea and a great use of space. He asked if the public walkway is at least five feet. Bill Enright, Deputy Director of Planning, said that is correct.

Trustee Glasgow asked if there would be a host outside to monitor the area.

Mr. Brennan said they plan on having a host outside towards the front door and they would be outside greeting people.

Trustee Sidor asked if there needs to be planters on the east and west end of the dining area to delineate the beginning and end of the dining area.

Mr. Enright replied that it is not required but in this case to put one on each end would better define the dining space.

Trustee LaBedz asked what the regulation is regarding smokers and outdoor seating areas.

Ms. Ward replied they can't smoke sitting at the tables outside. They have to be 15 feet away from the outdoor eating area.

TRUSTEE LABEDZ MOVED, SECONDED BY TRUSTEE GLASGOW, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD APPROVAL OF PEGGY KINNANE'S OUTDOOR DINING REQUEST ON THE CAMPBELL STREET FRONTAGE.

Upon a voice vote, the motion passed unanimously.

C. Possible Change in Fiscal Year

Ms. Mikula said in 2011, the COW considered changing the Village's fiscal year to a calendar year. This was reviewed per a suggestion by a Trustee that it may be easier to understand the ramifications of the Village Board's property tax decisions if the budget process was changed to a calendar year basis. At that time, only 25% of the local governments used December 31st year-end and the COW decided to retain the Village's current fiscal year. Subsequently, staff noted that during the last couple of property tax levies, more Trustees were interested in revisiting a potential change in the fiscal year. An updated survey in March 2013 showed that 50% of local governments now use the December 31st year end.

Tom Kuehne, Director of Finance, prepared a list of advantages and disadvantages of potentially changing the fiscal year to a calendar year, which is shown as Exhibit A in his memo.

Mr. Kuehne introduced Mike Kelly, Finance Manager for the Arlington Heights Memorial Library.

Mr. Kuehne said there will be some additional staff time and some additional costs in terms of audits to change to a calendar year.

Trustee Rosenberg talked about how this would impact the Staff and he feels it's a fair amount of work for the Finance Department as well as the Library. It is not easily done and is a time consuming process. He wanted everyone to understand that the comparability of the numbers will be different and would take two years for the numbers to be found comparable again. He feels the process that we have currently works and the process that the Board goes through to do projections has been managed well. His biggest concern was how this would affect the departments within the Village since every department would have to change their way of budgeting from a fiscal year to a calendar year and have to do this twice in a short period of time.

Trustee LaBedz said she noted that the tone of the memo from 2011, regarding switching from a fiscal year to a calendar year was different from the current memo.

Mr. Kuehne agreed that the 2011 memo was shaded to stay with the current process. One of his concerns back in 2011, and is still a concern now, is that when the Board goes through a calendar year budget process and the property tax levy at the same time, he would be leery of the Board possibly taking too narrow of a view of the budget by concentrating on the property tax levy and the General Fund over the other funds. He said that the Village has a large budget with a lot of activities going on, and it's not just the property tax and the General Fund. He also stressed the importance of maintaining a multi-year picture to insure the financial sustainability of Village operations. The way it is currently done is the Board is given three-year projections for the General Fund and the Water Fund which gives the Board a long-term picture of these funds before property taxes are set. Mr. Kuehne thinks we can still develop a multi-year projection through the calendar year process. He said the budget process would start in June, and he would still advocate using budget ceilings since this is a good process to use with Village departments. The Finance Department would come up with an estimated property tax at that time. As the Village goes through the budget process, the property tax levy number would be firmed up.

Trustee Farwell said he has been a strong advocate of this for the last thirteen years. He likes the idea of setting an estimated property tax levy in June. In looking at the advantages on the memo, it looks like it would be easier to use the calendar year for the budget. A real advantage is the transparency and making all information available electronically. He said that the Village Board has been watching this trend and have seen the municipal government trend now move up to 50% going to a calendar year budget. He talked about the cost involved in the memo in the disadvantage section and asked what the cost would be.

Mr. Kuehne replied that another audit at a cost of about $50,000 would be incurred sooner than it normally would. The same with the actuary studies for the Police & Fire pension funds which cost about $10,000 a year. Additional software expenses would also be incurred, but he would not know that cost until he talked to the software vendor.

Trustee Farwell said that based on the numbers Mr. Kuehne talked about, it may be about $80,000 including the software patch cost.

Mr. Kuehne replied that the $80,000 would primarily be expenses incurred earlier than normal since you would have these expenses regardless, in this case they would be incurred in eight months instead of twelve months.

TRUSTEE FARWELL MOVED, SECONDED BY TRUSTEE BLACKWOOD, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE ANNUAL MUNICIPAL BUDGET BE MOVED FROM ITS CURRENT FISCAL PERIOD ENDING APRIL 30TH, TO CALENDAR YEAR TO COMMENCE ON JANUARY 1, 2016. STAFF SHALL IMPLEMENT A PLAN AS INDICATED IN THE PROPOSED TIMELINE DELINEATED IN EXHIBIT "A" OF THE STAFF MEMO DATED JULY 14, 2014.

Mayor Hayes wanted to clarify that it's inaccurate to say it would cost us $80,000 to make this change. As it was just mentioned, it would be accelerated since we would have to make the payment earlier than usual, but it's not accurate to tell the community that it's going to cost the community $80,000 to make this change.

Mr. Kuehne agreed with Mayor Hayes and said the additional costs would be in the software for any changes that would have to be made, but the other costs would be made anyways.

Trustee Glasgow asked how this change would affect the library and if they are prepared to make the same commitment, and would this effect our relations with other governmental entities that don't have the same cycle.

Mr. Kuehne said the library is required to follow the Village's fiscal year as a component unit of the Village for accounting purposes. He talked to the Library's Executive Director months ago, and they understand it's a requirement to follow whatever fiscal year the Village has. In terms of the other entities we deal with this would not affect them.

Trustee Sidor asked if Mr. Kuehne heard from other Villages who are now on calendar year and if they had any comments.

Mr. Kuehne replied that they said it worked very well from an accounting standpoint and in terms of citizens and their understandability of the budget and annual reporting process.

Upon a voice vote, the motion passed unanimously.

Other Business
None

Adjournment

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE SIDOR TO ADJOURN THE MEETING 9:00 P.M.

Upon a voice vote, the motion passed unanimously.

EXHIBIT A
Committee-of-the-Whole
July 14, 2014

POSSIBLE CHANGE IN FISCAL YEAR

JULY 2014

ADVANTAGES OF A CALENDAR FISCAL YEAR

- Changing to a calendar fiscal year would likely make the tax levy less confusing for interested parties. The final tax levy recommendation and final operating budget would be reviewed at the same time. This could provide decision makers with a clearer understanding of whether cuts in services are needed.
- Motor Fuel tax audits conducted by the State of Illinois are based on a calendar year. Having a calendar fiscal year would make it somewhat easier for staff to complete the audit process.
- Construction contracts could be competitively bid in the winter. Although it is questionable whether better prices could be gained by bidding during this time, it would provide better lead time for planning projects for the spring and summer months.
- Construction projects would more likely be completed during the same fiscal year as a number of construction projects start in late-March and April and run through the fall.
- Annual W-2 and 1099 tax forms, which are based on a calendar year, would coincide with a calendar fiscal year.
- As with construction contracts, revenues generated through the Building Department would link more closely with the services provided by the Village.
- Reports to the public would be more intuitive on a calendar year basis, and quarterly reports would be more in line with the seasons.
- The Village currently defers the first installment (March) property tax levy recognition to the start of the current fiscal year (May). By changing to a calendar fiscal year the Village would no longer defer the first installment. This would not change the Village's cash position, but it would result in a one-time increase in the recognition of property tax revenue and fund balance for the General, Capital Projects, TIF, and Debt Service Funds.
- Staff would utilize the true IMRF pension rate for the entire calendar fiscal year rather than estimating a rate for the last four months of the current fiscal year.
- The current fiscal year budget is finalized in April of each year and Trustees are sworn in at the Village Board meeting in May after an election. A calendar year budget would allow the new Board to have input on the next budget year much sooner.

DISADVANTAGES OF A CALENDAR FISCAL YEAR

- For one or two years it will be difficult to compare fiscal year results due to an eight month transition year.
- The Village would incur some one-time transition costs including two audits and actuary studies that would be completed during one calendar year. There would also be additional accounting software expenses associated with establishing an eight month transition year and a new fiscal year.

- The Library noted that for the initial year when the first installment of property taxes is still deferred, its fund balance would increase substantially as property taxes represent most of the Library's revenue. (The Library has expressed an interest in using this one-time increase in fund balance to pay off their portion of the unfunded liability for IMRF.)
- For one audit/budget cycle staff would need to work on closing the FY2015 CAFR while also developing the 2015 transition year budget during May through July 2015.
- By reviewing the property tax levy and the operating budget at the same time the Village Board may be inclined to take a one-year view of the tax levy and its effect on the General Fund, as opposed to the multi-year General Fund projection the Village Board uses under the current process. (To continue to provide the Village Board with a long-term, policy driven view of General Fund operations, staff could add a presentation to the operating budget that shows multi-year projections for this fund.)

IF THE VILLAGE BOARD CHOSE TO MOVE FORWARD WITH A CHANGE FROM A FISCAL YEAR TO A CALENDAR YEAR – ISSUES AND PROPOSED TIMELINE:

ISSUES TO BE ADDRESSED:

- Contracts for the Police and Fire unions, health and other insurance coverage, as well as other contracts would likely need to be changed over time to coincide with a new fiscal year. The Village's annual liquor license schedule may also need to be amended.
- Terms for Board and Commission members may need to be changed over time.
- Based on recommendations from other communities that have changed their fiscal years, as well as recommendations from our auditors and accounting software provider, an <u>eight month transition year</u> would be recommended over a 20 month transition year.

PROPOSED TIMELINE:

- **August through December 2014** – Capital Improvement Plan (CIP) and property tax levy on the same schedule as prior years. (Most of the planned CIP costs would occur during the shortened May – December 2015 transition fiscal year.)
- **January – February 2015** – Draft budget prepared for 8-month transition fiscal year. Staff suggests that a basic, line item only budget with minimal narrative be developed for the 8-month transition fiscal year, since the Village would begin the full year 2016 calendar year budget process in April 2015.
- **February 2015** – Village Board approval of the 8-month transition year budget after one COW meeting review of the basic, line item only budget.
- **April through June 2015** – Prepare the CIP for the calendar year 2016 budget.
- **July 2015** – Key operating fund multi-year projections/budget ceilings/initial property tax estimate report to Village Board.
- **August through mid-October 2015** – Prepare draft 2016 Budget
- **Late October through November 2015** – Four budget committee meetings held
- **First week in December 2015** – Village Board approval of tax levy/Public Hearing on 2016 Budget/Approval of 2016 Budget