AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
33 S. Arlington Heights Road Arlington Heights, IL 60005
June 27, 2016
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Review of the Proposed 2017-2021 Capital Improvement Program (CIP)

B. Operating Fund Overview / Recommended Budget Ceilings - 2017

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 the Proposed 2017-2021 Capital Improvement Program (CIP)

Department: Finance

ATTACHMENTS:

Description	Type
Capital Improvement Program (CIP) Executive Summary	Exhibits

VILLAGE OF ARLINGTON HEIGHTS

2017 - 2021
CAPITAL IMPROVEMENT PROGRAM

"The Capital Improvement Program identifies community goals and needs and can ensure that major capital expenditures are in line with community expectations, anticipated growth, and projected financial capability."

June, 2016

VILLAGE OF ARLINGTON HEIGHTS
2017 - 2021
Capital Improvement Program

June 2016

VILLAGE BOARD

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Joseph C. Farwell	John Scaletta
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ADMINISTRATION

Randall R. Recklaus, Village Manager

CAPITAL IMPROVEMENT PROGRAM COMMITTEE

Thomas F. Kuehne (Chairman)	Finance Director/Treasurer
Mary Ellen Juarez	Assistant Finance Director
Randall Recklaus	Village Manager
Diana Mikula	Assistant Village Manager
Jim Massarelli	Director of Engineering
Mike Pagones	Deputy Director of Engineering
Scott Shirley	Director of Public Works
Cris Papierniak	Assistant Director of Public Works
Chester Gorecki	Management Analyst
Jeff Musinski	Superintendent of Utilities
Steve Mullany	Public Works Services Coordinator
Charles Witherington-Perkins	Director of Planning & Community Development
William Enright	Deputy Director of Planning & Community Development
Charley Craig	Assistant Building Official
Robert Taraszka	IT Manager
Ken Koeppen	Fire Chief
Bernie Lyons	Deputy Fire Chief
Pete Ahlman	Deputy Fire Chief
Gerald Mourning	Chief of Police
Nick Pecora	Police Captain
Mem Teolis	Police Fiscal Clerk
Denise Ruda	Budget Coordinator

VILLAGE OF ARLINGTON HEIGHTS
2017-2021 CIP
EXECUTIVE SUMMARY

A Capital Improvement Program (CIP) is a financial planning, budgeting, and management tool that identifies public facility, infrastructure, and equipment replacement and repairs, and schedules these requirements for funding and implementation. The development of the CIP consists of staff input, discussions of public input, and a review process leading to two products:

- A capital improvement plan
- A capital improvement budget

The former is the multi-year plan that identifies all capital projects that are proposed for funding during that period (subject to annual revision). The latter is the capital spending budget for the upcoming fiscal year.

The CIP lists each proposed capital project, the year when it is anticipated to start, the amount expected to be expended on the project each year, and the proposed sources of financing. Based on these individual project details, summaries of capital expenditure needs in each year are prepared. These are then matched with funding available from all sources, including current revenues, grants, and other intergovernmental assistance as well as borrowing. Thus, a Capital Improvement Program represents a balance between project requests and current and future financing capabilities.

Roadways, sidewalks, buildings, vehicles, and equipment should be replaced as needed to continue to provide for the safety and well-being of the public and Village employees. Deferral of needed infrastructure maintenance activities would only serve to increase overall costs over the long-term.

Newspaper headlines exclaim the need to improve the existing infrastructure across our nation, states and cities. Fortunately, the Village has continued to do its part by prudently planning for the future by investing in our infrastructure. Over the last few years, the Village has taken steps to identify key infrastructure improvement needs as well as sustainable funding sources for these improvements. These recent improvements have included the following:

- Implemented a program to remove/replace 13,000 parkway ash trees or 30% of the Village's tree inventory at an original estimated cost of $11 million.

- Implemented a plan to increase the annual water main replacement program from $500,000 to $3 million per year by 2020 in order to

reduce the high number of water main breaks due to the advanced age of the Village's water main system.

- Two-year plan to increase the street resurfacing/reconstruction program by $2.7 million per year to maintain the Village's "good" rating as identified through a recent pavement condition study. Phase-one of the plan increased annual street expenditures by $2 million. This was accomplished by increasing the 2015 property tax levy by $1.5 million and allocating $500,000 of annual Solid Waste Fund monies for street purposes. Phase-two includes increasing the proposed 2016 property tax levy by $700,000 for street purposes.

- Implemented a financing plan to replace the Village's 38,000 square foot Police Station constructed in 1978 with a new 70,500 square foot building.

The Village's next key infrastructure challenges include reviewing the results of the recently completed storm water control studies, developing a sustainable revenue source for ongoing maintenance of the Village's storm sewer mains, as well as a funding source for approved one-time storm water control projects. Another challenge includes beautification improvements to the Village's high visibility corridors. Key corridors that traverse through the community provide a first impression for visitors and a lasting impression for residents and business owners. The condition of these corridors is a reflection of what is important to a community. Well maintained spaces that are visually appealing, provide landscape buffers, and improve the pedestrian experience can increase property values and satisfaction of residents and visitors alike.

This "Executive Summary" provides a general overview of the 2017-2021 Capital Improvement Program for the Village of Arlington Heights. Following this section are multi-year presentations for each Village fund that has capital expenditures, including capital project request sheets for each 2017 through 2021 project listed in the fund. The project request sheets provide a justification for the expenditure, and identify the funding source and the fiscal year the expenditure is anticipated to occur.

CIP PROCESS

Annually, Village staff in the form of the CIP Committee assembles information to update the Village's five-year capital improvement plan, and projects funding sources to pay for them. Existing or ongoing projects included in the five-year CIP are re-evaluated for continued inclusion in the plan. Cost estimates and the timing of the projects are updated as well. The Village's website is also utilized to generate capital project ideas from Village residents. A number of the suggestions from our residents pertained to a common issue, some of which were already included in the CIP. Other

requests will require more analysis, a few were forwarded to the Park District, and some suggestions were more operational in nature.

The annual five-year plan adds another year to the previous year's plan to accommodate new projects as they are identified. This allows the CIP Committee to shift projects between years in order to balance expenditures against current and future revenues. The result of this process is then sent to the Village Board for review, discussion, possible modification, and approval.

Projects included in the five-year CIP have been prioritized as follows:

Obligated (OBLG) – the Village has entered into a contract or agreement to complete the project or the project is obligated by State, Federal, or other environmental regulations.

Replacement/Maintenance (R/M) – this is part of an ongoing infrastructure or equipment maintenance program or scheduled replacement program.

Essential (ESST) – projects that, in staff's opinion, are necessary to continue providing basic services, or are necessary to maintain the health, safety, and welfare of the community.

Discretionary (DISC) – projects that are needed or desired, but do not fall into any of the other three categories.

2017-2021 CAPITAL IMPROVEMENT PROGRAM SUMMARY

As mentioned above, the Village has carefully timed the funding for a number of key capital projects. These plans have included funding for the Parkway Ash Tree Removal & Replacement program and the cost to construct a new Police Station. Both of these projects are being funded through bond issues that were sold as existing debt was retired. As a result, these projects will be completed without having to increase the Village's debt service property tax levy.

During the summer of 2014 the Village implemented a five-year water and sewer rate increase plan to address the aging of our water system infrastructure. Under this plan the Village will increase by six times the amount spent on the water main replacement program by ramping it up from $500,000 per year to $3 million per year by 2020. Longer term plans beyond the current five-year rate increase plan project that water main replacement program costs will continue to increase up to an annual $4 million commitment by 2022. Other Water & Sewer Fund CIP projects will also be increased including the Sanitary Sewer Replacement, Water Tank Painting, and Automatic Meter Reading programs.

Another key project that is currently under way is the Public Parking Garage Maintenance and Rehabilitation project. The first phase of the five-year $2.5 million project to repair the Village's four municipal parking garages began in May 2015. Completing this work will return these structures, which range in age from 15 to 33 years, back to their original integrity with a new service life of 40 to 50 years.

To assist the CIP Committee in the development of the proposed CIP, in April 2015 the Village Board was asked to update its capital project priority list. The results outlined below show that the Village Board's number one priority remains Street Resurfacing and Reconstruction. Flood Control and Storm Sewer projects are the next highest priorities. Two reports studying how the combined and separate storm sewer systems may be improved have recently been completed. Staff is currently working on summarizing these results and will develop sustainable funding options for storm water control maintenance and one-time projects for the Board's consideration over the next few months.

Capital Projects Priority List

1. **Street Resurfacing** (Capital Projects Fund)
2. **Street Reconstruction** (MFT Fund)
3. **Flood Control Projects** (Storm Water Control Fund)
4. **Storm Sewer Program** (Storm Water Control Fund)
5. **Operating Equipment Replacement** (Capital Projects Fund)
6. **Neighborhood Drainage Improvements** (Storm Water Control)
7. **Pavement Crack Sealing** (Capital Projects Fund)
8. **Paver Brick Maintenance** (Capital Projects Fund)
9. **Sidewalk & Curb Replacement** (Capital Projects Fund)
10. **Roof Maintenance Program** (Capital Projects Fund)
11. **Traffic Signal Maintenance** (MFT Fund)
12. **Historical Society – Building Repairs** (Capital Projects Fund)

Last year the Village implemented phase-one of a two year plan to increase the annual funding for its street resurfacing/reconstruction program. During the previous year the Engineering Department, with the help of a consultant, completed an in-depth study of the condition of the Village's roadways. The Village had been spending about $5.8 million per year to resurface, reconstruct and crack seal its streets. However, the pavement study indicated that the Village should be spending at least $8.5 million per year just to maintain the current condition of our roadways, which are rated in the "good" category by the consultant. To provide the required additional $2.7 million per year for street purposes the Village considered a two-year phased in approach.

Phase-one of the plan increased annual street expenditures by $2 million. This was accomplished by increasing the 2015 property tax levy by $1.5

million. In addition, the Village authorized an annual allocation of $500,000 from the Village's Solid Waste Fund for street purposes. This annual allocation starting in 2016 includes $200,000 to the General Fund for a new street patching program, and $300,000 to the Capital Projects Fund for additional street resurfacing/reconstruction projects. The second phase for the planned improvements to the Village's street program is a proposed 2016 property tax levy increase of $700,000 to be used for street purposes. To provide a consolidated view of the total amount the Village spends on streets each year, the Capital Projects Fund section of the CIP includes a "Summary of Total Street Expenses and Budgets" from FY2015 through 2021. As stated earlier, these increases in funding will only serve to maintain roads in their current overall condition. If it is desired to improve the overall condition of the Village's road network, additional funding will be required.

For the last few years the Village has also engaged consultants to review its storm water control systems. These studies are currently being finalized, and it is expected that potential one-time costs of flood control options will be in the tens of millions of dollars. Although these projects are not included in the proposed CIP, over the next few months Village staff will prepare an overview of the results of the storm water control studies for the Village Board's consideration, including alternate funding sources for the projects. Alternate funding sources will likely include consideration of a storm water utility fee which a number of local municipalities have recently implemented, establishment of a special service area(s), bond issues, and other funding options. The Village's Engineering and Public Works Departments will also work to coordinate any proposed road, storm water control, and water and sewer work so as to combine these efforts as much as possible. By doing so, additional road work can be completed as part of the water, sanitary sewer, and storm sewer work. Layering these projects will also help prevent newly paved streets from being disturbed between paving cycles for foreseeable repairs.

In addition to finalizing potential project costs and determining funding sources for recommended projects, the State of Illinois' ongoing fiscal crisis is having a clear effect on the Village's ability to provide reliable projections for its long-term operations and capital planning processes. Should the State act to limit some of the Village's existing revenue streams by either diverting current Village revenues to State coffers or by freezing property taxes, these actions may require the Village to reduce existing service levels and capital plans.

The proposed 2017 capital improvement budget totals $31.9 million, and the proposed five-year capital improvement plan totals $132.4 million. The Village's street resurfacing, rehabilitation, and sidewalk programs remain as key components of the CIP, with nearly 30% of the proposed 2017 capital budget expenditures designated for these programs.

Through a five-year CIP the Village continues to meet the challenge to sustain a high level of repair and replacement of our capital infrastructure into the future. Over the last few years the Village has transferred surplus General Fund monies to a number of its capital funds in order to augment the Village's capital program funding. The Village also recently took action in order to provide adequate future funding for the repair and replacement of its water and sanitary sewer systems, and to maintain or improve our streets.

This year's CIP anticipates closing out the Emerald Ash Borer (EAB) Fund by the end of 2017 as the Village finalizes the removal and replacement of its parkway ash trees that were infested by the emerald ash borer beetle. It was initially estimated that the cost of this program would be about $11.2 million. However, competitive bid pricing for removal costs, more in-house removals than originally anticipated, and in-house hydro-seeding all greatly reduced the total cost of the program to around $8 million. (See the attached spreadsheet under the EAB tab showing the history of this fund.) Prior to the 2014 $8 million EAB bond issue, there were three transfers from the General Fund from 2011 through 2013 totaling $5.3 million that provided initial temporary funding for the project. Upon completion of the EAB project the intent has been to refund the remaining funds back to the General Fund or to use the funds for other capital project purposes. As of the end of 2017 it is estimated that the remaining fund balance will be approximately $5.4 million.

Staff recommends that as part of closing the EAB Fund at the end of 2017, transfers be made to other funds for Village infrastructure improvements as follows:

1. $2.7 million transferred to the Storm Water Control Fund to cover ongoing storm sewer maintenance costs and as seed money toward one-time storm water control project costs.

2. $2.6 million to the Capital Projects Fund to cover:

    a. $1.648 million or $412,000 per year from 2018-2021 to catch-up on the downtown brick paver maintenance program.
    b. A five-year $434,000 program to develop a scaled-down version of a Northwest Highway Corridor beautification project.
    c. A five-year $576,600 plan to develop a Rand Road Corridor identification project. An additional $511,100 is programmed in the TIF V Fund.

3. The balance or approximately $72,500 transferred back to the General Fund for general government purposes.

As mentioned during previous years' CIP summaries, without a sustainable revenue source the Storm Water Control Fund would exhaust its current

reserves by the end of 2018. The abovementioned transfer would allow the continuation of current programs in the short term, while the Village Board reviews potential storm water control projects and decides on an appropriate long-term sustainable revenue source over the next few months. The proposed transfer to the Capital Projects Fund would allow the Village to begin to address needed improvements to two of the Village's high visibility corridors which include the Northwest Highway Corridor and the Rand Road Corridor. Another key corridor that was recently highlighted by local business owners as in need of improvement is the South Arlington Heights Road Corridor. However, this corridor will require the development of improvement plans before capital funding can be estimated and considered.

Exhibits A, B and C provide CIP summary information and demonstrate the Village's focus on street projects. Exhibit A shows a pie chart broken down by expenditure type for 2017. Exhibit B is a multi-year bar chart of the 2017-2021 CIP by type of project. Exhibit C presents detailed information on the 2017-2021 CIP by type and by project name. Exhibit D is a multi-year presentation of CIP expenditures summarizing actual and projected expenditures from 2013 through 2021.

The Capital Projects Fund accounts for a variety of capital improvement projects including street resurfacing/rehabilitation, sidewalk repair/replacement, operational equipment, traffic signals, and other miscellaneous projects. Financing for this fund is provided primarily by property taxes, a ¼% home-rule sales tax, an annual $300,000 transfer in from the SWANCC Fund, and grant revenues.

The 2017 Capital Projects Fund budget reflects the implementation of Phase Two of a two-year plan to increase the annual funding for the Village's street resurfacing and rehabilitation programs. Phase Two includes a proposed 2016 property tax levy increase of $700,000 to be used for street purposes. The Capital Projects Fund also includes ramping up the annual budget amount for the pavement crack sealing program from $125,000 per year to $200,000 per year starting in 2019. This program will need to be increased as the Village resurfaces and reconstructs more streets. It should be noted that some of the out year funding budgeted for street resurfacing will be allocated to street rehabilitation depending on the overall requirements of the annual street program.

The Roof Maintenance Program reflects the ongoing maintenance and replacement program for roofing systems of all municipal buildings, including coping and parapet repairs. The intent of this program is to maintain the weather tightness of the municipal buildings in order to prevent structural and equipment damage. During 2017, a $403,700 roof maintenance project is recommended for the Senior Center.

The Sidewalk & Curb Replacement and Paver Brick Maintenance projects reflect the Village's ongoing efforts to repair trip hazards, and to reduce the Village's liability exposure. In order to address several streetscape areas in the Downtown that require significant reconstruction, the majority of the funding for the annual sidewalk replacement program is proposed to be used for brick paver work in 2016 and 2017. These areas have not seen significant work since they were installed a number of years ago. As part of these streetscape projects, Staff will continue to investigate alternative designs to our present cross section, which consists of concrete paver bricks set over compacted sand and gravel. In 2018, the normal Village-wide sidewalk program is scheduled to resume at annual cost of $375,000. From 2018 - 2021 a new overall Downtown sidewalk repair program is planned to update the pedestrian ways and eliminate trip hazards. The cost of this program is budgeted at $412,000 per year through 2021, and $100,000 per year thereafter to maintain the Downtown sidewalks.

Initial funding is proposed for the multi-year plan to improve the Northwest Highway Corridor. The landscaping along this corridor is showing its age with gaps of material and considerable die back due to the harsh environment, including salt and standing water. During last year's CIP the Village Board directed staff to use in-house resources as much as possible to develop a plan for this project rather than budgeting an estimated $1.15 million for the project. Through the efforts of the Planning and Public Works Departments, the scaled down plan to improve the Northwest Highway Corridor now stands at a total five-year cost of $434,000. The cost to maintain this corridor is expected to be about $25,000 per year which will be added to the General Fund operations budget.

It is also proposed that a Rand Road Corridor Identification program be implemented. The total five-year cost of this program would be $1.088 million with $576,600 coming from the Capital Projects Fund and $511,100 from the TIF V Fund. The goal of this program is to create a separate unifying identity for this shopping district. In addition, enhancing the area will help attract new businesses while making it more aesthetically pleasing for residents, businesses and shoppers who patronize the area. The cost of both the Rand Road and Northwest Highway corridor projects would be covered by the proposed transfer from the EAB Fund to the Capital Projects Fund. Additional funding for the Rand Road Corridor would come from TIF V.

In an effort consistent with the Village Board's goal "To improve the Business District Beautification Program" and to continue to promote Downtown as an entertainment and tourism destination, a Downtown light ceiling is proposed. The proposed concept would include decorative poles and strand lights. The 2017 proposed budget for this project includes overhead decorative lights at the intersection of Vail and Campbell at a cost of $19,500.

The Motor Fuel Tax (MFT) Fund covers the cost of the Village's street rehabilitation program which has been budgeted at about $1.8 million per year based on annual MFT allotments received through the State. Of the State's .19/gallon tax on fuel purchases 54.4% is shared with local governments. Of this amount, 49.1% is shared with municipalities based on population and the balance is shared with Counties and Townships.

Additional street rehabilitation work can be programmed from year to year, but the cost of this additional work would be covered in the Capital Projects Fund. In 2016 the Street Rehabilitation program increased to $4.16 million due to a one-time transfer of $2 million from the General Fund to the MFT Fund at the end of FY2015.

The Storm Water Control Fund includes an annual budget of $300,000 for the Neighborhood Drainage Improvements program. As part of the Water and Sewer Study completed in 2014, it was noted that the Village did not have a storm sewer rehabilitation program, and that the Village repairs storm sewer failures as they are identified by either residents or Staff. The storm sewer system is comprised of approximately 212 miles of storm sewer with 9,462 related structures. The first part of establishing a storm sewer rehabilitation program is the overall assessment of the system's condition. Based on the size of the Village's system, the proposed CIP reflects annual storm sewer costs of $500,000 to lightly clean, televise, and analyze the condition of the Village's system. This portion of the program will take about seven more years to complete, after which the entire annual budget would be devoted to storm sewer rehabilitation and replacement work identified during the system assessment.

On July 23, 2011 the Village experienced significant flooding due to a storm that dumped between 5.5 and 7 inches of rain over a four hour period. This storm, which affected communities throughout the northwest suburbs, followed two weeks of substantial rain events which had already saturated the ground. This excessive rainfall taxed the Village's sewer systems, which resulted in a significant number of flooded basements due to sewer system back-ups and some overland flooding. As a result of this historic rain event, the Village commissioned two separate flood studies to determine if there are affordable infrastructure improvements that could be undertaken that would provide a consistent level of storm water control throughout the community.

The most significant effect of the extraordinary storm event was sewer back-up and street flooding within the combined sewer tributary area. An analysis of this issue required a detailed modeling of the system before any improvements could be designed and priced. The first step in the modeling process was flow monitoring of the existing system. The study then used the flow monitoring data to complete an analysis of the Village's existing combined sewer system.

A second issue that came up as a result of this same extraordinary rain event consisted of storm water capacity and storage issues in separate sewered areas, at locations north of Palatine Road and in areas generally south of Central Road. The recommendations resulting from the storm water study are separate from the larger combined sewer flood study mentioned above.

The Storm Water Control Fund does not presently have a dedicated source of revenue. Recent revenue infusions have come from the General Fund through a transfer-in during FY2014 of $1 million and another transfer-in of $500,000 during the 8-month transition year. A proposed $2.7 million transfer-in due to the upcoming closure of the EAB Fund is included as revenue in the Storm Water Control Fund to cover ongoing storm sewer maintenance costs and as seed money toward one-time storm water control project costs. As shown in the Storm Water Control Fund 5-Year financial projection, expenses outpace revenues in this fund as of 2018. At this point the CIP cannot include a budget or estimate of the cost of a flood remediation plan until the Village Board and Staff completes the review of the aforementioned studies over the next couple of months. Part of the overview of the flood study results will include a cost-benefit analysis of potential one-time flood remediation projects, and an analysis of various dedicated funding options for the Storm Water Control Fund for the Village Board's consideration. These options will likely include consideration of a storm sewer utility fee put on all customers' water and sewer bills, a special service area(s) paid by those residents from areas prone to flooding during extraordinary rain events, a Village bond issue paid by all residents, or some combination of these funding mechanisms.

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. The Village's water and sanitary sewer infrastructure is over 60 years old, which has resulted in an increasing number of water main breaks each year that is twice that of comparable communities. The revised rate structure will allow the Village to increase the amount spent on its water main replacement program by about six times from about $500,000 per year to $3 million a year by 2020.

The Water & Sewer Fund also includes $100,000 of annual funding as of 2016 to help alleviate single-family residential sanitary sewer back-ups through the Village's Sewer Back-Up Rebate program. Under this program, the Village rebates a single-family homeowner up to $7,500 for the cost of installing a sewer back-up prevention system. This system can be installed inside or outside a residence and has an average cost of about $10,000 to $12,000. Those residents who have installed a sewer back-up system through this program, or who have an existing system paid for through the purchase price of their home, have been able to prevent significant sanitary

sewer flooding events in their homes. A sewer back-up prevention system will not prevent overland flooding issues, but most if not all of the sewer back-up issues from the 2011 rain event would likely have been prevented with the installation of such a system.

The Municipal Parking Operations Fund covers the costs associated with maintaining the public parking facilities, as well as the operating costs to collect fees and enforce parking regulations.

In September 2014 Village Staff completed a review of the Parking Garage Assessment prepared by Walker Restoration Consultants. The CIP continues to reflect the results of this assessment which provided the Village with a ten-year working plan for the maintenance and repair of the four municipal parking garages. According to the consultant, completing this work will return these structures, which range in age from 15 to 33 years, back to their original integrity with a new service life of 40 to 50 years. The Village has developed a phasing plan that will minimize interruptions in the use of the garages as the repairs are made. Unfortunately, some significant disruption will be unavoidable.

As with some of the Village's other capital funds, the Municipal Parking Operations Fund continues to reflect annual deficit spending that is not sustainable. During the next year, the Village Parking Committee will review the financial projections for this fund, and develop a schedule of parking fee increases that will cover the cost of maintaining the long-term operation of this fund.

The Emerald Ash Borer (EAB) Fund was established at the end of FY2012 to account for the costs associated with the removal and replacement of diseased parkway ash trees. Fund expenditures included a temporary budget allocation for the "People's Choice" treatment option and significant monies for the removal and replacement of the Village's parkway ash trees.

The Village's long-term financial plans have included funding to combat the infestation of the emerald ash borer and the resulting demise of the Village's roughly 13,000 parkway ash trees, which represent about 30% of our total parkway tree inventory. To pay for the cost to remove and replace the Village's parkway ash trees, the Village reinvested the scheduled debt service decrease in levy year 2014 in a new $8 million bond issue. Prior year transfers to the EAB Fund from the General Fund provided temporary funding for these costs.

The budget for 2017 includes the final phase of the removal and replacement of parkway ash trees with a variety of other tree species. The EAB program and fund will be completed by the end of 2017. At that time any remaining EAB efforts will be incorporated into the Village's normal forestry work which

is accounted for in the General Fund. As mentioned earlier, upon completion of the EAB project the intent has been to refund the remaining funds back to the General Fund or to use the funds for other capital project purposes. As of the end of 2017 it is estimated that the remaining fund balance will be approximately $5.4 million. It is proposed that $2.6 million of these funds be transferred to the Capital Projects Fund, $2.7 million to the Storm Water Control Fund, and $72,500 to the General Fund.

The Public Building Fund incorporates the Village's plans to reconstruct the Police Station. The existing 38,000 square foot Police facility constructed in 1978 is deteriorating and no longer serves adequately the operational needs of the Department. The building is in need of significant mechanical, electrical, and plumbing (MEP) repairs and replacement just to maintain it as a serviceable building. For a number of years the Village has only addressed failures of building elements and has not taken a pro-active, long-term approach to maintenance of this facility.

In 2008-09 the Village hired consultants to conduct a space needs assessment of the Police Department and an evaluation of the Police Station. The results of this study showed that the current Police facility was outdated and inadequate in size. The study recommended that a new 75,000 square foot facility be built, which is comparable to other area Police facilities that have recently been constructed. For the past few years a decision on how to approach the deteriorating Police facility was postponed, first pending the outcome of the Police facility needs assessment study, and then due to the recession.

During the FY2013-14 CIP discussions in October 2012, the Village Board made a decision not to invest approximately $9 million on maintenance repairs such as roof, windows, generator, HVAC, etc. that are beyond their useful life in the current building.

By holding off on the decision to move forward on constructing a new Police facility over the last few years, the Village utilized a window of opportunity to finance the costs of a new Police facility within our existing debt service level. As some of the Village's older bonds matured, the Village issued a new bond issue in January 2016 to reinvest the scheduled debt service payment reductions in levy years 2016 through 2020 into a new Police Station.

In the fall of 2014 the Village Board selected FGM Architects, who specialize in police station and law enforcement architectural design, to prepare a Police Station Feasibility Study for Arlington Heights. 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. Schematic concept plans were developed to provide a "best fit" police station option on the existing Municipal Campus. The overriding goal was to determine whether a new Police Station meeting modern day standards could be feasibly

developed upon the existing Municipal Campus. The consultants determined that the new Police Station can be smaller than identified in FY2009.

Over the last few months the Police Station Committee has reviewed proposals from architectural and construction management firms and provided its recommendations to the Village Board. The Board subsequently chose Legat Architects and Riley Construction Management as its partners to complete the construction of a new Police Station. The next steps will include building layout plans, architectural drawings, and construction bids. A refined budget number for the new facility will be available after the architectural design and bid process for construction is completed sometime in 2017.

The following tentative time line shows the steps that are planned to be undertaken over the next few years:

2016 – Complete architectural design

2017 – Bid process/Begin Construction

2019 – Occupancy of new Police facility

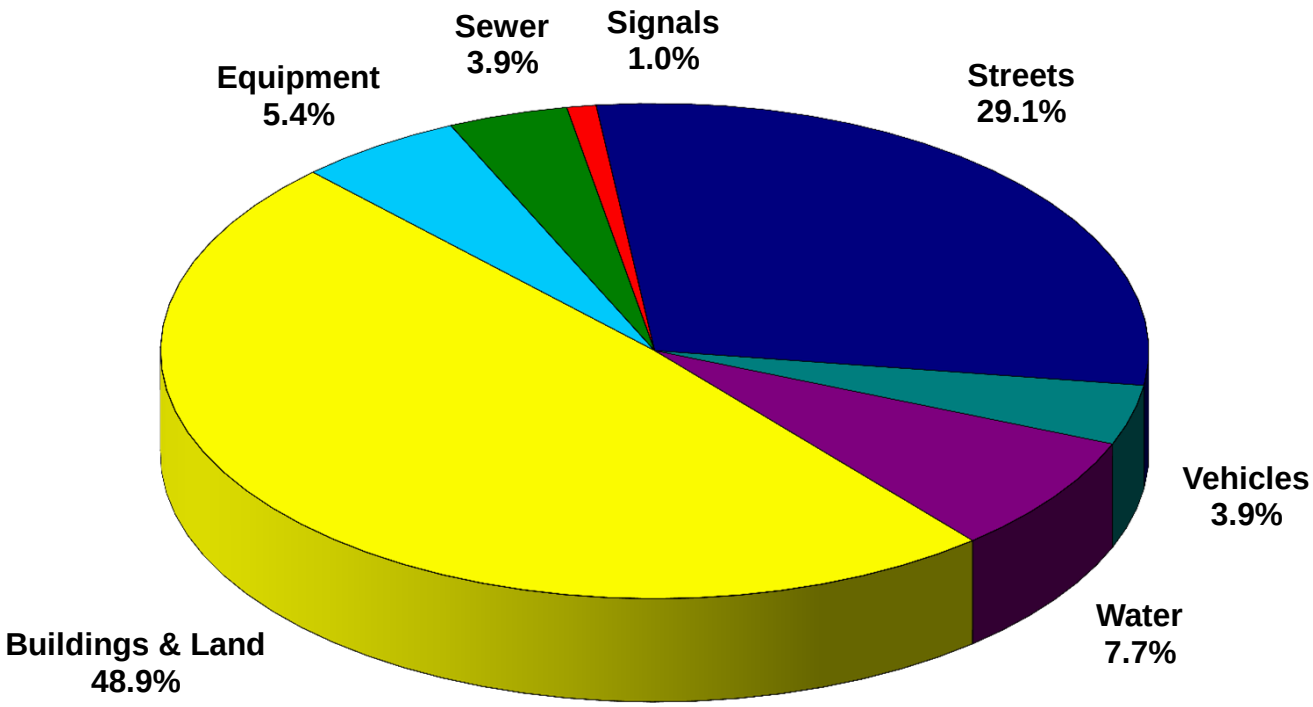
Other Funds include the Criminal Investigations TIF IV, TIF V, Arts Entertainment & Events, and Technology Funds. These funds have sufficient cash balances to cover the proposed capital improvements.

ORGANIZATION OF THE CIP PLAN

To provide a clear sense of available resources and proposed capital projects, the sections that follow are divided by fund. A narrative summary of each fund's key projects and issues is provided at the beginning of each fund section. As mentioned earlier, multi-year presentations of each fund's revenues and expenditures are included, as well as project request sheets for each 2017 through 2021 project. If a fund includes both operating and capital expenses, projected operating expenses are shown through the last year of the CIP. The last two sections of the CIP show other non-major funds and then a list of unfunded projects which the CIP Committee felt were important to track, but were beyond the five-year horizon of the CIP, or marked as unfunded due to a high expense and an undetermined funding source.

The CIP Committee has reviewed each of these funds and the projects therein, and recommends that the proposed capital improvement budget for 2017 in the amount of $31,852,100 be accepted. This is the first year of the five-year $132.4 million Capital Improvement Program.

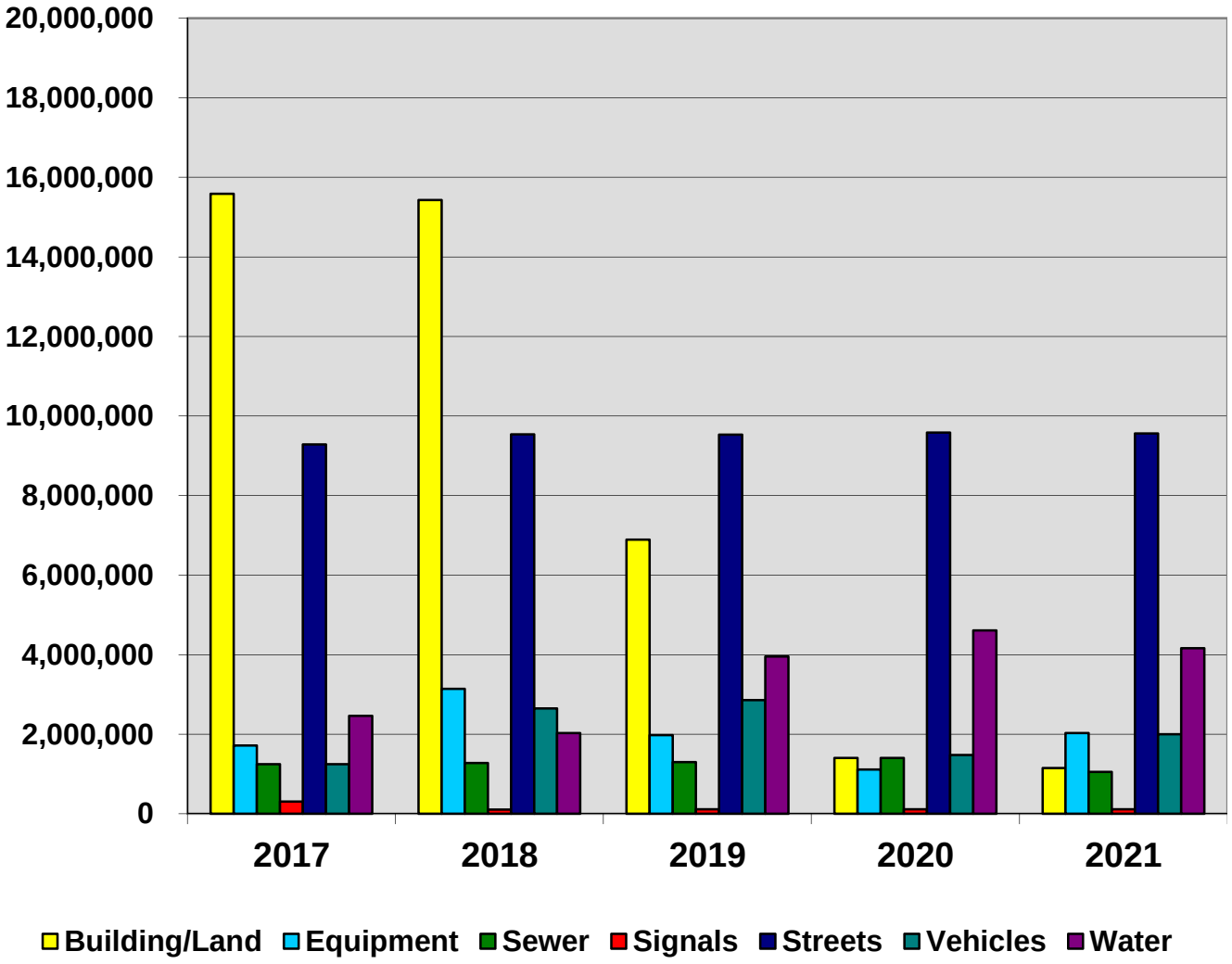
WHERE THE MONEY GOES
CAPITAL EXPENDITURES BY TYPE
Fiscal Year 2017



CATEGORY	2017 PROPOSED CIP	%
Buildings & Land	$15,587.7	48.9%
Equipment	1,718.9	5.4%
Sewer	1,250.0	3.9%
Signals	305.5	1.0%
Streets	9,281.3	29.1%
Vehicles	1,244.5	3.9%
Water	2,464.2	7.7%
Total	**$31,852.1**	**100.0%**

(Shown in Thousands)

Village of Arlington Heights
2017-2021 Capital Improvement Program
SUMMARY BY TYPE



Village of Arlington Heights

2017-2021 CAPITAL IMPROVEMENT PROGRAM

By Type and Project Name

(shown in thousands)

Project Name	Project #	Total 2017	Total 2018	Total 2019	Total 2020	Total 2021	Total Project
Building/Land							
Overhead Door Replacement/Repair	BL-90-04	20.0	20.0	20.0	20.0	20.0	100.0
Public Works Annex Improvements	BL-93-02	30.0	30.0	30.0	30.0	10.0	130.0
Building Equipment Replacement	BL-95-04	30.0	30.0	30.0	35.0	30.0	155.0
Municipal Buildings Refurbishing	BL-95-05	42.0	150.0	286.3	171.0	143.0	792.3
Roof Maintenance Program	BL-95-06	403.7	29.5	424.0	494.5	342.5	1,694.2
Heating Plant/Air Conditioner Replacement	BL-96-01	72.0	52.0	117.0	38.2	45.0	324.2
Ongoing Maintenance to Brick Exteriors	BL-96-03	25.0	35.0	35.0	35.0	35.0	165.0
Historical Society Museum - Building Repairs	BL-96-04	75.0	25.0	25.0	25.0	25.0	175.0
Parking Structure Maintenance/Repairs	BL-00-06	810.0	117.0	14.0	0.0	0.0	941.0
Police Building Maintenance	BL-10-04	25.0	0.0	0.0	0.0	0.0	25.0
Other Building Costs	BL-11-10	1,000.0	1,200.0	0.0	0.0	0.0	2,200.0
Police Station - Architect / CM Fees	BL-16-01	500.0	252.6	0.0	0.0	0.0	752.6
Metropolis Theater Exterior Marquee	BL-16-04	20.0	0.0	0.0	0.0	0.0	20.0
TIF IV Redevelopment	BL-16-05	500.0	500.0	500.0	500.0	500.0	2,500.0
Police Station - Construction	BL-16-10	12,000.0	12,985.0	3,000.0	0.0	0.0	27,985.0
Police Station - Contingency	BL-16-20	0.0	0.0	2,400.0	0.0	0.0	2,400.0
Metropolis Theater Triangle Rooms & Haus Refurbishment	BL-17-01	0.0	0.0	7.0	0.0	0.0	7.0
Metropolis Theater Seat Replacement	BL-17-04	35.0	0.0	0.0	0.0	0.0	35.0
Metropolis Theater Dance Studio Floor	BL-17-05	0.0	0.0	0.0	18.0	0.0	18.0
Metropolis Theater - Replace Flooring MPAC	BL-17-06	0.0	0.0	0.0	40.0	0.0	40.0
		15,587.7	**15,426.1**	**6,888.3**	**1,406.7**	**1,150.5**	**40,459.3**
Equipment							
Operational Equipment - Public Works	EQ-94-01	495.6	226.1	237.1	238.0	228.6	1,425.4
Operational Equipment - Police Department	EQ-95-01	146.3	57.0	59.5	68.5	59.5	390.8
Operational Equipment - Fire Department	EQ-95-02	341.5	193.0	531.0	64.0	45.0	1,174.5
Office Equipment	EQ-95-03	35.0	35.0	60.0	55.0	55.0	240.0
Operational Equipment - Municipal Fleet Services	EQ-97-01	33.0	7.5	45.5	51.0	82.2	219.2
IT Equipment Replacement	EQ-97-08	241.8	241.8	241.8	241.8	241.8	1,209.0
Emergency Generator Upgrades and Replacement	EQ-99-02	10.0	879.5	30.0	10.0	922.4	1,851.9
Operational Equipment - Information Technology	EQ-01-03	143.0	82.0	97.0	97.0	82.0	501.0
Operational Equipment - Engineering Department	EQ-01-04	5.0	5.0	5.0	5.0	5.0	25.0
Metropolis Theater Capital Equipment	EQ-06-03	35.0	36.0	37.0	38.0	39.0	185.0
Patrol Vehicle Equipment Replacement Program	EQ-08-03	35.0	35.0	35.0	35.0	35.0	175.0
Operational Equipment - Municipal Parking Fund	EQ-09-01	10.0	10.0	10.0	10.0	10.0	50.0
SCADA Enhancements	EQ-15-25	10.0	30.0	58.0	60.0	61.5	219.5
Pumps & Motor Controls Rehab and Replacement	EQ-15-30	72.7	189.1	155.4	141.4	106.0	664.6
Alternative Fuel System Implementation	EQ-16-05	30.0	0.0	0.0	0.0	0.0	30.0
Cable Access Broadcast & Video Streaming	EQ-16-07	22.0	9.0	0.0	0.0	0.0	31.0
FF&E / Security / Telephone	EQ-16-10	0.0	1,000.0	300.0	0.0	0.0	1,300.0
Metropolis Theater Sound System Expansion / Rehab	EQ-17-02	16.0	0.0	0.0	0.0	0.0	16.0
Metropolis Theater Clearcom Equipment	EQ-17-03	0.0	17.0	0.0	0.0	0.0	17.0
Metropolis Theater LED House Lighting	EQ-17-04	0.0	61.0	0.0	0.0	0.0	61.0
Metropolis Theater Monitors - Audio	EQ-17-05	0.0	20.0	0.0	0.0	0.0	20.0
Metropolis Theater Speaker Towers	EQ-17-06	0.0	10.0	0.0	0.0	0.0	10.0
Metropolis Theater Moving Lights	EQ-17-07	0.0	0.0	15.0	0.0	0.0	15.0
Metropolis Theater Edison For Grid	EQ-17-08	0.0	0.0	15.0	0.0	0.0	15.0
Metropolis Theater Sound Console/ Board	EQ-17-09	0.0	0.0	35.0	0.0	0.0	35.0
Metropolis Theater Replace Smoke Detectors	EQ-17-10	0.0	0.0	13.0	0.0	0.0	13.0
Metropolis Theater LED Series 2	EQ-17-11	0.0	0.0	0.0	0.0	60.0	60.0
Metropolis Theater LED CYC Lights	EQ-17-12	37.0	0.0	0.0	0.0	0.0	37.0
		1,718.9	**3,144.0**	**1,980.3**	**1,114.7**	**2,033.0**	**9,990.9**
Sewer							
Sewer Rehab/Replacement Program	SW-90-01	350.0	375.0	400.0	425.0	450.0	2,000.0
Neighborhood Drainage Improvements	SW-11-02	300.0	300.0	300.0	300.0	0.0	1,200.0
Sewer Back-up Rebate Program	SW-15-01	100.0	100.0	100.0	100.0	100.0	500.0
Storm Water Rehab/Replacement Program	SW-15-20	500.0	500.0	500.0	500.0	500.0	2,500.0
Regent Park Gravity Sewer	SW-20-01	0.0	0.0	0.0	80.0	0.0	80.0
		1,250.0	**1,275.0**	**1,300.0**	**1,405.0**	**1,050.0**	**6,280.0**

Village of Arlington Heights

2017-2021 CAPITAL IMPROVEMENT PROGRAM

By Type and Project Name

(shown in thousands)

Project Name	Project #	Total 2017	Total 2018	Total 2019	Total 2020	Total 2021	Total Project
Signals							
Traffic Signal Maintenance	SG-03-02	105.5	107.7	109.9	112.1	114.5	549.7
Dundee Road/Kennicott Avenue Pedestrian Actuation	SG-14-05	200.0	0.0	0.0	0.0	0.0	200.0
		305.5	**107.7**	**109.9**	**112.1**	**114.5**	**749.7**
Streets							
Street Resurfacing Program	ST-90-08	6,100.0	6,200.0	6,300.0	6,400.0	6,500.0	31,500.0
Street Rehabilitation Program	ST-90-09	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	9,000.0
Sidewalk & Curb Replacement	ST-90-11	50.0	375.0	385.0	395.0	405.0	1,610.0
Pavement Crack Sealing Program	ST-92-01	125.0	125.0	200.0	200.0	200.0	850.0
Green Corridor Beautification	ST-99-03	0.0	110.0	0.0	0.0	0.0	110.0
Street Light Cable Replacement	ST-00-01	10.0	10.0	10.0	10.0	10.0	50.0
Paver Brick Maintenance	ST-05-01	395.0	412.0	412.0	412.0	412.0	2,043.0
Parkway Ash Tree Removal/Replacement Program	ST-13-20	289.9	0.0	0.0	0.0	0.0	289.9
Downtown Street Furniture	ST-14-01	50.0	10.0	10.0	10.0	10.0	90.0
Downtown Streetscape Improvements	ST-15-35	86.0	70.0	200.0	0.0	0.0	356.0
Northwest Highway (Rt. 14) Corridor Landscaping Improvements	ST-16-20	55.0	98.0	101.0	75.0	77.0	406.0
Davis Street/Sigwalt Street Fencing/Landscape Upgrade	ST-17-02	2.0	0.0	0.0	0.0	0.0	2.0
Rand Road Corridor Identification Enhancement	ST-17-12	10.0	0.0	0.0	0.0	0.0	10.0
Rand Road Corridor Identification Enhancement	ST-17-20	270.6	283.6	111.1	277.6	144.8	1,087.7
Downtown Outdoor Living Room	ST-17-25	18.3	0.0	0.0	0.0	0.0	18.3
Downtown Lighted Ceiling	ST-17-26	19.5	44.5	0.0	0.0	0.0	64.0
		9,281.3	**9,538.1**	**9,529.1**	**9,579.6**	**9,558.8**	**47,486.9**
Vehicles							
Vehicle and Special Equipment Replacement - Public Works	VH-95-01	30.0	899.0	1,753.2	792.7	1,200.0	4,674.9
Vehicle and Special Equipment Replacement - Water & Sewer	VH-95-02	290.0	1,000.0	420.9	98.3	0.0	1,809.2
Vehicle Replacement - Police Department	VH-95-03	152.5	493.9	425.2	234.3	171.7	1,477.6
Vehicle Replacement - Fire Department	VH-95-04	750.0	231.8	231.8	138.6	510.3	1,862.5
Vehicle Replacement - Municipal Fleet Services	VH-95-06	0.0	0.0	0.0	55.0	51.0	106.0
Vehicle Replacement - Municipal Parking Operations	VH-95-08	0.0	0.0	0.0	87.1	0.0	87.1
Vehicle Replacement - Building & Health Services Department	VH-95-10	0.0	0.0	0.0	73.0	50.0	123.0
Vehicle Replacement - Engineering Department	VH-95-11	22.0	25.0	0.0	0.0	0.0	47.0
Vehicle Replacement - Planning & Economic Development Departmen	VH-95-12	0.0	0.0	0.0	0.0	0.0	0.0
Vehicle Replacement - IT/GIS Department	VH-95-15	0.0	0.0	23.0	0.0	0.0	23.0
Metropolis Theater - Van	VH-21-01	0.0	0.0	0.0	0.0	20.0	20.0
		1,244.5	**2,649.7**	**2,854.1**	**1,479.0**	**2,003.0**	**10,230.3**
Water							
Watermain Replacement Program	WA-90-01	1,500.0	2,000.0	2,500.0	3,000.0	3,500.0	12,500.0
Automatic Meter Reading System	WA-03-02	0.0	0.0	0.0	737.3	633.8	1,371.1
Water Tank Repainting	WA-11-01	936.9	0.0	1,456.9	875.0	29.0	3,297.8
Deep Well Rehabilitation	WA-11-02	27.3	28.1	0.0	0.0	0.0	55.4
		2,464.2	**2,028.1**	**3,956.9**	**4,612.3**	**4,162.8**	**17,224.3**
		31,852.1	**34,168.7**	**26,618.6**	**19,709.4**	**20,072.6**	**132,421.4**

EXHIBIT D

Village of Arlington Heights
2017-2021 CAPITAL IMPROVEMENT PROGRAM
SUMMARY BY YEAR
(in thousands)

CAPITAL SPENDING	ACTUAL FY2013	ACTUAL FY2014	ACTUAL FY2015	ACTUAL 8 Mos. 2015	ESTIMATED ACTUAL 2016	PROP BUDGET 2017	PROP BUDGET 2018	PROP BUDGET 2019	PROP BUDGET 2020	PROP BUDGET 2021	TOTAL 2017-2021
BUILDINGS & LAND	363.1	1,018.7	815.5	1,009.8	2,611.9	**15,587.7**	15,426.1	6,888.3	1,406.7	1,150.5	**40,459.3**
EQUIPMENT	1,722.1	940.7	834.5	833.8	2,582.6	**1,718.9**	3,144.0	1,980.3	1,114.7	2,033.0	**9,990.9**
SEWER	540.4	769.3	769.8	243.9	2,466.1	**1,250.0**	1,275.0	1,300.0	1,405.0	1,050.0	**6,280.0**
SIGNALS	254.1	188.8	244.2	255.7	1,336.8	**305.5**	107.7	109.9	112.1	114.5	**749.7**
STREETS	6,809.9	9,702.6	10,170.2	5,578.8	11,604.7	**9,281.3**	9,538.1	9,529.1	9,579.6	9,558.8	**47,486.9**
VEHICLES	1,264.0	2,442.3	1,872.5	1,325.2	2,356.1	**1,244.5**	2,649.7	2,854.1	1,479.0	2,003.0	**10,230.3**
WATER	939.1	544.1	643.4	679.9	2,340.6	**2,464.2**	2,028.1	3,956.9	4,612.3	4,162.8	**17,224.3**
TOTAL CAPITAL SPENDING	**11,892.7**	**15,606.5**	**15,350.1**	**9,927.1**	**25,298.8**	**31,852.1**	**34,168.7**	**26,618.6**	**19,709.4**	**20,072.6**	**132,421.4**

CAPITAL FUNDING	ACTUAL FY2013	ACTUAL FY2014	ACTUAL FY2015	ACTUAL 8 Mos. 2015	ESTIMATED ACTUAL 2016	PROP BUDGET 2017	PROP BUDGET 2018	PROP BUDGET 2019	PROP BUDGET 2020	PROP BUDGET 2021	TOTAL 2017-2021
Capital Projects Fund	5,767.3	7,412.2	5,657.6	4,651.1	9,289.6	**8,743.7**	8,313.9	9,124.6	8,802.2	8,554.8	**43,539.2**
Motor Fuel Tax Fund	2,101.8	2,546.2	2,719.8	457.5	4,509.7	**1,905.5**	1,907.7	1,909.9	1,912.1	1,914.5	**9,549.7**
Storm Water Control Fund	248.8	450.1	468.6	29.9	2,041.1	**800.0**	800.0	800.0	800.0	500.0	**3,700.0**
Water & Sewer Fund	1,438.4	978.8	1,122.0	1,142.1	4,101.8	**3,350.9**	3,772.2	5,020.3	5,816.5	6,124.7	**24,084.6**
Municipal Parking Operations Fund	44.0	51.2	164.1	774.2	608.6	**825.0**	132.0	29.0	15.0	15.0	**1,016.0**
Emerald Ash Borer (EAB) Fund	188.4	957.5	2,762.7	1,341.9	740.5	**289.9**	0.0	0.0	0.0	0.0	**289.9**
Public Buildings Fund	24.3	59.3	349.4	23.2	900.0	**13,525.0**	15,437.6	5,700.0	0.0	0.0	**34,662.6**
Fleet Operations Fund	1,264.0	2,442.3	1,872.5	1,325.2	2,356.1	**1,244.5**	2,649.7	2,973.1	1,479.0	1,983.0	**10,329.3**
Arts, Entertainment & Events Fund	0.0	0.0	25.3	30.7	158.4	**143.0**	144.0	122.0	96.0	119.0	**624.0**
Technology Fund	258.8	233.9	208.2	151.2	242.3	**241.8**	241.8	241.8	241.8	241.8	**1,209.0**
TIF IV Fund	0.0	475.0	0.0	0.0	265.7	**500.0**	610.0	500.0	500.0	500.0	**2,610.0**
TIF V Fund	0.0	0.0	0.0	0.0	0.0	**184.8**	141.8	53.9	28.8	101.8	**511.1**
Criminal Investigations Fund	556.9	0.0	0.0	0.0	85.0	**98.0**	18.0	18.0	18.0	18.0	**170.0**
Foreign Fire Insurance Tax Fund	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	126.0	0.0	0.0	**126.0**
TOTAL CAPITAL FUNDING	**11,892.7**	**15,606.5**	**15,350.1**	**9,927.1**	**25,298.7**	**31,852.1**	**34,168.7**	**26,618.6**	**19,709.4**	**20,072.6**	**132,421.4**

Item: Operating Fund Overview / Recommended Budget Ceilings - 2017

Department: Finance

ATTACHMENTS:

Description	Type
2017 Operating Fund Overview with Budget Ceilings	Memorandum

I N T E R
O F F I C E

MEMO

To: Randy Recklaus, Village Manager
From: Tom Kuehne, Finance Director/Treasurer
Date: June 17, 2016
Subject: **OPERATING FUND OVERVIEW/RECOMMENDED BUDGET CEILINGS – 2017**

The General Fund and the Water & Sewer Fund are the Village's key operating funds covered in this analysis. As of the end of FY2015 these funds had ending balances as a percent of expenditures equal to 34% for the General Fund and 32% for the Water & Sewer Fund. FY2015 ending balances are cited as the 8-month period ended December 31, 2015 only represents a partial year. On an annualized basis, the 8-month year-end balances are consistent with the FY2015 results. Both of these ending balances 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.

General Fund

The Village has continued to maintain a very conservative budgeting and forecasting stance for the General Fund. The 10% reduction in staffing levels implemented since the start of the recession in FY2009 has remained in place. The Village's revenue projections have also remained very conservative due to a national economy that is still operating under artificially low federal interest rates. In addition, the State of Illinois' financial position has been on a downward spiral for a number of years, and as of July 1, 2016 the State will enter its second consecutive year without a budget. During this time the State has continued to spend more money than it is taking in.

The Village recognizes that the State's fiscal problems could eventually affect adversely the Village's revenue stream. **Exhibit 1** shows that $31.5 million or 43% of the Village's projected 2017 General Fund revenues are distributed through the State. Due to our solid financial

position the Village could withstand a moderate one-time hit should the State use revenues designated for municipalities to pay its past due bills. However, if the State were to permanently divert current municipal revenues to State coffers, the Village would be required to cut basic services, increase property taxes, or a combination of both. The State's fiscal problems are now at a clear crossroads. Up to this point, social services throughout the State have been starved for funding by the State. While this has been a great burden on many people in need of social services, it hasn't affected the State's general population. However, without a State budget authorizing spending for schools it is questionable whether grade schools through the university system will be able to open in the fall. Even if schools are able to open, it may be only for a couple of months before their existing cash reserves run out. This would clearly cause a crisis throughout the State affecting a vast number of families, which may cause the State to make some progress toward a budget agreement.

As of this calendar date it is impossible to predict what will happen to the Village's revenue stream due to political actions or economic headwinds. For this reason, staff has developed a proposed General Fund budget ceiling based on our ongoing conservative budget practices. To provide a sense of the magnitude of possible State actions on the Village's revenue stream, staff has also prepared calculations on the effects of a potential State mandated property tax freeze, or if the State took 25% of the Village's current income tax revenue stream. As is shown later in this memo, either of these actions would have significant adverse effects on the Village's finances and service levels going forward.

The 8-month period ended December 31, 2015 was a short year due to the Village changing its fiscal year-end from April 30th to December 31st. This transition year ended positively due to receiving a full year of property tax revenue for a partial year. Funds from that year were used to support the Village's maintenance work on the public parking garages, monies were used to pay down a portion of the Police and Fire Pension Fund's unfunded liabilities, and the balance was used to provide further support to the General Fund reserves in light of the State's fiscal crisis.

In an effort to improve the Village's ongoing street maintenance efforts, the 2016 General Fund budget included funds for a new pavement patching program recommended by the Public Works Department. This program, shown under contractual services at an annual cost of $200,000, will help extend the life of Village streets and will address some of the road patching needs caused by severe weather. The pavement patching program is in addition to the increased funding for the Village's resurfacing/reconstruction program as outlined in the Village's capital improvement program (CIP). **Exhibits 2 and 3** show the history of Sales and Income tax receipts respectively. These revenues are the Village's key General Fund growth revenues that cover expenditure increases. However, as shown in these bar charts, Sales and Income tax receipts are susceptible to economic changes, which can make it difficult to balance the budget. The 2016 estimated sales tax results are positive as the Village now has sufficient sales tax data to support the increased sales tax revenue attributable to the opening of the new Lexus dealership.

The historical and three-year projections for the General Fund for 2017 through 2019 **(shown in Exhibits 4 and 5)** reflect past and an estimate of future cash flows from the fund's projected revenues and 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)	+ 2% in 2017, 2% in 2018, and 3% in 2019
Home Rule Sales Tax	same as above
Sales Tax	same as above
Income Tax	same as above
Property Tax (Village and Library)	1.49% in 2017, 1.75% in 2018, 1.60% in 2019
Telecommunications Tax	+ 0%
Utility Tax	+ 0%

Expenditures:

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

Property Tax Projections

In order to make financial projections staff prepares a property tax estimate based on projected FICA/Social Security costs, IMRF, Police and Fire pension actuary studies, the capital improvement levy for streets, and existing debt service requirements. The Police and Fire Operations levies are established based on the three year projections for the General Fund versus the need to keep the Village's overall levy within a reasonable level. **Exhibit 6** shows the estimated property tax levy as proposed. It should be noted that this is a property tax estimate for budget ceiling purposes. The final property tax levy amount will be decided by the Board during the 2017 budget meetings held in November 2016.

Last year the Village began a two year plan to increase overall spending on the street program primarily through increasing the property tax levy. The prior year's 2015 levy included an increase of $1.5 million for Phase 1 of the improved street program. The total estimated 2016 levy for the Village reflects an increase of $700,000, which is the amount of the proposed Phase 2 increase for street purposes as outlined in the Capital Improvement Plan (CIP). All other Village levies net out to a 0% increase. The two year phase-in approach was recommended last year as the State has continued to consider implementing a property tax freeze that may affect Cook County municipalities the year after it is implemented. If the State's property tax freeze proposal wasn't being considered, the Village would have been in a better position to phase-in the needed increase for street infrastructure over three to four years.

Beyond the upcoming 2016 levy, the Village can expect to have more upward pressure on property taxes as the recent increases in our sales and income tax receipts begin to level off. In addition, Police and Fire Pension levies are expected to increase after this year due to lower interest earnings over the last couple of years.

Magnitude of Potential State Actions

As mentioned earlier, to provide the Board with a sense of the magnitude of the State's potential actions to balance its budget, Staff calculated the effects of a potential State mandated property tax freeze or a 25% reduction in the Village's Income tax receipts. There are no specific State actions to date, but these two ideas have continued to be discussed by State legislators. Each of these scenarios depicts a considerable erosion of the General Fund's financial position if these

types of actions were to be taken by the State. A property tax freeze would not help the State balance its budget, but siphoning off some of the Village's income tax receipts would directly benefit the State's finances. However, this latter action would result in dire consequences for the Village's finances.

Based on a State legislative proposal to freeze property taxes, such a freeze could potentially reduce the Village's financial position during 2018 and 2019. The General Fund would also be adversely affected by a 25% reduction in the Village's share of the State's Local Government Distributive Fund (LGDF), or Income tax revenue. Either of these scenarios would result in significant annual deficits which would require increases in other revenue sources, basic service cuts, or both. **Exhibit 7** outlines the effects of these potential State actions on the General Fund.

Given the unknown results of the State's current political contest and the potential financial effects on other government entities, staff proposes that the General Fund budget ceiling be developed based on the Village's normal conservative budget practices using current revenue streams. If the State's financial issues end up affecting the Village's long-term financial position, the Village has sufficient reserves available to get through 2017 and allow us the time to carefully plan for any new realities thereafter.

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. 2016 estimated actual results for the Water & Sewer Fund show revenues coming in slightly below budget. The Village has experienced a relatively wet spring which results in lower overall water usage, but it is too early to know what the summer weather will be like. The 2017 water and sewer revenue projections reflect a normal year of water usage. The revised water and sewer rate structure will allow the Village to increase the amount spent on its water main replacement program by about six times from about $500,000 per year to $3 million a year by 2020. **Exhibits 8 and 9** show the historical and three-year projections for this fund.

Proposed Budget Ceilings for 2017

The 2017 budget process began in March 2016 with the preparation of the proposed 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 in November.

The second step in the Village's 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. As part of this step staff makes various assumptions on revenue, expense, and property tax increases as outlined earlier. These two steps lead to the development of the proposed budget document which is reviewed prior to approval of the final budget. **Exhibit 10** is a draft copy of the budget calendar for 2017.

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	$73,661,900	$19,897,600
Expenditures	(73,661,900)	(18,932,200)
Surplus (deficit)	0	965,400
Beginning Balance	28,681,692	3,668,608
Ending Balance	$28,681,692	$ 4,634,008

Recommendation

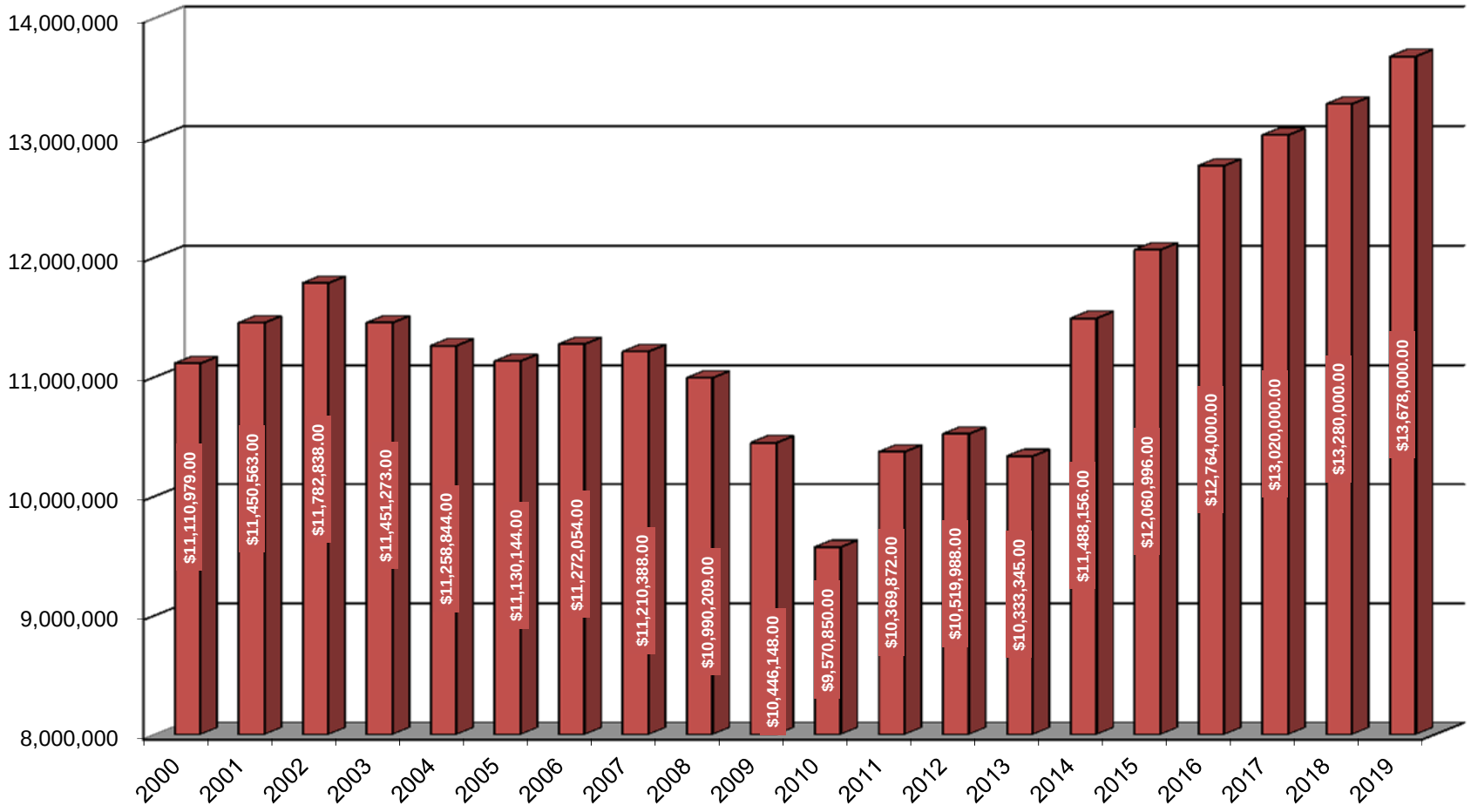
It is recommended that the Board approve the proposed budget ceilings for 2017 of $73,661,900 for the General Fund and $18,932,200 for the Water & Sewer Fund.

2017 PROJECTED VILLAGE REVENUES RECEIVED THROUGH THE STATE OF ILLINOIS

*** $31.5 million or 43% of the Village's projected 2017 General Fund revenues are distributed by the State:**

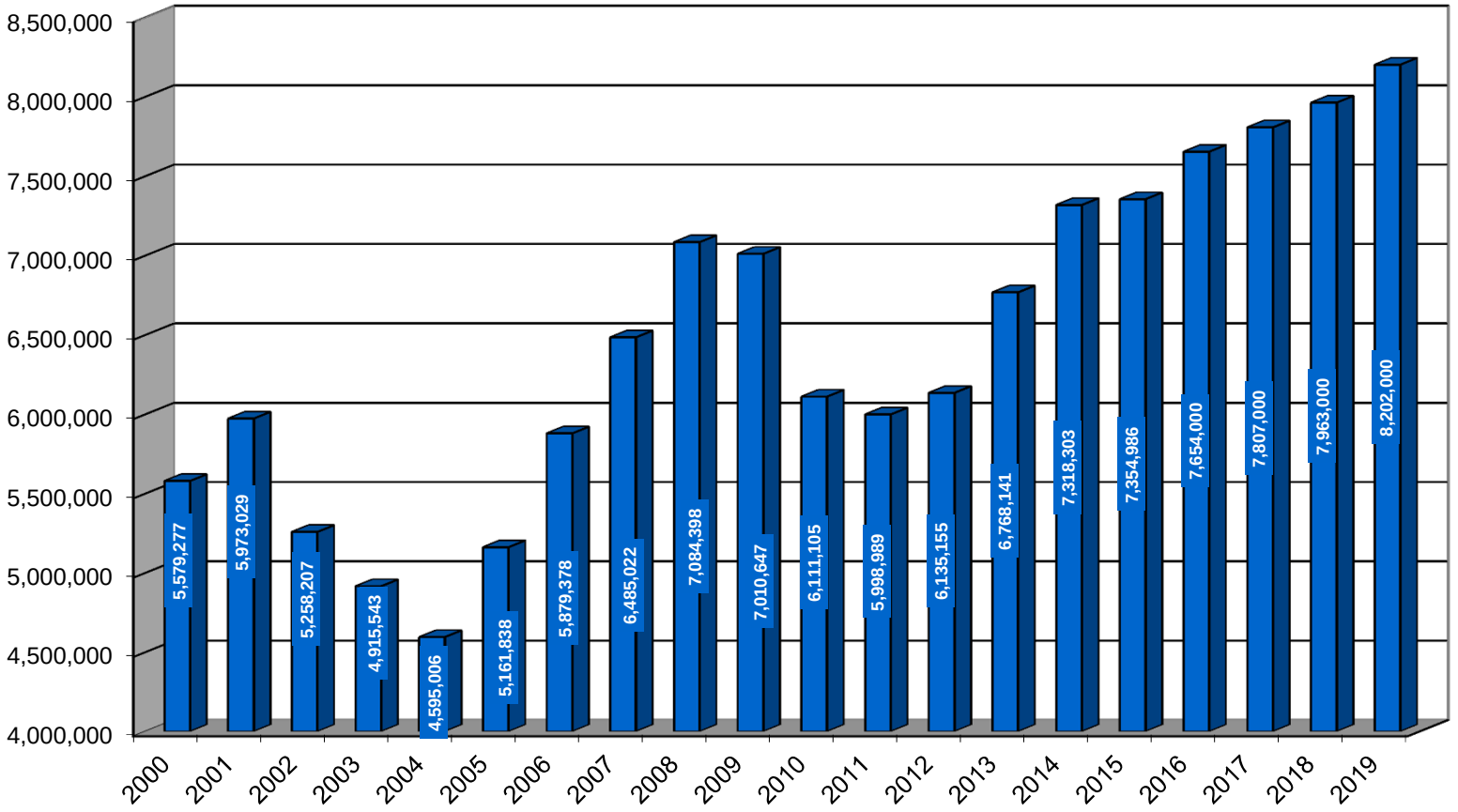
Sales Tax	$13,020,000
Income Tax	$7,807,000
Home-Rule Sales Tax	$5,543,000
Telecommunications Tax	$3,200,000
Use Tax	$1,462,000
Personal Property Replacement Tax	$400,000
Grants - Police	$50,000
Auto Rental Tax	$20,000
Total General Fund revenues through the State	$31,502,000
* Motor Fuel Tax (MFT) (Primary source of funding for the Village's street reconstruction program)	$1,800,000
* Home-Rule Sales Tax (Capital Projects Fund portion) (25% of the home-rule sales tax is allocated to this fund)	$1,848,000
* E-911 Taxes to the Northwest Central Dispatch (The amount of E-911 tax revenues attributable to Arlington Heights residents)	$612,000
	$35,762,000

Sales Tax History



Note: The 8 month year was removed because of lower amount due to short year.

Income Tax History



Note: The 8 month year was removed because of lower amount due to short year.

Exhibit 4

GENERAL FUND
THREE YEAR PROJECTIONS
FISCAL YEARS 2017 THROUGH 2019

SOURCES OF FUNDS

	8 Mos. 2015 ACTUAL	2016 EST ACTUAL	2016 CURRENT BUDGET	2017 PROP BUDGET	2018 PROJ BUDGET	2019 PROJ BUDGET
BEGINNING FUND BALANCE	**$24,316,590**	**$28,526,169**	**$28,526,169**	**$28,681,692**	**$28,681,692**	**$27,636,692**
TAXES	$47,886,285	$61,107,400	$61,137,300	$62,114,400	$63,390,300	$64,896,800
INTERGOV'T	160,692	118,000	98,000	118,000	118,000	118,000
LICENSES/PERMITS	2,863,173	3,732,000	3,631,400	3,732,000	3,732,000	3,732,000
FEES	2,976,342	4,146,900	4,037,900	4,178,900	4,186,100	4,194,900
FINES	431,564	611,100	603,200	610,700	610,700	610,700
SERVICE CHG	1,470,612	1,985,900	1,986,200	2,043,700	2,102,900	2,164,000
INTEREST INC.	37,517	95,000	100,000	100,000	100,000	100,000
SALES/REIMB/RENTS	105,140	143,700	142,800	140,800	140,800	140,800
OTHER	349,970	292,900	315,700	350,900	361,600	372,900
SUB-TOTAL	**$56,281,295**	**$72,232,900**	**$72,052,500**	**73,389,400**	**$74,742,400**	**$76,330,100**
TRANSFERS IN	0	200,000	200,000	272,500	200,000	200,000
TOTAL REVENUES	**$56,281,295**	**$72,432,900**	**$72,252,500**	**$73,661,900**	**$74,942,400**	**$76,530,100**

USES OF FUNDS

	8 Mos. 2015 ACTUAL	2016 EST ACTUAL	2016 CURRENT BUDGET	2017 PROP BUDGET	2018 PROJ BUDGET	2019 PROJ BUDGET
PERSONAL SERVICES	$39,975,136	$56,519,800	$56,693,639	$57,941,300	$60,449,100	$62,793,000
CONTRACTUAL	7,311,899	11,240,528	11,240,528	11,359,700	11,651,200	11,953,700
COMMODITIES	1,496,984	3,466,719	3,468,819	2,814,300	2,870,500	2,927,500
OTHER CHARGES	787,697	1,050,330	1,062,630	996,600	866,600	871,600
SUB-TOTAL	**$49,571,716**	**$72,277,377**	**$72,465,616**	**$73,111,900**	**$75,837,400**	**$78,545,800**
CONTINGENCY	0	0	233,100	400,000	0	0
TRANSFERS OUT	2,500,000	0	175,000	150,000	150,000	150,000
TOTAL EXPENDITURES	**$52,071,716**	**$72,277,377**	**$72,873,716**	**$73,661,900**	**$75,987,400**	**$78,695,800**
SURPLUS(DEFICIT)	**4,209,579**	**155,523**	**(621,216)**	**0**	**(1,045,000)**	**(2,165,700)**
ENDING FUND BALANCE	**$28,526,169**	**$28,681,692**	**$27,904,953**	**$28,681,692**	**$27,636,692**	**$25,470,992**
FUND BALANCE AS % OF EXP.	**55%**	**40%**	**38%**	**39%**	**36%**	**32%**

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

ASSUMPTIONS:

Expenditures

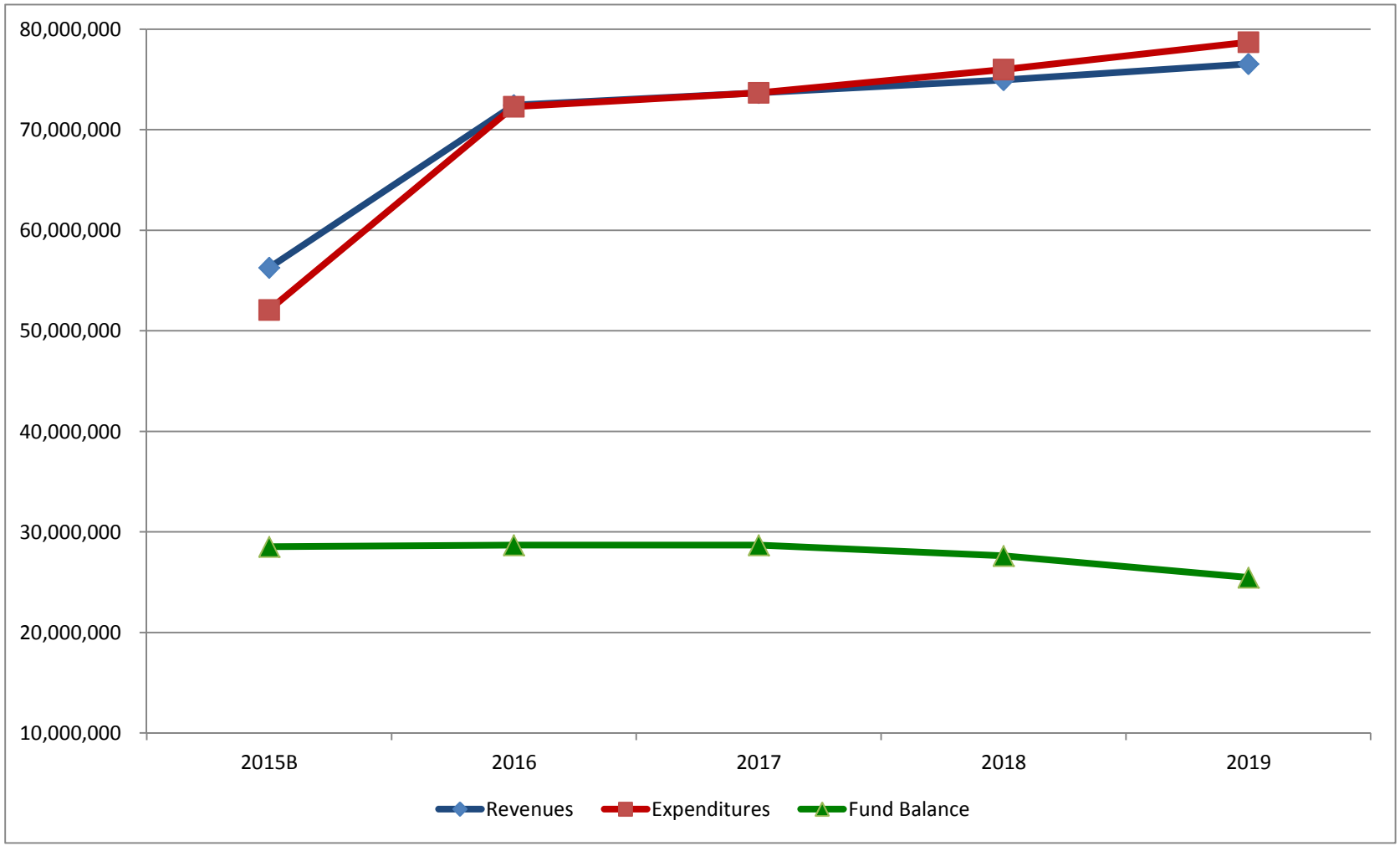
Salaries increased 2.5% on May 1st of 2016 for both bargaining unit and non-bargaining unit employees, 2.5% thereafter. All years include an estimated 8% health insurance increase. Contractual Services and Commodities increased 2%.

Revenues

Sales Tax, Home Rule Sales Tax & Income Tax: 2% increase 2017; 2% increase 2018; 3% increase 2019.

Exhibit 5

GENERAL FUND
REVENUES vs EXPENDITURES 2015-2019
Staff Proposal



	ACTUAL 2015B	ESTIMATED ACTUAL 2016	PROPOSED BUDGET 2017	PROPOSED BUDGET 2018	PROPOSED BUDGET 2019
Revenues	56,281,295	72,432,900	73,661,900	74,942,400	76,530,100
Expenditures	52,071,716	72,277,377	73,661,900	75,987,400	78,695,800
Surplus/Deficit	4,209,579	155,523	0	(1,045,000)	(2,165,700)
Fund Balance	28,526,169	28,681,692	28,681,692	27,636,692	25,470,992
Fund Bal as % of Expend	55%	40%	39%	36%	32%

ESTIMATED 2016 PROPERTY TAX LEVY

	EXTENDED 2015 LEVY for 2016 Budget	PROPOSED 2016 LEVY for 2017 Budget	DOLLAR CHANGE	% CHANGE
VILLAGE				
CAPITAL PROJECTS (STREETS)	4,500,000	5,200,000	**700,000**	15.56%
OTHER LEVIES	28,748,168	28,747,950	(218)	0.00%
TOTAL EST. VILLAGE LEVY	33,248,168	33,947,950	699,782	2.10%
TOTAL EST. LIBRARY LEVY	13,830,091	13,830,091	0	0.00%
GRAND TOTAL EST. L LEVY	47,078,259	47,778,041	**699,782**	**1.49%**

POTENTIAL STATE ACTIONS:
EFFECTS ON GENERAL FUND FINANCES

	2017	2018	2019
AS PROPOSED (6/27/16):			
REVENUES	73,500,500	74,781,500	76,410,700
EXPENDITURES	73,661,900	75,987,400	78,695,800
SURPLUS (DEFICIT)	(161,400)	(1,205,900)	(2,285,100)
ENDING BALANCE	28,449,692	27,243,792	24,958,692
%	39%	36%	32%
STATE PROPERTY TAX FREEZE:			
REVENUES	73,500,500	74,123,100	75,074,300
EXPENDITURES	73,661,900	75,987,400	78,695,800
SURPLUS (DEFICIT)	(161,400)	**(1,864,300)**	**(3,621,500)**
ENDING BALANCE	28,449,692	26,585,392	22,963,892
%	39%	35%	29%
25% INCOME TAX DIVERSION TO STATE:			
REVENUES	71,548,750	72,790,725	74,360,200
EXPENDITURES	73,661,900	75,987,400	78,695,800
SURPLUS (DEFICIT)	**(2,113,150)**	**(3,196,675)**	**(4,335,600)**
ENDING BALANCE	26,497,942	23,301,267	18,965,667
%	36%	31%	24%

Exhibit 8

WATER AND SEWER FUND
THREE YEAR PROJECTIONS
FISCAL YEARS 2017 THROUGH 2019

(Water and Sewer Rate Increases FY2015 Through 2019)

SOURCES OF FUNDS

	8 Mos. 2015 ACTUAL	2016 EST ACTUAL	2016 CURRENT BUDGET	2017 PROP BUDGET	2018 PROJ BUDGET	2019 PROJ BUDGET
BEGINNING WORKING CASH	**$4,716,592**	**$3,916,840**	**$3,916,840**	**$3,668,608**	**$4,634,008**	**$6,007,408**
SERVICE CHG	$10,222,540	$18,862,600	$19,026,100	$19,789,600	$20,716,700	$21,695,200
INTEREST INC.	$3,606	$5,000	$11,000	$5,000	$5,000	$5,000
SALES/REIMB/RENTS	$101,211	$88,000	$84,000	$88,000	$88,000	$88,000
OTHER	$300,721	$15,000	$15,000	$15,000	$15,000	$15,000
SUB-TOTAL	**$10,628,078**	**$18,970,600**	**$19,136,100**	**$19,897,600**	**$20,824,700**	**$21,803,200**
TRANSFERS IN	0	0	0	0	0	0
TOTAL REVENUES	**$10,628,078**	**$18,970,600**	**$19,136,100**	**$19,897,600**	**$20,824,700**	**$21,803,200**

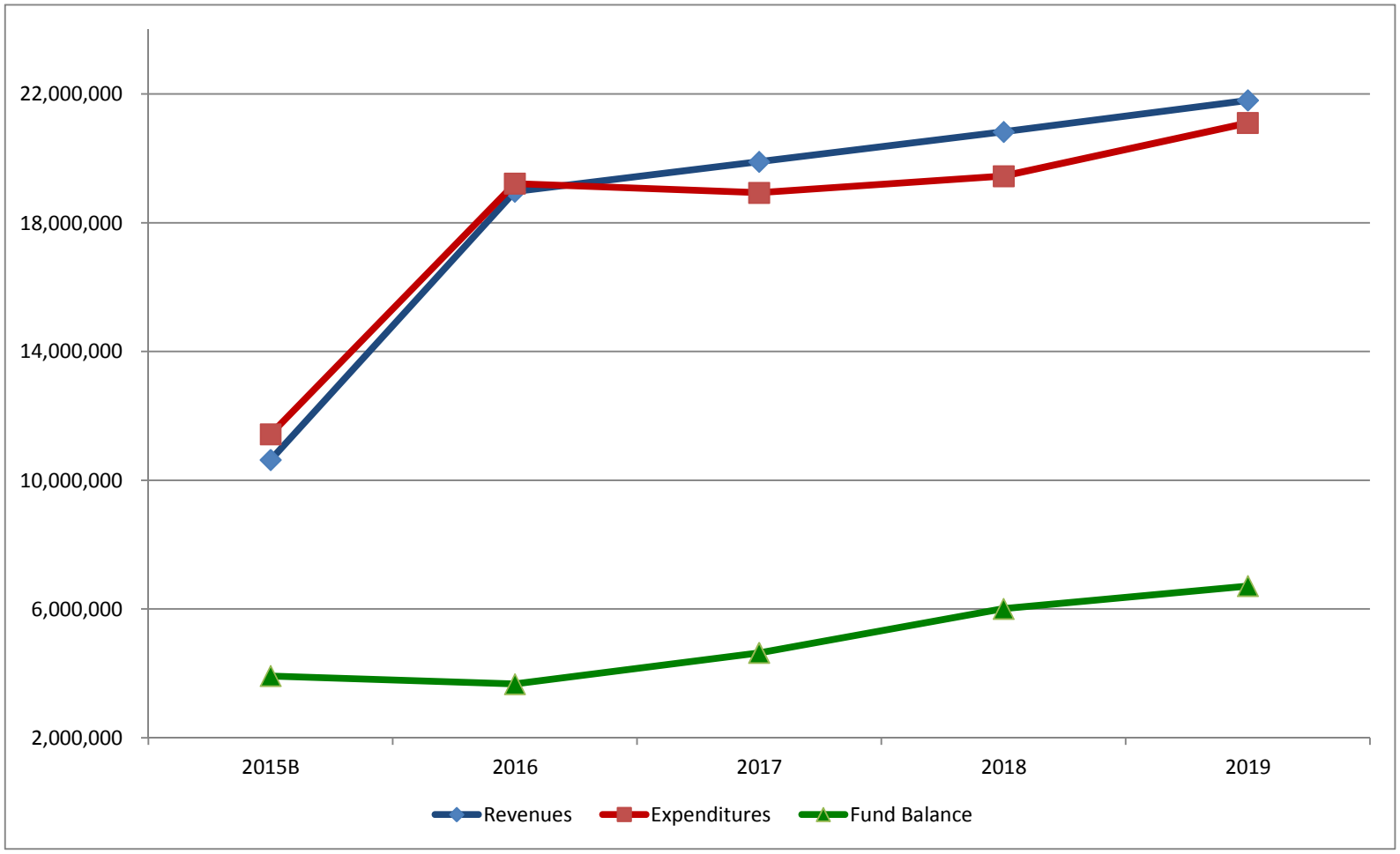
USES OF FUNDS

	8 Mos. 2015 ACTUAL	2016 EST ACTUAL	2016 CURRENT BUDGET	2017 PROP BUDGET	2018 PROJ BUDGET	2019 PROJ BUDGET
PERSONAL SERVICES	$3,911,015	$6,213,600	$6,294,300	$6,503,600	$6,791,800	$7,083,800
CONTRACTUAL	1,927,759	2,452,670	2,452,670	2,505,100	2,566,700	2,627,300
NORTHWEST WATER COMMISSION	2,879,639	3,830,400	3,830,400	3,830,400	3,830,400	3,830,400
COMMODITIES	530,879	810,157	810,157	768,500	783,800	799,500
OTHER CHARGES	1,016,725	1,585,200	1,585,200	1,648,700	1,681,400	1,714,700
CAPITAL ITEMS	1,159,264	4,101,805	4,264,311	3,350,900	3,772,200	5,020,300
SUB-TOTAL	**$11,425,281**	**$18,993,832**	**$19,237,038**	**$18,607,200**	**$19,426,300**	**$21,076,000**
CONTINGENCY	2,549	200,000	200,000	300,000	0	0
TRANSFERS OUT	0	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	**$11,427,830**	**$19,218,832**	**$19,462,038**	**$18,932,200**	**$19,451,300**	**$21,101,000**
SURPLUS(DEFICIT)	**(799,752)**	**(248,232)**	**(325,938)**	**965,400**	**1,373,400**	**702,200**
ENDING WORKING CASH	**$3,916,840**	**$3,668,608**	**$3,590,902**	**$4,634,008**	**$6,007,408**	**$6,709,608**
WORKING CASH AS % OF EXPENDITUF	**34%**	**19%**	**18%**	**24%**	**31%**	**32%**

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

Exhibit 9

WATER AND SEWER FUND
REVENUES vs EXPENDITURES 2015-2019



	ACTUAL 2015B	ESTIMATED ACTUAL 2016	PROPOSED BUDGET 2017	PROPOSED BUDGET 2018	PROPOSED BUDGET 2019
Revenues	10,628,078	18,970,600	19,897,600	20,824,700	21,803,200
Expenditures	11,427,830	19,218,832	18,932,200	19,451,300	21,101,000
Surplus/Deficit	(799,752)	(248,232)	965,400	1,373,400	702,200
Fund Balance	3,916,840	3,668,608	4,634,008	6,007,408	6,709,608
Fund Bal as % of Expend	34%	19%	24%	31%	32%

Exhibit 10

BUDGET CALENDAR

For Preparation of 2017 Budget

(January 1, 2017 – December 31, 2017)

DATE	DAY	ACTIVITY
March - June, 2016	–	Capital Improvement Program (CIP) and five-year projections prepared.
June 13, 2016	**Monday**	Committee-of-the-Whole reviews Comprehensive Annual Financial Report.
June 17, 2016	Friday	CIP, Operating Fund Overview/Recommended 2017 Budget Ceilings and Proposed 2016 Property Tax Levy released to Village Board for discussion at June 27 Committee-of-the-Whole meeting.
June 20, 2016	Monday	Board considers motion stemming from June 13 Committee-of-the-Whole meeting regarding the Comprehensive Annual Financial Report.
June 27, 2016	**Monday**	Committee-of-the-Whole reviews CIP and discusses the Operating Fund Overview/ Recommended 2017 Budget Ceilings.
July 5, 2016	Tuesday	Board considers any motions stemming from June 27 Committee-of-the-Whole meeting regarding the recommended 2017 Budget Ceilings and CIP.
July 15, 2016	Friday	Budget worksheets are forwarded to departments. Departments prepare detailed budgets.
August 15, 2016	Monday	Department budget requests and projections due.
Aug 15 – Sep 9, 2016	–	Finance Department compiles departmental budget submissions.
September 9 , 2016	Friday	First draft of 2017 Budget forwarded to Village Manager, Budget Team and all departments for review.
Sep 14 – Sep 16, 2016	–	Departments meet with Village Manager and Budget Team.
Sep 19 – Oct 20, 2016	–	Final draft of 2017 budget prepared.
October 21, 2016	Friday	Release final draft of 2017 Budget to Village Board.
November 10, 2016	**Thursday**	**1st Budget Meeting** – Overview and budgets for Board of Trustees, Village Manager, IT, HR, Legal, Finance and Health Services
November 14, 2016	**Monday**	**2nd Budget Meeting** – Budgets for Building, Planning, Fire, Arlington Heights Memorial Library, and Performing Arts at Metropolis Theater.
November 16, 2016	**Wednesday**	**3rd Budget Meeting** – Budgets for Engineering, Public Works, Water & Sewer, Parking Operations, Fleet Services, and Police
November 21, 2016	Monday	Notice of Public Hearing on 2017 Budget published in newspaper.
December 5, 2016	**Monday**	Board approves 2016 Tax Levy and Abatement Ordinances. Public Hearing on 2017 Budget. Approval of 2017 Budget at formal meeting (alternate date for passage is December 19, 2016).