

**COMMITTEE-OF-THE-WHOLE
MINUTES OF THE MEETING OF THE PRESIDENT
AND THE BOARD OF TRUSTEES OF
THE VILLAGE OF ARLINGTON HEIGHTS
VILLAGE BOARDROOM
MONDAY, JUNE 26, 2023
7:00 P.M.**

BOARD MEMBERS PRESENT: Mayor Thomas Hayes, Trustees Bertucci, Dunnington, Grasse, LaBedz, Schwingbeck, Shirley, and Tinaglia

STAFF MEMBERS PRESENT: R. Recklaus, T. Kuehne, M. Juarez, A. Smulson, K. Baumgartner, and M. Mattio

OTHERS PRESENT: Martha Trotter of Sikich, LLP

SUBJECTS:

- A. Review of the 12-month Period Ending 12/31/22 Annual Financial Report – Sikich, LLP
 - B. Review of the 2024 Capital Improvement Program Update
 - D. Operating Fund Overview/Recommended Budget Ceilings – 2024
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President Hayes called the meeting to order at 7:00 PM.

Review of the 12-month Period Ending 12/31/2022 Annual Financial Report – Sikich, LLP

Mr. Kuehne introduced staff of the Finance Department and Martha Trotter, Partner with Sikich LLP. Ms. Trotter presented the key results from the Village's 2022 Annual Comprehensive Financial Report (ACFR) and the Board Communication which is also issued in relation to the annual audit. She began by congratulating the Village on receiving the Governmental Finance Officers Association's Certificate of Achievement for excellence in financial reporting and transparency of financial statements for the fiscal year ending December 31, 2022.

In regards to the Independent Auditor's Report, Ms. Trotter said it provided their opinion on the Village's financial statement. She was pleased to report a clean and unmodified opinion, which is the highest level of assurance can be provided. She noted that within the Independent Auditor's Report there is a new paragraph related to the implementation GASB Statement No. 87, which relates to the accounting for leases. She added that Village staff was able to provide all the information needed, and their opinion was not modified with respect to these matters.

Ms. Trotter said the Management Discussion and Analysis provided an executive summary of the financial statements. The analysis provided context on variances and what may have caused the variances compared to the prior year. She reported on the Village's statement of position which included Government Activities, Business-type Activities, and the Total. As of December 31, 2022, the Village's combined net position increased by \$29.8 million from the prior year. Of the total fund balance, 39% is unassigned and available without any restrictions to fund future

operations. Ms. Trotter mentioned there was only one audit adjustment reported during the audit testing related to Cook County's collection and disbursement delay of the 2nd installment of Property Tax receipts in 2022.

President Hayes thanked Ms. Trotter for her presentation and was happy to hear that she could deliver a clean and modified opinion on the Village's financial statements.

Trustee Bertucci asked what percentage of the audits conducted result in a clean and unmodified opinion. Ms. Trotter said it's difficult to gauge because of what deficiencies are required to be communicated in the report versus what is verbally communicated. She related that the Village had no deficiencies reported in the board communication and praised Village staff for their exceptional level of effort.

Trustee LaBedz asked for an explanation of GASB 87. Ms. Trotter said that there was a change in how leases are accounted for and reported in financial statements. She explained that on equipment leased by the Village, it has to report as an intangible asset and amortized over the life of the lease contract with an offsetting liability. Where GASB 87 impacted the Village is how payments are received on leased space for equipment type agreements. Those now have to be reported as a long-term receivable for the duration of the contract, including any extension terms.

In regards to the term "encountered no significant difficulties," Trustee Schwingbeck asked if there were any difficulties during the audit process and how the Village could do better. Ms. Trotter said the language is prescribed by auditing standards and there were no difficulties. She added that the Village is extremely well prepared, there is excellent communication, and everything was prepared on a timely manner.

TRUSTEE BERTUCCI MOVED, SECONDED BY TRUSSTEE SCHWINGBECK THAT THE COMMITTEE-OF-THE-WHOLE ACCEPT THE 12-MONTH PERIOD ENDING DECEMBER 31, 2022 ANNUAL FINANCIAL REPORT.

The following voice vote was recorded:

8 Ayes

0 Nays

The motion passed.

Review of the 2024 Capital Improvement Program Update

Mr. Kuehne said that during even-numbered years, Village staff prepare a five-year Capital Improvement Program. During odd-numbered years, that program is reviewed and updated. He reported that the Motor Fuel Tax Fund, Storm Water Control Fund, and Arts, Entertainment & Event Fund had seen no changes, and then highlighted key changes in other funds.

Capital Projects Fund

The Capital Projects Fund saw an increase of \$1.7 million as a result of combining the 2024 and 2025 Public Works roof program into one year. Public Works has suggested the potential installation of solar panels on their roof and in order to have those installed, the roof replacements would have to be completed at the same time. During the budget process, Public Works will provide the Board with more details in terms of cost and available grants.

Water & Sewer Fund

This fund increased by \$1.4 million due to a re-budgeting the residential water meter work scheduled in 2023, but will now be combined with 2024.

Lead Service Line Replacement Fund

This fund decreased by \$1.3 million. The Village planned for the use of forgivable State grant funds however, those funds were not secured. Instead, the Village reduced the amount of lead service line replacements to be completed in accordance with available funds.

Fleet Fund

The Fleet Fund saw an increase of \$600,000 due to higher vehicle costs.

Municipal Parking Fund

Revenues coming into this fund have changed drastically during and after the pandemic. Pre-pandemic, the fund was receiving about \$1.3 million per year in revenue. However, Mr. Kuehne said the estimated revenue for 2023 is about \$800,000. He attributed that to less commuters due hybrid work schedules. Metra estimated 75% of pre-pandemic commuters will return by 2026. In order to keep this fund sustainable, Mr. Kuehne proposed eliminating the \$287,300 annual service charge to the General Fund, and eliminating significant structural repairs until 2028, while continuing routine maintenance. Mr. Recklaus added that while fund revenues have dropped due to less commuters, the use of parking garages have assisted with the positive revenue impact into General Fund and Food & Beverage Tax due to the success of Arlington Alfresco.

President Hayes said he questioned Metra's estimate of return ridership, but has noticed that on some days the train is full, while others it is empty.

Trustee LaBedz asked why the Municipal Park Fund had a service charge to the General Fund. Mr. Kuehne explained that there are a number of internal administrative charges for work done to manage the fund.

Trustee Shirley suggested that Village staff monitor the evolution of electric vehicles and their potential for fires. He asked if the Fire Department is up to date with said risks and exposure, and if there were any insurance implications for operating a parking garage that allows electric vehicles within the structure. Mr. Recklaus reported the Fire Department has had some training

with electric vehicles and there are ongoing conversations about the subject. The current parking garage chargers are part of a pilot program so we can evaluate all of the factors, including these.

Trustee Dunnington asked if the \$3.2 million budget for Public Works roof maintenance program included the solar panels. Mr. Kuehne said it did not. Mr. Recklaus added that Public Works has done some preliminary research on grants and will report back to the Board with more information and consideration. President Hayes said he would agree to the installation of solar panels so long as there was a financial benefit and return on investment.

In regards to the Capital Improvement Plan, Resident Keith Moens referenced the organization chart within the ACFR and said that residents are at the top of the chart, followed by Village President, then the Board of Trustees, and lastly Village Staff. He went onto to say that of the 221 residents who completed the Capital Improvement Program survey, 75 residents requested for investment to reduce speeding within neighborhood streets. Mr. Moens said that tonight's presentation did not include any such investment and asked the Board of Trustees to implement a traffic calming policy like other municipalities have and direct staff to invest through CIP or other sources in speed calming infrastructure.

TRUSTEE LABEDZ MOVED, SECONDED BY TRUSTEE GRASSE THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE 2024 CAPITAL IMPROVEMENT PROGRAM UPDATE.

The following voice vote was recorded:

8 Ayes

0 Nays

Motion passed.

Operating Fund Overview/Recommended Budget Ceilings - 2024

Mr. Kuehne said that while working on the three-year budget projections, Village staff was very conservative both with revenue and expenditures projections. He was happy to report that both the General Fund and Water & Sewer Fund currently have good fund balances and a solid financial footing. In regards to the Police and Fire pension funds, Mr. Kuehne said that 2022 was a rough year for equities, and therefore those pension funds experienced an approximate 20% loss.

In regards to General Fund revenues, Mr. Kuehne noted that revenues are beginning to slow down. He said there is a \$1.6 million decrease in property taxes related to the Board approved property tax abatement of 2022 payable in 2023. In regards to taxes, Food & Beverage Taxes are thriving due to Alfresco dining. Sales taxes are coming in 3% under the 2023 budget, while income tax is outperforming budget by 1%. The General Fund will also lose revenue from the Municipal Parking Fund service charge. Despite these reductions, the General Fund is still in good shape and Staff is still recommending to discontinue the requirement to purchase vehicle stickers and dog licenses in 2024, to bring the Village up to speed with our comparable communities.

Mr. Kuehne went on to say that the General Fund total expenditures will be underbudget by 1%, and attributed that in part to salaries coming underbudget. While revenues into the General Fund will decrease, he projected a 0% property tax increase for 2024. However, due to the slowdown in key revenue sources and an uneven market and equity performance, Mr. Kuehne does not foresee a 0% increase in property tax levy beyond 2024.

Going into 2024, salaries will once again be budgeted with no vacancies. There is a proposal for two new police officers for school resources within school District 25. Mr. Recklaus said discussions are ongoing and if this were to pass, the District would pay the full salary of the officers, and the Village would be responsible for providing benefits. He added that the Village would benefit from these officers when school is out of session, as it is high vacation season for the Police Department. Mr. Kuehne added that these two positions were included in the budget ceiling.

Trustee Grasse asked if the decrease in sales taxes is unique to the Village and if there is a particular industry causing the decrease. Mr. Kuehne said that without being too specific to a dealership, in general car sales are down and people are being more careful with grocery purchases. Mr. Recklaus added that having a 0% increase in property tax levy for the past five-years has been unique. He went on to explain that one of the reasons the levy remained flat was because the Board made the decision to reinvest surplus monies into the pension funds. Going forward and taking into consideration the fluctuation in the economy, he anticipated the Village will be entering more normal years. Mr. Kuehne added that the taxes received from internet sales taxes effective as of January 1, 2021 also helped keep the tax levy at a 0% increase.

In regards to the debt service levy, Mr. Kuehne said it is kept level from year to year. The Village sells bond issues when other bond issues mature, which prevents an increase in the debt service levy. The Capital Improvement levy increases by \$100,000 per year to fund higher street resurfacing costs.

Water and Sewer Fund

In 2020, the Village deposited \$9 million into this fund from a bond issue, and in 2022 transferred \$1.2 million of surplus monies. The watermain replacement program began with an investment of \$500,000 per year and it is currently well over \$4 million per year. This large increase has left the fund in need of revenues. Mr. Kuehne said there will be another water and sewer rate study completed in the fall of 2024, and a likely rate increase for the next 5-years to accommodate the high cost of watermain, water meters, and water tower replacements.

Trustee Shirley asked if the Village held the highest credit rating and if we get the lowest possible interest rate. Mr. Kuehne said the Village rated AA+, the highest being AAA+. We do get a very low interest rate which is similar to AAA+. He added that the Village is prevented from a AAA+ rating because of our economically diverse community.

Trustee Dunnington asked why the Village budgets a General Fund balance in the 40% range if the minimum fund balance policy is 25%. Mr. Kuehne said in the event of another recession, having a higher percentage would give the Village more time to plan around economic difficulties. Mr. Recklaus added that the Village's revenues not only come from property taxes, but relies on

other taxes such as sales, income, and food & beverage, and those would fluctuate with no guarantees.

Trustee Bertucci said that actuaries have predicted a decline in life expectancies. He asked if that prediction is due to COVID or if it's a trend. He added that if the reality of life expectancies declined, it would lower the liability. Mr. Kuehne said there are many reasons why people aren't living as long. It could be related to COVID, obesity, or other medical issues. Mr. Recklaus added that unfortunately firefighters and police officers don't live as long as the population as a whole.

Trustee LaBedz mentioned that a nearby community was working towards zero debt and asked how that is possible. Mr. Recklaus said he was familiar with the philosophy, but the same doesn't make sense for the Village. He went on to explain that interest rates are extremely low and having manageable debt is fiscally responsible. Mr. Kuehne added that having planned debt made sense because there will always be capital needs in the future. In regards to the community that is working towards being debt free, any large future capital expense requiring a bond issue would raise their resident's property taxes.

Resident Keith Moens stated that the 0% increase in the tax levy over the past years has helped those who are below the median income level. He asked Village staff to drop general fund surpluses by 3-4% of expenditures to cover any expected tax levy increase and use the general fund as a buffer going forward.

Resident Melissa Cayer asked if the Village's funds are insured. Mr. Kuehne said they were.

TRUSTEE BERTUCCI MOVED, SECONDED BY TRUSTEE GRASSE THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE 2022 BUDGET CEILINGS OF \$88,541,400 FOR THE GENERAL FUND; AND \$26,760,200 FOR THE WATER & SEWER FUND.

The following voice vote was recorded:

8 Ayes

0 Nays

Motion passed.

In regards to the squatting situation at 647 N. Chicago, Resident Joe Murglin wanted to thank Village staff for tending to the issues. He asked for an update and what measures the Village will be taking to prevent this type of situation from happening again. Mr. Recklaus said he had a conversation with the occupants at said location and it does not seem they will be leaving the property. Village staff is working with ComEd, HUD, and the previous owner's children to help monitor the situation. The Village will continue to issue citations and the Police Department will be vigilant.

TRUSTEE LABEDZ MOVED, SECONDED BY TRUSTEE SCHWINGBECK TO ADJOURN THE MEETING AT 8:25 P.M.