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 25, 2018
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Review of the Proposed 2019-2023 Capital Improvement Program (CIP)

B. Long-Term Revenue Report

C. Operating Fund Overview / Recommended Budget Ceilings - 2019

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 2019-2023 Capital Improvement Program (CIP)

Department: Finance

ATTACHMENTS:

Description	Type
Capital Improvement Program (CIP) Executive Summary	Exhibits

VILLAGE OF ARLINGTON HEIGHTS

2019 - 2023
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, 2018

VILLAGE OF ARLINGTON HEIGHTS
2019 - 2023
Capital Improvement Program

June 2018

VILLAGE BOARD

Thomas W. Hayes, Village President

Richard Baldino	Bert Rosenberg
Carol Blackwood	John Scaletta
Thomas Glasgow	Michael J. Sidor
Robin LaBedz	Jim Tinaglia

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
Steve Touloumis	Director of Building Services
Robert Taraszka	IT Manager
Ken Koeppen	Fire Chief
Pete Ahlman	Deputy Fire Chief
Andrew Larson	Deputy Fire Chief
Gerald Mourning	Chief of Police
Nick Pecora	Police Captain
Mem Teolis	Police Fiscal Clerk
Kevin Baumgartner	Budget Coordinator

VILLAGE OF ARLINGTON HEIGHTS
2019-2023 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.

This “Executive Summary” provides a general overview of the 2019-2023 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 2019 through 2023 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

A detailed five-year CIP process is completed on a bi-annual basis as part of the Village’s planning and budgeting process. The Village’s CIP Committee assembles information to update the detailed 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. 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 several common issues, 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 detailed five-year CIP is developed during even-numbered years, with special emphasis on the first two years of the plan. This reflects the multi-year nature of many of the capital projects that are included in the CIP. During the years when there isn't a detailed CIP being presented to the Board, the following activities occur:

A. Staff provides the Village Board with a summary update showing any changes in estimated costs from the prior year.

B. After the local election process that occurs every two years, each Department prepares a presentation for the "new" Board. This is followed by the Village Board's bi-annual goal setting process. After the Board's goals and objectives are established, Staff develops a two-year business plan that reflects the Board's stated goals.

Detailed five-year CIP plans and summary updates are 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.

2019-2023 CAPITAL IMPROVEMENT PROGRAM SUMMARY

The Village has continued to prudently plan for the future by investing in our infrastructure. This includes an ongoing commitment to maintain Village streets at a high level, and to increase the amount spent on the water main replacement program. During 2018, some of the other key CIP improvements included the following:

- The final year of a multi-year $2.5 million project to refurbish the Village's four municipal parking garages, which will return these structures to their original integrity with a service life of 40 to 50 years.

- Completion of a new 70,500 square foot Police Station, replacing the 38,000 square foot building constructed in 1978.

- Initiated a five-year plan to fund extraordinary Storm Water Control projects identified in the Village's recent flood studies. Funding for these projects will be provided through a $10 million Village bond issue sold in 2018, with the principal and interest on this bond issue being paid by storm water control fees.

Challenges for 2019 and beyond, which are outlined in more detail in the summary by fund section, include:

- The development of a multi-year plan to attain an average annual water main replacement schedule of $4.0 million per year. The average age of the Village's water mains is currently 66 years, but to maintain the water main replacement schedule at an annual level of $4.0 million level will require water mains with an average age of 60 years. This plan will include an estimate of the additional costs required to reach the targeted average replacement age. The Village currently spends $2 million per year on water main replacement (up from $400,000 in 2015), with a goal of reaching $4.0 million by 2024.

- Modernize the Village's ERP software system by initiating a multi-year plan to replace the current system which has been used and updated since 1996. Funding for this project is available in the Technology Fund.

- In 2019, the Village will have an opportunity to manage its debt service level as additional bonds will mature. At this time, the Village will have to decide whether to reinvest the retiring debt toward needed infrastructure improvements, or toward maintaining Village operations.

  This decision will likely be influenced by how the economy is performing in 2019. In addition, the State of Illinois' ongoing budget difficulties is also having a clear effect on the Village's ability to provide reliable projections for its long-term operations and capital planning processes.

To assist the CIP Committee in the development of the proposed CIP, in 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.

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. **Backyard 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)

The Village's street resurfacing and reconstruction programs remain as key components of the CIP, with about 36% of the proposed 2019 capital budget expenditures designated for these programs.

At the end of 2018 the Public Building Fund will be closed, as the Village finalizes construction of the new Police Building in the fall of 2018. As of the end of 2018 it is currently estimated that the remaining Public Building fund balance will be approximately $1.3 million. Staff recommends that $800,000 of this balance be transferred to the Capital Projects Fund to ensure that this fund maintains adequate reserves for the next five years. It is recommended further that a decision on the remaining balance be held off until the 2019 Budget discussions.

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 2019. **Exhibit B** is a multi-year bar chart of the 2019-2023 CIP by type of project. **Exhibit C** presents detailed information on the 2019-2023 CIP by type and by project name. **Exhibit D** is a multi-year presentation of CIP expenditures summarizing actual and projected expenditures from 2014 through 2023.

Summary by Fund:

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

Over the last two years the Village has increased spending on its annual street resurfacing and rehabilitation program from about $5.8 million per year to over $8.5 million per year. As identified through a recent pavement study, this level of annual spending is necessary to maintain our streets in "good" condition. 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 2023.

The Capital Projects Fund also includes ramping up the annual budget amount for the pavement crack sealing program from $125,000 per year in 2017 to $200,000 per year starting in 2019. This program is being increased due to the Village resurfacing and reconstructing more streets which require subsequent maintenance. The annual sidewalk program, with a 2019 budget of $385,000, provides for the replacement of damaged and deteriorated public sidewalks and curbs. This program is also coordinated with the street resurfacing and rehabilitation program.

From 2018 - 2021 the Paver Brick Maintenance Program includes additional funds to update the pedestrian ways and eliminate trip hazards. The cost of this augmented program is budgeted at $412,000 per year through 2021, and $75,000 per year thereafter to maintain the Downtown sidewalks.

The Northwest Highway Corridor plan which started in 2017 and continues through 2022 will remove and replace the landscaping across five acres of land with a native species that blooms throughout the year. During the 2016 CIP the Village Board directed staff to use in-house resources as much as possible to develop a plan for this project. Through the efforts of the Planning and Public Works Departments, the scaled down plan to improve the Northwest Highway Corridor stands at a total cost of $457,600. Funds are not budgeted in 2019 in order to get on track with the fall bid and spring install cycle. 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.

The Rand Road Corridor Identification program is a five-year program that started in 2017 and is currently budgeted at a total cost of $1.168 million, with $605,000 coming from the Capital Projects Fund and $563,500 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 first phase of the Rand Road Corridor improvements have entailed initial preliminary design. Funds have been rebudgeted, and this project is currently under Illinois Department of Transportation (IDOT) review.

The cost of both the Rand Road and Northwest Highway corridor projects are being covered by the 2017 transfer from the EAB Fund to the Capital Projects Fund. Additional funding for the Rand Road Corridor will come from TIF V. The proposed budget also includes funds for a consultant to help develop specific improvement plans for the South Arlington Heights Road Corridor. This corridor has been highlighted by local business owners as needing improvement. Funding for any future improvements to this corridor will need to be identified.

The proposed 2019-2023 Capital Projects Fund budget includes the first year of an eight year plan to convert all Village owned street lights to energy efficient LED's. Under their present program, the Village will receive a rebate of $24,640 from Com Ed for each set of 400 fixtures installed. The manufacturer's projected life expectancy for the LED lights is 10-15 years, and the expected payback period for each set of 400 lights installed will be three years. This is based on the proposed annual expenditure including labor, an annual energy savings of $18,500, and the annual rebate.

The Motor Fuel Tax (MFT) Fund covers the cost of a portion of the Village's street rehabilitation program which has been budgeted at $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. 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.

The Storm Water Control Fund includes an annual budget of $300,000 for the Backyard Drainage Improvements program. As part of the Water and Sewer Rate 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 four more years to complete, after which the entire annual budget will be devoted to storm sewer rehabilitation and replacement work identified during the system assessment.

The overhead sewer program is designed to encourage residents to install overhead sewers, including ejector pits and pumps. The enhanced program which started at the end of 2017, provides an even greater incentive with a 75% reimbursement for resident participants up to $11,250 per single family home (from 50% - $7,500 maximum). Since the beginning of the program in 2007, 211 homeowners have participated, and 15 of those have been completed under the enhanced program. A study performed in 2016 showed that overhead sewers are one of the most cost effective ways of protecting homes against sewer backups. The enhanced program is designed to fund the first 400 applicants for the enhanced program. Staff will continue to market the program; however, if an insufficient number of applicants come forward, staff may recommend that this program's funds be reallocated to other needed storm water projects.

A lack of adequate storm drainage in the Cypress Street area inhibits development and can result in street and surface flooding problems, threatening private residences in the area. These improvements will include an expansion of the Cypress Detention Basin and related storm sewers at a total cost of $5.8 million over three years. The Village also plans on coordinating the replacement of water mains and the completion of roadway improvements in this area during the 2020 construction phase of the project.

During 2018, engineering for the Area 4 – Street Ponding Campbell/Sigwalt project will be completed, and construction is slated for 2019. This $2.1 million project will address deficiencies in the existing combined sewer system in the Downtown area through the installation of larger combined sewer mains.

For all storm water projects, Staff is continuing to seek grant funding, when available, for these projects.

The Water & Sewer Fund – Water & Sewer Fund revenues have been increased over the last four years per 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. Under this plan the Village will increase by six times the amount spent on the water main replacement program by ramping it up from $400,000 per year to $2.5 million per year by 2020. Longer term plans anticipate that water main replacement program costs will continue to increase up to an annual $4.0

million commitment by 2024. Once we reach this funding level we will be at the industry standard of replacing 1% of our water mains each year. Other key Water & Sewer Fund CIP projects include the Sanitary Sewer Replacement, Water Tank Painting, and Automatic Meter Reading programs.

Reaching the $4.0 million annual replacement level would provide the Village with a recommended schedule by which the Village would replace 1% of its water mains each year. However, the Village's water mains are now an average of 66 years old, and we would need to improve the average age to at least 60 years old in order to maintain an average annual replacement schedule. Over the next year, staff will calculate the amount and cost of water main replacements needed to be done in order to catch-up to an average water main age of 60 years. This information will then be incorporated into next scheduled water rate study in 2019.

As was noted last year, the fund's working cash balance has decreased over the last three years due to wetter spring/summer weather. This has resulted in decreased water usage and lower water and sewer revenues than budgeted. In addition, there are more efficient plumbing systems installed in residential and commercial properties, and a greater awareness by the public of water conservation methods. Some larger, commercial water meters are also being checked and replaced as needed, to ensure that water usage is recorded accurately.

As of December 31, 2017 the Water & Sewer Fund's working cash balance had decreased to 18%, whereas the 2014 five-year water rate projections estimated that we would have a 21% cash balance as of this date. This past year staff adjusted the timing of some of the water capital projects to reflect the decrease in gallons sold and the slower increase in projected water and sewer revenues. Additional adjustments may be needed for the final 2019 budget in order to preserve sufficient reserves. To be more conservative, the Village is using a total projected gallon sold figure for budget purposes that falls between the average water usage for the last thirteen years and the recent water usage level over the last couple of years.

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 reflects the results of this assessment which provided the Village with a ten-year working plan for the maintenance and rehabilitation of the four municipal parking garages. A 2015 transfer of $2 million from the General Fund to the Parking Fund helped cover the initial $2.3 million cost of the project.

According to the consultant, after completing the rehabilitation work on the Village's four public parking garages during 2018, it will return these 17 to 35 year old structures back to their original integrity, with new service lives of 40 to 50 years. Ongoing parking structure maintenance in 2019 includes pedestrian and ADA compliance work that will be completed in the North Garage.

The proposed 2019 CIP budget also includes the installation of LED lights in the public parking garages over the next five years. Staff believes these fixtures will provide a longer service life and lower long-term maintenance costs.

In June 2017 the Village Board approved parking fee increases that were effective as of the October – December 2017 parking fee sales. This increase was required to address an imbalance between Parking Fund revenues and expenses.

The Public Building Fund – The Village chose Legat Architects and Riley Construction Management as its partners to complete the construction of a new 70,500 square foot Police Station. This state-of-the-art facility will replace the old 38,000 square foot Police facility built in 1978. The Village financed the cost of the new Police Station within our existing debt service level by reinvesting scheduled debt service payment reductions in the 2016 Police Station bond issue.

As of the end of 2018 it is planned that the Village will close the Public Building Fund after the Village Board decides where to transfer the remaining balance in this fund. As mentioned earlier, a transfer of a portion of the projected balance, or $800,000 to the Capital Projects Fund is recommended, in order to preserve adequate reserves in that fund over the next five years.

Other Funds include the Criminal Investigations TIF IV, TIF V, TIF Hickory/Kensington, EAB, Arts Entertainment & Events, and Technology Funds. These funds have sufficient cash balances to cover the proposed capital improvements. Of note, the **Technology Fund** includes initial funds for hiring a consultant to perform research and help Village staff determine a viable replacement for the Village's current ERP software which is over 20 years old. As the Village becomes more web friendly there have been issues with compatibility with the old system. A new ERP system will be more user friendly, provide greater user support, and offer better functionality. This is expected to be a multi-year project that will effect each department to a certain extent. The Technology Fund has available reserves that have been maintained over the years to fund this project.

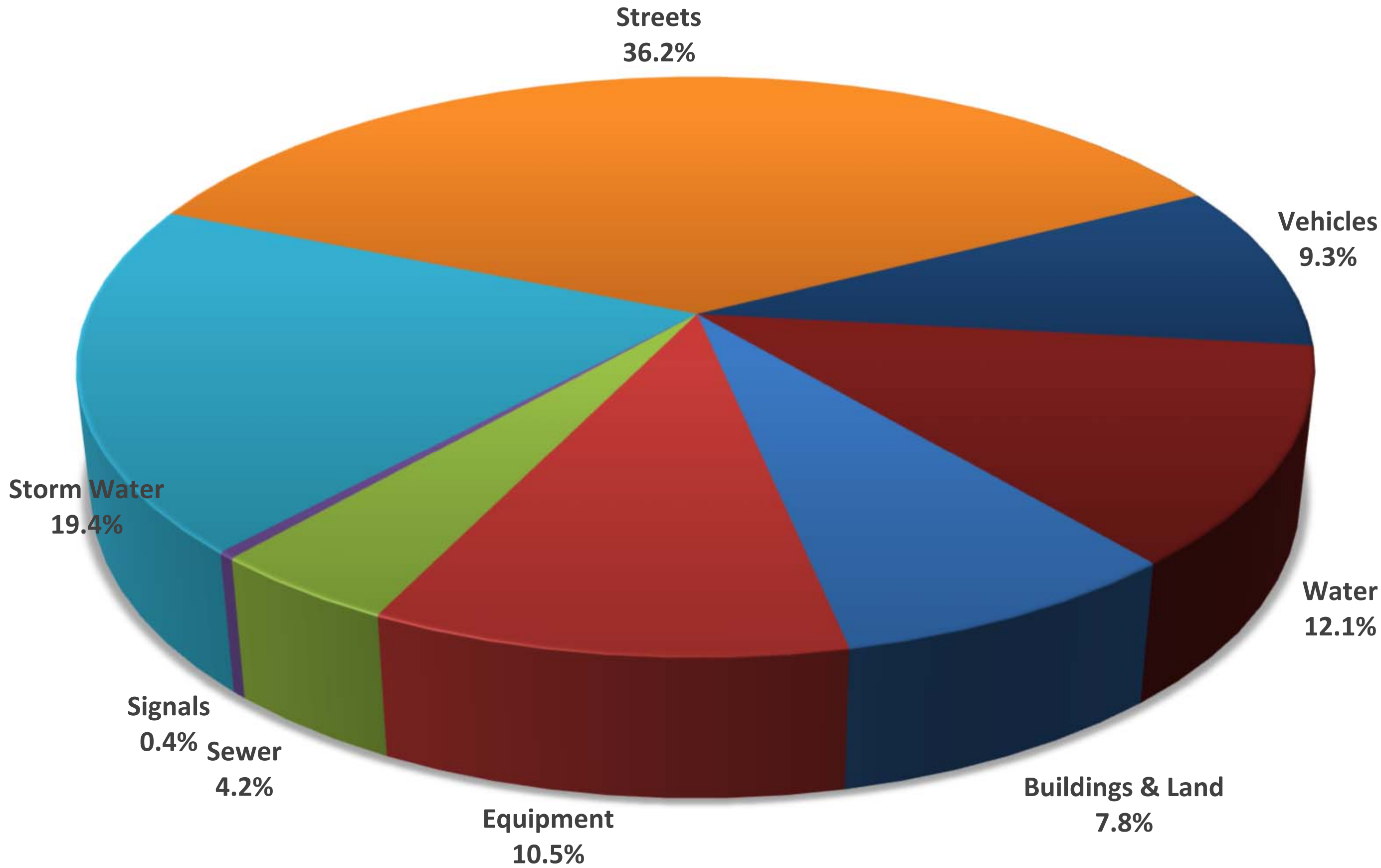
ORGANIZATION OF THE CIP PLAN

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 2019 through 2023 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 2019 in the amount of $28,469,200 be accepted. This is the first year of the five-year $119.6 million Capital Improvement Program.

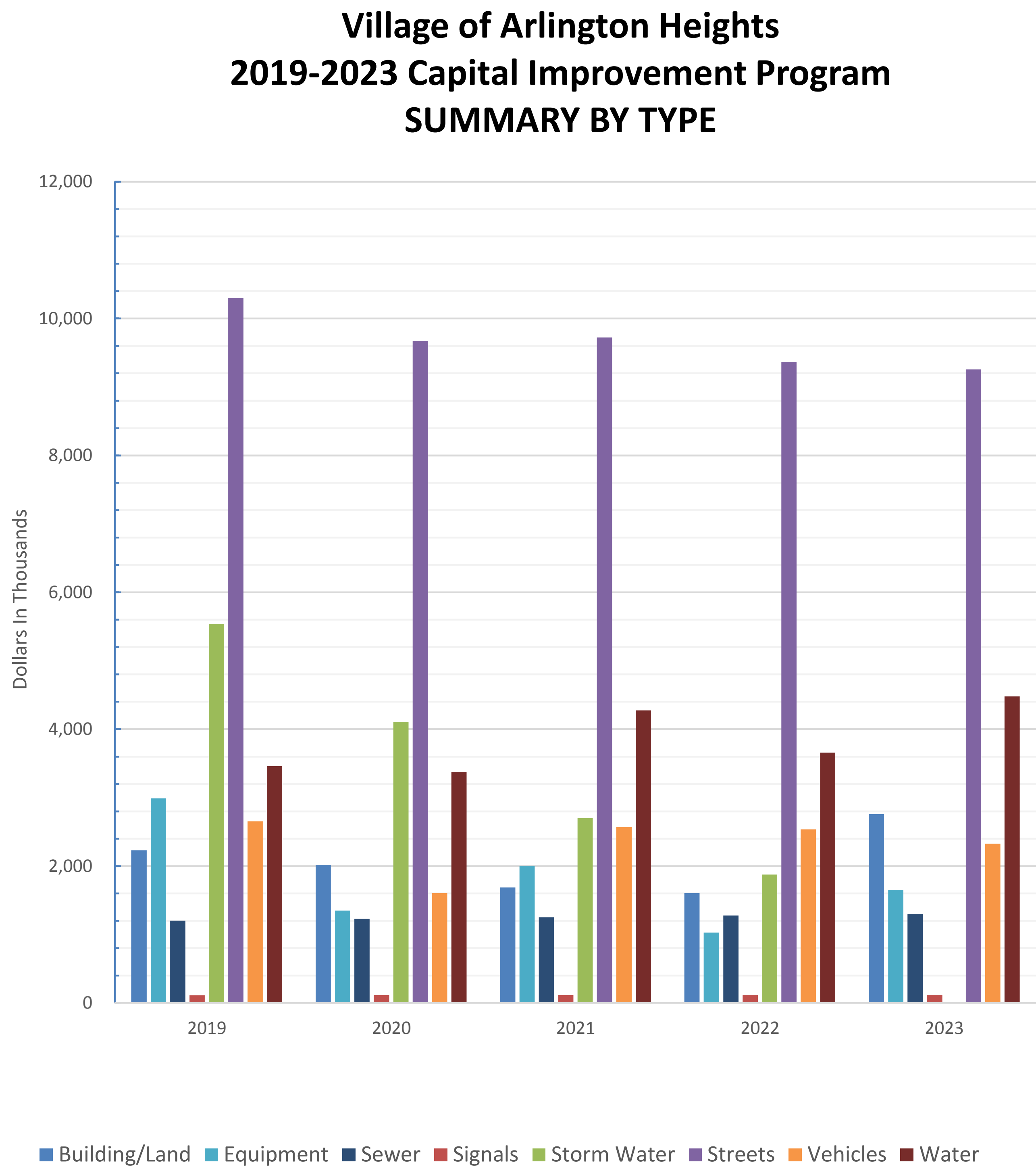
EXHIBIT A

WHERE THE MONEY GOES
CAPITAL EXPENDITURES BY TYPE
Fiscal Year 2019



CATEGORY	2019 PROPOSED CIP	%
Buildings & Land	$2,228.8	7.8%
Equipment	2,987.8	10.5%
Sewer	1,200.0	4.2%
Signals	109.9	0.4%
Storm Water	5,535.0	19.4%
Streets	10,300.0	36.2%
Vehicles	2,650.8	9.3%
Water	3,456.9	12.1%
Total	**$28,469.2**	**100.0%**

(Shown in Thousands)


Village of Arlington Heights
2019-2023 Capital Improvement Program
SUMMARY BY TYPE
Dollars In Thousands
12,000
10,000
8,000
6,000
4,000
2,000
0
2019
2020
2021
2022
2023
Building/Land
Equipment
Sewer
Signals
Storm Water
Streets
Vehicles
Water

Village of Arlington Heights

2019-2023 CAPITAL IMPROVEMENT PROGRAM

By Type and Project Name

(shown in thousands)

Project Name	Project #	Total 2019	Total 2020	Total 2021	Total 2022	Total 2023	Total Project
Building/Land							
Overhead Door Replacement/Repair	BL-90-04	20.0	30.0	20.0	20.0	20.0	110.0
Public Works Annex Improvements	BL-93-02	30.0	30.0	30.0	43.0	10.0	143.0
Building Equipment Replacement	BL-95-04	68.0	41.3	30.0	27.9	77.5	244.7
Municipal Buildings Refurbishing	BL-95-05	102.0	40.0	73.0	271.4	178.2	664.6
Roof Maintenance Program	BL-95-06	403.0	494.5	342.5	0.0	65.0	1,305.0
Heating Plant/Air Conditioner Replacement	BL-96-01	92.0	23.0	42.0	43.0	130.0	330.0
Ongoing Maintenance to Brick Exteriors	BL-96-03	35.0	45.0	35.0	35.0	35.0	185.0
Historical Society Museum - Building Repairs	BL-96-04	50.0	50.0	50.5	25.0	25.0	200.5
Parking Structure Maintenance/Repairs	BL-00-06	15.0	137.0	0.0	75.0	1,150.5	1,377.5
Metropolis Theater Triangle Rooms & Halls Refurbish	BL-17-01	7.0	0.0	0.0	0.0	0.0	7.0
TIF IV Redevelopment	BL-16-05	500.0	500.0	500.0	500.0	500.0	2,500.0
Metropolis Theater Dance Studio Floor	BL-17-05	0.0	18.0	0.0	0.0	0.0	18.0
Metropolis Theater - Replace Flooring MPAC	BL-17-06	0.0	40.0	0.0	0.0	0.0	40.0
Hickory Kensington TIF District Redevelopment	BL-18-01	800.0	500.0	500.0	500.0	500.0	2,800.0
LED Parking Garage Lighting Conversions	BL-19-03	48.0	48.0	48.0	48.0	48.0	240.0
IRMA Compliance Upgrades	BL-19-02	39.8	16.4	16.4	16.4	16.4	105.4
LED Village Hall Clock Tower Lighting	BL-19-01	19.0	0.0	0.0	0.0	0.0	19.0
		2,228.8	**2,013.2**	**1,687.4**	**1,604.7**	**2,755.6**	**10,289.7**
Equipment							
Operational Equipment - Public Works	EQ-94-01	319.0	217.3	191.7	141.4	172.0	1,041.4
Operational Equipment - Police Department	EQ-95-01	146.0	66.1	44.0	44.0	71.0	371.1
Operational Equipment - Fire Department	EQ-95-02	616.0	235.0	81.0	112.0	101.0	1,145.0
Office Equipment	EQ-95-03	65.5	118.0	45.0	60.0	70.0	358.5
Operational Equipment - Municipal Fleet Services	EQ-97-01	49.0	47.5	43.2	38.2	3.5	181.4
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	879.5	10.0	922.4	0.0	521.9	2,333.8
Operational Equipment - Information Technology	EQ-01-03	133.0	110.5	100.5	100.5	115.5	560.0
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	37.0	38.0	39.0	40.0	0.0	154.0
Patrol Vehicle Equipment Replacement Program	EQ-08-03	75.0	45.0	25.0	35.0	35.0	215.0
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	58.0	60.0	61.5	63.3	65.2	308.0
Pumps & Motor Controls Rehab and Replacement	EQ-15-30	75.0	141.4	106.0	64.6	94.6	481.6
Metropolis Theater Moving Lights	EQ-17-07	7.0	0.0	0.0	0.0	0.0	7.0
Metropolis Theater Edison For Grid	EQ-17-08	11.0	0.0	0.0	0.0	0.0	11.0
Metropolis Theater Sound Console/ Board	EQ-17-09	35.0	0.0	0.0	0.0	0.0	35.0
Metropolis Theater Replace Smoke Detectors	EQ-17-10	25.0	0.0	0.0	0.0	0.0	25.0
Metropolis Theater LED Series 2	EQ-17-11	0.0	0.0	60.0	0.0	0.0	60.0
Lighting Fixtures in Theater	EQ-18-03	0.0	0.0	0.0	35.0	0.0	35.0
Wireless Microphones	EQ-18-05	0.0	0.0	0.0	14.0	0.0	14.0
Village ERP Software Replacement	EQ-19-04	200.0	0.0	0.0	0.0	0.0	200.0
Stage Light Control Systems - Dimmer Rack	EQ-19-03	0.0	0.0	0.0	0.0	100.0	100.0
Rear Projectors	EQ-19-02	0.0	0.0	0.0	20.0	0.0	20.0
Stage Curtails	EQ-19-01	0.0	0.0	26.0	0.0	0.0	26.0
		2,987.8	**1,345.6**	**2,002.1**	**1,024.8**	**1,606.5**	**8,966.8**
Sewer							
Sewer Rehab/Replacement Program	SW-90-01	400.0	425.0	450.0	475.0	500.0	2,250.0
Backyard Drainage Improvements	SW-11-02	300.0	300.0	300.0	300.0	300.0	1,500.0
Storm Sewer Rehab/Replacement Program	SW-15-20	500.0	500.0	500.0	500.0	500.0	2,500.0
		1,200.0	**1,225.0**	**1,250.0**	**1,275.0**	**1,300.0**	**6,250.0**
Signals							
Traffic Signal Maintenance	SG-03-02	109.9	112.1	114.5	116.8	119.1	572.4
		109.9	**112.1**	**114.5**	**116.8**	**119.1**	**572.4**

Village of Arlington Heights

2019-2023 CAPITAL IMPROVEMENT PROGRAM
By Type and Project Name
(shown in thousands)

Project Name	Project #	Total 2019	Total 2020	Total 2021	Total 2022	Total 2023	Total Project
Storm Water Control							
Cypress Detention Basin/Lift Station	SW-18-02	2,650.0	2,900.0	0.0	0.0	0.0	5,550.0
Enhanced Overhead Sewer Program	SW-18-01	800.0	800.0	800.0	375.0	0.0	2,775.0
Greenbriar / Roanoke / Wilke	SW-18-03	0.0	0.0	1,600.0	1,500.0	0.0	3,100.0
Campell / Sigwalt	SW-18-04	2,085.0	0.0	0.0	0.0	0.0	2,085.0
Orchard / Burton Drainage Improvements	SW-19-02	0.0	0.0	300.0	0.0	0.0	300.0
Evergreen / Maude Drainage Improvements	SW-19-01	0.0	400.0	0.0	0.0	0.0	400.0
		5,535.0	**4,100.0**	**2,700.0**	**1,875.0**	**0.0**	**14,210.0**
Streets							
Street 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	385.0	395.0	405.0	415.0	425.0	2,025.0
Pavement Crack Sealing Program	ST-92-01	200.0	200.0	200.0	200.0	200.0	1,000.0
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	412.0	412.0	412.0	75.0	75.0	1,386.0
Downtown Street Furniture	ST-14-01	10.0	10.0	10.0	10.0	10.0	50.0
Downtown Streetscape Improvements	ST-15-35	205.0	200.0	0.0	0.0	0.0	405.0
Northwest Highway (Rt. 14) Corridor Landscaping Improvements	ST-16-20	0.0	101.0	75.0	77.0	0.0	253.0
Surface Treatment - Streets	ST-18-02	150.0	150.0	150.0	150.0	150.0	750.0
Rand Road Corridor Identification Enhancement	ST-17-20	594.0	111.1	277.6	144.8	0.0	1,127.5
Green Corridor Beautification	ST-99-03	150.0	0.0	0.0	0.0	0.0	150.0
LED Street Lighting Conversions	ST-19-01	64.0	64.0	64.0	64.0	64.0	320.0
Bike Plan/Bike Route Pavement Marking	ST-19-04	20.0	20.0	20.0	20.0	20.0	100.0
South Arlington Heights Road Corridor	ST-19-03	200.0	0.0	0.0	0.0	0.0	200.0
		10,300.0	**9,673.1**	**9,723.6**	**9,365.8**	**9,254.0**	**48,316.5**
Vehicles							
Vehicle and Special Equipment Replacement - Public Works	VH-95-01	1,523.8	952.8	1,450.0	701.3	900.4	5,528.3
Vehicle and Special Equipment Replacement - Water & Sewer	VH-95-02	280.0	98.4	382.5	220.9	0.0	981.8
Vehicle Replacement - Police Department	VH-95-03	522.2	248.1	194.5	210.1	168.9	1,343.8
Vehicle Replacement - Fire Department	VH-95-04	324.8	40.0	470.6	1,371.6	1,253.7	3,460.7
Vehicle Replacement - Municipal Fleet Services	VH-95-06	0.0	52.0	48.0	0.0	0.0	100.0
Vehicle Replacement - Municipal Parking Operations	VH-95-08	0.0	109.0	0.0	0.0	0.0	109.0
Vehicle Replacement - Building & Health Services Department	VH-95-10	0.0	73.0	25.0	30.0	0.0	128.0
Metropolis Theater Van	VH-21-01	0.0	30.0	0.0	0.0	0.0	30.0
		2,650.8	**1,603.3**	**2,570.6**	**2,533.9**	**2,323.0**	**11,681.6**
Water							
Watermain Replacement Program	WA-90-01	2,000.0	2,500.0	2,500.0	3,000.0	3,500.0	13,500.0
Automatic Meter Reading System	WA-03-02	0.0	0.0	737.3	129.1	400.0	1,266.4
Water Tank Repainting	WA-11-01	1,456.9	875.0	1,036.4	525.0	563.0	4,456.3
Deep Well Rehabilitation	WA-11-02	0.0	0.0	0.0	0.0	15.0	15.0
		3,456.9	**3,375.0**	**4,273.7**	**3,654.1**	**4,478.0**	**19,237.7**
		28,469.2	**23,447.3**	**24,321.9**	**21,450.1**	**21,836.2**	**119,524.7**

Village of Arlington Heights
2019-2023 CAPITAL IMPROVEMENT PROGRAM
SUMMARY BY YEAR
(in thousands)

CAPITAL SPENDING	ACTUAL FY2014	ACTUAL FY2015	ACTUAL 8 Mos. 2015	ACTUAL 2016	ACTUAL 2017	ESTIMATED ACTUAL 2018	PROP BUDGET 2019	PROP BUDGET 2020	PROP BUDGET 2021	PROP BUDGET 2022	PROP BUDGET 2023	TOTAL 2019-2023
BUILDINGS & LAND	1,018.7	815.5	1,009.8	1,635.8	9,336.8	25,646.7	**2,228.8**	2,013.2	1,687.4	1,604.7	2,755.6	**10,289.7**
EQUIPMENT	940.7	834.5	833.8	1,249.7	1,877.6	4,050.7	**2,987.8**	1,345.6	2,002.1	1,024.8	1,647.5	**9,007.8**
SEWER	727.7	459.5	250.4	869.6	655.4	1,794.9	**1,200.0**	1,225.0	1,250.0	1,275.0	1,300.0	**6,250.0**
SIGNALS	188.8	244.2	255.7	778.9	384.0	554.5	**109.9**	112.1	114.5	116.8	119.1	**572.4**
STORM WATER CONTROL	41.6	310.3	10.7	518.1	1,387.8	1,734.9	**5,535.0**	4,100.0	2,700.0	1,875.0	0.0	**14,210.0**
STREETS	9,702.6	10,170.2	5,578.8	9,867.8	7,842.0	10,872.1	**10,300.0**	9,673.1	9,723.6	9,365.8	9,254.0	**48,316.5**
VEHICLES	2,442.3	1,872.5	1,325.2	520.5	2,008.0	2,610.5	**2,650.8**	1,603.3	2,570.6	2,533.9	2,323.0	**11,681.6**
WATER	544.1	643.4	679.9	2,481.0	2,761.3	2,214.0	**3,456.9**	3,375.0	4,273.7	3,654.1	4,478.0	**19,237.7**
TOTAL CAPITAL SPENDING	**15,606.5**	**15,350.1**	**9,944.3**	**17,921.4**	**26,252.9**	**49,478.3**	**28,469.2**	**23,447.3**	**24,321.9**	**21,450.1**	**21,877.2**	**119,565.7**

CAPITAL FUNDING	ACTUAL FY2014	ACTUAL FY2015	ACTUAL 8 Mos. 2015	ACTUAL 2016	ACTUAL 2017	ESTIMATED ACTUAL 2018	PROP BUDGET 2019	PROP BUDGET 2020	PROP BUDGET 2021	PROP BUDGET 2022	PROP BUDGET 2023	TOTAL 2019-2023
Capital Projects Fund	7,412.2	5,657.6	4,651.1	6,675.7	7,480.4	10,571.2	**9,495.5**	9,015.0	8,676.2	8,318.4	8,395.7	**43,900.8**
Motor Fuel Tax Fund	2,546.2	2,719.8	457.5	4,116.6	1,535.4	1,983.1	**1,909.9**	1,912.1	1,914.5	1,916.8	1,919.1	**9,572.4**
Storm Water Control Fund	450.1	468.6	29.9	894.5	1,624.9	3,154.7	**6,335.0**	4,900.0	3,500.0	2,675.0	800.0	**18,210.0**
Water & Sewer Fund	978.8	1,122.0	1,159.3	3,315.2	4,031.7	3,239.7	**5,289.9**	4,397.6	6,149.0	4,415.4	5,818.1	**26,070.0**
Municipal Parking Operations Fund	51.2	164.1	774.3	559.8	786.0	219.7	**78.0**	200.0	63.0	138.0	1,213.5	**1,692.5**
Emerald Ash Borer (EAB) Fund	957.5	2,762.7	1,341.9	789.3	467.1	0.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Public Buildings Fund	59.3	349.4	23.2	457.8	8,037.5	26,029.9	**0.0**	0.0	0.0	0.0	0.0	**0.0**
Fleet Operations Fund	2,442.3	1,872.5	1,325.2	520.5	2,008.0	2,610.5	**2,759.8**	1,591.8	2,623.6	2,533.9	2,323.0	**11,832.1**
Arts, Entertainment & Events Fund	0.0	25.3	30.7	105.8	122.5	146.8	**122.0**	126.0	125.0	109.0	141.0	**623.0**
Technology Fund	233.9	208.2	151.2	220.6	154.2	253.7	**441.8**	241.8	241.8	241.8	241.8	**1,409.0**
TIF IV Fund 263	475.0	0.0	0.0	265.6	3.0	0.0	**650.0**	500.0	500.0	500.0	500.0	**2,650.0**
TIF V Fund 264	0.0	0.0	0.0	0.0	2.2	24.0	**355.0**	53.9	28.8	101.8	0.0	**539.5**
TIF HK Fund 266	0.0	0.0	0.0	0.0	0.0	700.0	**800.0**	500.0	500.0	500.0	500.0	**2,800.0**
Criminal Investigations Fund	0.0	0.0	0.0	0.0	0.0	395.0	**71.3**	9.1	0.0	0.0	25.0	**105.4**
Foreign Fire Insurance Tax Fund	0.0	0.0	0.0	0.0	0.0	0.0	**161.0**	0.0	0.0	0.0	0.0	**161.0**
CDBG Fund	0.0	0.0	0.0	0.0	0.0	150.0	**0.0**	0.0	0.0	0.0	0.0	**0.0**
TOTAL CAPITAL FUNDING	**15,606.5**	**15,350.1**	**9,944.3**	**17,921.4**	**26,252.9**	**49,478.3**	**28,469.2**	**23,447.3**	**24,321.9**	**21,450.1**	**21,877.2**	**119,565.7**

Item: Long-Term Revenue Report

Department: Finance

ATTACHMENTS:

Description	**Type**
Long-Term Revenue REport	Exhibits

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 15, 2018
Subject: **LONG-TERM REVENUE REPORT**

This review focuses on General Fund revenues, but also notes key revenues in other operating funds such as the Parking and Water & Sewer Funds. The report presents a list of revenues, the percent or fee base for each revenue, the year the revenue was last changed, and an estimate of how often the percent or fee should be reviewed for adjustment. Some fee levels may need to be compared against those charged in other communities in order to ensure that the Village remains a competitive community in which to live and conduct business. Recommendations are provided for fee adjustments or fee adjustment schedules over the next five years. It also outlines other potential revenue sources that the Village may not be currently using.

This report outlines further some disruptive technologies that can change the way we provide services or that can have an effect on our revenue base. As part of this review, Staff analyzed the effect of internet sales on various alternative purchases, such as groceries, pharmacy, furniture, clothing, and other purchase categories. The intent of this analysis is an attempt to quantify the effect of internet sales on the municipal sales tax revenue stream. Finally, the report provides a review of the Village's current vehicle sticker program, outlines the pros and cons of this program, and provides a couple of options for the Board's consideration.

The Village's Current Financial Position

Before wading into the specifics about revenues, it's important to review briefly where we've come from and where we currently are from a financial perspective. The Village has maintained a stable financial position over the years, but accomplishing this has required ongoing actions by the Village. Normal economic downturns, the cost of expanding services, disruptive technologies, the Great Recession, and more recently the State's diversion of local revenues to its own coffers have all resulted in financial challenges to the Village. We have managed these challenges through a combination of expenditure cuts, new or increased revenues, and the short-term use of reserves when needed

The Great Recession resulted in the Village reducing its staffing level by about 10%. All departments were affected by these cuts, although the Public Safety departments were not affected as much as other administrative areas. Over the last ten years the Village has maintained these cuts. As sales and income tax revenues improved, the Village kept its property tax level in check and increased its annual road improvement program by nearly 50%. During this time period the Village also absorbed the costs associated with removing and replacing 33,000 parkway trees due to the emerald ash borer invasion, increased its water main replacement program by 400%, instituted a new storm water program, and we are currently completing the construction of a new Police Station.

The Village's future challenges include additional potential State actions due to its ongoing budget difficulties, an eventual economic downturn following one of the country's longest economic expansion periods, and working through disruptive technologies such as internet sales which tamp down growth in the Village's sales tax base. These challenges are not insurmountable, but will require the Village and all local governments to continue to adjust to changing conditions.

General, Parking and Water & Sewer Fund Revenues

Attachment A provides a detailed list of revenues in the General Fund. As noted earlier, the information on these attachments includes the revenue source, annual revenue, basis of the revenue, the year the revenue was last adjusted, and a column recommending how often adjustments should occur and when the next adjustment is scheduled. **Attachments B and C** show revenues for the Parking and Water & Sewer Funds respectively. The Parking Fund fees were adjusted as of October 2017 and will be reviewed at least every five years. A schedule of Water & Sewer Fund charges has been approved by the Village Board every five years for the last ten years. These charges are scheduled to be reviewed again in the summer of 2019.

It has been a number of years since the General Fund's licenses, fines and fees have been adjusted. However, this was done purposefully. Following the Great Recession, the Village experienced a number of years of increases to our sales and income tax revenue streams which allowed the Village to hold down property tax increases while increasing spending on our infrastructure. In addition, during the past three years, the State has been in a desperate financial position and had not passed a budget until recently. At the same time, some State legislators have proposed to cap property tax increases for public entities across the State. For these reasons, Staff has held back on making any recommendations to increase the Village's licenses, fines and fees as it appeared likely that we would need this revenue option in the future if property taxes were capped. The abovementioned concerns still exist, however, the Village's sales and income tax revenue streams are now leveling off. As a result, the Village may now want to start to consider increases to some of its other General Fund revenue sources.

Possible General Fund License, Fee and Fine Increases:

Before implementing any possible increases, the Village should determine if the proposed fees compare reasonably to fees charged in other surrounding communities. Listed below is an example of a potential license, fee, and fine review schedule:

2020	Liquor licenses (increase 25%)	$107,000
2021	Vehicle stickers and dog tags ($30 to $40 and $12 to $15)	$439,000
2022	Business licenses, permits, and fees (increase 13-25%)	$406,000
2023	Ambulance service fees, Police fees and fines	$115,767
2024	Planning, fire exam, and engineering fees	$212,000

Other Potential Alternative General Fund Revenue Sources:

As noted above, if the Village is experiencing a more normal environment that is free from State interference, a planned review of General Fund license, fee, and fine increases should be undertaken. There are also other currently untapped revenue sources that the Village could consider if the General Fund's other revenues are restricted by the State, the economy, or disruptive technology:

- The existing Home Rule Sales Tax of 1% could be increased 1/4% to produce approximately $1,750,000 of additional revenue on an annual basis.
- A Real Estate Transfer Tax at the rate of $3.00 for each $1,000 of value paid by the property seller could produce at least $1,125,000 of additional revenue on an annual basis. This tax would require an affirmative referendum vote.
- The Food & Beverage Tax of 1.25% could be increased to 2% and would produce at least $1,500,000 of additional revenue on an annual basis.
- The Village could allow video gaming and receive 5% of net terminal income. Buffalo Grove allows video gaming only at full service restaurants (gaming cafes are prohibited). The revenue generated at their 8 establishments is about $800/month per establishment or a total video gaming revenue stream of about $76,800. Rolling Meadows is currently in the process of permitting video gaming. The Village of Arlington Heights has 77 full-service restaurants. If one-third of these establishments offered video gambling, based on Buffalo Grove's experience, the Village of Arlington Heights could conceivably receive about $250,000 in video gaming revenue.

Disruptive Technologies:

Over the last couple of decades disruptive or transformative innovations have radically changed the way the world operates today. These innovations continue to increase and redefine IT, business, and everyday life. What is disruptive technology? Investopedia defines it as, "technologies that significantly alter the way that businesses and entire industries operate. Often times, these technologies force companies to alter the way they approach their business or risk losing market share or risk becoming irrelevant." Some examples of disruptive technologies include the following:

1. Mobile Internet
2. Automation of knowledge work (Artificial Intelligence)
3. Internet of Things
4. Cloud computing
5. Advanced robotics
6. Autonomous and near-autonomous vehicles
7. Next-generation genomics
8. Energy storage
9. 3-D Printing
10. Renewable energy
11. Block Chain (decentralized transaction log – structure for Bitcoin)

Recognizing these disruptive technologies can help the Village understand or anticipate some of the changes. This can help us as we work to adjust our administrative processes and regulations, as well as how we provide services. It can also help explain current and potential trends that can have an effect on the Village's revenue base. Some examples of how disruptive technology is already effecting our tax base and may affect our tax base in the future include the following:

A. E-commerce – as more and more residents make all types of purchases through tax-free or tax-reduced Internet sites, the Village is losing valuable sales tax revenues. Sales taxes represent one of the Village's few growth revenues and is currently equivalent to 22% of the Village General Fund's total revenues. This issue is discussed in more detail in the following "Internet Sales" sections of this report.

B. "Cutting the Cord 1" – as the use of cell phones has increased exponentially, many residents have foregone their landline phones which has caused the Village's telecommunications tax receipts to decrease by $600,000 from 2014 through 2018.

C. "Cutting the Cord 2" – a number of TV viewers are now receiving their entertainment and news through the internet, including Netflix and Amazon subscriptions. The

Village's cable franchise revenues could decrease if residents choose to cancel their CATV/Internet subscriptions in favor of Internet-only subscriptions.

D. Paying for Public Parking Fees via mobile phones – as more people expect to be able to utilize this payment option for their daily commuter parking fees, Village parking fee revenue will decrease due to the software service provider's fee for this payment option.

E. Potential disruptive technology – Self-Driving Cars/Improved Battery Storage – there a number of ways that these emerging technologies may have an effect in the not too distant future on the Village's revenue base. Since cars are parked about 95% of the time, in the future it may be more economical to simply request a self-driving vehicle or vehicle rental service provider, rather than owning a vehicle. This could lead to a decreased need for public parking spaces, but an increased need for drop off areas and fleet parking spaces. Battery operated cars would also require less oil and oil changes. The direct link to Village revenues is that vehicle sales is the Village's number one sales tax generator representing about 21% of our total sales tax receipts. In the future residents may purchase less vehicles, and fleet vehicle purchasers may go directly to the manufacturer instead of a local dealer. In regard to oil sales, less oil changes could result in the closing of oil change businesses, but there also may be an increase in demand for recharging stations. Motor fuel tax receipts could also be adversely affected by the increased use of electric cars.

F. Other potential disruptive innovations that could affect Village revenues include AirBnB (lower hotel/motel taxes), Food Trucks (lower sales and FBT taxes, questionable sanitation and regulation), Uber (lower taxi fees), and Online Banking (vacant bank buildings and lower assessed property value).

Once again, having an understanding of these disruptive technologies can help the Village adjust to the new environment. While innovation can depress the Village's revenue base, it can also improve the efficiency, effectiveness, and security of Village processes through the use of GIS, GPS, Drones, AI, Social Media, Block Chain (secure Internet transactions), and other technological advances. Governments will need to continue to leverage regionalism and partnerships, and be as proactive as possible in identifying trends. The Village has continued to take proactive steps to reduce expenses through regional partnerships. Last year, the Village partnered with other communities through the Intergovernmental Risk Management Agency for general liability and workers compensation insurance coverage. We also joined the GIS Consortium to provide improved GIS services. Staff is currently considering an alternative way to offer health insurance coverage to our retirees that will help lessen cost increases to the Village's employee health plan.

Internet Sales History – Upcoming Supreme Court Ruling

One of the most disruptive technologies that has effected business and government alike has been the development of e-commerce. In 1995 Amazon was launched as an online book seller and eBay created a platform that eventually became one of the most recognizable online auction sites. In December 1995 there were an estimated 16 million worldwide internet users, or roughly .4% of the world's population. In a little over two decades internet usage has grown to 4.16 billion worldwide users or 54.4% of the world's population. When businesses first started rolling out e-commerce business platforms, total e-commerce sales represented a very small percentage of total sales. Brick and mortar sales remained the dominate way people made their purchases. Since the creation of the internet, the U.S. government has been reluctant to regulate the internet as it was a small portion of overall sales and there was a desire to let this new technology grow and experiment with new ways of doing business.

Another key feature of internet sales was that there was initially no sales tax applied to purchases, as internet sales providers presented no specific place or nexus for taxing purposes. In addition, internet sales companies said that it was not technically possible to calculate the myriad different sales tax rates charged by many different governmental units. Over the last twenty years, internet sales have increased exponentially as has the internet company's ability to track these sales. The internet has clearly changed the way we shop. Even those who don't regularly buy online use search engines to comparison shop. Many shoppers are now "showrooming", a technique that involves browsing stores to find what they like and then buying the product tax free online, and frequently with free shipping. Internet sales are now adversely affecting brick and mortar stores, many of which have had to open e-commerce sites or close their doors.

The rise of internet sales has effected states and local governments which have relied on sales tax receipts as a key source of revenue. As tax-free internet sales have increased, state and local governments' revenue bases have decreased. The loss of brick and mortar businesses and the revenue base loss for state and local governments has now become an issue that the U.S. Supreme court is scheduled to rule on in the summer of 2018.

Over the years there have been a number of court cases that have formed the basis for the existing internet sales case that is now before the U.S. Supreme Court. A summary prepared by the Government Finance Officers' Association outlines these cases,

> "…in the 1967 case <u>National Bellas Hess v. Department of Revenue of Illinois</u>, the Supreme Court held that per its Commerce Clause jurisprudence, state and local governments cannot require businesses to collect sales tax unless the business has a physical presence in the state. Twenty-five years later, in <u>Quill v. North Dakota</u> (1992), the Supreme Court reaffirmed the physical presence requirement but admitted that

> "contemporary Commerce Clause jurisprudence might not dictate the same result" the court had reached in *Bellas Hess*.
>
> Despite the numerous attempts to legislatively address the issue, Justice Anthony Kennedy wrote a concurring opinion in March 2015 stating that the "legal system should find an appropriate case for this Court to reexamine *Quill*." In the Direct Marketing Association v. Brohl case, Justice Kennedy pointed to the fact that Internet sales have risen astronomically since 1992 and states and local governments remain unable to collect most taxes due on sales from out-of-state vendors."

The State and Local Legal Center (SLLC) issued an amicus brief on this issue that points out that states and local governments lost an estimated $26 billion in sales tax revenue in 2015 because they were unable to collect owed taxes. The brief encourages the court to overturn *Quill* in the upcoming South Dakota v. Wayfair case. If the court decides to replace the physical presence requirement, the SLLC encourages the court to adopt an economic nexus requirement like the one the South Dakota legislature adopted.

Oral argument on the *South Dakota* case was completed on April 17th, and the Supreme Court is expected to issue an opinion by the end of June 2018.

Sales Taxes in Illinois: Physical Presence v. Out-of-State (Internet) Sales

Sales tax is imposed on tangible personal property for use or consumption. Tangible personal property does not include real estate, stocks, bonds, or other assets representing an interest. Illinois sales tax has three basic rate structures: one for qualifying food, drugs, and medical appliances (2.25%), one for items required to be titled or registered (i.e. auto sales) (8.25%), and another for all other general merchandise (10%). See **Attachment D** which shows Arlington Heights' Sales Tax Rates.

The current rule throughout the United States is that a retailer must collect sales tax on Internet sales to customers in those states where the retailer's business has a physical presence. This is based on the *Quill* decision noted earlier. Under the current law, out-of-state businesses that do not have a physical presence in that state would not be required to collect sales tax. However, in 2015 Illinois as well as a number of other states enacted new laws, which are commonly referred to as Amazon laws. Under this law, Internet retailers with no physical presence but which have potential nexus (connections) between the retailer and the state, must collect sales tax from Illinois customers if that retailer:

- Has an agreement with a person located in Illinois to pay for customer referrals obtained via a link on the Illinois resident's website (a click-through arrangement), and
- The out-of-state retailer's cumulative gross receipts from these sales (including shipping costs) to Illinois customers exceeds $10,000 during the preceding four quarterly periods.

These applicable online retailers are required to collect the 6.25% state sales tax, but they **do not** have to collect local sales taxes. It should be noted that Amazon now has a physical presence in the state due to the opening of a number of distribution facilities. As such, they are now collecting state and local sales taxes for Amazon pro sellers that use Amazon to collect sales taxes. However, about half of all Amazon.com purchases are sold on Amazon Marketplace through third-party vendors, which are subject to the 2015 state law (if applicable) which doesn't require the collection of local sales taxes, only state sales taxes. Another choice offered by Amazon is their Fulfillment by Amazon (FBA) service for online stores. Amazon FBA was established in 2012 to facilitate the fulfillment component for businesses of all sizes. This includes sourcing warehouse space, receiving orders, packing product and shipping to customers. Using the service causes sales tax nexus in the state where the Amazon facility is fulfilling the order, creating a tax liability to that state for the online business. Amazon does not collect the sales taxes on items sold through FBA and it is the responsibility of the seller or buyer.

In cases where the online retailer does not meet the above-mentioned 2015 state requirements, it is either the retailer's or the customer's responsibility to pay a "use" tax directly to the state, rather than a sales tax. It is common knowledge that most customers do not pay the use tax. For general merchandise and vehicle purchases the use tax is 6.25%, and for qualifying food and drugs it is 1%. Upon receipt, 80% of the use tax is distributed to the State of Illinois and the remaining 20% is distributed to municipal and county governments in which the buyer resides.

At the federal level, the Supreme Court is expected to rule on the *South Dakota* case in June 2018. Congress has also repeatedly considered legislation that would affect whether large Internet retailers ($1 million or more in sales) are required to collect online sales taxes. The most recent proposal is the Marketplace Fairness Act of 2015. This Act would allow states to require large sellers not physically located in their state to collect taxes on online and catalog sales made to people in their state. States would also have to make sales tax collection easier before they could require sellers to collect the tax.

Internet Sales: Purchase Examples

Attachment E provides examples showing various $500 internet sales, pick-up, and delivery methods for three key purchase types:

- General Merchandise (Clothing, Electronic, Furniture, etc.)
- Prepared Food (Restaurants, Internet, etc.)
- Grocery (Food) and Drug

These examples clearly demonstrate how the internet has changed the way many people shop, and how this is restricting and decreasing the Village's sales tax revenue base. The nation's sales tax collection system is obviously still flawed. There are existing issues concerning the fairness between brick and mortar sales and online sales, as well as between taxing jurisdictions. As is shown, purchases of the same goods through different means can be taxed a number of different ways. Hopefully, future court and/or legislative action will help clarify this situation.

Recommendation:

The Village's General Fund revenue base has continued to be on a variable path due to economic changes, State budget actions, and disruptive technology. To remain as financially flexible as possible, it is helpful to have an understanding of these dynamics and to be able to consider other potential revenue sources when needed. **<u>It is recommended that the Village's Departments review their licenses, fees, and fines over the next year.</u>** Through this review the Village will be in a better position to consider ways to augment its General Fund revenue stream over time.

Vehicle Sticker Program – Pros and Cons

Issue: Recently, some area communities have taken steps to eliminate their vehicle sticker programs. The revenue from these programs was subsequently replaced by implementing other revenue generating options. Residents can be frustrated with having to purchase vehicle stickers and animal tags. Some question the fairness of this program when they see that some of their neighbors do not purchase their stickers/tags. The estimated scofflaw rate is about 11%. Vehicle sticker and animal tag revenues equal about $1.3 million per year.

Alternatives:

1. Increase property taxes by $1.3 million. For an average homeowner with a property value of $300,000, this would equal an approximate 2.9% property tax increase or about $28. This would be a savings for residents that currently pay for multiple vehicles, as local businesses would be helping cover the cost of maintaining Village streets. However, there are several areas of concern with this option that are outlined below.

2. Increase the Food & Beverage Tax (FBT) by .75% to generate about $1.4 million.

3. Add a roadway charge to the bi-monthly Water & Sewer bills. To generate $1.3 million would require an increase of about $10 - $11 per bill, or $60 - $67 one-time per year.

Pros:

- A fee in lieu of sticker sales would save some administrative time and printing/mailing costs.

Concerns:

- Apartment dwellers would not incur a charge under water bill option?
- Senior discounts would be administratively difficult to implement under the alternatives.
- Charge on water and sewer bill one-time per year? When? This would be a unique, untested charge.

Vehicle Sticker Enforcement/Education Option:

The Village could also choose to implement enhanced enforcement activities. This could include a marketing campaign that touts the importance of paying the annual vehicle sticker charge, noting that replacing this revenue source with property taxes would require a property tax increase of nearly 5%. Such a campaign could also note that the Village will be ramping up enforcement. In addition to these measures the Village could increase a ticket for not purchasing a vehicle sticker from up to $60, to up to $100, providing a clearer incentive to comply with this requirement.

Question: Does the Village Board have a general direction they wish staff to pursue in regard to Vehicle Stickers?

GENERAL FUND

Attachment A

Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review

Fund 101 General:

Property Tax IMRF			2017		$1,727,128				**Yearly**
Property Tax FICA			2017		$1,343,544				**Yearly**
Property Tax Police Pension			2017		$3,942,744				**Yearly**
Property Tax Fire Pension			2017		$4,861,912				**Yearly**
Property Tax Police Protection			2017		$4,932,797				**Yearly**
Property Tax Fire Protection			2017		$4,932,797				**Yearly**
Hotel Tax			2017		$1,043,796				
Admissions Tax	Horse Race	10-114	1976	.10 Each paid admission at a horse race	$28,394	445%	$126,354.64	$97,960.34	**5 years - ?**
	Amusement event	10-106	2006	$25 or 3% of receipts		125%			
	Coin operated device*	10-106	2006	$45/device		125%			
	Charitable/non-profit event	10-107	2001	no charge-must register					
	Theater/Cabaret/Night Club	10-206	2006	$575 annual or $25/day		125%			
	Athletic Contest	10-304	2006	$175 or 3% of gross		125%			
	Bowling alley	10-403	2006	$29.00/lane		125%			
	Billiard, pigeon, bagatelle,	-	-	-					
	or pool table	10-403	2006	$115.00/table		125%			
	Circus	10-508	2006	$175/day or 3% of gross		125%			
	Carnival	10-508	2006	$175/day or 3% of gross		125%			
	Sideshow	10-508	2006	$175/day or 3% of gross		125%			
	Public Place-Amusement	10-604	2006	$175/day or 3% of gross		125%			
	Dances	10-803	2006	$115/dance, $575 max.		125%			
	Dance Exhibit	10-804	-	-					
	private property	10-804	2006	$115/day, max $860		125%			
	public property	10-804	2006	$12/day, max $860		125%			
	exception-charity, non-profit	10-804	2006	$6.00		125%			
Food & Beverage Tax		11-802	2004	1 1/4% of purchase price	$1,970,860				
Sales Tax Home Rule			2009	1.00%	$5,000,579				
Road & Bridge Tax					$228,385				
Telecommunications Tax			2003	6%	$2,586,731				
Electric Utility Tax			2011	5%	$3,002,840				
Gas Utility Tax			2011	5%	$1,985,369				
Sales Tax Home Rule			2010	1%	$12,064,683				
Local Use Tax					$2,027,665				
Auto Rental Tax				1%	$27,179				
State Income Tax					$6,897,965				
Replacement Tax					$464,689				
Vehicle License (car)					$1,229,699	134%	$ 1,647,797	$418,097.75	**5 Years - 2021**
	Car	17-107	2004	$30		134%			
	Senior, disabled, light trailer, moped, a	17-107	2004	$12		134%			
	All other categories increase $5	17-107	2004	$25-$125		134%			
Business License:					$709,917		$887,396.00	$177,479.20	**5 Years - 2022**
	under 1001 s.f.	14-102a	2006	$130		125%			
	1001 to 5000 s.f.	14-102a	2006	$190		125%			
	5001 to 12000 s.f.	14-102a	2006	$380		125%			
	over 12000 s.f.	14-102a	2006	$760		125%			
	Late fee 20%	14-102c	2006	20% of license		125%			
	Itinerant Dealers/Stands	12-1704	2006	$130/year		125%			
	Hotel/Motel License	14-102b	2008	$3.50/room		117%			
	Auctioneer - annual	12-104	2006	$115 + $35/employee		125%			
	Auctioneer - daily	12-104	2006	$12 + $12/employee		125%			
	Auctioneer - special	12-110	2006	$6.00/day		125%			
	Tobacco dealers	12-204	2006	Std bus lic + $105./machine		125%			
	Tobacco dealers Reg Fee	12-214	2006	$105.00/machine		125%			
	Solid Fuel/Fuel Oil Dealer	12-304	2003	$130/location + $25/veh		136%			
	Bulk Fuel	12-304	2003	$400		136%			
	Storage	12-304	2003	maximum fee $525		136%			
	<200 gallons	12-304	2004	$25.00		134%			
	201 to 1,065	12-304	2004	$30.00		134%			
	1,066 to 10,600	12-304	2004	$50.00		134%			
	10,601 to 15,600	12-304	2004	$65.00		134%			
	Over 15,600 gallons	12-304	2004	$65 + $7/1000 gal max $525		134%			

GENERAL FUND

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Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review
	Pawnbroker	12-804	2006	$215.00		125%			
	Filling Station Operator	12-1404	2006	$160/underground tank		125%			
	Ambulance Company	12-102b	2006	$130		125%			
	Beauty Care	14-102b	2006	$22/chair		125%			
	Building contractor	14-102b	2006	$130		125%			
	Electrical Contractor	14-102b & 25-3	2006	$30		125%			
	Day Care Home	14-102b	2006	$30 initial- $20 renewal		125%			
	Solid Waste Hauler	14-102b	2008	$200/vehicle		117%			
	Ambulance Company	14-102b	2006	$130		125%			
	Public passenger veh co.	14-102b	2006	$130		125%			
	Public passenger veh lic.	14-102b	2006	$80		125%			
	Public pass application fee	14-1303b	2006	$40		125%			
	Chauffeurs license	14-102b	2006	$40		125%			
	Sale of Christmas Tree	14-102b	2006	$30/mo/location		1125%			
	Coin Operated Food Vending*	14-102b	2004	$50 for each permit		134%			
	Coin Operated Amusement*	14-102b	2006	$55/device if not tax		125%			
	Coin Amusement Tax*	14-1606l	2006	$170/device 1-10		125%			
	*(requires public hearing)		2006	$230/device over11		125%			
	application fee	14-1604a	2003	$10		136%			
	permit for variation	14-1608	2003	$35		136%			
	Food License	11-704							
	vending machine*		2004	$50		134%			
	vehicle		2006	$105		125%			
	mobile		2006	$315		125%			
	Food Processing								
	5 employees or less		2006	$260		125%			
	6 - 21 employees		2006	$360		125%			
	more than 21 employees		2006	$500		125%			
	Food Service								
	5 employees or less		2006	$260		125%			
	6 - 21 employees		2006	$360		125%			
	more than 21 employees		2006	$500		125%			
	Retail Food								
	5 employees or less		2006	$260		125%			
	6 - 21 employees		2006	$360		125%			
	more than 21 employees		2006	$500		125%			
Dog License		16-207	2004	$12	$62,047	134%	$ 83,143	$21,095.98	**5 Years - 2021**
Liquor License:		13-502			$428,095	125%	$ 535,118	$107,023.63	**5 Years - 2020**
	Application Fee	13-203	2006	$135		125%			
	Liquor License - A	13-502	2006	$3,800		125%			
	Liquor License - A - Supplemental	13-502	2006	$650		125%			
	Liquor License - AA	13-502	2006	$4,600		125%			
	Liquor License - AA - Adj	13-502	2006	$2,600		125%			
	Liquor License - AA - Sup	13-502	2006	$200.00		125%			
	Liquor License - B	13-502	2006	$3,700		125%			
	Liquor License - BB	13-502	2006	$3,700		125%			
	Liquor License - C	13-502	2006	$650		125%			
	Liquor License - DD	13-502	2006	$4,600		125%			
	Liquor License - E	13-502	2006	$2,700		125%			
	Liquor License - F	13-501j	2006	$200,000 +/- 60-84 events		125%			
	Liquor License - G	13-502	2006	$4,600		125%			
	Liquor License - H	13-502	2006	$650		125%			
	Liquor License - not-for-profit	13-501n	2006	$25/day		125%			
	Liquor License - special	13-501o	2006	$65/day/location		125%			
Public Chauffeur License		14-102b	2004	$40.00	$840	134%	$ 1,126	$285.60	**5 Years - 2022**
Multiple Dwelling License		14-102b	2006	$60 min or $13/unit	$72,937	125%	$ 91,171	$18,234.25	**5 Years - 2022**
Building Permits:		7-1104a			$1,126,567	113%	$ 1,273,021	$146,453.72	**5 Years - 2022**
	single family	7-1104	2011	0.35/sf livable area		113%			
	multi-family	7-1104	2011	0.70/sf livable area		113%			
	commercial	7-1104	2011	0.40/sf - min $330		113%			
	alterations/additions	7-1104	2011	$11/$1,000 value		113%			
	attached garages	7-1104	2011	$30/ garage		113%			
	detached garages or acc bldg	7-1104	2011	-					
	less than 300 s.f.	7-1104	2011	$35.00		113%			

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Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review
	more than 300 s.f.	7-1104	2011	$70.00		113%			
	additional inspections	7-1104	2011	$50		113%			
	architectural review fee	7-1104	2011	$25		113%			
	outside plan review fee	7-1104	2011	cost of review		113%			
	fence fee	7-1104	2011	$40.		113%			
	recreational basketball poles	7-1104	2011	$25.00		113%			
	Remove & relocate bldg permit	7-1107	2006	$3/$1000 value of compl'd		125%			
	Relocate Bldg/same lot	7-1107	2006	$3/$1000 of cost to move		125%			
	Inspection - 6 months after expiration	7-1104e	2011	$50		113%			
Early Start Permits		7-1104d	2011	50% of orig fee	$0	113%			
Foundation Only Permits		7-1104c	2011	.10 or .20/s.f. X depth	$0	113%			
After the Fact Permits		7-1104b	2011	4 X original fee	$0	113%			
Electrical Permits- Inspection		25-206	2008	$55 min	$110,295	117%	$ 129,519	$19,224.39	**5 Years - 2022**
	Registration Fee- Electrical Contra	25-303	2006	$30.00		125%			
	Electrical Permits-floor area	25-103	2006	$60 min		125%			
	"	25-103	2006	$155 max		125%			
	Electrical Permits- service size	25-103	2006	$65 min		125%			
	"	25-103	2006	$240 max		125%			
	15 & 20 amp circuits	25-103	2006	1st 50 - $9ea. Over $5ea.		125%			
	over 20 amp	25-103	2006	$18 each		125%			
	Motor or device	25-103	2006	1st $16 all other $6		125%			
	All other related accessories	25-103	2006	$40		125%			
Plumbing Permits		24-104	2008	$65 min or $10/fixture	$94,803	117%	$ 111,327	$16,524.16	**5 Years - 2022**
	Hot water heater	24-104	2008	$25		117%			
	reinspection - water tap	24-704	2006	$115		125%			
Sign Permits- incl. canopy/awning		7-33	2005	$80	$12,400	130%	$ 16,120	$3,720.00	**5 Years - 2022**
Elevator Permits		7-1104a16	2011	$100	$86,142	113%	$ 96,953	$10,810.82	**5 Years - 2022**
	Elevator Permits-annual insp	7-1104	2011	$100 + $11/fl > 4floors		113%			
	Elevator Permits- plan review	7-1104	2011	$165		113%			
	Load test-traction	7-1104	2011	$110		113%			
	Interim inspection	7-1104	2011	$80		113%			
Occupancy Permits		7-1104a10	2011	$60 S/F, $120 all other	$29,240	113%	$ 32,910	$3,669.62	**5 Years - 2022**
	Temporary Occupancy Permit	7-1104	2011	$100		113%			
	Street Construction Permits	20-106c3	1997	3% of cost		156%			
Driveway Permits		20-106d	2006	$50	$8,364	125%	$ 10,455	$2,091.00	**5 Years - 2022**
Air Conditioning Permits		23-810	2006	$40	$13,171	125%	$ 16,464	$3,292.83	**5 Years - 2022**
Swimming Pool Permits		23-704	2006	+ .17/cubic ft	$4,825	125%	$ 6,032	$1,206.37	**5 Years - 2022**
	Above Ground Pool	23-725	2006	$40		125%			
Chimney Permits		7-1104a	2011	$40	$5,052	113%	$ 5,686	$634.03	**5 Years - 2022**
Wrecking Permits		7-1104a7	2011	$125/floor or garage	$16,809	113%	$ 18,919	$2,109.53	**5 Years - 2022**
Other Permits:					$985	125%	$ 1,231	$246.25	**5 Years - 2022**
	Antenna Structures	23-1305d	2006	$40		125%			
	Exhibition dangerous animal	16-105	2006	$30/day		125%			
	Excavations								
	Deposit	20-404a	2006	$350		125%			
	Fee	20-406	2006	$1.15/s.f. of surface area		125%			
	Mech. Amusement riding device	10-506	2006	$100/day, minimum $400		125%			
	Chemical/hazardous material	27-BOCA ch1 f	2006	$70 to $575/yr		125%			
	Propane exchange		2006	$70/yr		125%			
	Additional inspections		2006	$70/yr		125%			
	Liquefied Petroleum	27-303	2006	$60		125%			
	Public Fireworks	27-304	2006	$115		125%			
	Lien Recording Fees		2004	$100		134%			
	Finance Dept.								
	Returned check fee (nsf)	7-901article 11	1996	$25 + check amount		161%			
Cable Franchise Fees			2007	5%	$1,575,254				
Photo copy fees		7-902 article 11	$.10/page over 50		$0				
FOIA copy Fees		7-902 article 11	2010	first 50 pages N/C	$58	114%	$ 66	$8.35	**5 Years - 2024**
Other Fees					$52,147				
	Health Dept. test & sample fees								
	Coliform	none		$25					
	Nitrate	none		$20					
	Lead	none		$45					
	Fluoride	none		$20					

GENERAL FUND

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Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review
	Sampling fee	none		$10					
	TB screening	none		$10					
	Diabetic screening	none		$3					
	HDL & Total cholesterol	none		$20					
	Coaqucheck	none		$7					
	Lab draw (homebound only)	none		$10					
	Radon test kit	none		$10					
	Sale of Plans/Bid Specs			cost					
	Sale of Printed Matter			cost					
	Microfiche copies			$1.00					
	24" X 36" size copies			$3.00					
	Street Occupation	20-110d	2006	$25/day		125%			
	Trees and Shrubs	-	-	-					
	injury removal	20-602b	2001	$20.00 + value of old tree		142%			
	tree planting	20-611b	current	call Public Works					
Special PW Detail (Reimbursed)					$10,262				
Plan Commission Hearing Fees		28-13.6			$18,670	105%	$ 19,533	$862.55	**5 Years - 2024**
	Rezoning R-1, R-2, R-3	28-13.6	2016	$900		105%			
	Rezoning all other	28-13.6	2016	$900 to $1,700		105%			
	Outdoor café on sidewalk	28-5.1-14.2(a2r	2016	$115		105%			
	Outdoor café on private property	28-5.1-14.2(b2r	2016	$115		105%			
	Planned unit development	28-13.6	2016	$1,200 to $1,800		105%			
	Amendments to PUD	28-13.6	2016	$1,200 to $1,800		105%			
	Special use	28-13.6	2016	$500 to $1000		105%			
	Subdivisions	28-13.6	2016	$900 + $55/lot		105%			
	Land Use Variation	28-13.6	2016	$900 to $1,700		105%			
	Consolidation	28-13.6	2016	300		105%			
	Design commission review fee	7-1111	2006	$200 to $500		125%			
	Subdivision of land	29-201c	2005	$10/lot minimum $100		130%			
Rezoning/zoning Variation Fee		28-12.7			$14,890	130%	$19,357	$4,467	**5 Years - 2024**
	Single family	28-12.7	2005	$200		130%			
	Multi-family	28-12.7	2005	$350		130%			
	Commerical	28-12.7	2005	$500		130%			
	Institutional	28-12.7	2005	$330		130%			
Plan Examination Fees		23-103-10			$102,155		$138,931	$36,776	**5 Years - 2024**
	decks	23-103-10	2003	$30/hr min		136%			
	in-ground pools	23-103-10	2003	$45/hr		136%			
	additions to single family	23-103-10	2003	$60/hr		136%			
	business alterations	23-103-10	2003	$60/hr		136%			
	industrial alterations	23-103-10	2003	$60/hr		136%			
	new buildings except SFR	23-103-10	2003	$60/hr		136%			
	new single family residence	23-103-10	2005	$70/hr max		130%			
	Building code review board	7-1104f	2006	$110/appeal		125%			
	Underground storage tank	7-1106	2006	1000gal-$115+$11ea 1000gal over		125%	125%		
	above ground	7-1106	2006	$170/tank		125%	125%		
	pumps, piping, or repair	7-1106	2006	$140/location		125%	125%		
	Chemical Users Fee	27-203		cost of supplies used					
Fire Plan Examination Fee		7-1104a15			$40,805		$45,926	$5,121	**5 Years - 2024**
	fire protection systems	7-1104		-		113%			
	hourly rate	7-1104	2011	$70		113%			
	reinspection	7-1104	2011	$50					
	sprinkler systems	7-1104a15		new const. exist. const					
	1 to 20 sprinklers	7-1104	2011	$110.00 $165.00		113%			
	21 to 100	7-1104	2011	$190.00 $250.00		113%			
	101 to 300	7-1104	2011	$350.00 $400.00		113%			
	over 300	7-1104	2011	$500.00 $550.00		113%			
	alarm systems	7-1104	2011	$220.00 $330.00		113%			
	standpipes	7-1104	2011	$80.00/pipe $110.00/pipe		113%			
	fire pump	7-1104	2011	$110.00 $165.00		113%			
	hood systems	7-1104	2011	$110.00 $165.00		113%			
	all other reviews	7-1104a15	2011	$30 - $70.00/ hour		113%			
Engineering Service Fees		20-106c3	1996	3% of eng est. of cost	$109,998	161%	$176,591	$66,593	**5 Years - 2022**
	other inspections	20-106d	2006	$50		125%			

GENERAL FUND

Attachment A

Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review
Ambulance Service Fees		7-1105	2017	$1500 plus $12/mile	$1,682,159	102%	$1,716,980	$34,821	**5 Years - 2023**
Special Police Detail Fee			current	cost	$227,530				
Police Counselor Fees					$324,986				
Police Records Fees		state mandate			$10,687				
	accident report		current	$5 ea.					
	photos		current	$20 ea.					
	accident reconstruction		current	$20 ea.					
	other reports		current	$1/page					
	clearance letter (visa/adoption)		current	$5min, $10 max					
Special Fire Detail Fees			current	cost plus svc chg	$52,615				
False Alarm Fees		8-506e	2003	$50 - $500 based on # calls	$34,000	136%	$46,240	$12,240	**5 Years - 2023**
Haz-mat Inspection/Review		27-203	current	cost of supplies used	$0				
Chemical Users Fee					$13,210				
DUI Administrative Fee		18-407	2005	$500	$57,000	130%	$74,100	$17,100	**5 Years - 2023**
Weed Cutting Fees		19-208	2006	$50 plus costs	$4,295	125%	$5,369	$1,074	**5 Years - 2023**
Animal Detention Fees:		16-108a	2013	25	$25	108%	$27	$2	**5 Years - 2023**
Dog Fines	nuisance fine	16-501a	2011	$25 to $35		113%			
Traffic Court Fines					$273,041				
Parking Fines					$217,894	117%	$254,936	$37,042	**5 Years - 2023**
	initial fine	18-222d	2009	$25		117%			
	after 10 days	18-222d	2009	$30		117%			
	after 21 days	18-222d	2009	$35		117%			
	after 90 days send to collection	18-222d	2009	$45		117%			
	after 5 unpaid tickets- Boot Car	18-222d	2009	ticket $ + $125		117%			
	after 10 unpaid tickets-Suspend Driver's	18-222d	2009	ticket $ + $20		117%			
Parking Fines Amnesty					$22,548				
Compliance Ticket Fines		18-605			$6,922	136%	$9,414	$2,492	**5 Years - 2023**
	initial fine after compliance	18-605	2003	$0		136%			
	after 21 days	18-605	2003	$30		136%			
	after 35 days	18-605	2003	$45		136%			
	send to collection	18-605	2003	$59		136%			
Ordinance Ticket Fines		17-114a	2006	$5 to $750	$43,985	125%	$54,981	$10,996	**5 Years - 2023**
no vehicle license		17-114a	2006	$30 to $60					
Other Fines:					$3,585				
	Fire Hydrant/Lane Violation	18-222d-3	2009	$50 min, $750 max		117%			
	Handicapped parking	18-222d-2 & 18	2010	$250		114%			

PUBLIC PARKING FUND

Attachment B

Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review
Parking Lot A Daily Fees	Daily Fee Parking	18-218a	2017	2.00	$21,426	102%			**5 Years - 2022**
Parking Lot E Daily Fees	Daily Fee Parking	18-218a	2017	2.00	$8,817	102%			**5 Years - 2022**
Parking Lot Municipal Daily Fee	Daily Fee Parking	18-218a	2017	2.00	$11,692	102%			**5 Years - 2022**
Parking Lot Vail Street Daily Fee	Daily Fee Parking	18-218a	2017	2.00	$21,098	102%			**5 Years - 2022**
Parking Lot North Garage Daily	Daily Fee Parking	18-218a	2017	2.00	$69,380	102%			**5 Years - 2022**
Vail Street Garage Monthly Fee	Parking Permit-Commuter Resident	18-217c	2017	$40.00	$456,485	102%			**5 Years - 2022**
	Parking Permit-Commuter Non-Resident	18-217c	2018	$50.00		100%			
	Reverse Overnight commuter Permit	18-217c	2018	$50.00		100%			
	Parking Permit- 24 hr resident	18-217c	2017	$50.00		102%			
	Parking Permit- 24 hr non resident	18-217c	2018	$50.00		100%			
	Parking Permit- merchant	18-217c	2017	$30.00		100%			
	Parking Permit- merchant discounted	18-217c	2017	$15.00		102%			
North Garage Monthly Fee	Parking Permit-Commuter Resident	18-217c	2017	$40.00	$344,845	102%			**5 Years - 2022**
	Parking Permit-Commuter Non-Resident	18-217c	2018	$50.00		100%			
	Parking Permit- 24 hr resident	18-217c	2017	$50.00		100%			
	Parking Permit- 24 hr non resident	18-217c	2018	$50.00		100%			
	Parking Permit- merchant	18-217c	2017	$30.00		100%			
	Parking Permit- merchant discounted	18-217c	2017	$15.00		102%			
Parking Lot P Daily Fees	Daily Fee Parking	18-218a	2017	2.00	$42,934	102%			**5 Years - 2022**
Parking Lot S Daily Fees	Daily Fee Parking	18-218a	2017	2.00	$63,849	102%			**5 Years - 2022**
Parking Lot T Daily Fees	Daily Fee Parking	18-218a	2017	2.00	$5,493	102%			**5 Years - 2022**
Parking Lot Evergreen Garage D	Daily Fee Parking	18-218a	2017	2.00	$69,869	102%			**5 Years - 2022**
Parking Lot O Daily Fees	Daily Fee Parking	18-218a	2017	2.00	$5,856	102%			**5 Years - 2022**
Parking Fines	See General Fund				$96,060				**5 Years - 2022**

WATER SEWER FUND

Attachment C

Fund	Account & Fee Description	Code #	Changed	Current Fee Amount	2017 Revenue	Inflation Multiplier	Revenue Adjusted For inflation	Variance Due to CPI Inflator	Proposed Frequency of Review
Water Sales	Water Service Fees	21-302	2018	$6.09/1000 gallons	$13,146,983	100%			**Annual**
Sewer Charge	Sewer Maintenance Charge for Village W	21-304	2018	$1.57/1000 gallons	$3,413,202	100%			**Annual**
	Sewer Maintenance Charge for Non Village Water Users								
	Residential	21-304	2018	$56.54 bi-monthly		100%			**Annual**
	Commercial	21-304	2018	$262.17 bi-monthly		100%			**Annual**
Service Charge	Meter Size				$782,205				
	5/8: or 3/4" (includes resdiential meters)	21-302	2014	5.20 bi-monthly		106%			**5 Years - 2019**
	1"	21-302	2014	6.10 bi-montly		106%			**5 Years - 2019**
	1 1/2"	21-302	2014	7.60 bi-monthly		106%			**5 Years - 2019**
	2"	21-302	2014	9.50 bi-monthly		106%			**5 Years - 2019**
	3"	21-302	2014	13.90 bi-monthly		106%			**5 Years - 2019**
	4"	21-302	2014	20.20 bi-monthly		106%			**5 Years - 2019**
	6"	21-302	2014	35.90 bi-monthly		106%			**5 Years - 2019**
	8"	21-302	2014	61.10 bi-monthly		106%			**5 Years - 2019**
	10" and larger	21-302	2014	95.60 bi-monthly		106%			**5 Years - 2019**
Water Connection Fees	1"	21-202	2006	$350	$158,797	125%			**5 Years - 2019**
	1 1/2" - 2"	21-202	2006	$400		125%			**5 Years - 2019**
	3"-4"	21-202	2006	$600		125%			**5 Years - 2019**
	6"-8"	21-202	2006	$700		125%			**5 Years - 2019**
	10" and larger	21-202	2006	$1,000		125%			**5 Years - 2019**
Sewer Connection Fees			2006	$50.00	$4,750	125%			**5 Years - 2019**
Water Capital Improvement Fees	Single family	21-202	2007	$320.00	$39,741	122%			**5 Years - 2019**
	Multi-family dwelling	21-202	2007	$250 per unit		122%			**5 Years - 2019**
	All other developments	21-202	2007	$640 per acre		122%			**5 Years - 2019**
Back Flow Testing Fee				9.17/location	$88,012				
Pentalty Late Payment	late Payment			10% of amount due	$115,804				
	Water shut off (non-payment)	21-309e	2017	50.00		103%			**5 Years - 2019**
	Water turn-on	21-312	2017	50.00		103%			**5 Years - 2019**

Attachment D

ARLINGTON HEIGHTS CURRENT SALES TAX RATES
JANUARY 2018

	Food & Drug	Auto Sales	Prepared Food	All Other
Municipal Retailer's Occupation Tax	1.00%	1.00%	1.00%	1.00%
Home Rule Sales Tax	Exempt	Exempt	1.00%	1.00%
+1% -.5% -.25% -.25% +1.00% Cook County (7-1-08) (7-1-10) (1-1-12) (1/1/13) (1-1-16)	0.00%	(Use Tax- Up.25% on 1/1/12 from .75% 1.00%	1.75%	1.75%
Regional Transportation Authority (RTA) Effective 4-1-08	1.25%	1.00%	1.00%	1.00%
State (.25% to RTA)	Exempt	5.25%	5.25%	5.25%
Prepared Food & Beverage Tax	N/A	N/A	1.25%	N/A
TOTAL SALES TAX	**2.25%**	**8.25%**	**11.25%**	**10.00%**

OTHER TAXES

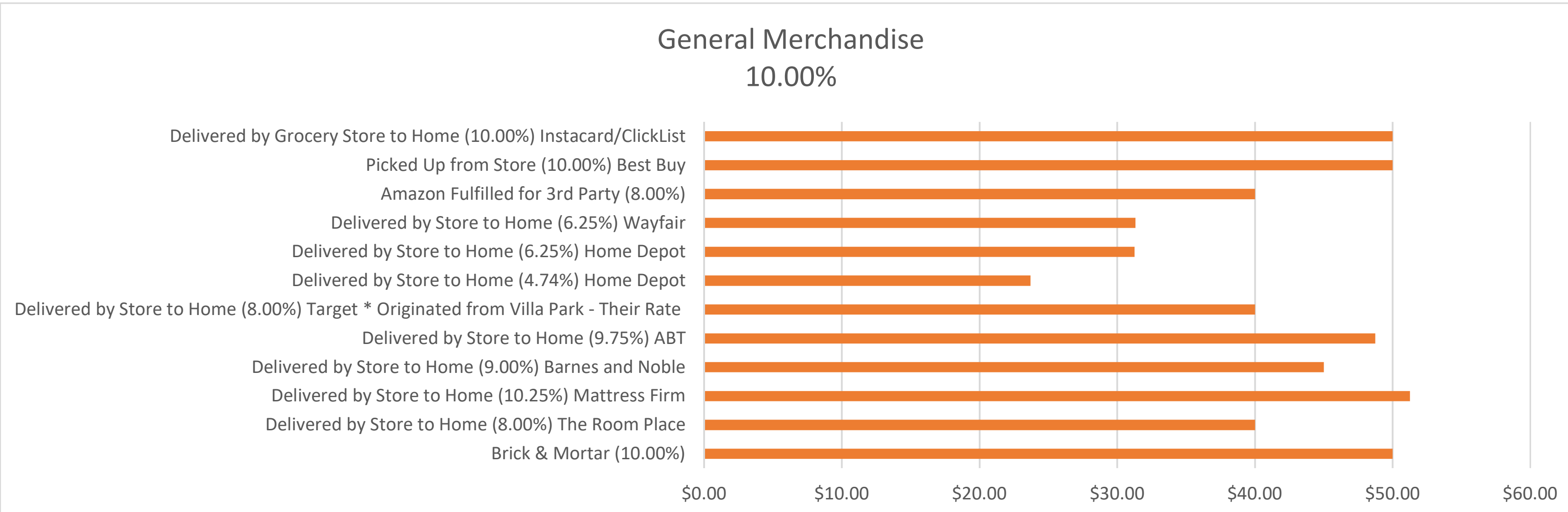
Name of Tax	Rate	Imposed On
Admissions Tax	$.10	Each paid admission at a horse race.
Coin-operated Amusement Device Tax	$ 55 permit $ 50 (food vending) $170 (1-10) $230 (11 & over)	Annual fee on various types of coin-operated amusement devices.
Cable Television Franchise Fee	5%	Gross charges on cable t.v. bill-excludes internet line connections. P.E.G. (public access) fee, additional 1%.
Food & Beverage Tax	1.25%	Gross receipts from sales of prepared food and beverages effective 7/1/90. (Increased by .25% on 9/1/04)
Home Rule Sales Tax	1%	Prepared food & general merchandise. (Increased by .25% effective 1/01/10)
Hotel/Motel Tax	5% (effective 1/96)	Gross rental receipts from leasing, renting or letting of rooms does not include state sales tax of 6%. (11% total in Arlington Heights)
Telecommunications Tax	6% (effective 1/1/03)	All telephones (cell & land line) State of IL rate additional 7%.
Utility Use Tax (Initiated 2/1/10)		
Gas 3% (2/1/10)	5% (effective 2/1/11)	(Approx.) Actual rate is based on therms used.
Electric 3% (2/1/10)	5% (effective 2/1/11)	(Approx.) Actual rate is based on kilowatt hours used.
Base "state" tax rate for IRS	6.25%	5% state, 1% Village of Arlington Heights, .25% RTA
Auto rental tax rate	12%	1% Village of Arlington Heights, 5% state, 6% MPEA (Pier)

No local gasoline Tax

1%	Home Rule
1.75%	County
1%	RTA
3.75%	Local
5%	State
1%	Mun.Ret.
.25%	RTA
6.25%	State

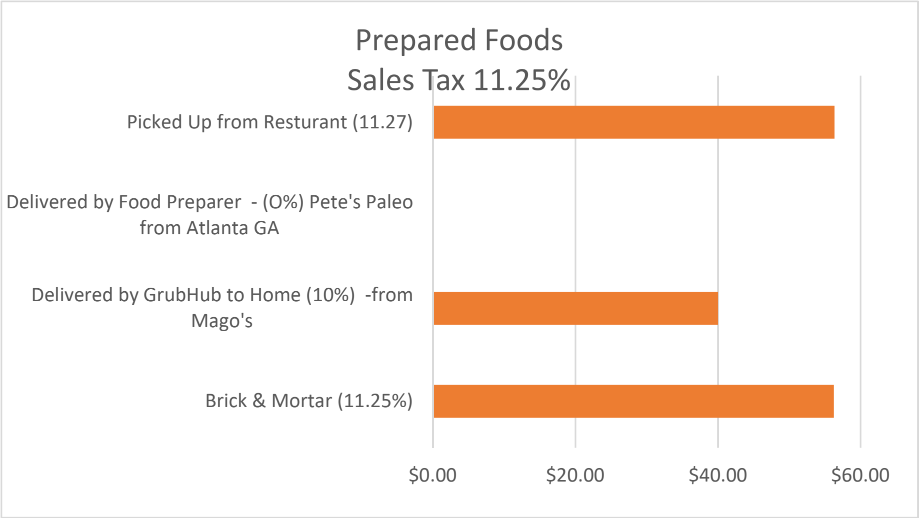
Attachment E

GENERAL MERCHANDISE PURCHASE OF $500.00 - 10.00% Tax Rate	Taxes Received on $500.00	Tax Rate
Brick & Mortar (10.00%)	**$50.00**	**10.00%**
Delivered by Store to Home (8.00%) The Room Place	$40.00	8.00%
Delivered by Store to Home (10.25%) Mattress Firm	$51.25	10.25%
Delivered by Store to Home (9.00%) Barnes and Noble	$45.00	9.00%
Delivered by Store to Home (9.75%) ABT	$48.75	9.75%
Delivered by Store to Home (8.00%) Target * Originated from Villa Park - Their Rate	$40.00	8.00%
Delivered by Store to Home (4.74%) Home Depot	$23.70	4.74%
Delivered by Store to Home (6.25%) Home Depot	$31.25	6.25%
Delivered by Store to Home (6.25%) Wayfair	$31.31	6.25%
Amazon Fulfilled for 3rd Party (8.00%)	$40.00	8.00%
Picked Up from Store (10.00%) Best Buy	$50.00	10.00%
Delivered by Grocery Store to Home (10.00%) Instacard/ClickList	$50.00	10.00%

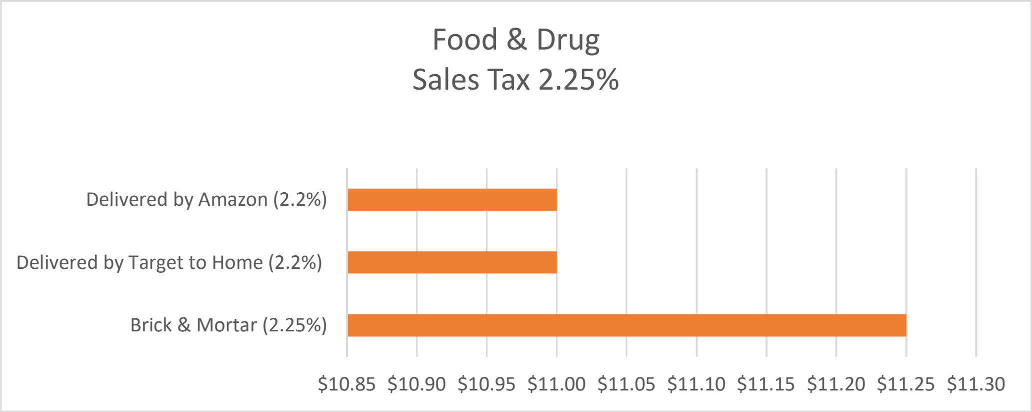


Attachment E

PREPARED FOOD PURCHASE OF $500.00 - 11.25% Tax Rate	**Taxes Received on $500.00**	**Tax Rate**
Brick & Mortar (11.25%)	**$56.25**	**11.25%**
Delivered by GrubHub to Home (10%) -from Mago's	$40.00	8.00%
Delivered by Food Preparer - (O%) Pete's Paleo from Atlanta GA	$0.00	0.00%
Picked Up from Resturant (11.27)	$56.35	11.27%



FOOD & DRUG PURCHASE OF $500.00 - 2.25% Tax Rate	**Taxes Received on $500.00**	**Tax Rate**
Brick & Mortar (2.25%)	**$11.25**	**2.25%**
Delivered by Target to Home (2.2%)	$11.00	2.20%
Delivered by Amazon (2.2%)	$11.00	2.20%



Item:	Operating Fund Overview / Recommended Budget Ceilings - 2019
Department:	Finance

ATTACHMENTS:

Description	Type
Operating Fund Overview/Recommended Budget Ceilings - 2019	Exhibits

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 15, 2018
Subject: **OPERATING FUND OVERVIEW/RECOMMENDED BUDGET CEILINGS – 2019**

The General Fund and the Water & Sewer Fund are the Village's key operating funds covered in this analysis. As of the end of 2017 the General Fund's ending balance as a percent of expenditures equaled 43%. This is 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.

The Water & Sewer Fund's 2017 ending working cash balance was 18% of expenses. During 2014 the Village implemented a five-year rate increase plan in order to significantly increase our water main replacement program. Based on projections provided in 2014, Staff expected that the Water & Sewer Fund would have a 2017 ending balance of 21% of expenses. Since 2014 the number of gallons of water sold per year has been about 9% lower than the average gallons sold over the last 13 years. As a result, for the second year in a row Staff's water revenue projections are based on an amount lower than the 13 year average. The planned increase in the water main replacement schedule was also stretched out over more years.

Conservative revenue projections have been made for the three-year projections prepared for each of these operating funds. In addition, 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 somewhat more predictable but vary depending on usage.

General Fund

The Village's General Fund revenue growth has slowed down over the last couple of years due to more moderate economic conditions, State budget actions, and the effects of disruptive technology. After post-recession annual increases, Sales and Home-Rule Sales tax receipts have leveled off, and 2018 receipts are expected to come in lower than two years prior in 2016. Sales tax receipts in 2019 are projected to be effected by the closure of a Subaru dealership when it moves to a neighboring town at the end of 2019. Income tax receipts for 2018 will also come in lower than 2016 results due to the State's diversion of 10% of this revenue stream to its own coffers. Although the State said that this would be a temporary one-year diversion, they will still be diverting 5% of the Village's income tax stream during the State's 2019 fiscal year. To be conservative, these projections assume that the State will continue to divert 5% of the Village's income tax revenue stream on a permanent basis. This represents an ongoing diversion of about $400,000 in Village funds to the State. **Exhibits 1 and 2** show the history of Sales and Income tax receipts respectively. These revenues have historically been the Village's key General Fund growth revenues that cover expenditure increases.

Telecommunications tax receipts are also significantly less than 2016 receipts as more residents "cut the cord" to their land lines. As an offset to these decreases, the Village's Ambulance Service fees show a large increase in 2018 and 2019 due to the revised transport fees the Village implemented as of January 2018. Food & Beverage tax revenues have also showed positive improvements in 2018 and 2019. Other General Fund revenues have been fairly consistent from year to year.

The historical and three-year projections for the General Fund for 2019 through 2021 **(shown in Exhibits 3 and 4)** reflect past performance, and provide estimates of 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 2019, 2% in 2020, and 3% in 2021
Home Rule Sales Tax	same as above
Sales Tax	same as above, adj. for loss of car dealer
Income Tax	same as above
Property Tax (Village and Library)	1.63% 2018 levy, 2.96% in 2019, 1.82% in 2020
Telecommunications Tax	($200,000 from 2018 budget), + 0% thereafter
Utility Tax	+ 0%

Expenditures:

Wages	+2.78%, 2019 Projected v. 2018 Budget (includes steps if applicable)
Health Insurance	+ 8%

Property Tax Projections

One of Staff's key goals is to work to keep any proposed property tax increase as low as possible. As shown in **Exhibit 5,** the Village was able to levy very modest increases. This was due in large part to prior year increases in sales and income taxes. Since the 2011 levy year, four out of the eight Village property tax levies included 0% increases for operations. The 2015 and 2016 levy increases were solely attributable to increasing the Village's annual street resurfacing and reconstruction programs. A second key Staff goal is to ensure that sufficient funds are available to provide a consistent, high level of Village services each and every year. This year's 2018 estimated property tax increase reflects decreases in sales, income, and telecommunication tax receipts.

As shown in **Exhibit 6,** the first step in developing the Village's property tax levy is entering the known debt service payment requirements and the annual required contributions for the Police and Fire Pension levies. For many years the Village has also increased the capital levy by $100,000 each year to account for cost increases associated with the annual street program. The FICA and IMRF levies are derived from the detailed wage sheets prepared for the 2019-2021 budget projections. Once all of the revenue projections for the General Fund are completed, the remaining gap between the General Fund's estimated revenues and expenditures is divided equally between the Fire and Police Protection levies. 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 2019 budget meetings held in November 2018.

Staff's projections show a balanced General Fund for 2019. The 2018 estimated property tax levy increase for the Village is 2.50% higher than the prior year extended levy, and the Library's current estimated levy increase is 0%, resulting in a total estimated levy increase of 1.79%. **Exhibit 7**, shows this increase would equate to a property tax increase of $24 for a home valued at $300,000.

As the 2019 Budget is prepared over the next few months, staff will continue to work to identify other viable operational cost reductions in an attempt to out-perform the projections, without lowering Village standards. However, cost savings could be offset by revenues that come in less than currently projected.

<u>Water & Sewer Fund</u>

The Water & Sewer Fund is somewhat stable due to the five-year water and sewer rate adjustment plan approved by the Village Board in September 2014. Even with the scheduled rate adjustments through 2019, the Village's water and sewer rates will be at or below the average for communities in the Chicago area. The revised water and sewer rate structure will allow the Village to increase the amount spent on its water main replacement program by about five times from about $400,000 per year in 2015 to $2.5 million a year by 2020. Longer term plans anticipate that water main replacement program costs will continue to increase up to an annual $4 million commitment by 2024. Once we reach this funding level the Village will be at the industry standard of replacing 1% of our water mains each year. However, in order to cover the increasing cost of this program as well as the water tank repainting program, a new water and sewer rate study will need to be completed during 2019.

As noted earlier, the Village's Water & Sewer Fund revenue estimates are based on water usage which is lower than the 13 year average due to more recent wet springs. **Exhibit 8** shows gallons of water sold and water and sewer revenues for the last 13 years. **Exhibits 9 and 10** show the historical and three-year projections for this fund.

<u>Proposed Budget Ceilings for 2019</u>

The 2019 budget process began in March 2018 with the preparation of the proposed five-year Capital Improvement Plan (CIP). The first year of the CIP will be included in the proposed 2019 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 11** is a draft copy of the budget calendar for 2019.

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	$ 76,177,200	$ 20,448,500
Expenditures	(76,177,200)	(21,209,500)
Surplus (deficit)*	0	(761,000)
Beginning Balance	30,666,088	3,872,666
Ending Balance	$ 30,666,088	$ 3,111,666

*The Water & Sewer Fund deficit reflects a higher than normal annual expense total due to the planned $1.46 million project to paint the Thomas Tank Hydro Pillar.

Recommendation

It is recommended that the Board approve the proposed budget ceilings for 2019 of $76,177,200 for the General Fund and $21,209,500 for the Water & Sewer Fund.

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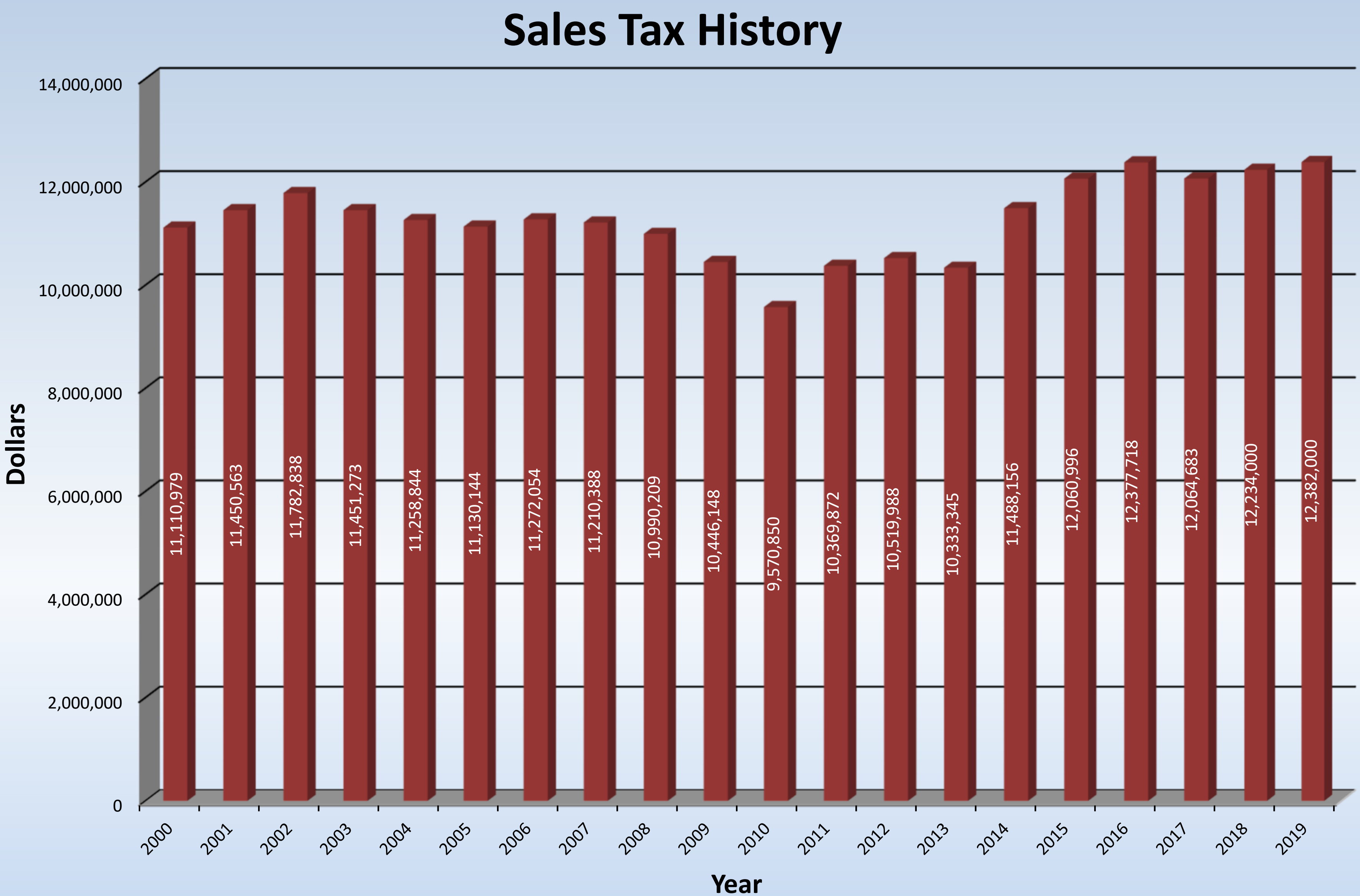
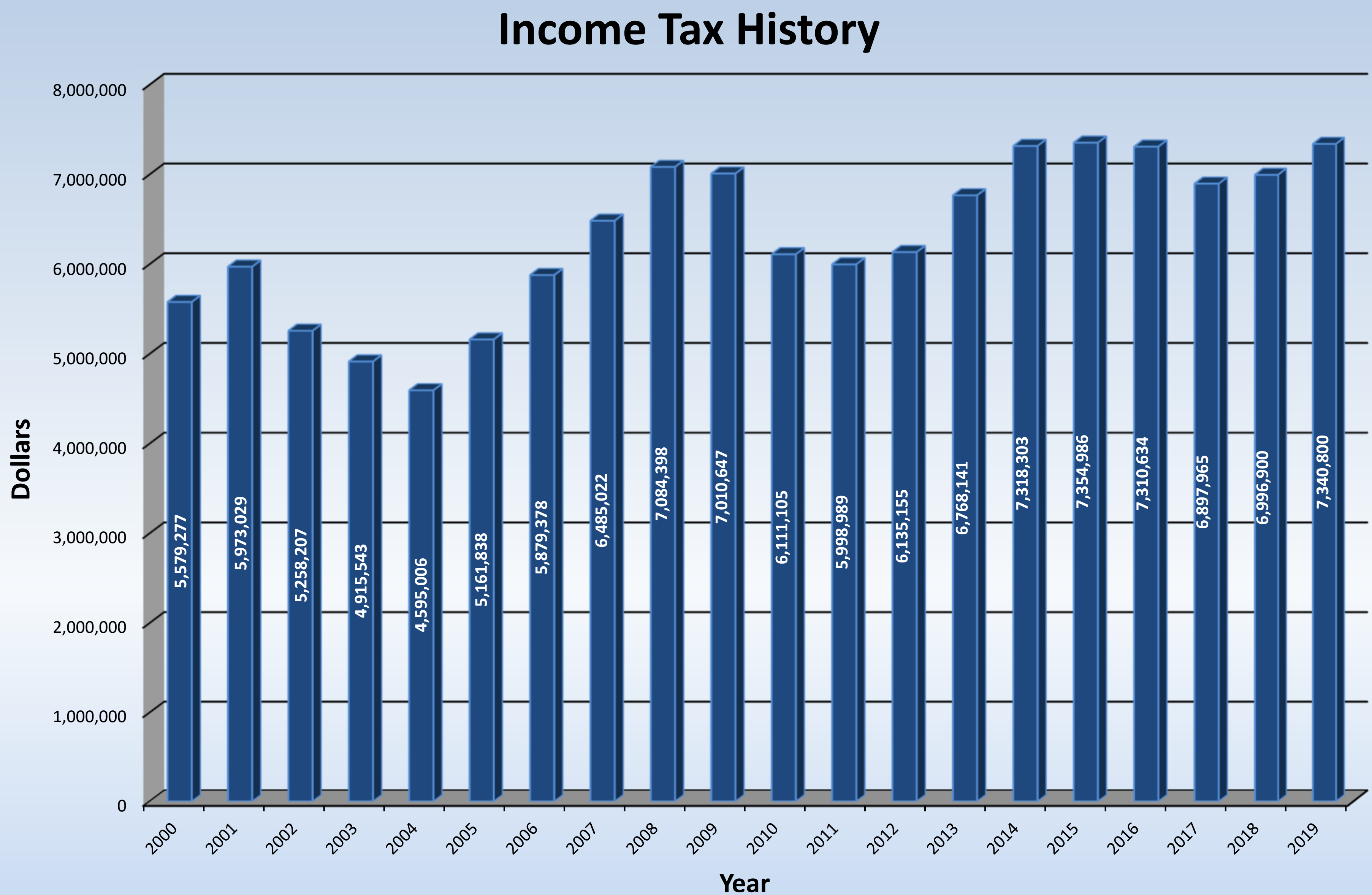
Exhibit 1



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

Exhibit 2



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

GENERAL FUND

Exhibit 3

Three Year Projections - Fiscal Years 2019 through 2021

SOURCES OF FUNDS

	2017 ACTUAL	2018 EST ACTUAL	2018 CURRENT BUDGET	2019 PROP BUDGET	2020 PROJ BUDGET	2021 PROJ BUDGET
BEGINNING FUND BALANCE	**$31,307,834**	**$30,647,213**	**$30,647,213**	**$30,669,188**	**$30,669,188**	**$29,896,988**
TAXES	$59,070,057	$61,527,600	$61,801,000	$63,375,600	$64,735,900	$66,564,500
INTERGOV'T	182,041	158,000	168,000	158,000	158,000	158,000
LICENSES/PERMITS	4,033,890	3,834,350	3,811,300	3,833,500	3,833,500	3,833,500
FEES	4,330,746	5,101,025	5,262,700	5,251,000	5,251,000	5,251,000
FINES	567,975	586,100	625,700	586,100	586,100	586,100
SERVICE CHG	2,069,096	2,036,600	2,033,200	2,086,600	2,138,100	2,191,200
INTEREST INC.	211,128	150,000	88,000	150,000	150,000	150,000
SALES/REIMB/RENTS	151,302	140,400	135,600	138,500	138,500	138,500
OTHER	379,854	386,300	350,600	397,900	409,700	422,100
SUB-TOTAL	**$70,996,089**	**$73,920,375**	**$74,276,100**	**75,977,200**	**$77,400,800**	**$79,294,900**
TRANSFERS IN	300,955	200,000	200,000	200,000	200,000	200,000
TOTAL REVENUES	**$71,297,044**	**$74,120,375**	**$74,476,100**	**$76,177,200**	**$77,600,800**	**$79,494,900**
Difference as of 8/16/10						

USES OF FUNDS

	2017 ACTUAL	2018 EST ACTUAL	2018 CURRENT BUDGET	2019 PROP BUDGET	2020 PROJ BUDGET	2021 PROJ BUDGET
PERSONAL SERVICES	$56,375,658	$58,543,400	$59,048,000	$60,633,700	$62,777,800	$65,180,400
CONTRACTUAL	10,712,656	11,700,000	11,720,088	11,992,200	12,217,000	12,448,000
COMMODITIES	2,016,214	2,825,000	2,930,361	2,503,900	2,528,200	2,552,600
OTHER CHARGES	853,137	910,000	924,128	847,400	850,000	852,600
SUB-TOTAL	**$69,957,665**	**$73,978,400**	**$74,622,577**	**$75,977,200**	**$78,373,000**	**$81,033,600**
CONTINGENCY	0	100,000	200,000	200,000	0	0
TRANSFERS OUT	2,000,000	20,000	20,000	0	0	0
TOTAL EXPENDITURES	**$71,957,665**	**$74,098,400**	**$74,842,577**	**$76,177,200**	**$78,373,000**	**$81,033,600**
temp - should be---->						
SURPLUS(DEFICIT)	**(660,621)**	**21,975**	**(366,477)**	**0**	**(772,200)**	**(1,538,700)**
ENDING FUND BALANCE	**$30,647,213**	**$30,669,188**	**$30,280,736**	**$30,669,188**	**$29,896,988**	**$28,358,288**
FUND BALANCE AS % OF EXP.	**43%**	**41%**	**40%**	**40%**	**38%**	**35%**

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

ASSUMPTIONS:

Expenditures

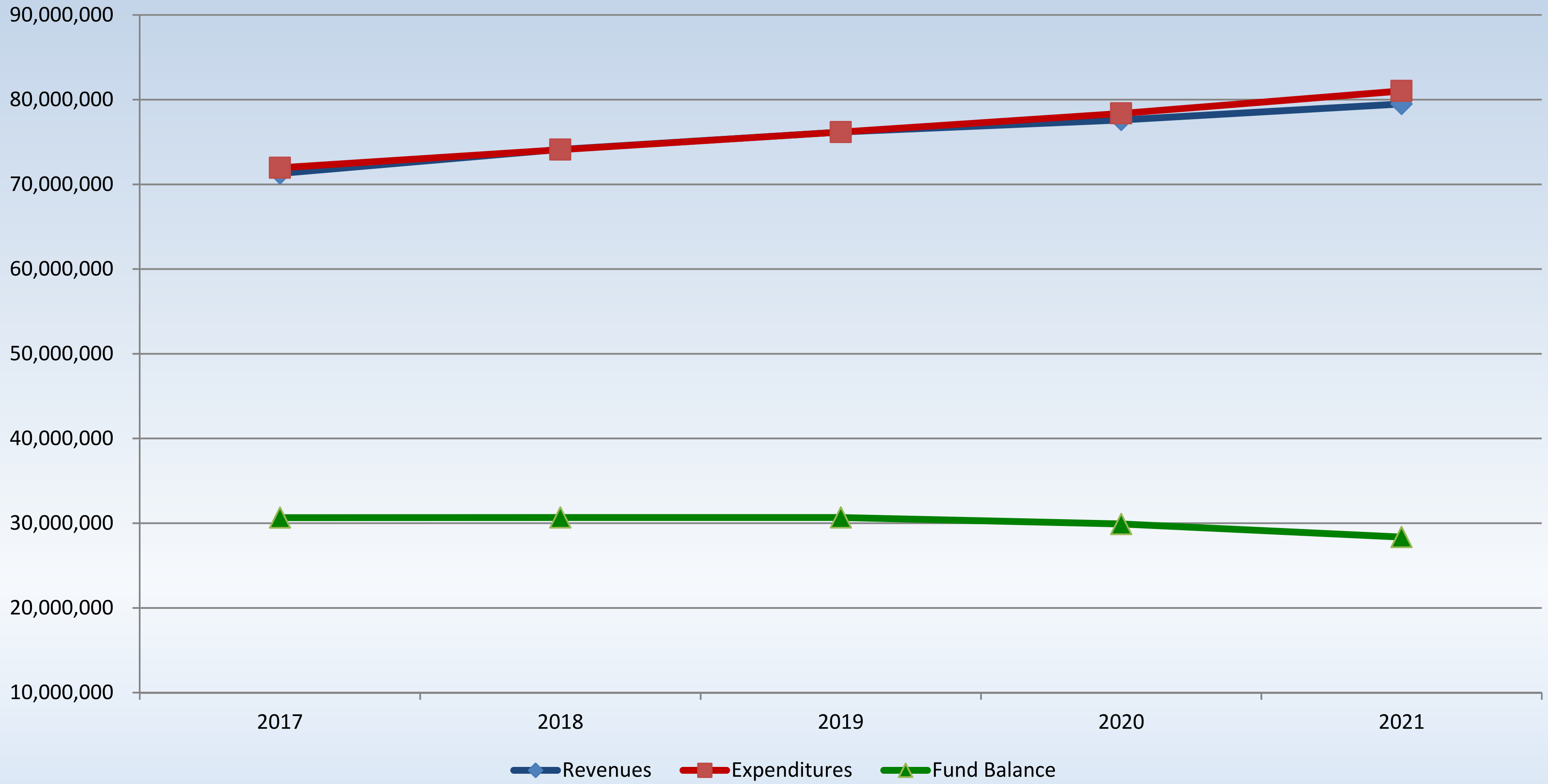
Salaries increased 2.5% for 2019 Projected v. 2018 Budget. All years include an estimated 8% health insurance increase. Vehicle Maintenance / Replacement increase at 3%. Contractual Services and Commodities increased 1%.

Revenues

Sales Tax, Home Rule Sales Tax & Income Tax: 2% increase 2019; 2% increase 2020; 3% increase 2021.

GENERAL FUND
REVENUES vs EXPENDITURES 2017-2021
STAFF PROPOSAL

Exhibit 4



	ACTUAL 2017	ESTIMATED ACTUAL 2018	PROPOSED BUDGET 2019	PROPOSED BUDGET 2020	PROPOSED BUDGET 2021
Revenues	71,297,044	74,120,375	76,177,200	77,600,800	79,494,900
Expenditures	71,957,665	74,098,400	76,177,200	78,373,000	81,033,600
Surplus/Deficit	(660,621)	21,975	0	(772,200)	(1,538,700)
Fund Balance	30,647,213	30,669,188	30,669,188	29,896,988	28,358,288
Fund Bal as % of Expend	43%	41%	40%	38%	35%

Exhibit 5

PROPERTY TAX LEVY HISTORY

LEVY YEARS 2003 - 2018

LEVY YEAR	VILLAGE % INCREASE	LIBRARY % INCREASE	TOTAL % INCREASE	COMMENTS	BUDGET YEAR
2018	2.50	0.00	1.79	To cover sales and State income tax decreases	2019
2017	3.68	0.00	2.61	To cover sales and State income tax decreases	2018
2016	1.95	0.00	1.38	Entire increase for street purposes (Phase 2)	2017
2015	3.59	0.00	2.51	Entire increase for street purposes (Phase 1)	2016
2014	0.00	0.00	0.00		8-mo.
2013	2.65	0.00	1.84		FY2015
2012	1.74	0.00	1.20		FY2014
2011	0.00	0.00	0.00		FY2013
2010	4.30	0.00	2.93	Police/Fire Pension Funds - market crash	FY2012
2009	5.74	1.77	4.44	Police/Fire Pension Funds - market crash	FY2011
2008	0.32	0.00	0.21		FY2010
2007	2.48	4.90	3.26		FY2009
2006	11.14	9.20	10.51	Taxing districts captured expiration of TIF #1	FY2008
2005	14.67	4.99	11.32	Fire Pension benefit increase - State legislation	FY2007
2004	11.98	4.00	9.09	Police/Fire Pension benefit increase - State legislation	FY2006
2003	2.14	0.99	1.72		FY2005

Exhibit 6

VILLAGE OF ARLINGTON HEIGHTS
TOTAL ESTIMATED VILLAGE AND LIBRARY CALCULATIONS
(2018 Est. Tax Levy for the 2019 Budget with 2017 Extended Tax Levy)

	EXTENDED 2017 LEVY FOR 2018 BUDGET YEAR	**PROPOSED 2018 LEVY FOR 2019 BUDGET YEAR**	DOLLAR CHANGE	% CHANGE	
VILLAGE					
POLICE PROTECTION	**5,764,070**	**6,340,000**	575,930	9.99%	
FIRE PROTECTION	**5,764,070**	**6,340,000**	575,930	9.99%	=> General Fd rev - exp gap
IMRF	**1,787,700**	**1,386,000**	(401,700)	-22.47%	2019 wage projections
SOCIAL SECURITY	**1,411,980**	**1,427,000**	15,020	1.06%	2019 wage projections
POLICE PENSION FUND	**3,917,790**	**4,017,000**	99,210	2.53%	Actuary ARC
FIRE PENSION FUND	**4,901,530**	**4,953,000**	51,470	1.05%	Actuary ARC
TOTAL GENERAL FUND	**23,547,140**	**24,463,000**	915,860	3.89%	
CAPITAL IMPROVEMENT	**5,353,000**	**5,400,000**	47,000	0.88%	+$100K/year
DEBT SERVICE	**6,951,628**	**6,884,363**	(67,265)	-0.97%	Bond Documents
TOTAL VILLAGE TAX LEVY	**35,851,768**	**36,747,363**	**895,595**	**2.50%**	
TOTAL LIBRARY TAX LEVY	**14,108,076**	**14,108,076**	**0**	**0.00%**	
GRAND TOTAL TAX LEVY	**49,959,844**	**50,855,439**	**895,595**	**1.79%**	

Exhibit 7

TAX LEVY SUMMARY
VILLAGE OF ARLINGTON HEIGHTS/PUBLIC LIBRARY

WHAT EFFECT WILL THE 2018 LEVY HAVE ON MY TAXES?

	2017 LEVY	(EST.) 2018 LEVY	$ CHANGE	% CHANGE
COUNTY PROPERTY VALUE (EST.)	$300,000	$300,000		
X (TIMES) CLASSIFICATION FACTOR	10%	10%		
= (EQUALS) ASSESSED VALUATION	$30,000	$30,000		
X (TIMES) STATE EQUALIZER	2.9627	2.9627		
- (MINUS) MAX. HOMEOWNERS' EXEMPTION	$10,000	$10,000		
= (EQUALS) EQUALIZED ASSESSED VALUATION	$78,881	$78,881		
/ (DIVIDED BY) 100	$789	$789		
X (TIMES) VILLAGE TAX RATE	1.2167	1.2471		
= (EQUALS) **VILLAGE TAX BILL**	$959.75	$983.72	**$24**	2.50%
X (TIMES) LIBRARY TAX RATE	0.4788	0.4788		
= (EQUALS) **LIBRARY TAX BILL**	$377.68	377.68	**$0**	0.00%
TOTAL VILLAGE & PUBLIC LIBRARY TAX BILL	$1,337.43	$1,361.41	**$24**	1.79%

Notes: 1. Assumes no changes in assessed values or other effects on taxes, such as reassessments, tax appeals, changes in the State multiplier, or changes in the homeowner's exemption.

Exhibit 8

WATER SALES REVENUE
FY2005-2023

		GALLONS PUMPED	GALLONS SOLD	% BILLED	WATER RATE	SEWER RATE	TOTAL RATE	REVENUE WATER SALES	REVENUE SEWER CHARGE	REVENUE TOTAL	
FY2005	Actual	3,061,453,800	**2,720,209,000**	89%	3.68	0.32	**4.00**	$10,010,372	$856,398	**$10,866,770**	
FY2006	Actual	3,367,027,800	**2,989,144,000**	89%	3.68	0.32	**4.00**	$11,000,050	$945,487	**$11,945,537**	
FY2007	Actual	3,068,023,700	**2,753,010,000**	90%	3.68	0.32	**4.00**	$10,131,079	$851,581	**$10,982,660**	
FY2008	Actual	3,060,495,400	**2,798,325,000**	91%	3.68	0.32	**4.00**	$10,297,835	$881,290	**$11,179,125**	
FY2009	Actual	3,004,517,500	**2,590,607,000**	86%	3.79	0.38	**4.17**	$9,818,401	$976,094	**$10,794,495**	
FY2010	Actual	2,938,992,000	**2,500,534,000**	85%	3.90	0.46	**4.36**	$9,752,083	$1,160,038	**$10,912,121**	
FY2011	Actual	2,912,509,000	**2,560,758,000**	88%	4.03	0.55	**4.58**	$10,319,857	$1,392,361	**$11,712,218**	
FY2012	Actual	2,826,183,700	**2,468,574,000**	87%	4.14	0.67	**4.81**	$10,223,983	$1,654,606	**$11,878,589**	wet
FY2013	Actual	3,020,832,700	**2,625,364,000**	87%	4.25	0.80	**5.05**	$11,157,800	$2,100,300	**$13,258,100**	dry
FY2014	Actual	2,848,611,900	**2,452,807,000**	86%	4.35	0.95	**5.30**	$10,669,700	$2,330,200	**$12,999,900**	wet
FY2015	Actual	2,729,590,200	**2,321,132,000**	85%	4.42	1.14	**5.56**	$10,259,400	$2,646,100	**$12,905,500**	wet
2016	Actual	2,755,922,700	**2,305,838,000**	84%	5.52	1.42	**6.94**	$12,728,223	$3,289,570	**$16,017,793**	wet spring
2017	Actual	2,705,355,000	**2,369,248,000**	88%	5.80	1.50	**7.30**	$13,146,983	$3,413,202	**$16,560,185**	wet spring
Thirteen Year Average		**2,946,116,569**	**2,573,503,846**	87%							
2018	Estimated	2,900,000,000	**2,400,000,000**	83%	6.09	1.57	**7.66**	$14,616,000	$3,768,000	**$18,384,000**	normal/wet
2019	Projected		**2,400,000,000**		6.39	1.65	**8.04**	$15,336,000	$3,960,000	**$19,296,000**	normal/wet
2020	Projected		**2,400,000,000**		6.39	1.65	**8.04**	$15,336,000	$3,960,000	**$19,296,000**	normal/wet
2021	Projected		**2,400,000,000**		6.39	1.65	**8.04**	$15,336,000	$3,960,000	**$19,296,000**	normal/wet
2022	Projected		**2,400,000,000**		6.39	1.65	**8.04**	$15,336,000	$3,960,000	**$19,296,000**	normal/wet
2023	Projected		**2,400,000,000**		6.39	1.65	**8.04**	$15,336,000	$3,960,000	**$19,296,000**	normal/wet

Gallons pumped provided by G. Voight (Finance) and Public Works/Gallons sold calculated using actual audited water revneues.

WATER AND SEWER FUND

Exhibit 9

THREE-YEAR PROJECTIONS

Fiscal Years 2019 THROUGH 2021

(Water and Sewer Rate Increases FY2015 Through 2019)

SOURCES OF FUNDS

	2017 ACTUAL	2018 EST ACTUAL	2018 CURRENT BUDGET	2019 PROP BUDGET	2020 PROJ BUDGET	2021 PROJ BUDGET
BEGINNING WORKING CASH	**$2,483,523**	**$3,281,745**	**$3,281,745**	**$3,872,666**	**$3,111,666**	**$3,155,166**
SERVICE CHG	$17,749,494	$19,446,000	$19,402,100	$20,340,000	$20,340,000	$20,340,000
INTEREST INC.	$8,931	$6,500	$5,000	$6,500	$6,500	$6,500
SALES/REIMB/RENTS	$104,740	$85,200	$88,000	$87,000	$87,000	$87,000
OTHER	$1,004,687	$15,000	$15,000	$15,000	$15,000	$15,000
SUB-TOTAL	**$18,867,852**	**$19,552,700**	**$19,510,100**	**$20,448,500**	**$20,448,500**	**$20,448,500**
TRANSFERS IN	0	0	0	0	0	0
TOTAL REVENUES	**$18,867,852**	**$19,552,700**	**$19,510,100**	**$20,448,500**	**$20,448,500**	**$20,448,500**

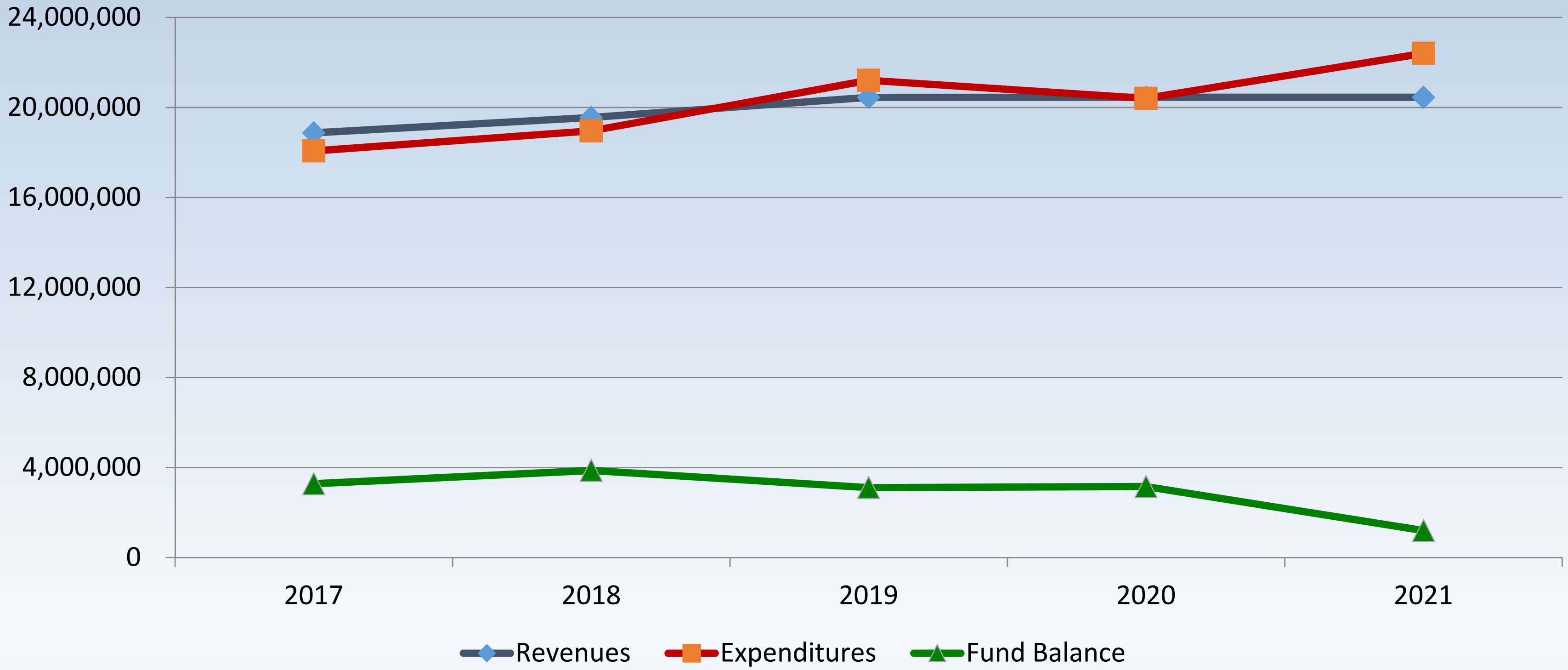
USES OF FUNDS

	2017 ACTUAL	2018 EST ACTUAL	2018 CURRENT BUDGET	2019 PROP BUDGET	2020 PROJ BUDGET	2021 PROJ BUDGET
PERSONAL SERVICES	$6,073,506	$6,515,700	$6,600,500	$6,714,300	$7,021,100	$7,185,200
CONTRACTUAL	2,282,590	2,517,500	2,517,500	2,516,600	2,555,100	2,594,100
NORTHWEST WATER COMMISSION	3,432,893	3,926,000	3,926,000	3,926,000	3,926,000	3,926,000
COMMODITIES	629,412	735,200	735,200	762,500	771,000	779,600
OTHER CHARGES	1,710,831	1,780,900	1,780,900	1,700,200	1,734,200	1,768,900
CAPITAL ITEMS	3,940,398	3,239,679	3,239,679	5,289,900	4,397,600	6,149,000
SUB-TOTAL	**$18,069,630**	**$18,714,979**	**$18,799,779**	**$20,909,500**	**$20,405,000**	**$22,402,800**
CONTINGENCY	0	246,800	246,800	300,000	0	0
TRANSFERS OUT	0	0	0	0	0	0
TOTAL EXPENDITURES	**$18,069,630**	**$18,961,779**	**$19,046,579**	**$21,209,500**	**$20,405,000**	**$22,402,800**
SURPLUS(DEFICIT)	**798,222**	**590,921**	**463,521**	**(761,000)**	**43,500**	**(1,954,300)**
ENDING WORKING CASH	**$3,281,745**	**$3,872,666**	**$3,745,266**	**$3,111,666**	**$3,155,166**	**$1,200,866**
WORKING CASH AS % OF EXPENDITURES	**18%**	**20%**	**20%**	**15%**	**15%**	**5%**

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

Exhibit 10

WATER AND SEWER FUND
Revenue vs Expenditures 2017-2021



	ACTUAL 2017	ESTIMATED ACTUAL 2018	PROPOSED BUDGET 2019	PROPOSED BUDGET 2020	PROPOSED BUDGET 2021
Revenues	18,867,852	19,552,700	20,448,500	20,448,500	20,448,500
Expenditures	18,069,630	18,961,779	21,209,500	20,405,000	22,402,800
Surplus/Deficit	798,222	590,921	(761,000)	43,500	(1,954,300)
Fund Balance	3,281,745	3,872,666	3,111,666	3,155,166	1,200,866
Fund Bal as % of Expend	18%	20%	15%	15%	5%

Exhibit 11

BUDGET CALENDAR

For Preparation of 2019 Budget

(January 1, 2018 – December 31, 2018)

DATE	DAY	ACTIVITY
March - June, 2018	–	Capital Improvement Program (CIP) and five-year projections prepared.
June 11, 2018	**Monday**	Committee-of-the-Whole reviews Comprehensive Annual Financial Report.
June 15, 2018	Friday	Board considers motion stemming from June 11 Committee-of-the-Whole meeting regarding the Comprehensive Annual Financial Report.
June 15, 2018	Friday	CIP, Operating Fund Overview/Recommended 2019 Budget Ceilings and Proposed 2018 Property Tax Levy released to Village Board for discussion at June 27 Committee-of-the-Whole meeting.
June 25, 2018	**Monday**	Committee-of-the-Whole reviews CIP and discusses the Operating Fund Overview/ Recommended 2018 Budget Ceilings.
July 2, 2018	Monday	Board considers any motions stemming from June 25 Committee-of-the-Whole meeting regarding the recommended 2019 Budget Ceilings and CIP.
July 13, 2018	Friday	Budget worksheets are forwarded to departments. Departments prepare detailed budgets.
August 13, 2018	Monday	Department budget requests and projections due.
Aug 13 – Sep 7, 2018	–	Finance Department compiles departmental budget submissions.
September 7, 2018	Friday	First draft of 2019 Budget forwarded to Village Manager, Budget Team and all departments for review.
Sep 12 – Sep 14, 2018	–	Departments meet with Village Manager and Budget Team.
Sep 17 – Oct 25, 2018	–	Final draft of 2019 budget prepared.
October 26, 2018	Friday	Release final draft of 2019 Budget to Village Board.
November 14, 2018	**Wednesday**	**1st Budget Meeting** – AH Memorial Library, Budget Overview, Budgets for Board of Trustees, Integrated Services, HR, Finance, Building Services, Planning & Community Development, and Police
November 15, 2018	**Thursday**	**2nd Budget Meeting** – Budgets for Metropolis Theater, Legal, Health & Human Services, Engineering, Public Works, Water & Sewer, Parking Operations, Fleet Services, Fire, and Boards & Commissions
November 20, 2018	**Tuesday**	**3rd Budget Meeting** – If needed
November 21, 2018	Wednesday	Notice of Public Hearing on 2019 Budget published in newspaper.
December 3, 2018	**Monday**	Board approves 2018 Tax Levy and Abatement Ordinances. Public Hearing on 2019 Budget. Approval of 2019 Budget at formal meeting.