



MINUTES

President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
June 13, 2016
7:30 PM

I. CALL TO ORDER

President Hayes called the meeting to order at 7:30 p.m.

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

President Hayes and the following Trustees were present: Blackwood, Glasgow, LaBedz, Rosenberg, Scaletta, Sidor, Tinaglia.

Trustee Farwell was absent.

Also present were: Randy Recklaus, Diana Mikula, Tom Kuehne, Mary Ellen Juarez, Alexis Smulson, Robin Ward, Eileen Hellstrom, Matt Beran-Lauterbach & Amen, LLP, Harlan Powell-Attorney for Starbucks, Amy Hibbard-Regional Manager for Starbucks, Colin Gilbert-Tuscan Market

IV. NEW BUSINESS

- A. Review of the 8-Month Period Ending 12/31/15 Comprehensive Annual Financial Report (CAFR) - Mr. Matthew Beran, Lauterbach & Amen, LLP

Matt Beran of Lauterbach & Amen, the Village's auditors, presented the Comprehensive Annual Financial Report (CAFR). He said this is a difficult year to see what is going on because of the 8 month budget year and the GASB 67/68 numbers. The Village received the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year end April 30, 2015.

The financials are free of any financial misstatements. There is a total net pension liability of \$115,000,000. The net position went down \$83 Million because of GASB 68 which is a new way of looking at the liability with

pensions. The old way was as long as the Village kept up with the contributions that were to be made, a zero net pension liability was shown. Now, it is what is left to be funded. This is a point in time calculation. IMRF is 86% funded, Police is 72% funded and Fire is 64.5% funded. These are moving targets. Mr. Kuehne said if everything remained constant, the numbers would shrink until 2040 when the liability is supposed to be fully paid off. However, nothing stays constant, so the numbers each year reflect market fluctuations.

Trustee Rosenberg said the \$83 Million is actually a decrease in the debt position. This number should go up significantly next year, because this years' numbers reflect an 8 month period. Mr. Beran said the investments did not hit 7.5% as expected so the difference that did not get earned is a differed outflow. Mr. Recklaus said GASB is outside agency that governs accounting standards for all government bodies in the U.S. This accounting change has nothing to do with any activity of the Village, its simply the Village being required to report these numbers differently. Mr. Kuehne explained that a 100% funded pension plan means that all employees, working and retired, are 100% covered even though many may not retire for many years. The unfunded parts of the pension plans are for the people who are still working. Those who are still working are still paying into the system. The Village's funding levels compare favorably to surrounding communities. Any gains or losses are smoothed over three years for Police and Fire, and five years for IMRF.

Trustee Rosenberg asked how Bonding agencies would perceive the Village's numbers. Mr. Kuehne said the Bonding agencies take into consideration the pension figures and apply their own assumptions. The Village has maintained its AA+ rating in the past two Bond Issues.

Trustee Rosenberg asked the status of the IMET funds. Mr. Keuhne said it was in the court system and will be for years. That investment has been written down 50%. If the resolution is better than that, the Village will recognize a revenue.

Mr. Beren said the Village has hit 100% or more of the annual required contribution from an actuarial standpoint every year for the past ten years. Mr. Kuehne said in 2015, the unfunded liabilities for Police and Fire were paid down with the one year overage in property taxes. He suggested that if gambling comes to Arlington Park, the tax monies could be applied to these liabilities to help shrink property taxes.

Mr. Beren said the full twelve months of property taxes were collected, but there was only eight months of expenditures which allowed \$2.5 Million to be moved to the Municipal Parking and Storm Water funds. The General Fund revenues came in greater than budget and expenditures came in lower than budget.

The Water Fund shows a loss because of the revenues were below budget

and expenditures came in close to budget, but there were water main breaks and repairs and a full year of depreciation. Trustee Rosenberg asked what amount of reserve fund was typical. Mr. Beren said 3-4 months is looked for. The goal is for it to be self sustainable. Mr. Kuehne said there is a 20% balance.

Trustee Rosenberg asked Mr. Beren to provide information regarding upcoming reporting changes. Mr. Beren said the OPEB (other post employment benefits i.e. insurance to retirees) financials will undergo a change similar to GASB 67/68 for the 2017 audit.

Trustee Rosenberg moved, seconded by Trustee LaBedz, that the Committee of the Whole recommend to the Village Board that the 8-Month period ending December 31, 2015 Comprehensive Annual Financial Report be accepted. The motion passed unanimously.

B. Continued Discussion re: Possible Changes to Liquor Code

Mr. Recklaus said in January, the Board gave direction staff to do a survey and look at area liquor codes as a result of the Starbucks request to serve liquor in one of their Arlington Heights locations. The Board asked for language that could accommodate a request like Starbucks'. After research, it was discovered that there are a lot of different things going on in the marketplace and liquor codes have evolved quite a bit. Staff does its best work when the Code accurately reflects the Board's values and goals, so it seems appropriate to discuss the Liquor Code at this time. Some recent proposals have been turned down because they were not in compliance with the current liquor code. Mr. Recklaus said direction is needed if the Board would like to pursue a coffee shop license and if there are any further changes the Board would like to explore.

Ms. Mikula said a survey was conducted in April of 13 municipalities on their requirements of food on premises with liquor consumption. Arlington Heights currently requires that a liquor license holder must meet the definition of a "restaurant." Ten of the 13 municipalities which responded do not require a full food menu for at least some of their liquor classifications. Hoffman Estates, Mt. Prospect, Arlington Heights and Schaumburg require a full food menu. Eight municipalities possess a liquor classification that does not require food at all (tavern). Eight municipalities allow limited food menus at all times. Three municipalities have a "coffee shop" license. Eleven of the responding municipalities permit microbreweries. After reviewing the survey results, Arlington Heights is on the more restrictive side in its Liquor Code. Although the current Code has served the Village well, there are trends in the marketplace that the Village may wish to accommodate.

Some concepts that did not fall into the existing Code are:

- Starbucks requesting to serve wine/beer

- Wine Cafe with no kitchen or food required only cheese, crackers and a few meats
- A Craft Beer Establishment with appetizers
- A Cocktail Bar with a limited menu
- A Brewery with a tap room - no food
- Full bars without food (6-8 requests annually).

Staff is soliciting direction from the Board as to whether or not new liquor classifications should be created for: Coffee Shops, Microbreweries, Wine & Craft Beer, Craft Distillery, and clarification of the Wine Cafe so its clear what type of food, if any, is needed.

Starbucks

Ms. Mikula introduced the Starbucks's Evenings concept which serves beer and wine and uses convection ovens to cook limited menu items. Their proposal does not meet the "Class E" beer and wine restaurant classification. The city of Naperville rejected this concept and did not create a new liquor license. There are 433 Starbucks's Evenings locations nationwide and 64 are in Illinois.

Ms. Ward said the proposed Class "K" classification would require the establishment be open before 7:00 a.m. and have a limited menu. This license would acknowledge that the food items are primarily prepared off premises. Some limitations would be: beer and wine sold between 2 p.m. and 10 p.m., beer and wine must be purchased at the counter in person in single servings only, beer and wine must be incidental to the business, beer and wine cannot be sold through drive through windows or be allowed off the premises.

President Hayes asked that the language to be changed under #3 which states "beer and wine is incidental and complimentary to the sale of food."

Trustee Tinaglia said the most costly item for restaurants are the hood, grease trap and the ventilation systems. These Class "K" classifications would not have this equipment and would only heat up food that was prepared somewhere else. Their kitchens could be called warming kitchens. He said this makes sense.

Trustee LaBedz asked why Naperville turned down Starbucks. Harlan Powell, attorney for Starbucks, said the Liquor Commissioners there did not want to change their code at this time because their code does not limit the number of licenses they can create. Therefore, the Commissioners were concerned that there could potentially be 28 requests from coffee shops who might be eligible to serve beer and wine.

Trustee LaBedz asked how limits on off-premises consumption would be implemented. Mr. Powell said distinctive glassware would be used. Every employee of a Starbucks Evenings store would be Bassett trained and 21

years of age.

Trustee Glasgow asked if food is required to be purchased with an order of wine or beer. Ms. Ward said no. Trustee Glasgow asked if Dunkin' Donuts would be eligible for this kind of license. The answer was yes.

Trustee Rosenberg asked what would happen if a location ran out of food. Ms. Ward said they could still sell alcohol, because there is no requirement that a customer must buy food to purchase the alcohol. Trustee Rosenberg said he disagreed with the word "complimentary." Ms. Ward said the word is meant globally, not individually. Trustee Rosenberg said he wouldn't mind all coffee shops being able to sell beer and wine, and that the idea makes sense. He asked what repercussions would exist for employees who serve someone underage. Mr. Powell said it is a black mark on the employees record and the person might be reassigned to a non-evenings location.

Trustee Sidor suggested changing "complimentary" to "secondary." He agreed with adding the Class "K" license. Ms. Ward changed the language to reflect this new language.

Trustee Scaletta clarified that glassware meant glass. Mr. Powell said yes and staff would be trained to make sure customers were not leaving with the alcohol. Employees are trained to monitor tables where alcohol has been served. Trustee Scaletta asked about outdoor dining. Ms. Ward said it would work like it does for any other establishment with outdoor dining, like Noodles. Trustee Scaletta asked if the coffee shop in the train station would qualify. Ms. Ward said if they met the definition, yes. Trustee Scaletta said he was supportive.

Trustee Blackwood asked what time the evening clientele comes in. Amy Hibbard, District Manager for Starbucks, said between 4:00 p.m. and 9:00 p.m. If a store is open longer than the licensing hours, the liquor is locked up at the prescribed time.

Trustee Rosenberg asked if customers would be required to exit through the store. Ms. Mikula said the Board lessened the Village's requirement to have customers exit through restaurants where there is outdoor dining. Ms. Hibbard said signs are used to communicate "no alcohol beyond this point" where it is not allowed to patrons, and employees have the ability to monitor this situation as they are not very busy in the evenings.

Trustee Scaletta reminded the Board that this situation could occur at any of the Starbucks if this is allowed. President Hayes asked if it was Starbucks' intention to apply for this license for the other stores in the Village. Mr. Powell said not at this time, but the list changes daily. This store was chosen because of the location, demographics and interior space needs.

Trustee Glasgow moved, seconded by Trustee Tinaglia that the Committee-of-the-Whole recommend to the Village Board the

creation of a Class "K" liquor license for coffee shops as presented this evening, with the change to Section 13-501, #3 to read "The sale of beer and wine is incidental and secondary to the sale of coffee and similar products." The motion carried unanimously.

Liquor Code Changes

Mr. Recklaus said the goal is to reinforce Arlington Heights as an entertainment destination. It would help staff in soliciting and encouraging businesses, if the Code reflected the variety of liquor business types of which the Board would like to see in the Village. The current high standards and thorough vetting process would still occur.

Ms. Mikula presented some options for Board consideration:

- Microbrewery License
- Wine Cafe License modification to clarify what type of food, if any, is needed
- Wine & Craft Beer License, determine if food or kitchen is required
- Craft Distillery License

The definition of the microbrewery is an independently owned brewery that produces small amounts of beer, generally characterized by an emphasis on quality, flavor and brewing technique and often selling product exclusively locally. Normally a tap room is on site so that customers can sample what the business makes. Most do not have kitchens, but arrange for food trucks. Of the eleven microbreweries in the area, six do not require food and seven impose size or quantity limitations.

Ms. Ward said production of beer on site is currently not allowed from a zoning standpoint in a commercial district. A microbrewery could potentially open in an industrial area. Mr. Recklaus said there was an interest for a microbrewery in an industrial area, but parking standards and handicapped accessibility were issues. Currently, businesses can't manufacture in a commercial area, and public gathering is often not conducive in manufacturing areas.

Trustee Farwell submitted the following comments: "I strongly recommended a liquor license be created for a microbrewery so that the tasting room can have a license to serve on tap their beers and be able to sell their beer packaged from the tap room itself. Arlington Brewery opened up in either Itasca or Roselle because it was easier to get this type of designation. I also strongly recommended the Village allow bars to serve carry-in food as well. In other words serve a full, then slightly reduced menu, from a smaller menu of selections brought in from another establishment or caterer. We should not require establishments to have a full kitchen if this is not their main function."

Trustee Glasgow asked how current license holders would be affected. Ms. Mikula said current license holders would be part of the evaluation and

changes to their licenses could be handled administratively. If requirements are lessened, some current license holders may decide they do not want to provide full menus. Ms. Ward said there have not been any substantive changes to the Liquor Code since before 1988. Trustee Glasgow said there were higher police calls when food was not required. Ms. Mikula said if glasses of wine were offered, versus the current tastings at wine shops, there would be different ways to approach the licensing in regards to quantity limits and food. Microbreweries could be limited in the same way.

Trustee Glasgow said he was not in favor of cocktail bars or "no food" bars, but he is interested in microbreweries and wine cafes being allowed. Mr. Recklaus said some options could be brought forward showing different levels of food requirements.

Trustee Tinaglia said he would not want to see a lot of change in the existing restaurant scene and easily allow existing restaurants to switch to a different kind of business. Ms. Ward said all would depend on the types of classifications the Board decided it wanted to create. If a microbrewery is okay, then the odds of other restaurants becoming microbreweries are slim. If the Board decided the requirement for food was no longer necessary and created that classification, an existing restaurant that wanted to get rid of their kitchen and turn into a bar could submit a letter to the Mayor requesting a licensing change. If the legal requirements were met for the new license, they could receive the change. Trustee Tinaglia said he would not like anything retroactive or automatic. He also does not want a town of bars. Ms. Ward said that if the Board created a classification where food was not required, the Board can control the numbers of licenses it issues. No one can get a license without coming before the Board.

Trustee Scaletta said he supports a microbrewery classification and a wine cafe license. Mr. Recklaus said a new trend is the Craft Distillery businesses which can make beer or whisky or other alcohols. Trustee Scaletta said there has to be an element of food available. He would like to see options. He asked staff to explore how the health requirements would be applied as far as dish washing.

Trustee LaBedz said she did not want to see taverns and bars in town and wants to explore the food options. She asked staff to determine how microbrewery sales could affect retail store limits on single cans of alcohol. She also asked if a microbrewery classification were created, how would that affect zoning. Ms. Ward said it will depend on how it is written and may require an amendment to the zoning code. She said she is interested in exploring these ideas.

Trustee Sidor asked for clarification on the definitions. Mr. Recklaus said the definition of restaurant in the zoning code is different than the definition of restaurant in the Liquor Code. The Restaurant and Liquor Code states "any public place kept, used, maintained, advertised and held out to the public as a place where meals are served and where meals are actually served and

regularly served without seeking accommodation, such space being provided with kitchen and dining room equipment with capacity and having employed therein a sufficient and kind of employees to prepare, cook and serve suitable food for its guests." Tuscan Market took a unique path to get to where they are. Trustee Sidor said Tuscan does a great job, and they don't have a full kitchen. Crystal Lake Brewery does not serve food, but allows carry ins and provides take out menus. He asked if sandwich shops could serve alcohol. Ms. Ward said it would depend. Mr. Recklaus said liquor is not in every food vendor's business model. Arlington Heights would not be an outlier in developing these new licenses.

Trustee Rosenberg said there should be some food concept whether it's a signature dish or BYOF. Ms. Ward said the Board approves each liquor license individually by Ordinance and could decide to not issue any more licenses in a particular category. She amended her earlier position in that if a restaurant wanted to become a microbrewery, the Board would have to increase the number of licenses in that category, so the approval could not happen administratively. If a restaurant is class "A" and wanted to turn into a bar, they would have to come before the Board to get a different kind of license by Ordinance.

Trustee Blackwood recalled the former O'Grady's which was a restaurant. Food options should be available where beer or wine is served.

Trustee Scaletta asked staff to investigate the hours of operation in relation to the serving of alcohol in these different kinds of classifications.

Trustee Tinaglia said Chipotle serves beer, so sandwich shops could too. He strongly encouraged staff to consider very specific licenses for each of these different types.

President Hayes concurred with further exploring these new classifications. He would like a food component, businesses should not need to have a permanent kitchen onsite.

Mr. Recklaus summarized that the Board was open to the different kinds of licenses and there is a relationship between the variety of alcohol served and the amount of food that would be required for that license classification. With greater restrictions on liquor types served, there may be less of a food requirement. The Board is not interested in having a tavern where people can go and drink all kinds of alcohol without a food requirement. Processes should be laid out for existing businesses who may wish to transfer the type of license they have based on any changed requirements. The food equipment requirements for facilities that do not require a full kitchen will need to be defined. The hours of operation need to be considered and whether there are limits to the quantity of alcohol under these different classifications. Zoning implications need to be considered as well.

Colin Gilbert of Tuscan Market said all these changes are great and he was

glad the Board was looking to improve Arlington Heights as a destination/entertainment area. To grant a license to someone who has not put in the work that the rest of the restaurant community has had to over the years, while being progressive, might be a hard pill for some to swallow. Microbreweries have to be good to survive. He said he doesn't think the coffee house license applicants would be competition to his business.

V. OTHER BUSINESS

VI. ADJOURNMENT

Trustee Scaletta moved to adjourn at 9:29 p.m. Trustee Tinaglia seconded the motion. The motion carried.