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 25, 2018
7:30 PM

I. CALL TO ORDER

President Hayes called the meeting to order at 7:32 PM.

II. PLEDGE OF ALLEGIANCE

IIIROLL CALL

Board Members Present:

Mayor Thomas Hayes, Trustees Baldino, Blackwood, Glasgow, LaBedz, Rosenberg, & Sidor

Staff Present:

R. Recklaus, D. Mikula, T. Kuehne, S., M. Pagones, C. Perkins, C. Papierniak, G. Mourning, K. Koeppen, M. Juarez , K. Baumgartner, P. Wilkiel, & Various Village Support Staff

IV.NEW BUSINESS

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

Mr. Recklaus stated that the proposed 2019-2023 Capital Improvement Plan (CIP) is a 5-year plan that looks at how the Village will be investing in its infrastructure, saying that it is a critical part of a process to try to maintain and improve its assets. He said the CIP plan is about where money will be spent based on anticipated resources. Mr. Recklaus stressed that the CIP is not just a wish list of items, but are items that have been vetted at department and organization-wide levels that reflect both the priorities of the Village and the projected resources. He added that in lieu of the annual process for review of the CIP, a bi-annual review will be tried out.

Mr. Recklaus went on to explain some of the CIP process, which includes:

- Surveys completed by residents (103 different projects proposed this year)
- Review of the Board' stated priorities (Road reconstruction/resurfacing, flood control, storm sewers, water infrastructure, asset management)
- Review of the Board's bi-annual strategic priorities
- Reevaluation of current contemplated Village projects and obligations
- Review of projected revenue in the CIP Fund
- Prioritization of projects (Legal obligations, replacement & maintenance of existing projects programs and assets, essential items, discretionary)

Projects that are currently underway this year include the kickoff of the storm water program, construction of the Police station, and the final year of the parking garage refurbishments.

Some of the challenges the Village faces includes:

- Age of water mains, their maintenance and replacement, and funding because of lower revenues
- Replacement of HTE, the Enterprise Resource Planning Software used for accounting, payroll, permitting, and data collection in an effort to improve processes. A firm would need to be hired to manage the process of replacement, independent of a software provider.
- Flat revenues - Finding continued funding for projects

Capital Projects Fund

Mr. Kuehne gave a brief overview of the Capital Projects Fund. He said on the revenue side, there are property taxes dedicated for the street resurfacing program, and that there was a transfer from the EAB Fund to the Capital Projects Fund to help pay for the corridor and the Downtown paver projects. He went on to say it is anticipated that when the Police Station is completed at the end of 2018, the Public Buildings Fund will have surplus funds available and recommended to the Board that $800,000 be allocated to the Capital Improvement Fund to help make sure there is enough funding in this fund for the next five years.

Mr. Kuehne talked about some of the budgeted amounts for upcoming street projects, which included the south Arlington Heights Road corridor. He said that discussions took place with businesses in that area regarding needed improvements. He said that the amount currently budgeted is for a consultant to help identify improvements that are necessary, saying that no funds are budgeted for improvements.

Motor Fuel Tax (MFT) Fund

Mr. Kuehne explained the total amount of money that is going towards the Street Program, saying that the program is up to about $9.1 million a year. He said that the Village receives about $1.9 million per year from the State from taxes on fuel and that $1.8 million goes towards the MFT Street Rehabilitation Program.

Storm Water Control Fund

Mr. Kuehne stated that at the end of last year, a new storm water utility fee was initiated, and that $1.63 million per year is estimated to be generated from that fee. He went on to say that the Village will be selling a $10 million GO Bond issue in August which will help pay for the projects budgeted in the Storm Water Control Fund over the next five years. He added that once the bond issue is completed, this fund would also have to pay the principal and interest on that debt.

Public Comment

Mr. John Glueckert, Glueckert Funeral Home, explained some of the issues with flooding in the parking lot of his business going back to 2001 when his parking lot was extended. He said that something changed in 2014 where the lot now floods with all significant rainfall, and that he has been in contact with the Engineering Department regarding the issue. Mr. Glueckert recently became aware of the Evergreen/Maude drainage improvements that are slated to be done in 2020, and asked that the Board to consider moving that project up.

Mr. Allan Zimmerman, 402 E. Orchard, voiced his concerns and showed images of the amount of water his property and the street retains. He stated that his front and side yards were still underwater since the rain from four days earlier, and that it has been an issue for the last three years with the amount of new construction in Scarsdale Estates. Mr. Zimmerman said that there is algae in the standing water, that all the mulch is gone, and that the storm sewers were not working in his area. Because of safety and environmental issues, he asked the Board to consider moving up the Orchard/Belmont improvement project slated for 2021 back to where it was previously slated, 2019.

Mrs. Ellen Zimmerman, 402 E. Orchard, spoke about the costs incurred due to the flooding issues. She said that they are trying to be good neighbors by taking care of things themselves but said things have gotten worse over the past few years and asked that the project gets moved up as soon as possible. She said there is a terrible smell and the ponding is now a mosquito haven, and asked if it was possible for Public Works to help pump out the water. Mrs. Zimmerman highly encourages the Engineering and Planning Departments to be in close communication in regards to homes, culverts, and retaining walls allowed to be built.

Mr. Jerry Cavanaugh, 848 S. Belmont, said that he wanted to reiterate what the Zimmerman's have said, saying that he is in a low area and that whenever it rains he gets a lake in his front yard that crosses over his driveway and creates a sheet of mud and dirt when it dries. He also said there is a drainage ditch that is blocked and that it is mosquito infested. Mr. Cavanaugh went on to say that the NW corner of his yard collects water that has nowhere to go which affects not only him but multiple neighbors. He also stated that there is a lot of maintenance and costs and that the general appearance does not look nice. He is also looking for a timely solution to this issue.

Mayor Hayes asked for an explanation for the prioritization of projects. Mr. Recklaus explained that there were 8 projects identified for this five-year period that were determined to be of the highest priority in the community, and said there are many projects that have no funding at this point. He added that in terms of construction standards, a project to be part of the Village's business plan and to start later this year is a review of the Village's storm water standards for single-family teardown construction. Mr. Papierniak said the prioritization of projects is a very detailed process. He gave an explanation, saying that the process included the number of homes affected, depth of the affect, frequency of the affect, how it affects the neighborhood and the condition of the streets, culverts, storm sewers and water mains. Mr. Recklaus added that projects are prioritized where structure flooding was occurring, and where there is street flooding in excess of one foot. He encourages residents to reach out to Public Works and Engineering to see if there is anything can be cleaned out to make things better.

Trustee Rosenberg felt that these projects should be done sooner than later. Mr. Pagones said that these two projects are intended to be constructed and designed in-house, saying that there is a limitation on how much can be done at one time. He explained that targeting specific areas might not help some or address drainage issues in the entire neighborhood.

Trustee Blackwood asked if the Village could help pump out the water, especially if there could be a health issue. Mr. Papierniak said to his knowledge Public Works never entered private property to pump things out. He said it could be investigated as an option to mitigate water in the culverts or anything in the public right-of-away if there is somewhere the Village can discharged it to, but stated that Public Works has always had a practice of not doing that because of the vast number of smaller pockets of problems. He added that he is reluctant to make an effort or a promise to help a select few.

Mr. Recklaus stated that in light of the feedback received this evening, the situation can be assessed tomorrow and determination could be made to see if there is anything the Village can do. Mr. Papierniak stated that all calls that Public Works receives regarding flooding are investigated to see if there is something they can do to help.

Trustee Sidor stated that he is concerned with final landscaping inspections after the completion of a new home or home addition, and asked if grading was looked at to see if any water flow would affect the neighbors. Mr. Pagones explained that every home goes through a permitting process, saying that engineering requirements are to have a grading plan for both existing and proposed conditions. He said they are evaluated, they make recommendations or changes, and reject them as necessary to make sure the grading has a minimal impact to the neighbors or to themselves. He added that they are bound by what is allowed, and said that there are no regulations for individual homes for storm water retention. Trustee Sidor asked how frequently people are requested to remove their landscaping. Mr. Pagones stated it is not uncommon, and that there have been many cases where that has happened. Trustee Sidor felt this is a quality of life issue, saying that as the Village looks at its processes this should be looked at further.

Trustee Glasgow felt, although this is affecting a smaller number of people, it has a significant impact, and asked what the Village can do if these projects cannot be pushed to the front. Mr. Recklaus said the areas that regularly experience structure flooding as well as the street flooding over one foot are of highest priority. He did not want to minimize what the residents were experiencing but said these situations are not as widespread or as critical as some other areas that are higher on the list. Trustee Glasgow asked what can be done to help them out. Mr. Recklaus said that Public Works can go out and make an assessment and talk to Engineering to determine what, if any, interim improvements may be beneficial. Trustee Glasgow asked that staff report back to the Board with the assessments and on a possibility of having these projects moved up after the issuance of the GO Bond.

Trustee LaBedz concurred with the concerns of the other Trustees, saying that her concern is having health issues with standing water for lengthy periods. She felt it is important to review the process as it goes through the Plan Commission process.

Trustee Baldino asked if staff could go out and look at the ditches and culverts in the Belmont area. Mr. Musinski said that assessing them is part of the assessment plan. Mr. Recklaus said that staff would go out and look at the area. Mr. Pagones explained that all of the unimproved areas that do not have curb and gutters and ditches were constructed when they were not part of the Village. He said construction of new homes did not necessarily fill in the ditches that many of those ditches were nondescript as it was, and they just do not work.

Mayor Hayes thanked the residents for being patient with the process and for alerting the Board to these particular problems. He hoped they understand what the Board is dealing with in terms of the prioritization process and with the limited nature of both funding and resources. He said that the Board is sensitive to their issues and will look for additional funding to try to move their projects and other projects up in the timeline if possible.

Water & Sewer Fund

Mr. Kuehne said there is one more year of a planned five-year increase of water and sewer fees that started in 2015. He also said a rate study is planned for around this time next year, and that additional increases will need to be looked at in order to continue the upgrade of the Water Main Replacement Program. Discussion took place regarding the age and replacement of water mains and the continued funding goal of this program, as well as with importance of maintaining the water tanks.

Municipal Parking Fund
Mr. Kuehne reminded the Board that a study was done and parking fees were increased which brought this fund into a more sustainable level. He went on to say that one of the new projects in this fund is to install LED parking light conversions in the garages.

Public Building Fund
Mr. Kuehne felt that this fund should remain open for at least six months after completion of the Police Station in case some things are needed after it is done. He also said there would be a balance left in the fund and recommended that the proposed $800,000 be transferred to the Capital Projects Fund. He stated that prior to closing the fund staff would come back to the Board with a recommendation of where to transfer the remaining funds.

Other Funds
Mr. Kuehne highlighted the $200,000 listed for estimated consultant fees regarding the ERP software replacement in the Technology Fund, adding that it does not include the cost of software. He stated that this is a multi-year process and that software is not currently budgeted for, but that it has been estimated to cost about $1.5 million.

Regarding the Criminal Investigation Fund, Mr. Kuehne talked about the benefit of membership of the Police Department in the Northern Illinois Regional Crime Lab in solving crimes. Being that there is a substantial amount of money in this fund, Trustee Rosenberg asked what else funds would be used for. Chief Mourning stated that these funds are referred to as "Forfeiture Funds" and that it does require a long-term spending plan. Funds are used for the various things including Crime Lab, Canine, and special project expenses.

Mr. Kuehne talked about the TIF Funds and said the most recent one is the Hickory/Kensington TIF, saying it will be updated for the 2019 proposed budget to make sure it reflects what the Board approved at the last Board meeting.

Regarding the AE & E Fund, Mr. Kuehne stated that because of the increase in food and beverage taxes collected compared to prior years, a General Fund transfer will not be suggested this year.

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE LABEDZ, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE PROPOSED 2019-2023 CAPITAL IMPROVEMENT PROGRAM AND THAT THE FIRST YEAR OF THE PROGRAM TOTALING $28,469,200 BE INCORPORATED INTO THE VILLAGE'S PROPOSED 2019 BUDGET. The motion passed unanimously.

B. Long-Term Revenue Report

Mr. Recklaus started by saying sales taxes make up about 17% of the Village's revenue are leveling off or being reduced, saying much of this has to do with online sales. He said online sales taxes do not get collected as consistently as brick and mortar sales taxes. He said online sales taxes, excluding autos, fuel and groceries account for 25% of total retail sales. He went on to say shared income tax revenue represents about 10% of the General Fund revenue, telecommunication tax about 4%, and that many of the other fees and charges have not been increased in several years.

Mr. Recklaus wanted the Board to have a broad perspective on the state of the Village's revenues and what is impacting them. He said staff is looking for some general direction from the board regarding new revenues, or any information they need before making any decisions.

Mr. Kuehne started by saying that although there have been challenges, the Village's financial position has been stable for a number of years and that challenges have been managed through a combination of expenditure cuts, new or increased revenues and short-term use of reserves when needed. He went on to say it is harder to pay for services now as the Village needs continued growth in revenues, especially for the General Fund, to pay for expenditure increases.

Mr. Kuehne continued by talking about different potential revenue sources and by giving a presentation that showed possible increases to the General Fund's license, fees, and fines. He also said that in order to remain competitive, any proposed increases would need to be compared to fees charged in surrounding communities. Mr. Kuehne said that a recommendation for the Board to consider, so that the Village can remain as financially flexible as possible, is for Village Departments to review their licenses, fees, and fines over the next year so that this time next year there would be a more cohesive understanding of what makes sense to increase. He felt that any fee and fine increases be done moderately each year, saying that it will help hold down property tax increases from year to year. Mayor Hayes concurred with that recommendation, saying this is something that should be done on a regular basis.

Mr. Kuehne continued his presentation regarding other potential alternative General Fund revenues sources and possible revenues, which are larger type revenues that could be generated on an as needed or emergency basis. The Board discussed the options presented which included an increase in the home rule sales tax, a real estate transfer tax, an increase in the food & beverage tax (FBT), and with allowing video gaming. The Board was asked if they wanted staff to pursue or provide any more information on any of these potential General Fund alternative revenue sources.

All Board members were against any type of video gaming. Some Board members felt an increase in FBT would put a strain on businesses, and some possibly being favor of a smaller increase than what was proposed. The consensus of the Board was they were not in favor of an increase in the Home Rule Sales Tax as well. Trustee Glasgow mentioned that he may possibly be in favor of it if it were increased only on a temporary basis.

Mr. Recklaus said that an affirmative referendum vote would be needed in order to implement a real estate transfer tax explaining that many years ago, before State law changed communities could pass it without a referendum. He pointed out that very few if any had a referendum pass mainly because the National Realtor Association generally comes out very hard and spends a lot of money to defeat these referendums. Most Board members were not in favor of a real estate transfer tax.

Mr. Recklaus and Mr. Kuehne thanked the Board for this discussion and for their views.

Mr. Kuehne gave an overview and explanation of some Disruptive Technologies, which are technologies that significantly alter the way businesses and industries operate. Some examples of how they affect or could potentially affect the Village's tax base include:

- Reduced sales tax collection due to purchases made through tax free or tax reduced internet sites
- Reduced telecommunication tax receipts because of fewer land line phones and more cell phones
- Reduced cable franchise fees due to news and entertainment seen through internet only
- Self-driving cars, Airbnb, online banking, etc.

Mr. Kuehne said innovations need to be tracked so that the Village can plan around them and change its processes, and that the Village needs to continue to look at regionalism and partnerships.

Mr. Kuehne then gave an overview of some court cases regarding the collection of internet sales taxes. He said that the State of Illinois passed legislation this year (Marketplace Fairness Act) that requires the collection of a use tax, and will be in effect as of October 1, 2018. He explained that remote sellers with 200 or more annual transactions amounting to $100,000 or more annually must collect this tax. He went on to say this coincided with the Supreme Court's ruling last week in favor of the State of Dakota for remote sales tax collectors. Mr. Kuehne continued with his presentation regarding sales tax rates, collection of in-state/out-of-state tax collection, with estimated Illinois Use Tax revenue based on the South Dakota ruling, and with internet sales.

Regarding long-term revenues, Mr. Recklaus stated that the sale of vehicle stickers is a significant source of revenue for the Village, and that the sale of them is difficult to enforce. He stated that many towns got rid of them because they were an administrative headache and said that in order for the Village to do that we would have to come up with a way to get that revenue. Possible revenue alternatives include a 2.9% or $28 increase in property taxes for an average homeowner, an increase in FBT by .75%, or an additional charge to the bi-monthly water & sewer bills. Pros and cons were discussed with eliminating the purchase of vehicle stickers. Mr. Recklaus said that another option was to keep the vehicle sticker program and to ramp up enforcement, which can include an educational campaign. He went on to say increasing the penalty amount for not purchasing one would be the fair thing to do for all the law abiding citizens that do pay.

Discussion took place regarding comparing the State's database with the Village's for those who own cars in the Village. Mr. Kuehne stated that the Village did do that and explained that the State's data is not up-to-date and when notices were sent out, there were many complaints from residents because of wrong information, but added that it can be done from time to time for comparisons.

Trustee Glasgow said the Village has purchased license plate scanners in the past and asked if an option of not having a sticker could be possible. He said because of current technology, residents can pay a fee and that the payment can be attached to their license plate number in the Village's database, and when you can scan a plate, a ticket can be written right away if their fee was not paid. Mr. Recklaus stated that this is something that could be explored.
Trustee Glasgow voiced his concerns with cost versus revenue associated with vehicle stickers and talked about having different types of parking passes for residents and non-residents.

Mr. Recklaus said that because the Village is not getting as much compliance as it should, staff is trying to gauge the Board's comfort level for ramping up enforcement in general. He asked the Board if they want to look at an alternative to a vehicle sticker or if they were ok with ramping up the efforts of enforcement if they want to keep them.

Mayor Hayes stated that he would not like to change this revenue source and felt the vehicle sticker sales should continue and that enforcement efforts should be stepped up. He felt that residents would prefer to continue to purchase vehicle stickers rather than have it changed to a different revenue source. Trustee Glasgow asked the Mayor if he would support a vehicle registration versus a sticker. Mayor Hayes said that he does not know enough about it, but thought it was something that could be explored.
Discussion took place regarding the costs associated with vehicle sticker sales and with enforcement and increased fines for non-compliance. The consensus of the Board is to have stronger enforcement for non-compliance of purchasing vehicle stickers. Mr. Recklaus stated that staff would take some of the Board and staffs' ideas and come up with a concept for enforcement and communicate it with the Board.

C. Operating Fund Overview / Recommended Budget Ceilings - 2019

Mr. Recklaus stated that staff is always looking to save money and reduce the tax burden as much as possible. He gave a presentation and talked about the leveling off of sales tax receipts, and about the reduced income tax receipts from the State. Mr. Recklaus continued by going over the 3-year projections saying that salaries are a big factor in overall expenditures. He stressed that the Village is starting to feel the impact of a tight labor market, and is undergoing many retirements. He added that good candidates are hard to find and that the Village needs to have competitive wages. Mr. Recklaus went on to say that health insurance costs, vehicle maintenance/replacement costs, and contractual services/commodities costs are all increasing.

Mr. Recklaus said that with the assumptions presented, a balanced budget for 2019 is projected. He added that looking at the out years, Village expenditures begin to outpace the revenues, which will bring down the fund balance over the next couple of years. Mr. Recklaus said that although the Village is in good shape this year, potential new revenues will need to be looked at, and that some difficult decisions may need to be made if these trends continue.

Mr. Kuehne gave an overview of property tax levy history and how the estimated 2.5% tax levy increase amount for this year was developed, saying that staff always tries to come in with very modest increases. He said that no decision from the Board would need to be made regarding a tax levy until November. He added that in between now and when the proposed budget comes out staff will continue to look for ways cut expenditures, while also looking at where revenues are. Mr. Kuehne said that a modest property tax increase is being looked at because sales and income taxes are not growing but expenditures are.

Trustee Sidor asked where staff is looking to cut expenditures. Mr. Kuehne started by saying that the Village had two real bad years with health insurance costs, saying that staff is looking for ways to reduce those costs, are looking at alternatives for retiree health benefits, and at other plan changes. He went on to say that when internal review of the budgets are done on a department by department basis with the budget team, expense cuts are discussed during that process before the proposed budget is presented to the Board. Trustee Sidor asked if there was a report that could be provided to the Board that would help them understand those efforts. Mr. Recklaus explained that it is hard to track and quantify. He said that on an ongoing basis he meets one-on-one with department directors and talks about some of the programs and expenditures and how they could be reduced. He added that he tries to make it clear what numbers he would like to see come down in the next year's budget. Mr. Recklaus said that he consults with Mr. Kuehne on areas where there are new programs versus maintaining existing ones, saying that they try to focus on how to maintain existing programs better, faster, and more efficiently. Mr. Kuehne added that departments were told that if there are any new programs that they are thinking about, it has to come out of what they are doing already.

TRUSTEE BALDINO MOVED, SECONDED BY TRUSTEE ROSENBERG, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE

VILLAGE BOARD THAT THE BOARD APPROVE THE 2019 BUDGET CEILINGS OF $76,177,200 FOR THE GENERAL FUND; AND $21,209,500 FOR THE WATER & SEWER FUND. The motion passed unanimously.

V. OTHER BUSINESS

VI.ADJOURNMENT

There being no further business to discuss,

Trustee Labedz moved, seconded by Trustee Glasgow to adjourn the meeting at 10:20 PM. The motion passed unanimously.