



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
March 13, 2023
7:00 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

President Hayes and the following Trustees responded to roll: Baldino, Canty, Bertucci, LaBedz, Schwingbeck, Grasse, Tinaglia, and Scaletta.

Also present were: Randy Recklaus, Tom Kuehne and Becky Hume.

IV. NEW BUSINESS

A. Proposed 2022 General Fund Surplus Transfers

Mr. Recklaus explained the Village is in a unique position as revenues have exceeded budgeted expectations. However, not every fund is doing as well as the General Fund. Staff looked at funds that needed help, funds we have an obligation to pay, and items that do not have a funding source. Also considered were places where we could save taxpayers money. Since we can't count on this happening every year, the focus was on onetime expenses. After considering all the options, staff is suggesting a property tax abatement.

Mr. Kuehne explained that revenues came in 13% over budget. The increases came from: Food and Beverage taxes, Sales taxes (as the Village is now collecting internet sales taxes), consumer pent-up demand, income taxes and increased wages. Mr. Kuehne does not project this high number sustaining itself in the years to come.

Expenditures are in line with what was budgeted. There were more staff vacancies but also higher expenses for things like fuel. We have a \$12.4

million in surplus. The Village needs a minimum balance of 25% of our fund balance. For the top end, there is no rule, but staff likes to keep a 40% fund balance.

Some funds that could use boosting are: the Municipal Parking Fund, the Fleet Fund, The Fire and Police Pensions, the Lead Service Line Replacement Fund, Water and Sewer, and Capital Projects. In regards to the Parking Fund, commuters have not come back in full force yet. This fund also pays into the General Fund. Mr. Kuehne is recommending eliminating that in the future. The Fleet Fund costs have increased due to supply chain price increases. Each of the pension funds suffered significant losses in investment income. The Lead Line Replacement is a State mandated project. Public Works is asking for seed money to offer an incentive line replacement program similar to the overhead sewer program. A Water & Sewer Fund increase would support the water meter replacement program which is coming in the next few years.

Some transfers of funds from the General Fund to the Capital Projects fund are recommended as well. They are:

- \$32,000 for a new UPS battery system for emergency network power at the Village Hall.
- \$25,000 toward the refurbishment of the Fire Department's antique Seagrave Engine housed at Station One. This engine is a big attraction at open houses and the July 4th Parade. The balance of this estimated \$50,000 rehab project would be funded by the Foreign Fire Insurance Fund Board.
- \$25,000 to modernize the technology in the Siegel and Commissions meeting rooms through the installation of new touch monitors, conference cameras, and wireless presentation equipment.
- \$18,000 to Capital Project Fund reserves.

In addition, Staff would like to give the tax payers relief. If the Village gets an ordinance to the County before April 1, the tax bill in August would save a typical homeowner \$50 providing a direct savings to people in the community.

Looking ahead, we could eliminate vehicle stickers and dog tags in 2024. Arlington Heights is one of the last communities to have them. A homeowner with 2 cars and a dog would save roughly \$72 a year. Vehicle stickers generate \$1.4 million, dog tags-\$65,000. Most pets are now chipped. These programs are labor intensive, difficult to enforce, and would provide relief for the homeowners. Staff would be freed up to provide other services. This suggestion is not part of the surplus, but brought forward as part of the overall discussion.

Mr. Recklaus added that if the revenues stay as projected, staff is anticipating recommending the elimination of the stickers and tags for 2024.

Mr. Kuehne said removing 2024 vehicle stickers would affect 2023 revenues

as some of the revenues are realized in the 4th quarter.

President Hayes said the suggestions were well reasoned. He said he would defer to staff on the amounts of the transfers. From a conceptual standpoint, he agreed with the allocations and liked the idea of repealing the sticker and dog tag taxes. In terms of the abatement, the impact will be well received by the taxpayers.

Trustee Bertucci said this does not happen by accident. By setting the town up in a way that makes it more attractive, the F&B Tax lessens the load on the tax payers. He acknowledged the decision makers that came before. He liked the abatement idea.

Trustee Canty agreed with the Mayor. She was especially glad staff is considering the elimination of the stickers and dog tags.

Trustee Schwingbeck said he trusted the decisions of staff on the recommendations. It takes a tremendous amount of time to enforce the stickers and dog tags. He said it was amazing that we've had the tax levy at zero, and are still to be able to abate taxes. It's something special.

Trustee Baldino agreed with Trustee Bertucci, he appreciated the staff's skills on budgeting and forecasting to allow for an abatement.

Trustee LaBedz said she appreciated the conservative approach to budgeting. She said without the stickers, the Village will need another way to acknowledge its specialness. She asked if the Board Room's technology could be improved too. Mr. Recklaus said the Board Room technology has already been approved, but it is a victim of the supply chain issues and the equipment is backordered. It is the first priority and has already been budgeted for.

Trustee LaBedz asked how a tax abatement works. Mr. Kuehne explained the Village has a tax levy each year which covers all costs. We send the levy to the County, where they add it to the other taxing districts' levies. Then the total costs are divided up by property. If we lower the Village's portion, \$2.6 million will be taken out of the 2nd property tax installment. The money would come from the Police Protection and the Fire Protection levies. The County would redo their calculation.

Mr. Recklaus clarified that even though the money will be taken out of those levies, we will not be spending any less on them.

Trustee Scaletta asked if there will be enough information to avoid a surplus in 2024. He said taxes are higher because prices are higher. The Parking Fund will still have a balance sheet because the concept is that user fees pay most of the costs. Mr. Kuehne said yes, and the Parking Fund pays the General Fund money each year. One way to help the fund balance in the future is to eliminate that pay back. For the pension funds, we've paid ahead

on those funds in the past, which protects the tax payers in future years. The market losses were 15%, \$10-\$12 million. Increasing the Lead Service Line Fund would free up some of the upcoming bond cap. The thinking is we might be able to leverage some 0% interest loans. The Village has not qualified for them yet. If we can save any money now, that may be less money we have to finance in the future. Mr. Recklaus said the Village has applied for grants for Lead Service Line funding. Hopefully, we will be successful in an upcoming round. Sometimes our sound fiscal management hurts us in terms of grants.

Trustee Scaletta asked why aren't we abating more. Mr. Kuehne said money could be pulled from Fleet, but we would have to make sure we have it for the future. Another place would be from the Lead Line Fund, because we have a number of years before we have to pay it out. Mr. Recklaus said we would have to incur the expenses anyway or the taxpayer will have to pay more for them in the future. Trustee Scaletta asked why we don't we take money from the reserves to pay for things. Mr. Kuehne answered we don't want to increase property taxes. By shoring up the funds, we may not have to have an increase in the years to come.

Mr. Recklaus added it is hard to balance a budget in a recession, we don't want to jeopardize the financial health of the future. These actions seem to be a prudent approach.

Trustee Scaletta said 'thank you' for the vehicle stickers. He asked why dog tags, what about lost dogs? Mr. Recklaus said the most common way of identifying dogs is through chipping. The Police Department has access to those data bases. Trustee Scaletta asked about Cook County's requirements and reporting. Mr. Recklaus said he would look into how it might affect the County.

Trustee Grasse said the surplus applications save the residents in the long term. Costs will still be incurred, so this is an investment in the future. She said she was glad staff had a long-term view.

Trustee Tinaglia said the Village invested extra money in the pension funds a few years back. What did we put in, and how much did it save? Mr. Kuehne said that investment saves \$300,000 per year per fund up to 2040. Trustee Tinaglia said we are blessed to have people looking at saving money in the long term. The abatement speaks well to who the Village is, we are a family that takes care of each other. He said he hoped we can do a better job of communicating this information.

Mr. Recklaus said a press release will go out. Social media may be used as well.

Resident Melissa Cayer recommended the Board members take turns wearing a mascot costume and walk around the Village and talk about it. She asked if by eliminating the vehicle stickers information would be lost. Mr. Recklaus said the Village gets the information from the State as well. Ms. Cayer said it

is not a good idea to put more money in the pensions and advised to stick to the schedule.

Resident Keith Moens said the surplus is a credit to staff and the economy working for us. The General Fund is at 44% (4% above target) of expenditures which is a good cushion right now with 25% being the minimum. He asked if the abatement will affect a zero-tax levy next year too.

President Hayes said a zero-tax increase is the goal every year, but it cannot be guaranteed. Mr. Kuehne said this abatement is for the 2022 taxes. He said he always tries to get to zero, the picture for next year will be clearer in June. Mr. Recklaus explained if you had a house and Village tax was \$1,000, it has stayed there for 4 years, this year you would pay \$950. If we have zero increase again it would go back to \$1,000. To increase the chances of a zero levy, it is advised to put extra money into the pension funds. Mr. Moens asked if the 4% could go to the pension funds. Mr. Kuehne said it's possible.

Trustee Canty moved, seconded by Trustee Bertucci, that the Committee of the Whole recommend to the Village Board of Trustees that the Board approve the Proposed 2022 General Fund Surplus Transfers, and authorize staff to prepare a \$1.6 million tax abatement ordinance for the 2022 tax levy payable in 2023.

Ayes: Baldino, Canty, Bertucci, LaBedz, Schwingbeck, Grasse, Tinaglia, Scaletta, Hayes
The motion: Passed

B. Proposed Increase in Cook County Loss Factor

Mr. Recklaus explained the Cook County Clerk has a standing policy to add a 5% loss factor to the debt service levy, and a 3% loss factor to all other fund tax levies of government agencies in Cook County. The purpose of adding a loss factor to an agency's tax levies, is to offset the loss in tax collections due to appeals or other tax actions, thereby providing taxing districts the ability to collect the amount levied.

Mr. Kuehne said sometime in the past, the Village reduced the standard loss factor to 1% for all tax levies. However, the Village has received an average of 98.39% of its tax levy over the past ten years. The tax levy receipt disparity was upended further a few years ago when the State mandated that Police and Fire Pension Fund levies were required to be funded 100% from a community's tax receipts. That has meant that the Village's other tax levies have been reduced further, to ensure that 100% of the public safety pension fund levies are funded.

To ensure that the Village's tax levy collections match its tax levies more closely, Staff recommends that the loss factor applied by Cook County be revised to 2% for all Village levies, which is what many of our neighbors do. This will be cost neutral to our tax payers.

Trustee Scaletta said people will be eager to see what the tax numbers are as many are nervous about the new assessor, and residents are not getting their bills as regularly. He said he hoped we are protecting our taxpayers by making this change. Mr. Kuehne said in the short term we will see more appeals, so our collections may go down.

Trustee Bertucci asked if in addition to people appealing their taxes, are the collections affected by non-collected taxes. Mr. Kuehne said yes.

Trustee LaBedz moved, seconded by Trustee Schwingbeck that the Committee of the Whole recommend to the Village Board of Trustees that the Board approve the proposed increase in the Cook County Loss Factor to 2% from 1%, and authorize staff to prepare a resolution to implement this change for the 2023 tax levy payable in 2024.

Ayes: Scaletta, Tinaglia, Grasse, Schwingbeck, LaBedz, Bertucci, Canty, Baldino, Hayes

The Motion: Passed

C. 2023 Budget Encumbrance Rollover

Mr. Recklaus said the Village approves a budget encumbrance rollover annually which represents existing purchase orders and commitments for goods and services which have not been received at the end of each year, but still need to be properly budgeted and accounted for in the following year.

The annual rollover is typically included on a Village Board agenda under the consent portion of the agenda. However, staff wanted to advise the Board that the 2023 Budget Encumbrance Rollover is much higher than normal due to ongoing supply chain issues. Significant delays in the Village's road projects, water and sewer projects, and vehicle replacement deliveries are the key causes of this increase.

President Hayes asked what the average rollover. Mr. Kuehne said typically, it's between \$4 million and \$7 million, this year it is over \$15 million.

V. OTHER BUSINESS

Melissa Cayer asked questions regarding Harper's zero percent levy on her most recent tax bill. Mr. Recklaus said the Village does not have information on that, and she should ask Harper's Board for an explanation.

VI. ADJOURNMENT

Trustee Scaletta moved to adjourn at 8:08 p.m. Trustee LaBedz seconded the motion.

The motion carried and the meeting was adjourned.

Becky Hume
Village Clerk