AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Community Room
33 S. Arlington Heights Road, Arlington Heights, IL 60005
March 11, 2019
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Proposed Transfers to Police Pension, Firefighters' Pension, and Municipal Parking Funds

B. Proposed Revisions to Vehicle Sticker Enforcement and Collection

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.

Committee-of-the-Whole
3/11/2019

Item: Proposed Transfers to Police Pension, Firefighters' Pension, and Municipal Parking Funds

Department: Finance

Per the unaudited fourth quarter 2018 Finance Department report that was recently distributed to the Board, the Village's General Fund experienced a solid 2018 performance. Although telecommunication and sales tax revenues came in under budget, this was offset by higher income tax receipts, permit revenue, and interest on investments. General Fund expenditures are coming in under budget due primarily to unusually high temporary vacancies in the Integrated Services, Engineering, Building, and Police Departments. The mild winter through December 2018 also resulted in lower Public Works expenditures. These combined results have resulted in a surplus of $3.475 million. Due to the temporary nature of these budget results, the General Fund's 2019 projections still appear to be valid. For instance, the State previously shifted 10% of income tax receipts from municipalities back to the State. During 2018 the State reduced this shift to 5%, and the Village's 2019 Budget now includes this additional money. The 2019 Budget also includes an increase in interest on investments and includes full staffing without regard to temporary vacancies.

To put the projected surplus in perspective, the 2018 General Fund budget totaled $74.8 million, revenues came in 1% over budget and expenditures came in at 4% under budget as shown below:

GENERAL FUND 2018 RESULTS (unaudited)

	2018 Budget	2018 Actual	Difference	% Over (Under)
Revenues	$74,476,100	$75,242,825	$ 766,725	1%
Expenditures	74,842,677	71,767,785	3,074,892	4%

Surplus (Deficit)	(366,577)	**3,475,040**	3,841,617
Beg. Fund Balance	30,647,253	30,647,253	
End. Fund Balance	30,280,676	34,122,293	
% Fund Balance	40%	48%	

Since the Village has maintained solid General Fund reserves, we are now in the enviable position of being able to consider using the 2018 year-end surplus to improve the Village's overall financial position. Surplus monies should not be used for ongoing expenses as the circumstances leading to the surplus will likely not exist the following year. It should also be noted that any transfer of this year's surplus would not affect next year's budget, as the General Fund budget is driven by year to year cash flows of revenues in and expenditures out. For example, there were a number of significant weather events in January 2019, which resulted in Public Works overtime expenditures that are currently about $100,000 over the year to date budget for 2019. After reviewing the Village's various funds, staff developed the proposed list of uses of the 2018 General Fund surplus:

1. **Limit property tax increases for next year's Police and Firefighters' Pension Fund levies by making one-time additional payments to the Police Pension Fund and the Firefighters' Pension Fund. (Transfer $1.5 million to each pension fund)**

2. **Provide an infusion of funds toward needed public parking improvements. (Transfer $475,000 to the Municipal Parking Fund)**

Staff has discussed this proposed transfer of 2018 General Fund surplus monies with the Village's auditors. The auditors indicated that through Board action it would be feasible to account for this type of transfer retroactive to December 31, 2018 in order to match the transfer expenditure against the 2018 surplus. Village staff also contacted our bond rating agency, Moody's Investors Service, to see if this use of surplus funds would have an effect on our bond rating. In an informal conversation the Moody's representative indicated that the Village's General Fund balance was already in good shape based on the 40% funding ratio, and that adding additional dollars to the existing balance would not help the rating any further. He stated that the size of the surplus combined with the solid existing fund balance was a big plus from their perspective because it shows that at least in the near term, the Village's revenues and expenditures are structurally balanced. Moody's also reiterated that surplus dollars should not be used for a new operating expense.

Each of the proposed uses of the 2018 General Fund surplus is discussed in more detail below.

Limit property tax increases for next year's Police and Firefighters' Pension Fund levies – The Police and Firefighters' Pension Funds are coming off a 2018 year where they experienced investment losses of about 4%. The previous two years included gains of about 6% and 14% respectively. The

Village's actuary uses a three-year smoothing technique to smooth out gains and losses so that the Village's annual required contribution does not gyrate as much. By transferring $1.5 million into each pension fund, the Village can offset the negative impact of the 2018 losses and hopefully maintain a more level property tax levy for these two pension funds. It is anticipated that the 2018 asset values for each of these public safety pension funds declined by about $4,000,000 due to the last quarter 2018 market downturn. By making these proposed transfers, next year's property tax levies for the Police and Firefighters' Pension Funds will be lower than they would be without this cash infusion to offset a portion of these losses. As of 2017 the Police Pension Fund had a funded ratio of 78% and the Firefighters' Pension Fund was 72% funded.

Provide an infusion of funds toward needed public parking improvements – The Village Board recently reviewed and approved a number of options to improve the Village's parking system through additional signage, a parking availability guidance system, and color coding parking garage levels. The cost of these improvements is currently estimated to be around $720,000. The proposed transfer of $475,000 to the Municipal Parking Fund would help this fund maintain its financial position given these capital improvements. This would be in addition to the $313,000 that was recently transferred to this fund when the Village closed its Special Assessment funds. The Municipal Parking Fund currently has a fund balance of $3.6 million, but in 2023 the fund balance is projected to decrease to $1.8 million. During 2023 the Village plans on completing concrete repairs and reapplication of waterproofing in all four public parking structures at a cost of $1.2 million.

Please see the attached memo, which discusses specific questions from a Village Trustee.

Recommendation:

As part of the 2018 year-end closing entries, it is recommended that the Village Board approve the transfer of the 2018 year-end General Fund surplus of $3.475 million to the following funds:

Police Pension Fund	$1,500,000
Firefighters' Pension Fund	$1,500,000
Municipal Parking Fund	$ 475,000
Total	$3,475,000

ATTACHMENTS:

Description	**Type**
Trustee Questions	Memorandum

I N T E R

O F F I C E

MEMO

To: Randy Recklaus, Village Manager

From: Tom Kuehne, Finance Director/Treasurer

Date: March 6, 2019

Subject: **PROPOSED GENERAL FUND TRANSFER - TRUSTEE QUESTIONS**

In mid-February a memo was sent to the Village Board through the Friday Packet that outlined a Staff recommendation to transfer 2018 year-end General Fund monies to the Police and Fire Pension Funds as well as the Municipal Parking Fund. Based on a couple questions from a Trustee, this item was moved from the March 4th Village Board Meeting consent agenda to the March 11th COW Meeting for further discussion.

One question concerned whether Staff felt it was advantageous to transfer some of the funds to the Village's Street program in the Capital Projects Fund, or to any other areas. The other question was if a projection could be made by the Village's actuary to determine the estimated effect on the Village's property tax levy by making the proposed transfers to the Police and Fire Pension Funds. While there are always other capital and fiscal needs, Staff reaffirms its recommendation to transfer $1.5 million each to the Police and Fire Pension Funds as a way to keep the upcoming property tax levy as low as possible. Staff is concerned about the upward push on the upcoming 2019 tax levy due to the pension fund investment losses recognized in 2018.

In addition, as noted last year the IMRF pension fund levy decreased by 22%. However, it was also noted that the IMRF's levy amount would likely return to the previous levy amount if the IMRF Board changed its assumed rate of return. This came to pass when IMRF recently lowered its assumed rate of return from 7.5% to 7.25%. Based on the 2018 investment losses combined with this action, the upcoming 2019 property tax levy for IMRF is expected to increase by about 20%.

The Village's actuary, MWM Consulting provided an estimate of what the effect on the Village's 2018 property tax levy would have been if $1million or $1.5 million had been transferred to each of the Police and Fire Pension Funds as shown below and per the attached detail spreadsheet:

	$1 million	$1.5million
2018 Police Pension Levy:		
$ Savings each year: 2019 thru 2040	($96,000)	($144,000)
% Property Tax Levy Reduction	(2.45%)	(3.67%)
2018 Fire Pension Levy:		
$ Savings each year: 2019 thru 2040	($96,000)	($144,000)
% Property Tax Levy Reduction	(1.96%)	(2.94%)
2018 Total Village Levy:		
$ Savings each year: 2019 thru 2040	($192,000)	($288,000)
% Property Tax Levy Reduction	(.53%)	(.80%)

As of December 31, 2017 the Police and Fire Pension Funds were 78% and 72% funded respectively. Transferring additional monies to these funds, especially given the negative 2018 investment returns, will help the Village moderate the expected property tax increases for the upcoming 2019 levy. The Village will not know the extent of these increases until the Actuary completes their study sometime in April.

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

2018 LEVY

		EXTENDED 2017 LEVY FOR 2018 BUDGET YEAR	**PROPOSED 2018 LEVY FOR 2019 BUDGET YEAR**	DOLLAR CHANGE	% CHANGE
VILLAGE					
	POLICE PROTECTION	**5,764,070**	**6,245,000**	480,930	8.34%
	FIRE PROTECTION	**5,764,070**	**6,245,000**	480,930	8.34%
	IMRF	**1,787,700**	**1,387,000**	(400,700)	-22.41%
	SOCIAL SECURITY	**1,411,980**	**1,427,000**	15,020	1.06%
	POLICE PENSION FUND	**3,917,790**	**4,017,000**	99,210	2.53%
	FIRE PENSION FUND	**4,901,530**	**4,953,000**	51,470	1.05%
	CAPITAL IMPROVEMENT	**5,353,000**	**5,400,000**	47,000	0.88%
	DEBT SERVICE	**6,951,628**	**6,884,363**	(67,265)	-0.97%
TOTAL VILLAGE TAX LEVY		**35,851,768**	**36,558,363**	**706,595**	**1.97%**
TOTAL LIBRARY TAX LEVY		**14,108,076**	**14,249,157**	**141,081**	**1.00%**
GRAND TOTAL TAX LEVY		**49,959,844**	**50,807,520**	**847,676**	**1.70%**

TRANSFER $1.5M TO POLICE/FIRE PENSIONS ($144K/YEAR EACH)

VILLAGE					
	POLICE PENSION FUND	**3,917,790**	**3,873,000**	(44,790)	-1.14%
	FIRE PROTECTION FUND	**4,901,530**	**4,809,000**	(92,530)	-1.89%
	OTHER	**27,032,448**	**27,588,363**	555,915	2.06%
TOTAL VILLAGE TAX LEVY		**35,851,768**	**36,270,363**	**418,595**	**1.17%**
TOTAL LIBRARY TAX LEVY		**14,108,076**	**14,249,157**	**141,081**	**1.00%**
GRAND TOTAL TAX LEVY		**49,959,844**	**50,519,520**	**559,676**	**1.12%**

TRANSFER $1M TO POLICE/FIRE PENSIONS ($96K/YEAR EACH)

VILLAGE					
	POLICE PENSION FUND	**3,917,790**	**3,921,000**	3,210	0.08%
	FIRE PROTECTION FUND	**4,901,530**	**4,857,000**	(44,530)	-0.91%
	OTHER	**27,032,448**	**27,588,363**	555,915	2.06%
TOTAL VILLAGE TAX LEVY		**35,851,768**	**36,366,363**	**514,595**	**1.44%**
TOTAL LIBRARY TAX LEVY		**14,108,076**	**14,249,157**	**141,081**	**1.00%**
GRAND TOTAL TAX LEVY		**49,959,844**	**50,615,520**	**655,676**	**1.31%**

Committee-of-the-Whole
3/11/2019

Item: Proposed Revisions to Vehicle Sticker Enforcement and Collection

Department: Finance

During a COW Meeting discussion on long-term revenues last June, one of the actions approved by the Board was to implement stronger vehicle sticker enforcement and collection procedures. This was done in lieu of eliminating vehicle stickers and replacing the lost revenue with a 3% property tax increase or a .75% increase in the Food & Beverage tax. The intent of stronger enforcement is to improve compliance with the requirement to purchase Village vehicle stickers. The Village has seen a decline in vehicle sticker revenues from $1.36 million in 2006 to $1.214 million in 2018, or a decline of 11%. During this time, vehicle stickers issued also declined by 13.6% from 51,309 in 2006 to 44,305 in 2018. The average vehicle sticker revenue came to about $27 due to lower costs for motorcycles and other vehicle types.

To provide a rough estimate of the compliance rate for vehicle sticker purchases, the following calculation is provided:

44,305 vehicle stickers sold in 2018

23,132 owner occupied residences x average of 2 vehicles per residence = 46,264
7,319 rental units x average of 1.5 vehicles per residence = 10,979

Total estimated potential sticker sales = 57,243 vehicles

Vehicle stickers – 77% estimated compliance rate, 23% scofflaw rate

As an aside, Village Front Desk personnel have said that a number of residents have told them that their neighbors don't purchase vehicle stickers. In addition, a couple of residents who had received tickets for not displaying a valid vehicle sticker have said that even though they got caught after a couple of years that they are still saving money. While most Village residents purchase a vehicle sticker, the compliance rate and comments above are a source of frustration for our law abiding citizens. Scofflaws also result in lost revenue used to maintain Village streets and towards law enforcement. This lost revenue puts pressure on property taxes and other revenue sources.

Improved Enforcement and Collection

To improve the vehicle sticker compliance rate the Village is taking a multi-pronged approach. The first steps that are in the process of being taken are as follows:

A. Request vehicle licensing records from the Illinois Secretary of State.
B. Match the State's data against the Village's existing vehicle sticker database.
C. Send out late notices based on the additional captured data in March or April.

It should be noted that the Village did this a number of years ago with some success. While additional stickers were eventually purchased, the State's database is dated and a number of residents received second notices for vehicles they no longer owned. This led to some irate resident complaints.

In order to incent residents to purchase their vehicle stickers and to make it fair to those who do so on time, the following revisions to the Village's fines, fees and procedures are recommended:

D. Maintain the late fee of $10 from January 1st – March 14th. (During the year a new car/new resident has 30 days to purchase a sticker).
E. Increase the late fee as of March 15th to $30, resulting in 2X the price of a sticker purchased within the December 31st on-time date. This higher amount would be stated in the late notice mailed out during March or April.
F. If a resident has not responded to the late notice, a final mailing sent out in June would include a code enforcement ticket which will be handled through the Code Enforcement Administrative Adjudication process. The penalty for this type of Code violation is a fine between $50 and $750 at the discretion of the Hearing Officer. This would be in addition to the late fee and sticker purchase price. If this ticket is not paid, the total amount due for the unpaid sticker and ticket will be sent to collections.

Attached are copies of the proposed late and final notices to scofflaw residents for 2019, as well as a sample copy of a code enforcement ticket for failure to display a valid Village vehicle sticker.

Should the Board approve of the changes outlined above, it is recommended that these new fines and fees be marketed through a press release, the Village's website, and the Village's social media outlets. To help keep the vehicle sticker data as accurate as possible, Staff will plan on securing the State's vehicle data at least every three years.

ATTACHMENTS:

Description	**Type**
Proposed Vehicle Enforcement	Exhibits

April , 2019

Name
Address
City, State, Zip

Re: 2019 Vehicle License 2nd Notice

Dear Resident:

After a cross reference of vehicle registration data obtained from the Illinois Secretary of State and the vehicle database maintained by the Village, it appears that the below listed vehicle is not in compliance with the Village of Arlington Heights Vehicle License Ordinance.

License Plate: __________
Year/Make/Model: ____________

Per section 17-103 of the Arlington Heights Vehicle License Ordinance, a vehicle license sticker is required for all motor vehicles registered to an address within the Village. The Arlington Heights Vehicle Sticker is an annual License (sticker) for the calendar year, and must be displayed by January 1st of each year.

If this information is accurate, a $30 late fee will be assessed on top of the $30 vehicle license fee. Additionally, all vehicles are subject to be ticketed for failure to display a vehicle sticker. If a valid vehicle sticker is not purchased by June 15th, a code enforcement ticket will automatically be mailed to you for each non-compliant vehicle.

We realize there may be discrepancies in the information provided to us by the State. If the aforementioned vehicle has been sold or disposed of, or if you have any questions regarding this notice, please contact the Village of Arlington Heights at 847-368-5523.

Sincerely,

Thomas F. Kuehne
Finance Director
Village of Arlington Heights

June 15, 2019

Name
Address
City, State, Zip

Re: 2019 Vehicle License Failure of Compliance

Dear Resident:

As a follow up to our letter dated April , 2019, titled "2019 Vehicle License 2nd Notice," the Village has determined that the below listed vehicle is still not in compliance with the Village of Arlington Heights Vehicle License Ordinance.

License Plate: __________
Year/Make/Model: ____________

As outlined in the 2nd Notice letter, the attached code enforcement ticket is for Failure to Display a vehicle sticker. In order to satisfy this citation you will need to purchase your vehicle sticker(s).

Should you have any questions regarding this notice, please contact the Village of Arlington Heights at 847-368-5523.

Sincerely,

Thomas F. Kuehne
Finance Director
Village of Arlington Heights

COMPLAINT ADMINISTRATIVE ADJUDICATION
VILLAGE OF ARLINGTON HEIGHTS, A MUNICIPAL CORP
VS

☐ Building ☐ Health ☒ Other

AH

Respondent's Name	Address	City, State, Zip
JOE SMITH	123 MAIN ST.	ARLINGTON HEIGHTS, IL 60005

Employer's Name (If Applicable)	Address	City, State, Zip	Sex	Race	Date of Birth

Violation: Chapter	Section	Of the Arlington Heights Municipal Code	Month	Day	Year	Time	Location of Violation (Street Address)
17	17-103		6	15	2019		

In That (Describe Action)
FAILURE TO DISPLAY A VALID VILLAGE VEHICLE STICKER

The complainant certifies that they have just and reasonable grounds to believe the respondent named above committed the offense herein set forth contrary to the ordinances of the Village of Arlington Heights

Complainant: Tom KUEHNE — Village Employee ☒ Citizen ☐

Officer/Inspector Signature: [signature]

I Acknowledge Receipt of this Notice — Respondent's Signature

Report Number

Your failure to appear at the hearing may result in a determination of liability and a penalty up to the maximum allowed by ordinance

SERVICE MADE BY
____ Personal Service
X With Proof of Service
____ Posted on Premise
Certified Mail

YOU MUST APPEAR FOR AN ADMINISTRATIVE HEARING ON

Month	Day	Year	Time
7	2	2019	2130 pm

at Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005