

**MINUTES
COMMITTEE-OF-THE-WHOLE
PRESIDENT AND BOARD OF TRUSTEES
VILLAGE OF ARLINGTON HEIGHTS
BOARD ROOM
MONDAY, MARCH 11, 2019 7:30 P.M.**

BOARD MEMBERS PRESENT: President Hayes; Trustees: Blackwood, LaBedz, Padovani, Rosenberg, Sidor and Tinaglia

BOARD MEMBERS ABSENT: Baldino, Scaletta

STAFF MEMBERS PRESENT: Randy Recklaus, Village Manager; Tom Kuehne, Director of Finance; Alexis Smulson, Accounting Manager; Kim Peterson, Recording Secretary

SUBJECTS:

- A. Proposed Transfers to Police Pension, Firefighters' Pension, and Municipal Parking Funds
- B. Proposed Revisions to Vehicle Sticker Enforcement and Collection

Other Business

Adjournment

President Hayes called the meeting to order at 7:30 PM. The Pledge of Allegiance was recited.

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

Mr. Recklaus explained how the Village was very fortunate last year, as some of its expenditures came in under budget and there were a few positive surprises in terms of revenue, therefore the Village ended up with almost a 3.5 million dollar surplus. Several factors contributed to this surplus and this type of a surplus is not expected again next year.

Mr. Kuehne expounded on what Mr. Recklaus said about the Village's General Fund doing well last year, however the Police and Firefighters' pension funds were more problematic, as both experienced significant losses. In regards to revenues, income taxes did better than expected and permit revenue was up. As far as expenses go, there were a considerable number of vacancies in the Police, Fire, Building, Engineering and Public Works Departments, which resulted in wages and benefits coming in over \$650,000 under budget. In addition, the weather in 2018 was good, which helped conserve money in the Public Works Department.

Mr. Kuehne discussed the likelihood of a recession at some point in the future and the need for the Village to maintain a healthy fund balance to minimize the impact on Village services if and when this happens. In the Village's General Fund, the amount of money left over after expenses at the end of 2018, totaled 48% of its balance, which is quite high. If the Village were to reallocate the surplus money, the amount in reserves would be reduced to 40%, which is more ideal and allows for some financial losses if a recession were to occur.

Mr. Kuehne stated how staff discussed various options about what to do with the surplus money, including putting it towards workers compensation claims or into the health insurance fund. Keeping in mind this is money from the General Fund, which is property tax money, and how Village staff and the Board are dedicated to keeping property taxes down as much as possible, staff decided the best use of the money would be to distribute it between the Police and Firefighters' Pension Funds and the municipal parking fund. Each of the Police and Firefighters' Pension Funds declined by about \$4,000,000 due to the last quarter 2018 market downturn. By transferring \$1.5 million into each pension fund, the Village can offset the negative impact of the 2018 losses and maintain a more level property tax levy for these two pension funds. The Village Board recently approved several improvements to the Village's parking system and the proposed transfer of \$475,000 to the Municipal Parking Fund would help pay for these projects.

Mr. Kuehne recently drafted a memo to Mr. Recklaus, which addressed the questions some of the Trustees had regarding this proposed General Fund transfer, and reaffirmed Staff's recommendation to transfer \$1.5 million to both the Police and Fire Pension Funds as a way to keep the upcoming property tax levy as low as possible. In addition, Mr. Kuehne discussed the spreadsheet provided by the Village's actuary, MWM Consulting, which illustrated what the effect on the Village's 2018 tax levy would have been if \$1 million or \$1.5 million had been transferred to each of the Police and Fire Pension Funds. Trustee Rosenberg asked Mr. Kuehne what the effect this transfer would have on the average homeowner's 2018 property tax levy. Mr. Kuehne stated a transfer of \$1.5 million into each of the pension funds would have reduced the average homeowner's property tax levy by \$8, bringing it down to \$15, and a transfer of \$1 million would have reduced the property tax levy by \$5, bringing it down to \$18.

President Hayes, concerned that residents may think it is the Village's fault that the Police and Fire Pension Funds suffered such extreme losses last year, asked Mr. Kuehne to explain why this occurred. Mr. Kuehne explained how a pension fund is comprised of three elements, including employee contributions, interest earnings and the Village's required contribution. The Police and Fire Pension Funds each have their own Boards and investment advisors, and at the end of 2018, both Funds had over \$100 million in total assets. Both funds were doing really well last year up until the last quarter when the stock market took a downturn and the funds experienced significant investment losses.

Trustee Sidor commended Mr. Kuehne for the fine job he does as Director of the Finance Department. Trustee Sidor asked Mr. Kuehne how things look right now and for the remainder of the year. Mr. Kuehne stated so far this year, investments

are up two to three percent, however looking long-term, Mr. Kuehne believes there will be some moderately rough times.

Trustee Tinaglia thanked Mr. Kuehne for all that he has done for the Village over the years and believes the Village is very lucky to have him. Trustee Tinaglia stated that he is in favor of these recommendations, however he asked why Staff only chose to give the parking fund \$475,000, as the improvements the Board just voted on is going to cost more than this amount. Mr. Recklaus explained how the total cost to complete the improvements is \$720,000. The Village closed its Special Assessment funds and recently transferred \$313,000 into the Municipal Parking Fund. This \$313,000 combined with the recommended transfer of \$475,000 from the General Fund surplus, would be more than enough to pay for the improvements.

Trustee LaBedz is supportive of the staff recommendations, as the Village needs to keep funding the Police and Fire Pension Funds. Trustee LaBedz thanked Mr. Kuehne for his explanation of how the pension funds work and how this transfer of money into the Police and Fire Pension Funds will affect the property tax levy.

Trustee Rosenberg asked Mr. Kuehne, if this money were to be transferred now, when would it affect the pension funds and Mr. Kuehne explained it would be this year. Trustee Rosenberg is not totally convinced that transferring all of this money into the pension funds is the best idea, as he believes some of the money would be beneficial to the Village's infrastructure, including street resurfacing. Mr. Recklaus is in agreement with Trustee Rosenberg that there are infrastructure needs within the Village, however he feels putting some of the surplus money into each of the pension funds and chipping away at the fund deficits makes the most sense.

Trustee Padovani commended Mr. Kuehne for a job well done. Mr. Kuehne is in favor of transferring the money into these funds, as he believes it is ultimately a good return on an investment and will save the Village money in the end.

Trustee Sidor is concerned that sales tax revenue will eventually level off, and moving forward, the Village may not be able to sustain itself in the same way as it has if revenues drop.

Trustee Blackwood asked what Staff is prepared to do if the pension funds experience the same losses this year as they did last year. Mr. Kuehne is hopeful that the investment funds will do better this year and will not have to depend on the Village to contribute to them, as the Village may not be in this position again. Trustee Blackwood believes Village Staff and the Board will need to take a hard look at how the Village can generate additional tax dollars.

President Hayes is in support of Staff's recommendations and asked for comments from the audience.

Keith Moens, Arlington Heights resident, suggested the Board spend the surplus money in the General Fund, as well as some of the excess money in that Fund to have a zero property tax levy this year. Mr. Recklaus explained to Mr. Moens that

because of the significant losses the pension funds took last, the best use of this surplus money is to put it towards the pension funds to help offset the losses. As much as Village Staff strives to keep the property tax levy as low as possible, Mr. Kuehne stated the reserve money is there for emergencies, because once you use it, it is gone. Trustee Tinaglia believes it makes sense to put the surplus money towards the pension funds now, as it will help in reduce the property tax levy at the end of 2019.

Bill Davis, Arlington Heights resident, would like to see a reduction in property taxes, as he feels the high property taxes have a negative impact on the real estate value. Mr. Kuehne stated that property taxes would be lower by putting some of the surplus money towards the pension funds. Mr. Davis thinks the Board should take some of the money in reserves and offer the residents of Arlington Heights a zero percent increase in their property taxes this year.

George Metropolis, Arlington Heights resident, does not believe the market will suffer the losses it did at the end of this year that it did last year, and does not see any reason to not use the money in reserves.

Melissa Cayer, Arlington Heights resident, asked if the spouse of a pension recipient receives the pension if the recipient dies. Mr. Kuehne stated the spouse receives 100% of the pension, but with no annual increases, which is set by state statute. Ms. Cayer asked if the retirement age for pension should go up since people are living longer. Mr. Kuehne stated the retirement age was just recently raised, which is also something that is set by state statute. Ms. Cayer also asked if there is a 401K plan for employees, which Mr. Kuehne stated there is a 403B, which is a supplemental plan and employees pay 100% of it.

Tom Archauk, Arlington Heights resident, asked what level of funding is ideal for a pension fund, which Mr. Kuehne stated 80 – 85% is a well-funded pension fund. Mr. Archauk also asked what percentage of the General Fund is in reserves, which Mr. Kuehne stated without the transfer of money into the pension funds, it is 48%, yet with the transfer of money, it would be 40%.

Trustee Tinaglia moved, seconded by Trustee Padovani, that the Committee-of-the-Whole recommend 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

Upon a voice vote, the motion passed unanimously.

B. Proposed Revisions to Vehicle Sticker Enforcement and Collection

Mr. Recklaus discussed how the Board met in 2017 to develop their strategic

priorities for 2018 and 2019, and one of the goals was to identify additional sources of revenue, to offset the need to increase property taxes. Staff met again in June of last year to discuss how they could achieve this goal of more revenue for the Village and decided to look at the Village vehicle sticker program and establish some additional enforcement and collection methods.

Mr. Recklaus stated the vehicle stickers are a source of revenue, and essentially a tax on vehicles. The Board talked about how other communities have decided to get rid of the vehicle stickers because they are hard to enforce. If the Village were to eliminate the program, a 3% increase in property taxes, or a .75% increase in the food and beverage tax, would be necessary to offset this revenue. The argument for having a vehicle sticker program is because much of the work the Village does is because of those who own vehicles and drive them around town. The underlying problem with this program is the considerable number of scofflaws who do not purchase the stickers. The Board decided that if the Village was going to continue the vehicle sticker program they would need to implement stronger enforcement and collection procedures.

Mr. Kuehne advised that Staff first wanted to determine how many scofflaws there are in town, therefore they looked at the estimated total number of resident owned vehicles based on an average of 1.5 vehicles per household. That figure is approximately 57,000, and the total number of vehicle stickers sold in 2018, which was approximately 44,000, which means there is a 77% compliance rate and a 23% scofflaw rate. 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.

Mr. Kuehne recently met with the Finance Department Staff to get a better idea of why residents were not purchasing vehicle stickers, and according to Alexis Smulson, the reasons varied, however the consensus was that residents felt the money saved was worth the risk, as the probability of getting a ticket for noncompliance was very low.

Mr. Kuehne went on to explain how the Village is planning to improve the vehicle sticker compliance rate, including requesting vehicle registration information from the Secretary of State, matching that data against the Village's existing vehicle sticker database and sending out late notices based on this additional data. Mr. Kuehne does recognize the fact that the registration data we collect from the Secretary of State may be out dated and residents may receive late notices for vehicles they no longer own. Therefore, the late notice will ask residents to let the Finance Department know if the registration information is inaccurate. The Finance Department has also outlined a new series of fines for those who do not purchase their vehicle stickers on time. If a resident does not respond to the late notice, a final notice will be sent out in June and would include a code enforcement ticket, which will be handled through the Code Enforcement Administration Adjudication process. If this ticket is not paid, the total amount due for the unpaid sticker and ticket will be sent to collections.

President Hayes believes these recommendations are good and fair, particularly to those who purchase their vehicle stickers every year.

Trustee Tinaglia agrees that this is the only fair way to collect this revenue. Trustee Tinaglia believes the late notices can be written in such a way as to not anger residents, especially if they received the notice in error.

Trustee Padovani asked how much additional revenue could be generated if these enforcement plans are implemented, which Mr. Kuehne stated it could possibly be an additional \$200,000. Trustee Padovani then asked how much it would cost to execute these enforcement efforts, which Mr. Kuehne believes the cost would be minimal. Trustee Padovani asked Mr. Kuehne how close to 100% compliance he thinks the Village could get by taking these additional enforcement steps, which Mr. Kuehne thinks the Village should be able to get pretty close to 100% compliance. Trustee Padovani asked if we could get the vehicle registration data more often from the State, in order to have data that is more accurate. Mr. Kuehne explained how the Village would probably first determine how successful the program was working, and then if need be, possibly request the registration data more than once a year.

Trustee Sidor asked if it is just the Public Service Officers who ticket vehicles that do not display the Village sticker, or do the Police Officers ticket as well. Mr. Recklaus stated the Arlington Heights Police Department issued 2,100 tickets in 2018, and of those 2,100 tickets, the Public Service Officers were responsible for 1,500 tickets while enforcing the downtown parking area. Police Officers who pulled someone over for an unrelated violation issued the remaining 600 tickets. Mr. Recklaus further explained how this new enforcement plan would force residents to not only pay their ticket, but also buy a vehicle sticker. Trustee Sidor thinks this process sounds fair and equitable. Trustee Sidor believes the customer service at the Finance Department counter has improved dramatically and thanked Mr. Kuehne for his efforts.

Trustee Blackwood asked if the Public Service Officers are allowed to ticket vehicles parked on private property, which Mr. Recklaus explained how this is typically not allowed.

Trustee LaBedz is in favor of enforcing the purchase of vehicle stickers and thinks it might be a good idea to get the word out via social media that the vehicle sticker proceeds go towards offsetting the cost of road resurfacing.

Trustee Rosenberg believes this is a good idea to help track vehicles in town and keep property taxes down.

Tom Schwingbeck, Arlington Heights resident, asked if the vehicle sticker has to be displayed on the car, which Mr. Recklaus said it does. Mr. Schwingbeck thinks it would be most cost effective to have people pay for the stickers and dog tags, but not actually have the physical stickers and dog tags. Mr. Schwingbeck believes the Police Department should be able to automatically scan license plates to see if residents are in compliance with the vehicle sticker ordinance. Mr. Recklaus indicated that the Police Department has license plate readers, but they are not

programmed to read this type of data.

Ted Wiener, Arlington Heights resident, asked if the vehicle sticker money is actually earmarked for anything, or does it just go into the General Fund. Mr. Kuehne indicated it does go into the General Fund. Mr. Wiener thinks it would be a good idea to educate residents as to why this fee is collected. Mr. Wiener also asked if a cost analysis has ever been done to determine if residents would comply more if the fee were lower. Mr. Kuehne indicated there has not been a study done to determine if this theory is accurate. Mr. Wiener also thinks it would make sense to change the time of year when the stickers go on sale, as the current schedule falls during the holiday season when money for most people is tight.

George Metropolis, Arlington Heights resident, asked if it would be possible to include the purchase of vehicle stickers with the water bill. Mr. Recklaus indicated that not every resident gets a water bill and it would be too complicated to determine if a resident is paying their water bill or their vehicle sticker fee.

Mary Beth Canty, Arlington Heights resident, asked if multiple late notices would be sent to homes with more than one vehicle registered to an address. Mr. Kuehne indicated they would.

Tom Archauk, Arlington Heights resident, is in favor of keeping the Village vehicle sticker fee, as opposed to raising property taxes. Mr. Archauk asked why the State would have conflicting vehicle registration information, which Mr. Recklaus advised their data is not always current, therefore the Village may get information indicating a resident has a particular vehicle, when in fact it was sold a couple of years ago.

Trustee Sidor asked if the Board could revisit this enforcement plan in a couple of years to determine if this extra work is worth it. Mr. Recklaus thinks it would be beneficial to revisit this issue at any time.

Trustee LaBedz thinks the actual physical sticker is important to have and display, as it allows the Village to highlight a building in town or commemorate an activity, such as the 100th anniversary of the Memorial Day parade.

Trustee Rosenberg moved, seconded by Trustee LaBedz that the Committee-of-the-Whole direct staff to implement the proposed revisions to Vehicle Sticker Enforcement and Collection program.

Upon a voice vote, the motion passed unanimously.

Other Business

None

Adjournment

Trustee Tinaglia moved, seconded by Trustee Rosenberg to adjourn the meeting at 9:08 p.m. Upon a voice vote, the motion passed unanimously.