MINUTES
COMMITTEE-OF-THE-WHOLE
PRESIDENT AND BOARD OF TRUSTEES
VILLAGE OF ARLINGTON HEIGHTS
BOARD ROOM
MONDAY, APRIL 14, 2025 7:00P.M.

BOARD MEMBERS PRESENT:	President Hayes; Trustees: Baldino, Dunnington, Grasse, LaBedz, Schwingbeck, Shirley and Tinaglia
BOARD MEMBERS ABSENT:	Trustee Bertucci
STAFF MEMBERS PRESENT:	Randy Recklaus, Village Manager; Melissa Gallagher, Director of Finance and Kim Peterson, Recording Secretary

SUBJECTS:

A. Proposed 2024 General Fund Surplus Transfer

Other Business

Adjournment

President Hayes called the meeting to order at 7:00 PM. The Pledge of Allegiance was recited.

New Business

A. Proposed 2024 General Fund Surplus Transfer

Mr. Recklaus advised that at the close of fiscal year 2024, the Village is fortunate again to have a surplus, which is approximately $4.7 million, and whenever there is a surplus, Staff looks at different ways to reprogram the money in the most appropriate way. Ms. Gallagher will discuss Staff's proposed 2024 General Fund surplus transfer recommendations.

Ms. Gallagher stated that the Village has a long-standing tradition of being reasonable and financially prudent with its finances. This strategy has been equally important in the past as it is now and reserves are very important in times of economic uncertainty. Reserves also help Staff plan for the future. Ms. Gallagher advised that Staff also needs to be mindful of the possibility that there could be some changes when it comes to grant revenues. Ms. Gallagher stated that the Village's credit rating is Aa1, which is an excellent credit rating. Ms. Gallagher explained how surplus funds have been used in the past and how Staff this year is looking at a longer-term capital perspective and police and fire pension perspective.

Ms. Gallagher discussed the Village's general fund policy which states that the Village is to maintain a year-end balance of at least 25% of General Fund expenditures, up to a maximum of 40% of unrestricted and unassigned reserves. The Village has historically stayed at the high level of 40%. Ms. Gallagher explained how going into the budget process, Staff planned a surplus of approximately $750,000 for 2024, but ended higher than that at $4.7 million. The surplus allows Staff to propose a transfer to some of the Village's longer term capital plan needs and pension funds.

Ms. Gallagher discussed some of the preliminary results from fiscal year 2024, which include a moderation of sales tax, a bit of an increase in income tax and favorable interest earnings, which helped the Village on its revenue side. On the expenditures side, the Village experienced about a 3% decrease, which along with the increased revenue, translated into a better surplus.

Ms. Gallagher discussed the proposed general fund transfers, beginning with the Municipal Parking Fund. Ms. Gallagher explained that the primary revenue source for the Municipal Parking Fund is permits and fines and the revenues are not the same as they were pre-Covid. The capital expenses for the Municipal Parking Fund include parking maintenance and keeping the structures safe and operational. Staff is seeing over time that the expenses are outpacing the revenues, which is why they are recommending a $500,000 transfer from the general fund for maintenance and capital improvements. The Fleet Fund is the next transfer proposal Ms. Gallagher discussed. The Fleet Fund's primary source of revenue are charges from other funds, which over time builds up funds so the Village can pay for fleet costs. Ms. Gallagher explained how expenses are greater than revenues and vehicle replacement costs are increasing. The Village is also experiencing longer manufacturing times. Staff is proposing an $800,000 transfer from the General Fund to the Fleet Fund to bolster the reserves and to anticipate some of the larger capital purchases. Ms. Gallaher next discussed the transfer proposal to the Capital Projects Fund. The Capital Projects Fund's main source of revenue is from property taxes, with additional funding coming from the home rule sales tax and grant revenue. The fund balance is $12 million, with about $12 million in expenses. The Village is keeping about one year's worth of surplus in the fund to cover capital needs. Ms. Gallagher next discussed the transfer proposal to the Police and Fire Pension Funds. Ms. Gallagher stated that the Village meets its legal obligation every single year by making the annual required contribution into its pension funds. In 2024, the pension funds were able to achieve financial gains because of the return on their assets. Both funds also increased their funded status, which is good news. Ms. Gallagher advised that whenever Staff thinks there is an opportunity, based on the review of surplus, to add additional resources to the Police and Fire Pension Funds for their investment purposes, then they're able to potentially increase the funded status, which reduces over time the property tax in future years.

Trustee Tinaglia asked why there is a difference in the funding levels between the Police and Fire Pension Funds, and asked if the Board should be doing anything to even out these funds. Ms. Gallagher advised there is nothing the Board needs to do as each fund has a make-up of different actuarial results. Each fund has different participants and different retirees, and over time there are different benefit structures.

Mr. Recklaus advised that there are other factors that impact these funds over time, although both of these funds have very respectable funding levels.

Trustee Shirley asked if the Village incurs any expenses because the Police and Fire Pension Funds are not 100% funded, which Ms. Gallagher advised that it is an unfunded liability and the Village is not being penalized. Mr. Recklaus advised that it is better to pay the money up front and collect interest than it is to play catch up.

Trustee LaBedz stated that these are different funding boards who make different decisions in terms of their investments, so that can also have an impact on the end results, which could also explain why there is a disparity between the two funds.

Trustee Tinaglia asked when each fund receives the $600,000, how much of an impact will it make. Ms. Gallagher stated that she didn't ask the actuary to run it this way, although by the Village putting a lit bit more money in the pension funds, hopefully the actuary will give data that tells the Village that the annual required contribution won't take as much away from the current year property tax. Mr. Recklaus advised this is something Staff can talk to the actuary about. Trustee Tinaglia advised that he asked this question because he wants to know if the Village should be doing more in terms of a larger transfer into these funds.

Trustee Schwingbeck asked Ms. Gallagher if the 10.29% and 12.59% are the gains the pension funds experienced at the end of 2024, which Ms. Gallagher advised they are the return on the investments. Trustee Schwingbeck asked Ms. Gallagher if he is correct in assuming these funds have taken a hit in the last three months, which Ms. Gallagher indicated they have. Trustee Schwingbeck stated that perhaps the Board should give more to these funds than what is being proposed and asked where the funds are right now given the state of the market. Ms. Gallagher advised that when the actuary runs the data, it's as of December 31st, and at this point in the year, it would be really difficult to predict where they will be in December of this year. Mr. Recklaus stated that the market is very volatile and it's difficult to make a future decision based on where they are at now.

Trustee Dunnington asked if more money will be needed in the pension funds if all of the Tier 2 participants move to Tier 1, which Mr. Recklaus advised that if the State does take action and move all of the Tier 2 participants to Tier 1, it would have a pretty significant impact and the funding percentages would drop considerably.

Trustee Baldino asked if these areas were the only areas looked at when Staff was working on determining where to allocate the surplus funds, which Ms. Gallagher advised that these were the only areas they looked at based on the long-term capital needs of the Village.

Trustee Shirley asked if they give more money to the pension funds, can this money be taken back if the Village gets into a position where money is needed, which Ms. Gallagher they cannot. Mr. Recklaus advised that if the Village was ever in a financial pinch they could more comfortably slow the funding of the pensions by giving them this extra money now. President Hayes asked if the pension funds are one of the factors that the rating agencies look at when they assign the Village's bond rating, which Mr. Recklaus stated they are. President Hayes advised that the pension funds are funded well and competitive compared to other communities, and also contribute to the Village's good bond rating.

Trustee Grasse asked if other communities are experiencing the same problems when it comes to decreasing revenues for the Municipal Parking Fund and if there are any discussions taking place to help find solutions. Mr. Recklaus advised that other municipalities are experiencing the same issue and there a couple of things that can be considered in terms of revenues, including raising fees, although commuter parking right now is competitive and if you raise fees, commuters may just look elsewhere for parking. Also, the Village benefits financially through the sales tax revenue that is generated when non-commuters utilize the Village's parking spaces to enjoy the entertainment district. Mr. Recklaus advised that the Village may never see parking fee revenue like they did before the pandemic, therefore the Board will eventually need to have a longer-term conversation about additional revenue sources.

Trustee LaBedz referred to the Municipal Parking Fund and stated that the projected revenue outlook looks like a pretty dramatic drop and that she would be interested in seeing a monthly data report, as she is seeing more and more commuters using the parking lots and garages. Ms. Gallagher advised that this is a projection over time that also takes into account the expenses, in addition to revenues. Mr. Recklaus stated that maintaining public parking decks is very expensive and it's tricky to fund them.

Trustee Shirley asked if the parking fees have been increased recently, which Mr. Recklaus advised that the Village raised the parking fees several years ago and there will be a time when they will need to be raised again, but the Village does need to be careful to not out-price our immediate neighbors and force some commuters to look for cheaper parking in other nearby towns.

Trustee LaBedz advised the Village also needs to be careful and not raise the price of parking too much and have people parking on residential streets.

Ms. Gallagher advised that Staff has presented the Board with a suggested motion of their recommendations.

President Hayes stated that he really relies on the subject matter experts when it comes to these types of discussions and believes that these are good numbers and is in favor of these recommendations.

Trustee Dunnington asked if there are any grants Staff is concerned about not receiving this fiscal year, which Mr. Recklaus advised that the only grant they know of definitively is BRIC funding, which goes to public safety, and has been frozen. There is also a $2 million grant from Congressmen Quigley that is supposed to go to the Village's Lead Service Replacement Line project that is on hold for now.

Keith Moens, Arlington Heights resident, referred to the Village's minimum general fund balance policy and stated that the Village has historically always committed to maintaining the year-end balance of 40% of general fund expenditures. Mr. Moens advised that by allowing a range of general fund year-end balances to determine tax levies would much better serve the residents under different economic conditions. Mr. Moens stated that he thinks the Village's general fund balance policy should be amended to use a range of ending balances to determine tax levies, such as 35 – 40%, which would not harm the bond rating.

Trustee Schwingbeck moved, seconded by Trustee Grasse, that the Committee-of-the-Whole recommend to the Village Board of Trustees that the Board approve the Proposed 2024 General Fund Transfer of $500,000 to the Municipal Parking Fund, $800,000 to the Fleet Fund, $500,000 to the Capital Projects Fund, $600,000 to the Firefighters' Pension Fund and $600,000 to the Police Pension Fund totaling $3,000,000.

Upon a voice vote, the motion passed unanimously.

Other Business

None.

Public Comment

None.

Adjournment

Trustee Baldino moved, seconded by Trustee LaBedz, to adjourn the meeting at 7:48 p.m. Upon a voice vote, the motion passed unanimously.