



AGENDA  
Committee of the Whole  
Board Room  
33 S. Arlington Heights Rd  
April 13, 2026  
7:00 PM

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. ROLL CALL OF MEMBERS
- IV. APPROVAL OF MINUTES
- V. NEW BUSINESS
  - A. Village Fees Review
  - B. Proposed 2025 General Fund Surplus Transfer
  - C. Draft Fund Balance Policy
- VI. OTHER BUSINESS
- VII. PUBLIC COMMENT

Anyone wishing to speak on a subject not on the Agenda may speak at this time. Please limit your comments to three minutes.

- VIII. ADJOURNMENT

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**Committee of the Whole**  
**4/13/2026**

**Item:** Village Fees Review

**Department:** Finance

**Item Description:**

**Background**

Municipalities typically conduct periodic fee reviews to implement user fees that reasonably cover some of the costs of operations. The focus of this discussion generally provides suggested adjustments to current, permit, planning, and engineering fees while remaining in line with our peer communities. These user fees are designed to recover a portion of the Village's costs for providing these services and are not intended to serve as a net revenue-generating source. Many permit, planning, and engineering fees have not been adjusted for years (some since 2006). Service complexity and regulatory requirements have increased, and current fees do not fully reflect the project complexity or scale of larger or more complex projects. Periodic updates are important to ensure that services are paid for by the users of these services and comply with applicable laws and regulations.

**Generally – What These Fees Pay For**

Revenues from building permits, licenses, zoning applications, and engineering review fees help offset the cost of municipal services related to development and construction activity. These services include zoning entitlement review, permit administration, building and engineering plan review, field inspections, and regulatory oversight necessary to ensure compliance with Village codes and standards.

**Multi-Departmental Fee Working Group – Review**

To support a comprehensive review of Village fees, a multi-departmental working group was formed to inventory, review, discuss, and analyze existing fees across departments. The group evaluated current fee structures, administrative practices, and opportunities for refinement where appropriate. The group also worked to improve the customer service experience by streamlining the permitting and development process.

The multi-departmental working group is working on the first phase of this review, which includes development, permit, engineering, and inspection fees. The working group's review indicated that:

- Fee amounts have not been adjusted in several years.
- Fee adjustments should enhance transparency for residents and businesses.
- Develop a fee structure that is clearer and easier for staff to administer.
- Larger and more complex projects typically require increased staff time for plan review, coordination, and inspections or outside services due to size or complexity.
- Existing flat-fee structures do not reflect the size or complexity of a project, or account for the need for additional reviews or inspections.

Staff also intends to include, as part of the presentation, a review of municipal amusement taxes and the approaches used by comparable communities. This review will provide context and information to assist the Village Board in understanding how such taxes are structured and administered should the Board wish to consider proceeding further with this discussion.

### **Fiscal Impact**

Based on a retrospective analysis of recent permitted projects, the proposed fee adjustments would have generated approximately \$722,080 in permit-related revenue. This estimate is illustrative and actual revenues will vary based on development activity. The intent of the proposed adjustments is not to increase revenue, but to maintain fees that are comparable to surrounding communities, recover a greater portion of the Village's costs associated with permit review and inspections, and improve the efficiency of the permitting process. The updated structure also helps ensure that larger and more complex developments pay a share that is more reflective of the staff time, reviews, and inspections required to support those projects.

### **RECOMMENDATION**

The Fee Review Working Group will present its findings and recommended fee adjustments for discussion and review. The presentation will summarize the analysis conducted, including benchmarking with comparable communities and an evaluation of existing fee structures. Discussion and feedback from the Village Board will help staff draft code revisions to the Village Code of Ordinances.

### **ATTACHMENTS:**

None



VILLAGE OF  
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**Committee of the Whole  
4/13/2026**

**Item:** Proposed 2025 General Fund Surplus Transfer  
**Department:** Finance

**Item Description:**

The Village has historically used conservative budget assumptions when budgeting the Village’s key operating fund, the General Fund. During the upside of economic cycles, this has allowed the Village to sustain the financial position of our various capital funds through the transfer of surpluses in the General Fund to these funds. Conversely, during the downside of an economic cycle, General Fund reserves have allowed the Village to weather uncertain times.

Year	General Fund Surplus Transfer	Transfer To: Fund(s)
2017	\$2,000,000	\$2M to the Health Insurance Fund
2018	\$3,475,000	\$475K to Parking, \$1.5M to each Police and Fire Pension Funds
2019	\$3,000,000	\$500K to Capital Projects, \$1.25M to each Police and Fire Pension Funds
2020	None (\$291K Deficit)	
2021	\$7,570,000	\$1.2M to Fleet, \$370K to Parking, \$2M to Capital Projects, \$4M to Lead Service Line Replacement
2022	\$12,400,000	\$2M to Fleet, \$1.2M to Water & Sewer, \$100K to Capital Projects, \$500K to Parking, \$2M each to Police and Fire Pension Funds, \$3M to Lead Service Line Replacement, \$1.6M property tax abatement
2023	\$5,750,000	\$5.75M to Lead Service Line Replacement
2024	\$3,000,000	\$500K to Parking Fund, \$800K to Fleet Fund, \$500K to Capital Projects Fund, \$600K to each Police and Fire Pension Funds

Over the last few years, the Village has started to see a more normal financial pattern develop, where our revenue streams and expenditures are now increasing at more moderate levels. This follows the prior post-pandemic period that featured pent-up demand for goods and services. The Village remains financially healthy, with strong reserves, and a solid Aa1 bond rating from Moody’s. The Village continually monitors impacts to the Village and its financial outlook.

From 2021 to 2023, the Village experienced sizable General Fund surpluses which allowed us to transfer funds to the Parking and Vehicle Replacement Funds, which were adversely affected by the pandemic and supply-chain issues. Transfers were also made to the Capital Projects Fund, the Lead Service Line Replacement Fund, and the Police and Fire Pension Funds. All of these transfers have put the Village in a better financial position overall. The 2023 budget surplus prioritized funding Lead Service Line Replacement Fund (the Village continues to be in full compliance with all regulations due to our treatment program that effectively coats the inside of all water lines, both private and public). As there is no dedicated source for this fund, additional transfers-in are scheduled in 2029 and 2034. For 2024, the \$3.0 million surplus reflected a return to more typical, pre-pandemic levels.

The General Fund is the all-purpose governmental fund which handles the operations of the Village not accounted for in a separate fund. Most of the expenditures for Village services are budgeted and accounted for in this fund, except for water and sewer expenses. There are three key revenue sources, which account for approximately **73% of the total General Fund revenues**: Property Tax (29%), Sales Tax (including Home Rule and Use) (28%) and Income Tax (16%).

The Village's minimum fund balance policy is to maintain a year-end balance of at least 25% of General Fund expenditures, to ensure liquidity and financial stability. The Village typically maintains a fund balance of 40% of unassigned reserves with transfers to other funds when fund balance levels exceed the 40% level. Being above the minimum is even more important for the Village due to our reliance on economically sensitive revenues such as sales and income tax receipts. The level of the Village's reserves factors into our excellent credit rating from Moody's of Aa1. In our latest credit rating review, Moody's once again highlighted the Village's reserve level as a key factor in determining our financial outlook and rating.

As shown in **Exhibit A**, in 2025 the Village's budget is planned for no additions to surplus. Based on preliminary financial results, the Village experienced a \$4.7 million surplus in 2025, exceeding the budgeted amount by \$4.7 million. As we have proposed in previous years, fund balance levels exceeding the 40% reserve level may be strategically allocated for one-time uses, including capital investments, infrastructure needs, reduction of pension liabilities, or transfers to other funds, consistent with Village Board priorities and past practices. We are proposing a transfer of \$4.6 million surplus to various funds to support these priorities.

For 2025, total General Fund revenues were approximately 2.1% under budget. The 2025 unaudited financial results indicate that economically sensitive revenues performed above expectations in 2025. Sales, Home Rule sales, and Use taxes totaled \$29.5 million, exceeding the \$26.8 million budget by \$2.7 million. Income tax receipts also outperformed projections, coming in at \$14.0 million—\$502,426 above the budget of \$13.5 million. The Streaming tax, implemented in the last quarter, generated \$133,048 compared to the \$40,000 budget. Partially offsetting these gains, Personal Property Replacement Taxes (PPRT) continued their downward trend, totaling \$657,580, or \$242,420 below the \$900,000 budget. Based on guidance from the State of Illinois, this revenue source is expected to remain uncertain and decline further in future years.

On the expenditure side, total expenditures were approximately 3.0% below budget, consistent with prior years' performance. Personal services expenditures came in 2.5% under budget. Several commodity categories also trended lower than anticipated, including street and sidewalk supplies, telecommunications, and equipment maintenance, along with other supply line items. Additionally, contingency expenditures were below budget, as these funds were not fully utilized in 2025.

At the end of 2025, the unassigned General Fund balance was equal to 45.1% of annual expenditures. The projected 2025 General Fund surplus allows the Village an opportunity to transfer 2025 surplus funds over the 40% maximum General Fund reserve level to other fund(s), as defined in the 2026 Budget under Reserve Performance Goals for the Village's Fund Balance Policy.

**It is proposed that the Village consider making the following 2025 transfer totaling \$4.6 million from the General Fund:**

- 1. **\$45,000 General Fund Transfer for 250<sup>th</sup> Anniversary Drone Show**  
This transfer will fund a dynamic drone show to celebrate the 250th anniversary of the United States during one evening of Frontier Days in July. This reflects a revised dollar amount.
  
- 2. **\$500,000 General Fund Transfer to the Municipal Parking Fund**  
Similar to last year’s surplus transfer, this transfer will help maintain the Parking Fund’s financial position by strengthening reserves for future maintenance and capital investments. This is particularly important given inflationary pressures that continue to increase the cost of materials and labor, requiring proactive financial planning. The fund’s primary revenue source remains parking fees, interest earnings, and surplus transfers from the General Fund. This fund would continue to operate at a deficit, if not for interfund transfers.
  
- 3. **\$500,000 General Fund Transfer to the Fleet Fund**  
Maintaining the Village’s fleet is essential to ensuring reliable service delivery across all departments, including public safety and public works operations. As vehicle and equipment costs continue to rise due to inflationary pressures, a transfer into the Fleet Fund will help preserve the Village’s ability to replace and maintain assets on a timely basis, avoid service disruptions, and support a sustainable, long-term replacement program.
  
- 4. **\$3,555,000 General Fund Transfer to the Capital Projects Fund**  
As we plan for the next capital improvement cycle, it is important to proactively account for ongoing inflationary pressures that continue to increase the cost of materials, labor, and project delivery.

The Capital Projects Fund accounts for a variety of capital improvements, including street resurfacing/rehabilitation, sidewalk repair/replacement, operational equipment replacement, traffic signal improvements and other projects. Financing is primarily from property taxes, home-rule sales tax, and grant revenues. The fund’s expenditures for 2026 are \$12.6 million.

The Village actively pursues federal highway funding opportunities; most grants require an 80/20 split, which typically require a local cost share of approximately 20 percent. While these programs provide significant external funding, they are generally focused on larger-scale Federal Highway (FAU) route projects. Even with an 80/20 funding split, the required local match—combined with substantial upfront engineering costs—places added pressure on available capital resources. Compounding these challenges, inflation over the past several years has continued to erode the purchasing power of the Village’s road program, resulting in higher construction and material costs. As a result, maintaining the same level of investment now requires greater financial commitment than in prior years.

This transfer to the Capital Projects Fund supports the planning of the next Capital Improvement Program (CIP) by providing flexibility in project prioritization, with a particular focus on advancing roadway improvements.

As an additional note, the Village continues to meet all of its pension obligations. Given the prior year transfers and the sound investment returns for 2025, a transfer to fire and police pension funds is not recommended for 2025. These prior investments have helped the pension funds reduce their liabilities and increase their funded status.

**Recommendation:**

Discussion of these proposals at the April 13<sup>th</sup> Committee of the Whole Meeting.

If the Board is supportive, Staff would add the transfer recommendations to the 2025 year-end adjustment through a 2025 budget amendment included on the April 20<sup>th</sup> Village Board Meeting agenda. By including the proposed transfers in 2025, the Village ensures these transfers are reflected in the 2025 annual audit, aligning with the fund balance policy of maintaining reserves at 40% for the General Fund in 2025.

**ATTACHMENTS:**

1. Exhibit A - General Fund 2026

**GENERAL FUND**  
(Pre-Audit 3-31-26)

**EXHIBIT A**

	2025		2025		%		2026
	2025	Actual - Before	Actual - After				
	Budget	Transfers-Out	Transfers-Out	Diff.	Incr (Decr)		Budget
<b>Revenues</b>							
Property Taxes	26,680,500	26,003,893	26,003,893	(676,607)	-2.5%		27,574,500
Food & Beverage Tax	2,657,000	2,597,475	2,597,475	(59,525)	-2.2%		2,730,000
HMR Sales Tax	7,746,000	9,271,820	9,271,820	1,525,820	19.7%		8,100,000
Telecommunications Tax	1,706,000	1,836,583	1,836,583	130,583	7.7%		1,700,000
Elec and Nat Gas Utility Taxes	4,900,000	4,637,028	4,637,028	(262,972)	-5.4%		4,900,000
Sales Tax	16,136,000	19,433,105	19,433,105	3,297,105	20.4%		19,200,000
Use Tax	2,915,900	798,357	798,357	(2,117,543)	-72.6%		150,000
Income Tax	13,506,000	14,008,426	14,008,426	502,426	3.7%		15,000,000
Replacement Tax	900,000	657,580	657,580	(242,420)	-26.9%		875,000
Streaming Tax	40,000	133,048	133,048	93,048	0.0%		450,000
Other Taxes	1,190,000	1,393,280	1,393,280	203,280	17.1%		1,270,000
Licenses & Permits	2,806,900	2,524,861	2,524,861	(282,039)	-10.0%		2,772,500
Intergovernmental	621,000	880,321	880,321	259,321	41.8%		449,000
Charges for Services	1,283,900	1,327,340	1,327,340	43,440	3.4%		1,323,900
Fines and Fees	7,428,100	7,021,975	7,021,975	(406,125)	-5.5%		7,669,000
Interest Income	1,550,000	1,306,480	1,306,480	(243,520)	-15.7%		1,650,000
Rents/Reimbursables	213,500	238,847	238,847	25,347	11.9%		208,500
Miscellaneous	420,500	547,210	547,210	126,710	30.1%		446,400
Interfund Transf-In	200,000	200,000	200,000	0	0.0%		200,000
<b>Total Revenue</b>	<b>92,901,300</b>	<b>94,817,629</b>	<b>94,817,629</b>	<b>1,916,329</b>	<b>2.1%</b>		<b>96,668,800</b>
<b>Expenditures</b>							
Personal Services	75,515,200	73,639,552	73,639,552	(1,875,648)	-2.5%		78,538,300
Contractual Services	13,695,400	13,610,325	13,610,325	(85,075)	-0.6%		14,707,162
Commodities	2,815,500	2,361,209	2,361,209	(454,291)	-16.1%		2,755,861
Other Charges	875,200	532,901	532,901	(342,299)	-39.1%		782,183
<b>Total Expenditures</b>	<b>92,901,300</b>	<b>90,143,988</b>	<b>90,143,988</b>	<b>(2,757,312)</b>	<b>-3.0%</b>		<b>96,783,506</b>
<b>Transfer to Other Funds</b>	<b>0</b>	<b>0</b>	<b>4,600,000</b>				<b>0</b>
<b>Total Expend/Transfers- Out</b>	<b>92,901,300</b>	<b>90,143,988</b>	<b>94,743,988</b>				<b>96,783,506</b>
<b>Surplus (Deficit)</b>	<b>0</b>	<b>4,673,641</b>	<b>73,641</b>				<b>(114,706)</b>
Beginning Unassigned Fund Balance	35,977,957	35,977,957	35,977,957				36,051,598
Ending Unassigned Fund Balance	35,977,957	40,651,598	36,051,598				35,936,892
<b>Fund Bal % of Expend</b>	<b>38.73%</b>	<b>45.10%</b>	<b>39.99%</b>				<b>37.13%</b>



**Committee of the Whole**  
**4/13/2026**

**Item:** Draft Fund Balance Policy

**Department:** Finance

**Item Description:**

**Background**

The Village has a longstanding practice of managing reserves in accordance with the Financial Performance Goals incorporated into the annual budget. Staff is presenting a draft Fund Balance Policy for Village Board consideration. This draft policy formalizes these longstanding practices into a Village Board-approved, written framework aligned with sound financial management standards.

**Draft Fund Balance Policy**

The Draft Fund Balance Policy is intended to formalize the Village's approach to maintaining adequate reserves and supporting long-term financial stability.

The draft policy establishes defined reserve thresholds within the General Fund to:

- Ensure adequate cash flow and minimize the need for short-term borrowing;
- Provide resources for unforeseen emergencies or non-recurring expenditures;
- Allow for orderly budget adjustments in response to revenue changes resulting from actions of other governmental entities;
- Support required local match obligations for grant opportunities;
- Absorb minor, unanticipated increases in service delivery costs; and
- Mitigate the impact of unexpected revenue shortfalls.

The draft policy reflects an upper-tier reserve philosophy, aligned with best practices among highly rated municipalities and consistent with credit rating agency expectations. Communities with higher reserve levels tend to have higher credit ratings. Our credit rating agency, Moody's, has consistently recognized the Village's reserve levels as a key measure of our financial stability.

Specifically, the policy formally establishes that the Village shall maintain a

minimum unassigned (unreserved) General Fund balance of 25% of annual operating expenditures (before transfers-out) to ensure liquidity and financial stability. The Village establishes a target fund balance level of 40% as a preferred level for future planning, to maintain strong credit ratings, and to provide flexibility for capital and infrastructure needs.

**RECOMMENDATION:**

It is recommended to review and discuss the Draft Fund Balance Policy. Based on feedback from the Village Board, the Draft Policy would be brought forward to a future Village Board Meeting for approval.

**ATTACHMENTS:**

- 1. Draft Fund Balance Policy



# VILLAGE OF ARLINGTON HEIGHTS INC. 1887

## FUND BALANCE POLICY (DRAFT)

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### Purpose

The purpose of this policy is to establish guidelines for maintaining adequate fund balance levels within the General Fund to ensure the financial stability, liquidity, and long-term fiscal sustainability of the Village. This policy supports sound financial management, maintains strong credit quality, and ensures the Village is well-positioned to respond to economic fluctuations, emergencies, and strategic opportunities.

### Fund Balance Policy

- A. The Village shall maintain a minimum unassigned (unreserved) General Fund balance of 25% of annual operating expenditures (before transfers-out) to ensure liquidity and financial stability. The Village establishes a target fund balance level of 40% as a preferred level for future planning, to maintain strong credit ratings, and to provide flexibility for capital and infrastructure needs.
- B. Unassigned fund balance levels shall be managed as follows:

**Minimum Threshold (25%)** – Ensures liquidity and financial stability.

**Target Level (40%)** – Preferred level for financial planning, budget development, and reserve benchmarking.

**Excess Levels (>40%)** – Considered available for one-time or non-recurring uses, including capital reinvestment or reserve designation.

This level of reserves is intended to:

- Ensure adequate cash flow and minimize the need for short-term borrowing;
  - Provide resources for unforeseen emergencies or non-recurring expenditures;
  - Allow for orderly budget adjustments in response to revenue changes resulting from actions of other governmental entities;
  - Support required local match obligations for grant opportunities;
  - Absorb minor, unanticipated increases in service delivery costs; and
  - Mitigate the impact of unexpected revenue shortfalls.
- C. Reserves shall not be used to fund ongoing operating expenditures. All uses of General Fund reserves require Village Board approval through the annual budget process, a budget amendment ordinance, or separate Board action.
  - D. Each spring, nearing completion of the annual audit and ahead of the budget process, the Village reviews its General Fund reserve levels. The Director of Finance shall report the preliminary fiscal results for the General Fund to the Village Board. If a surplus exists, (revenues and other financing sources exceed expenditures and other financing uses), a

recommendation will be made to the Village Board for review and approval. Fund balance levels exceeding the 40% reserve level may be strategically allocated for one-time uses, including capital investments, infrastructure needs, reduction of pension liabilities, or transfers to other funds, consistent with Village Board priorities and past practices.

- E. The Village's Fund Balance Policy shall be adopted by Resolution. This policy shall be reviewed periodically by the Village Manager and the Director of Finance. Proposed policy revisions are subject to review and approval by the Village Board.

### **Fund Balance Terms**

Governmental Accounting Standards Board Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions) standardized how governments report fund balance in their financial statements. In accordance with GASB 54, the Village's fund balance is classified based on the level of constraint placed on resources. The Village's Fund Balance Policy focuses primarily on Unassigned Fund Balance, as it represents the resources available to respond to financial risks, revenue volatility, and unforeseen needs.

Fund balance classifications shall be consistent with Governmental Accounting Standards Board (GASB) standards, including:

- Nonspendable Fund Balance – the portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. Examples include inventories or prepaid items.
- Restricted Fund Balance – the portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. Examples include Debt Service funds restricted for debt repayment, Motor Fuel Tax funds restricted by state statute to be spent on roads and streets, and Capital Projects funds restricted for capital projects.
- Committed Fund Balance – the portion of a Governmental Fund's net assets with self-imposed constraints or limitations that have been placed by formal action at the highest level of decision making. Example is a Commitment for a future priority or project by the Board.
- Assigned Fund Balance – the portion of Governmental Fund's to denote an intended use of resources. Examples include funds assigned for Village programs.
- Unassigned Fund Balance (Unreserved) – available expendable financial resources in a Governmental Fund that are not the object of tentative management plan (i.e., designations). This is positive unassigned fund balance which can only occur in the General Fund.