

**MINUTES
COMMITTEE-OF-THE-WHOLE
PRESIDENT AND BOARD OF TRUSTEES
VILLAGE OF ARLINGTON HEIGHTS
BOARD ROOM
MONDAY, APRIL 13, 2026 7:00P.M.**

BOARD MEMBERS PRESENT: President Tinaglia; Trustees: Bertucci, Dunnington, Gilbert, LaBedz, Manganaro, Santa Maria, Schwingbeck and Zyck

BOARD MEMBERS ABSENT: None

STAFF MEMBERS PRESENT: Randy Recklaus, Village Manager; Melissa Gallagher, Finance Director; Emily Rodman, Planning and Community Development Director; Cris Papierniak, Public Works Director; Ron Weber, Building Director and Kim Peterson, Recording Secretary

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

Approval of Minutes

None.

New Business

A. Village Fees Review

Mr. Recklaus advised that this review of Village fees started several months ago and is a joint effort between the Finance, Planning & Community Development, Building and Public Works - Engineering Departments. The purpose of this review is to make sure all of the Village's fees are comparable to other communities, that they're transparent, that the fee structure still makes sense and that they serve as an offset to the different services that the Village staff renders to different developments. With the implementation of the new ERP process and changes in department leadership, staff felt this was a good time to take a look at this. Mr. Recklaus advised that this review wasn't designed to generate revenue, but because it has been so long since they looked at this, it will generate some net revenue that would be an offset to their reliance on property taxes. Staff is not looking for any final decision tonight.

Ms. Gallagher advised that this is a check in with the Village Board to gather some additional input, make any necessary revisions, and then bring it back to the Village Board sometime in the summer, with full implementation in 2027. This is a long-term approach and they want to focus on fees for the future for potential offsets to property tax increases in the future. Many of these fees haven't been adjusted since 2006 and

these fees help the Village recover a portion of their service costs. Some of the fees don't align with the Village's current service needs and a lot of the larger projects require more staff time. Ms. Gallagher advised that the largest fiscal impact would be on the Building Permit fees. Staff took last year's total cost of construction, across all of the fees last year, and did an analysis to see what that might generate for net new revenue, which is approximately \$722,000. The Village wants to be sure that they are comparable to their peers and also for better cost recovery. Moving forward, staff would like to do a regular review of the fees and make adjustments as necessary.

Ms. Gallagher discussed some of the working groups key findings, including ensuring that the permitting fees are reflecting the current environment, looking at the project complexity and making sure they align with the fees, as well making sure there is full transparency in the way the fees are communicated.

Ms. Rodman discussed the proposed impacted fees for the Planning & Community Development Department. Ms. Rodman advised that they began the process of reviewing their fees by first looking at their comparable communities to see if they generally align. This was very challenging when it came to zoning fees, as every community does it differently. The fees they are proposing to adjust are all of the Design Commission related fees, re-zoning fees, fees related to special use permits for restaurants, as well as special use waivers and then the variation fees. They are also proposing some new fees related to a number of different activities. Another item they are proposing is to put in place a requirement for development projects to provide a reimbursement of fees agreement and an escrow account. A deposit upfront would be provided to cover the Village's out of pocket costs, which are now covered by Arlington Heights taxpayers. Ms. Rodman also explained how they are looking to restructure some of their fees to ensure transparency and to simplify them.

Trustee Zyck asked if the \$722,000 Ms. Gallagher presented is a gain in revenue for the Village with these changes, which Mr. Weber advised that this is what the Village would have gained in revenue if these proposed changes were in place last year. Trustee Zyck advised that this all makes sense, as these costs should not have to be absorbed by the taxpayers. Trustee Zyck asked for clarification about the legal fees, which Ms. Rodman advised that with the exception of the Zoning Board of Appeals Single-Family variations, for all other projects, it would be a pass-through fee, which would be taken out of the escrow that was provided by the applicant. Trustee Zyck asked if staff is looking at these fees in how much it costs per hour to do these different things or if they're looking at what other communities charge, which Mr. Recklaus advised that it is somewhat of a balancing act, as the Village would like to cover its expenses but still be in the same ballpark as its neighboring communities.

Trustee LaBedz asked if these fees will help to offset the cost of hiring outside consultants, which Ms. Rodman stated yes.

Trustee Dunnington asked about the timing of these fees, which Ms. Rodman advised that the application fee would be paid at the time of application, which is how it works now, and the escrow amount would be paid up front as well.

Trustee Schwingbeck asked about the fee going in when they apply, which Ms.

Rodman advised that she is only speaking about the zoning fees and entitlement fees, which are paid up front when they apply. Trustee Schwingbeck stated that he is not worried about small residential projects, he is more concerned with the larger projects that consume a lot of staff time and then never go anywhere. He would like to see these projects hit up front with money, which can go towards final permitting. Mr. Recklaus advised that this is something that can be discussed in broader terms before these fees are implemented, if that is the will of the Board.

Trustee Bertucci asked about the proposed fees and if they should be concerned with the Village pricing itself higher than neighboring communities. Ms. Rodman advised that in regards to the Design Commission reviews, staff took into account the amount of time that goes into these reviews, as well as the fact that the Village pays an architect to do Design Commission work. The current Design Commission fees, as well as the proposed fees don't even come close to covering having the architect on staff, which is not the intention, but it is something to consider given the number of projects that go through the Design Commission. Trustee Bertucci asked what the Village's justification for the higher fees in comparison to other suburbs, which Mr. Recklaus advised that the Design Commission is a service our Village provides that other towns don't and our Village has higher standards. President Tinaglia stated that our Village's staff cares and has these commissions, that other towns may not. President Tinaglia stated that it comes down to who's paying these fees, the applicant or the residents. Trustee Bertucci advised that he agrees the applicant should pay for them.

President Tinaglia suggested that perhaps they should consider secondary Design Commission or Plan Commission reviews for the more complicated or problematic projects. President Tinaglia advised that in regards to extensions, he doesn't think \$500 is enough to make an impact, but a \$2,500 might motivate someone.

Mr. Weber discussed the Building Department's current fees and stated that they are complex, outdated and confusing. The ordinance refers to language that is not listed in the adopted codes, therefore they would like to eliminate some of the terminology and just do a lot of clean up in general. Mr. Weber advised that in regards to construction costs they are proposing the elimination of the current fee structure and replace it with a fee that equals 1.54% of the construction cost, which also includes the engineering fee. They are also proposing to require 10% of the permit fee up front to alleviate the risk involved with people retracting permits and if plan reviews are sent out to third party consultants, it's a requirement to get reimbursed. Mr. Weber discussed the proposed permit fees in greater detail, as well as how our Village compares to neighboring municipalities in terms of fees charged. Mr. Weber stated that Arlington Heights is not charging nearly as much as they are and is proposing that our Village be more in line with these comparable municipalities.

President Tinaglia advised that in addition to updating the permit fees, he believes that cleaning this up and deleting things that are obsolete is a good reason to do this.

Trustee Schwingbeck asked when payment is collected for permit fees under the current structure, which Mr. Weber advised it's due at time of permit issuance. The proposed fee structure would require 10% of the permit fee at time of application. Trustee Schwingbeck also asked if a project has to go to the Design Commission and

the Zoning Board, is that typically done prior to the issuance of a permit, which Mr. Weber stated that is correct. All zoning related entitlement is typically required before submitting for a permit. Ms. Rodman advised that anyone who needs to go before the Design Commission or Zoning Board would be required to pay zoning application fees as well as the escrow to cover out-of-pocket costs related to the zoning review process. Trustee Schwingbeck reiterated his early comment about the need for a significant fee when it comes to some of these larger projects that take a lot of staff time and out-of-pocket costs. Mr. Recklaus advised that they can definitely discuss options and develop some sort of threshold of when to explore this higher fee.

Trustee Gilbert advised that although he sees the need for basketball structures and fire pits to be installed correctly, he would like to see these fees be zero, as he would like to see more of these in town.

Trustee Zyck asked if a developer needs to have all of their plans and cost associated with the project before they apply for a building permit, which Mr. Weber stated that yes. Trustee Zyck then asked if a development ends up costing more than what was originally submitted, if the Village just absorbs that extra cost, which Mr. Weber advised it does if it's within 6% of the original construction cost. If it's grossly over that, then they might research it.

Trustee LaBedz asked if the permit fee for a fire pit includes an inspection to make sure it's safe, which Mr. Weber advised that it's very rare to get a permit just for a stand-alone fire pit, it's usually part of larger backyard patio projects, and there are inspections associated with those.

Trustee Santa Maria proposed the idea of waiving fees for nonprofits who are submitting building permits and consider different fees for affordable housing developments.

Trustee Dunnington asked Ms. Rodman to explain what types of properties go before the Housing Commission, which Ms. Rodman advised that there are typically only one to two projects a year that go through the Housing Commission in terms of reviewing the compliance with the inclusionary housing ordinance. The most recent one was in August of 2025 at the former site of International Plaza. Trustee Dunnington asked if having this step of going through the Housing Commission might discourage developers from building because other towns don't have it, which Ms. Rodman advised that she doesn't think the \$350 fee would discourage them, as the Village's requirement to provide inclusionary housing all together could be a deterrent. Trustee Dunnington asked if these could be nonprofits, which Ms. Rodman stated potentially. Mr. Recklaus advised that although staff is supportive of affordable housing, some of these projects have been some of the most demanding on staff than any other project. In addition, nonprofits are created equal now.

President Tinaglia asked Mr. Weber how he will calculate construction costs, as the numbers often change. Developing this calculation and where the numbers come from will be critical. President Tinaglia advised that when going through the project development review process, often times one needs to go before the other, and it's not always the same for every project. President Tinaglia suggested that perhaps the

process can be streamlined to prevent projects from going unnecessarily through one review just to get rejected at the next review. Ms. Rodman advised that they have made changes in terms of having their Planner, who's the staff liaison for the Zoning Board of Appeals (ZBA), and their Design Commission Planner working more closely together to review those to determine when that Design Commission application comes in, if it needs to go to ZBA, and then they send them through ZBA first. In regard to the layering of the Commissions, any project that requires a Planning Commission application, that needs to come in first, and then after a review of that application, staff will determine what additional reviews are required and what the order of those reviews should be. President Tinaglia suggested that perhaps there can be some consideration given to a resident who wants to put an addition onto his home versus someone who is coming in and tearing down and rebuilding a home as a profit generating business project, if the fee can be different.

Mr. Papierniak advised that the biggest challenge for his team is adapting to new homes and current standards and sizes into existing neighborhoods. New larger homes in existing older parts of town presents drainage challenges and his team spends a considerable amount of time reviewing drainage patterns, neighboring properties, existing elevations and doing a deep dive into the infrastructure to make sure the system can handle it. At a minimum, staff reviews one to two rounds of plans and roughly 13 inspections per single-family home, which is just engineering. Mr. Papierniak is recommending 10% times building fee for single-family new construction, which has been incorporated into the building fees. In terms of plan review and inspection for residential, non-single-family homes, the current fee is \$50, which Mr. Papierniak is proposing to raise it to \$125.

President Tinaglia stated that a lot of the calls and emails they get with new construction involve issues with drainage.

Trustee Bertucci asked if a contractor could face reinspection fees if a problem develops as a result of the project thereby requiring additional work, which Mr. Weber advised that there are reinspection fees if staff is required to go back out because of code violations, but as far as recouping time, some of these things are unforeseeable, therefore there are no extra costs. Fines can also be imposed for code violations.

Mr. Recklaus advised that there was a lot of work put into this and a lot of coordination between departments to try and identify better ways to do things. Mr. Recklaus stated that there is a new fee the Village is considering which is an amusement tax. This is something that would be imposed on a large entertainment venue as a percentage of sales. Staff will be doing more work on this, but they believe they will be proposing an amusement tax for any large entertainment venue. President Tinaglia asked if this would be on ticket sales, which Mr. Recklaus stated yes. This is not intended for the smaller venues we currently have in town.

B. Proposed 2025 General Fund Surplus Transfer

Mr. Recklaus advised that the staff is projecting a \$4.6 million surplus for 2025 and the best practice is to use the money for large one-time expenses and capital items or programs that are experiencing unique circumstances. Ms. Gallagher will walk through

what they are proposing,

Ms. Gallagher advised that staff worked closely with departments to strategically deploy the reserves, and as they have done in prior years when there are excess reserves beyond the current practice, they bring a recommendation to the Village Board for approval. This year, similar to last year, volatility, uncertainty and inflation still remain and will continue to remain. Ms. Gallagher explained how some of these transfers will augment and cushion, and also support, the capital planning process.

Ms. Gallagher advised that the Village's fund balance policy states that they have at least 25% of general fund expenditures every single year, up to a maximum of 40%. When they reach that 40% level is when they provide a recommendation. Ms. Gallagher discussed some of the past couple of years and how they processed reserves over time, highlighting the police and fire pension commitments. Ms. Gallagher advised that the transfers of surplus revenues generated by the general fund over time have saved the Village about \$10 million, in terms of an interest-cost perspective, because they have been able to augment to the capital funding through reserves. In 2025, the general fund did a little better for revenues, about 2% overall. Sales and income taxes did a little better than expectations and the new streaming tax provided a slight amount. The expenditures for the year came in just a little bit below budget, about 3%, and some of the factors for that continue to be staffing levels in police. Ms. Gallagher advised there is a \$4.6 million dollar surplus and the recommendations from staff, include a transfer of \$45,000 for a drone show to celebrate America's 250th birthday, \$500,000 to the Municipal Parking Fund to maintain and support the parking structures, \$500,000 to the Fleet Fund to help with the inflationary impacts they are experiencing and a transfer of about \$3.5 million is recommended for the Capital Projects Fund as well. Staff would like to focus their efforts on roadway improvements and add more dollars there. Mr. Recklaus advised that they will not be able to rely on surplus or reserves forever, but by using the surplus on this, it provides a cushion so there is not as steep of a ramp up on these construction costs. In regards to the parking fund, using surplus funds to support it is not a long-term plan and as part of the downtown master plan, there will be a review of the parking system and the way that it is funded. Mr. Papierniak advised without the capital fund, they would not be able to do any residential streets, because of the cost of the Euclid Avenue resurfacing project.

President Tinaglia asked Ms. Gallagher to explain why the decision was made to not transfer funds to the police and fire pension funds this year, which Ms. Gallagher advised that because they have been making these additional contributions in prior years and because early reviews of the actuarial report, there is not a need to do that. Mr. Recklaus stated that a couple of years ago, the Village and others experienced a very bad year for investments, and the pension is funded based on a three-year rolling average and they are finally losing that bad year. Therefore, it is not the biggest need right now. President Tinaglia advised that what he hears most often involves the condition of the roads and residents asking when they'll be fixed, so if the majority of this money is going towards roads and those types of expenditures, he is in favor of it.

Trustee Gilbert stated that he is unsure if he can support the \$45,000 drone show and

feels that it would be a waste of money and would rather give that money to some area that could really use it. He is in favor of everything else.

Trustee Zyck asked about the proposed transfer of \$3.5 million to the capital projects fund and how this additional money affects the budget this year. Ms. Gallagher advised that it won't affect the budget for 2026. It's a planning mechanism to start planning for 2027 and beyond. Trustee Zyck asked how it affects the 2027 budget, which Mr. Papierniak advised that his capital proposal for 2027 is an additional \$20 million and this will help him start funding this. Mr. Recklaus stated that maintaining the roads now saves the Village money in the long run, as resurfacing roads is much cheaper than reconstructing roads. Mr. Papierniak advised that construction costs have increased significantly in the last five years, and repairing residential streets and trying to take on more, puts a stress on the budget. Trustee Zyck stated that he understands these needs, but would like to know if there is a way to use this money in order to mitigate some of the rising expenses and possible levy increase. Mr. Papierniak advised that if he doesn't keep the base of the roads impermeable, the road is ruined and the repair goes from a resurface to a reconstruction, which is 2 – 3 times the cost. Mr. Recklaus advised that by the Village putting surplus money into the pension funds in prior years, property taxes were reduced. In addition, if the Village didn't put money into the parking fund, they would have to take it from the general fund, which puts pressure on property taxes. Every one of these dollars is money they have saved from increasing property taxes.

Trustee Manganaro stated that if you look at the last nine years and the \$37 million in surplus funds that has been transferred, are funds that could be looked at as excess taxes. He is concerned about the drone show, which Mr. Recklaus advised that this is an alternative to a more costly fireworks show and is a one-time expense. Mr. Recklaus advised that in terms of these other items, whether you pay for these with a surplus, take them out of reserves, or budget for them, you end up in the same place. Ms. Gallagher advised that this is a way to manage risk in liabilities and long-term investments, and Moody's mentioned in the last credit rating in 2024, the importance of how the Village budgeted and how they used their reserves. This is a very important part of the Village's credit review and by leveraging this strategic investment, they haven't had to raise property taxes for these types of activities. Trustee Manganaro asked when the Board has to make a decision on this, which Ms. Gallagher advised that it will have to be by next week.

Trustee Bertucci asked what the police and fire pension funding levels are right now, which Ms. Gallagher advised that they just received their actuarial report and are currently reviewing it, therefore she doesn't have the exact numbers, but the police are funded a little over 80% and fire a little over 75%. Trustee Bertucci explained how higher funding percentages would be more ideal and asked why they are not considering that this year. Ms. Gallagher advised that the need is not as great as it is for capital projects this year. Trustee Bertucci asked about the health insurance fund, which Ms. Gallagher advised it is still well funded, which is the same for liability insurance. Mr. Recklaus stated that staff did negotiate with both unions to increase the employee contribution for health insurance as well, which should help. Trustee Bertucci suggested that staff come up with a new way to phrase the drone show.

Trustee Dunnington asked Mr. Papierniak if with the cost going up so much for our roadways, is staff looking into ways to reduce the roadways so that they won't require as much maintenance. Mr. Papierniak advised that the width of the roadway is always in competition to make it wider, so what they do to make the cost more effective is by doing multiple facets of construction to extend the lifetime of the roads, as well as leverage federal funds to subsidize the costs. In addition, Mr. Papierniak advised that his department has changed the way they approach and plan their road improvement fund and projects. Every facet of Public Works and Engineering are now working together to ensure that any water main replacements or other work is being done before resurfacing a road. Trustee Dunnington asked if there are areas of roadway where cars are not driving, perhaps in a turn, that the Village doesn't have to incur that big expense, which Mr. Papierniak advised that they always review all road construction and developments for turning radius, which is dictated by fire equipment and cannot be controlled. Trustee Dunnington suggested a small, but meaningful change, to the \$4.6 million surplus, that the Village spend \$49,900, which is the same amount that they granted back in July during the Community Development Block Grant (CCDBG) hearings, so that they could match what they gave to those same 10 organizations whose programs and services are aimed at improving the lives of low-to-moderate income residents. She would like to lower the capital fund by \$49,900 to fund the grant requests that they weren't able to fully fund because of the cap limit. Mr. Recklaus stated that all of the groups who submitted requests are worthy and are all short of funding, however he would caution the Board about using General Fund money to support these types of entities, as the number of requests will be much larger next year and it will be difficult for the Board to say no. Funding these types of entities is not something currently that is within the defined mission of the Village Board and of the Village, although the Village Board can determine it should be, but it would have to be done very thoughtfully. President Tinaglia advised that he would love to be able to fund all of these worthy entities, but doesn't know if that's something most tax payers would think is more valuable than repairing the roads. President Tinaglia suggested that if the Board feels strongly about doing this, they can think about how they can put some sort of function together to raise this \$50,000.

Trustee Schwingbeck asked if the \$4.6 million in surplus funds would go into reserves if the Village found no need to transfer it, which Mr. Recklaus stated yes. Trustee Schwingbeck advised that while he has been on the Board, he has never questioned where staff wants to move the money, because they move it into areas of necessity, and this year he feels the same way. Trustee Schwingbeck advised that every year they maintain the top level of 40% and always have a large amount of surplus money, perhaps it would make sense to drop that percentage down a little and not have a tax increase. Mr. Recklaus provided some historical background as to why past Boards have chosen to be more financially conservative, but does understand if the current Board would like to run a tighter budget. Trustee Schwingbeck advised that he understands and agrees with staff about where they want to spend the surplus money, but residents are simply looking at the fact that their property taxes went up and there is a large reserve surplus.

Trustee Bertucci advised that the Board has to remember the lessons learned from history, especially when it comes to financial disasters, and have to continue to look long-term. He has no problem using fiscally responsible assumptions and knowing that

history typically repeats itself. Ms. Gallagher advised that the Board needs to be mindful that things happen in cycles and the reserves that they have achieved, have been due to some circumstances, and will most likely level off.

President Tinaglia advised that he feels good that these surplus funds will go to good use, especially when it comes to new roads, and is okay with a small levy again if this is the result. He likes what staff has done and is supportive of it.

Trustee LaBedz asked if this would have any impact on the rules and regulations having to do with CDBG funds, which Mr. Recklaus advised that this would be an expenditure of General Fund money to those organizations, which would be outside of CDBG and not having any impact on CDBG funding per se.

Trustee Zyck advised that he likes this idea because it means helping out these organizations who are helping out people in our community and if we could give them a little bit more money, it makes sense.

Trustee Schwingbeck asked if this could be just a one-time thing, which Mr. Recklaus advised that it could, however that won't stop people from asking and the Board may have to say no.

Trustee Dunnington advised that the Housing Commission already has this process set up with who should get money based on their priorities, which Mr. Recklaus advised that it's staff who does this, not the Housing Commission. Mr. Recklaus stated that this is not a financial decision, it is a mission decision, and if the Board wants to study how to do this, they can.

President Tinaglia asked if this is the appropriate mechanism for making this happen, or should they consider discussing this at another meeting and look to see where they can find the additional \$49,900. Mr. Recklaus stated that finding the money is not the issue, it's the broader philosophical relationship with nonprofits and how to fund them. Ms. Gallagher advised that there are other ways to fund this, and maybe this is not the moment, but staff can make this a priority item to be looked at soon.

Trustee Santa Maria advised that Health & Human Services is already doing so much work and perhaps that money would be better used in their department. Mr. Recklaus stated that speaking with them and some of the Village's Commissions would be helpful.

Trustee Gilbert asked Mr. Papierniak what losing the \$49,900 would do to him and his team, which Mr. Papierniak advised the hole is significant and is not sure if the \$49,900 would hit them that hard.

Trustee LaBedz stated that she would like to have a more robust discussion about how they can increase funding and hear from the Health & Human Services Department, as they should play a role in this.

Trustee Manganaro asked Mr. Papierniak how much road he can resurface with \$50,000, which Mr. Papierniak advised it would be a very small cul-de-sac. Trustee

Manganaro advised that he is happy to vote for the funds to maintain the roads, but likes this amendment because it can be very self-contained as there already is a mechanism to say no and it has opened up this discussion to fund nonprofits.

**Trustee Dunnington moved, seconded by Trustee Manganaro, to amend Trustee Bertucci's motion to transfer \$49,900 to match the Community Development Block Grant funds for public services, and reduce the Capital Improvement Fund by that amount.
The Motion: Failed**

Ayes: Dunnington, Manganaro

Nays: Bertucci, Gilbert, LaBedz, Schwingbeck, Santa Maria, Zyck, Tinaglia

**Trustee Bertucci moved, seconded by Trustee Schwingbeck, that the Village Board of Trustees approve the Proposed 2025 General Fund Transfer of \$45,000 from the General Fund for a Light Show done by Drones as part of the celebration for the 250th Anniversary of the United States, \$500,000 to the Municipal Parking Fund, \$500,000 to the Fleet Fund, and \$3,555,000 to the Capital Improvement Fund.
The Motion: Passed**

Ayes: Bertucci, Dunnington, Gilbert, LaBedz, Manganaro, Schwingbeck, Santa Maria, Zyck, Tinaglia

Nays: None

C. Draft Fund Balance Policy

Mr. Recklaus advised that this policy is something they adopt every year as part of the budget and is something that is reflected every year in the annual audit.

Ms. Gallagher stated that every single year, as part of the budget process, in the budget are their performance reserve goals, and it's also included in the annual audit, which is reviewed by the credit rating agency Moody's, along with the auditors. The reserve policy of 40% represents about five months of operating revenues on hand. Ms. Gallagher explained how property taxes were delayed last year by six months and they did have to dip into reserves while they were waiting on property taxes. Fund balance matters and because there are a lot of delays in revenue, liquidity is necessary, as it also helps with operational stability and short-term and long-term borrowing. It does give the Village the ability to respond quickly to an emergency, to unforeseen volatility and also helps manage revenue fluctuation. Having a fund balance also helps them respond to opportunities and challenges. The Village's practice has been funding a fund balance policy with a minimum of 25% up to 40%. This has been highly effective in their discussions with the credit rating agency when they have gone through bond issuance. Our credit rating is very strong, which gives

us a lot of flexibility and the ability to respond if we need to. The policy itself would be approved by the Board and reviewed on a routine basis, and establishes the minimum reserve of 25% with a target reserve of 40%. It also provides the ability, should there be a surplus, for the Village Board to reinvest. The 40% is a range and there have been some years when it has been 38%, but what is really important is how they use the reserves. Ms. Gallagher explained how they looked at peer communities and generally speaking they maintain reserves of 25 – 40%, depending on the community. Ms. Gallagher advised that the reliance on economically sensitive revenues is really important, as economies can change and it doesn't take much for things to fluctuate. She stated that the Village has a very high rated credit rating Aa1, which is one notch below Aaa. If the Board approves this policy, it would be reviewed regularly.

Trustee Schwingbeck asked if over the last 10 – 15 years, they have always maintained the 40%, which Ms. Gallagher stated generally speaking yes. Moody's looks at where you end up and if you have a policy and you're following it. President Tinaglia asked if it is likely during the year that we dip below 40% at times, which Ms. Gallagher stated yes. Trustee Schwingbeck asked in any given year, what is the lowest we have ever been, which Ms. Gallagher stated that it is typically around 25%, which is why they are proposing that to be the minimum.

Trustee Bertucci advised that with this favorable Moody's rating, when we issue bonds, our bond interest rate is more favorable and we pay less in interest.

Trustee LaBedz asked how much we had to dip in reserves this past year, which Ms. Gallagher advised that they did have to dip into reserves, but it was on the liquidity side and not into investments. Ms. Gallagher advised that there are ebbs and lows of revenue and having this range allows for flexibility.

Trustee Zyck asked if this policy means that they can never go below 25%, which Ms. Gallagher advised that Moody's will not study our cash flow to that level, and having the higher range is more preferable for our rating. Mr. Recklaus advised that during our last rating review, it specifically said that if our reserve level went down a couple of percentage points, it could affect our rating. Mr. Recklaus advised for the one-time benefit of reducing our fund balance by a few percentage points, you have that money once, but you're going to be paying that debt at a higher interest rate for a long time. Trustee Zyck stated that he understands the importance of the high Moody's rating, but questioned how Park Ridge can have the same rating we do, but they can come down 25% and we can't. Mr. Recklaus stated that without analyzing their budget, it's hard to answer that question. Ms. Gallagher advised that there are a lot of factors that go into this, including pension funding and how much debt they carry. Trustee Zyck stated that with the way the fund policy is set up right now, he will not be voting for it, as it is locking them into certain things that they can do with the fund balance. He suggested it should include verbiage to allow adjustment to offset budget spending, or something to this effect, as the Board should have the flexibility to not have to re-write the policy again.

Trustee Santa Maria asked if Moody's is saying that we have to have 40% or do we have to have a policy that says it could be a range that would include up to 40%, which Ms. Gallagher advised that Moody's is not telling the Village what policy to have.

The reason why they are bringing this forward tonight, is it's solidifying our past practice that has contributed to the ratings we have received over the last multiple years. Mr. Recklaus advised that the policy is related to the end of the year and there is nothing in this policy preventing the Village Board to make a decision at budget time to reduce the reserves to avoid a property tax increase. In addition, there is nothing preventing the Village Board in the future from changing this policy. Staff is just making the point that generally speaking it is not a good practice to reduce the reserves for an operating expense.

President Tinaglia reiterated that this is not placing the burden on the Village that they have to have 40%. It's a policy that establishes 25% as the minimum and 40% as the maximum.

Trustee Dunnington suggested that perhaps the target level can be a range of 35 – 40%, instead of 40%, with the excess level being over 40%. If they have that target level as a range, Finance can then provide them with a budget with a snapshot of what it would look like at 35%, what it would look like at 38%, what it would look like at 40%, and then the Village Board can decide at that point, based on what is going on with the economy, at the state and federal levels, what they want. Mr. Recklaus advised that per Village Code, he is tasked with providing a balanced budget to the Village Board every year. If it would be very challenging to do this if it varies that much from year to year.

President Tinaglia advised that you cannot ignore inflation and the only way to compensate for this is with excess funds from sales tax, income tax, etc. This policy formalizes the practice that the Village has been doing for the last several decades and positions the Village to maintain stability while planning for the future. It doesn't say they can't do something different in the future. Mr. Recklaus advised that there is no reason the Board has to pass this policy tonight. The Board can take the time and think about this further and if necessary direct staff to look deeper into this.

Trustee Manganaro stated that he thinks they need to have a much more substantive conversation, as he can't support the policy as written right now because he doesn't have enough information. He is interested in knowing what is different between our Village and its peer communities that gets them to the ratings they're at. In terms of the disaster response aspect of this, he would like to know where the Village was at in 2008 with reserves. Trustee Manganaro stated that every dollar the Village collects in excess taxes, is a dollar that's not in the pockets of residents for some other economic activity, and we don't know what the impact on our budgets would have been if these other dollars would have gone into our economy. If we were budgeting more accurately, instead of conservatively, that money could have remained in the economy and generated more economic activity rather than being collected as tax. President Tinaglia referred to the pension program and how the Village used surplus funds that had to be spent to increase their funding, which ended up saving the Village \$10 million that went directly back to the residents.

President Tinaglia asked if there is enough support tonight to codify a programmatic policy that the Village has been doing for decades, or is it better to put this hold and save a date to discuss this deeper at another time. Mr. Recklaus advised that a show

of hands can provide direction.

Trustee Bertucci stated that to Trustee Manganaro's point, you cannot assume that the money collected in excess taxes is going into the taxpayers' pockets, as the Village is going to get the money one way or another.

President Tinaglia advised that the idea of having something codified excites him, as he is done having this conversation. The Board has to decide if 40% is too high, and if it is, what should it be then, and what should the Village do with the excess funds.

Keith Moens, Arlington Heights resident, advised that he thinks 25 – 40% is too wide of a range and 35 – 40% is the right way to go. This gives the Village flexibility to meet unexpected expenses, but still be within the policy, and to meet what could be rapidly rising tax levies in the future.

President Tinaglia asked if staff could prepare a budget based on a range, which Mr. Recklaus advised that it would be really difficult to do, as the budget process is lengthy and difficult, and preparing multiple budgets would be very challenging. The goal is to create a budget that they think the Village Board will support.

Trustee LaBedz asked if the levy would be higher if they budgeted the \$3.5 million, which Ms. Gallagher stated not necessarily. In the process of formulating the budget, they could include transfers from the General Fund over to the Capital Projects Fund, rather than waiting for the surplus discussion. Trustee LaBedz stated what is always said as the budget process rolls along, make it as tight as possible and come in as low as possible, but be realistic in what is needed.

Trustee Zyck stated that Finance has been doing a fantastic job and this discussion has nothing to do with what they have been doing. Our Village is financially stable and he does not want to mess with that, however they need the flexibility to do things.

Trustee Bertucci advised there are a lot of unknowns and they have to be careful, as no one can predict the future. When you're projecting out, you have to use some conservative numbers and having a surplus is better than coming up short.

President Tinaglia stated that he prefers being conservative and have a little bit at the end than the other way around. He asked for a show of hands how many of the Board members are in favor of codifying this practice into a policy as it is written now, which two members raised their hands. The majority of the Board wants to talk about it further. Mr. Recklaus advised that they took notes and will rework it and bring it back to the Board for another discussion.

Janice Phares, Arlington Heights resident, stated that the surplus is the taxpayer's money and if they were overcharged, it should be returned.

Other Business

None.

Public Comment

Keith Moens, Arlington Heights resident, advised that at last week's Committee of the Whole Meeting, it was asked if Commissioners have any orientation program prior to beginning their term, and the answer was no. All the Commissioners should be informed on meeting procedure and the rights they have as Commissioners, in particular the Chairperson. Mr. Moens referred to a memo put out by the Village's Legal Department on public comment guidelines, which allows the Chair to ask for public comment at the time the agenda item is hot, rather than waiting to the end of the meeting when everything is decided. Training on this should be considered. President Tinaglia advised that this is a valid point and staff could prepare a memo.

Adjournment

Trustee LaBedz moved, seconded by Trustee Zyck, to adjourn the meeting at 11:19 p.m. Upon a voice vote, the motion passed unanimously.
