

**MINUTES
COMMITTEE-OF-THE-WHOLE
PRESIDENT AND BOARD OF TRUSTEES
VILLAGE OF ARLINGTON HEIGHTS
VILLAGE BOARD ROOM
MONDAY, JUNE 27, 2022
7:00 P.M.**

BOARD MEMBERS PRESENT: President Hayes; Trustees: Bertucci, Canty, Grasse, LaBedz, Scaletta, Schwingbeck, and Tinaglia

STAFF MEMBERS PRESENT: R. Recklaus, T. Kuehne, M. Juarez, A. Smulson, K. Baumgartner, D. Mikula, M. Mattio and Various Department Representatives

SUBJECTS:

- A. Review of the 12-month Period Ending 12/31/21 Annual Comprehensive Financial Report – Sikich, LLP
 - B. Review of the Proposed 2023-2027 Capital Improvement Program
 - C. Operating Fund Overview/Recommended Budget Ceilings – 2023
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President Hayes called the meeting to order at 7:01 PM.

Review of the 12-month Period Ending 12/31/21 Annual Comprehensive Financial Report – Sikich, LLP

Mr. Kuehne introduced staff of the Finance Department and Martha Trotter, Partner with Sikich LLP. Ms. Trotter presented the key results from Village's 2021 Annual Comprehensive Financial Report. She went on to say that as part of Sikich's audit procedures, they issued a number of reports for the Village, the largest being the Annual Comprehensive Financial Report (ACFR) previously known as the Comprehensive Annual Financial Report (CAFR). She thanked Village staff for their preparation.

Within the ACFR, is the Independent Auditor's Report which provided their opinion on the Village's financial statements. She was pleased to issue a clean unmodified opinion, which is the highest level of assurance they can provide. Based on the audit procedures and in accordance with the generally accepted accounting principles, the Village's financial statements can be relied upon. In addition, she mentioned the Village received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the December 31, 2020 reporting. The Village will again submit their financial statements for 2021. She turned her attention to the Management Discussion and Analysis section of the ACFR.

In regards to the Management Discussion and Analysis, Ms. Trotter said it is an executive summary of the financial statements. It is a deeper representation of the figures and what changes and variances occurred for those figures to end where they did. It included the long-term capital assets, pensions liabilities, and all the changes to those liabilities from prior years to current. The balance sheet for the government funds and the statement of changes in fund balance are presented on a modified accrual basis of accounting. There was one change the Village decided to make in regards to the capitalization policy threshold, and said change is reflected in the beginning balances of longer-term capital assets.

President Hayes thanked Ms. Trotter for the report and was happy to hear she could provide the Village with a clean and unmodified opinion.

Trustee Scaletta asked Ms. Trotter for her opinion on the Village's change in capital threshold and to further explain the journal entry adjustment. Ms. Trotter said it is common to see a change in the capital threshold. With time, policies and procedures should be changed and/or updated to reflect current times. In regards to the adjustment, Ms. Trotter said it can be the result of a number of factors such as a transposed number or how something was reported versus how it should be, but ultimately adjustments are based on materiality thresholds. She mentioned that the journal entry was a minor adjusting entry.

Trustee Tinaglia – Thanked Ms. Trotter and praised the Finance Department. He asked how common it is for her to see a Village the size of Arlington Heights have only one journal entry that needed to be worked on. Ms. Trotter said it is a sign of a great client and communication throughout the year. She said Mr. Kuehne and Ms. Juarez approach them when questions arise, which makes for a smoother audit process.

Trustee Bertucci asked if the ratio of general bonded debt outstanding was at a reasonable level. Mr. Kuehne said that this ratio is one of the factors used by bond rating agencies when analyzing a community's general obligation debt. He noted that Moody's Rating Service had noted during a review of the Village's 2020 bond sale, that the Village's net direct debt level is modest.

TRUSTEE SCALETTA MOVED, SECONDED BY TRUSTEE CANTY, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD ACCEPT THE 12-MONTH PERIOD ENDING DECEMBER 31, 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT.

The following voice vote was recorded:

8 Ayes

0 Nays

The motion passed.

Ms. Cayer noted that she has not seen the monthly to actual budget report posted on the Village's website. Mr. Kuehne said that per the direction of the Board, those reports are no longer

generated monthly. Instead, Village staff does a mid-year review during the June Committee-of-the-Whole meeting, prepares the budget, and undergoes an audit process. Upon the Board's request, Village staff can resume posting the monthly reports on the Village's website.

Review of the Proposed 2023-2027 Capital Improvement Program

Mr. Recklaus began by stating that 2023-2027 Capital Improvement Program is a multi-year plan for how the Village will maintain and purchase big-ticket items such as roads, fire trucks, and the like. The process is a detailed one and allows each department to present what projects and expenses are needed. In addition, the Village begins with a resident survey process, which allows community members to identify issues that may not be on the radar. Further meetings are had with Department Heads, and the Village Manager and Finance Director prioritize CIP needs versus available resources. Some items are denied, modified, or deferred. The Village has continued to work on major stormwater projects such as Burr Oak/Burning Tree and Berkley/Hintz, replaced the yearly industry standard of 1% of water mains, and the annual street investment that totals over \$10 million per year. There are foreseeable challenges from state mandates, uncertain economic times, and the replacement of the ERP system.

Mr. Kuehne added that the Village continues to look for ways to ensure there are enough revenues for capital projects through fees, property taxes, sales taxes, grants and debt service. He mentioned that in the last three years, there have been ongoing discussion about a debt service plan with the opportunity to sell a bond issue every five years on a scheduled basis. There is a bond issue scheduled for 2024 which would replace maturing debt. He said property taxes would not increase as it would be a continuation of paying monthly debt installments already budgeted for. The future sale of bonds will help the Village fund some projects in the CIP. Some proposed uses for an upcoming \$18 million bond issue in 2024 include transferring money into three separate funds. The first, to the Water & Sewer Fund which continues to need help. Second, to the Lead Service Line Replacement Fund which will replace the public portion of the lead service lines. This project is estimated at \$27 million. The Village is currently researching grant options for additional funding. Thirdly, to the Municipal Parking Fund which continues to struggle with revenue in the wake of people not returning to work, and structures continuing to need improvements.

Trustee Bertucci asked what the interest rate would be for the 2024 bond issue. Mr. Kuehne said he anticipated a 4.5% interest rate for his calculations. However, he said if 2024 rates are higher due to the Federal Reserve continuing to raise interest rates, the bond issue will shrink a bit to fit in line with what the Village can pay.

As for the Capital Projects Fund, Mr. Kuehne said that the fund's revenues haven't been consistent. During the pandemic it saw a decrease of about \$1.2 million in property taxes. However, the fund recovered nicely due to the quick turnaround in the economy and should get back to where it needs to be. In the next couple of years, the fund will have larger revenue increases to accommodate the lease payment for body worn cameras and additional firefighter

turnout gear. Mr. Recklaus reiterated that the Village is not raising property taxes, rather it is increasing the amount of property tax revenues going into the Capital Projects Fund. Mr. Kuehne continued by saying the Village recently received its second half of the America Rescue Plan grant. The Board previously approved where those monies will go. Last year there was a surplus in the General Fund and a portion of that money went to the Capital Projects Fund. In 2024, the \$18 million bond proceeds would be deposited into the Capital Projects Fund, and then transferred to other funds as noted earlier.

Trustee Scaletta asked if the Village is making improvements to an already ADA compliant downtown. Mr. Papierniak clarified that anytime there is maintenance such as street resurfacing, tree grates, and other downtown amenities, the Village has to comply with the most current ADA standards. Trustee Scaletta asked about the increase cost in oil and if Public Works has completed or will complete the number of miles in street resurfacing as budgeted for. Mr. Papierniak said that at the end of 2021 Public Works anticipated an increase in oil cost and made necessary adjustments. All projects completed thus far have been within budget. He predicted a higher cost next year which will result in less roads being repaired. He added that Public Works is very aggressive with the size and timing of their projects. During the winter months, core employees are doing design work and they often use contractual assistance for the peaks of the summer to complete the work.

Trustee Canty asked for an update on the sustainable bike plan improvements and other sustainable initiatives, as she recalled there was supposed to be additional money directed to that and doesn't see it reflected in the Capital Improvement Program. Mr. Papierniak said the program budgets \$20,000 per year for bike lanes. The Board previously approved \$100,000 in funding to start phase 1 of the Windsor crossing project to enhance the bike and pedestrian access to Lake Arlington. That project has been completed. This year a bike lane was added to White Oak and phase 1 of Wilke has begun. Trustee Canty asked if funding for the bike plan improvements come from electric aggregation. Mr. Papierniak said a large portion of electric aggregation will go towards electric vehicle fleet upgrades. Mr. Recklaus added that charging stations for the garages are also in the works. Trustee Canty expressed her concern over marked bike lanes and the false sense of safety it creates. In addition, she said that in order for the Village to be a leader, they have to invest a little more into sustainable initiatives to encourage people to bike throughout the community. Trustee Scaletta said the challenge with bike lanes is that streets are only so wide and preventing parking would create other issues. Motorist also do not respect bike lanes. He suggested an internal discussion to come up with strategies for safer bike lanes.

Trustee LaBedz said she was happy to see an increase in funding for maintenance of the Historical Society. She asked if the line item for police equipment included speed enforcement equipment such as speed readers, as the speed sign on Ridge doesn't function most times. Deputy Chief Pinello said the line item for speed enforcement equipment included radars, speed data collectors, and speed radar signs. The Police Department currently has eight speed signs in their inventory; however, two are out of service. The cost to refurbish a sign is not cost effective. They

recommended replacing four signs during 2023 at a total cost of \$18,000, and the remainder of the line item would be applied to other equipment. Trustee LaBedz also inquired about the replacement of downtown rusted benches and refuse containers. Mr. Papierniak said by the end of this year, 25-30 benches and refuse containers will be replaced and some will be repaired in-house.

Motor Fuel Tax Fund

Mr. Kuehne said that the State recently passed an infrastructure improvement plan that added an additional gas tax which increased the Village's annual allotment from \$1.8 million per year to about \$3 million per year. In addition, the State sold bonds for infrastructure purposes and the Village was a grant recipient for some of those bonds. Over the last three years, the Village has received \$1.65 million per year that has gone towards the street rehabilitation program. Currently, the plan is to complete a \$3.8 million street rehabilitation program in 2023.

Storm Water Control Fund

It was noted that this fund has had ongoing projects. During the next year, the big project will be the Evergreen-Maude Storm Sewer Improvements. In regards to the storm water flooding issue, Trustee Scaletta asked if there is an end for the long-term plan. Mr. Papierniak said there is not at the moment. Four significant projects have been completed, which include Cypress, Greenbrier, Downtown, and Hintz/Berkley, two others have grant funding, and they continue to pursue additional grants for other projects. Mr. Recklaus added that projects are prioritized by the number of residents it will help.

Water & Sewer Fund

The Water & Sewer Fund is currently in good standing due to an infusion of 2020 bond money, and it may need additional funding from the 2024 bond issue. The watermain replacement program is ongoing with at least 1% replacement each year. The residential meter system replacement program is costly and Village staff will present updated figures during the November budget meeting. A water and sewer rate study is planned for 2024, which will likely result in a fee increase to fund the watermain replacement program and water tank painting program.

President Hayes asked why the fund has a line item for office equipment and furniture for various municipal buildings. Mr. Kuehne said the fund is an enterprise fund and any cost to support the operation of the department must come from said fund.

Trustee LaBedz asked if the maintenance of ground and elevated water storage tanks are cyclical and how many are within the Village. Mr. Papierniak said there are a total of nine water storage tanks. The cycle of the tanks is about 20 years. Every five years the towers are inspected to determine if maintenance is needed. Any projects are scheduled with the consideration of the fund balance.

Lead Service Line Replacement Fund

The lead service line replacement project is an unfunded State mandate. Mr. Kuehne proposed to set aside money from the proposed 2024 bond issue in addition to the \$4 million deposited from the General Fund surplus at the end of 2021. Public Works is working with the State to obtain grant funding. The bond money and any grants received would be applied towards the replacement of public lines. Private lines would be funded by the property owner. Some discussion has been had about creating a similar program as the overhead sewer program, or residents could sign waivers to not have their private lead service lines replaced.

Municipal Parking Fund

Mr. Kuehne said this fund has continued to struggle since the start of the pandemic. This year's projected numbers will be less than anticipated, and he predicted it will continue to see a deficit on a year-to-year basis. Monies from the America Rescue Plan have been deposited into the fund to help with infrastructure projects.

President Hayes asked if parking is back up to 50% pre pandemic levels. Mr. Recklaus said that he would obtain the information and get back to him.

Resident Keith Moens thanked the Board for allowing residents to participate in capital improvement projects via the online resident survey. He expressed his concern over the speeding occurring throughout the Village, in particular on Cleveland Avenue. He said based on survey results, it is clear that residents are also concerned with speeding on local streets. A study conducted two years ago by the Police Department and Engineering Division determined that no additional traffic deterrence was needed. He went on to say that there is a big difference between what residents are witnessing and what the Village sees. He urged the Village to agree that there is unacceptable speeding on Village streets, and asked the Board to direct Village staff to implement a traffic safety policy to reduce speeding and increase safety for pedestrians and cyclists.

President Hayes, Trustee Tinaglia, and Trustee LaBedz all agreed there is a Village-wide speeding problem.

Mr. Recklaus said the Police Department can provide the Board with a report on how they engage, approach, analyze and enforce speeding issues. He said accidents within the Village have reduced about 30% over the last 15 years despite the population growth and increased traffic. The Police Department not only looks at where accidents occur, but the cause of the accident and targets enforcement in those areas.

Residents James & Barbara Kesteloot said they've lived on Cleveland Avenue since 1968. Mr. Kesteloot shared that a few years ago his brother visited him and parked on Cleveland Avenue. Shortly after entering their home, they heard a loud crash and went outside to see what had

happened. His brother's car was rear-ended and landed 100 feet from where he originally parked. He said had his brother been in the car a few minutes earlier, he would have been killed. He said Cleveland Avenue residents have been complaining about the speeding issue for years and nothing has been done. He suggested speed bumps and the installation of cameras which capture a speeding vehicle, and to mail them a ticket.

Resident Richard Skinner said he's been a resident of Arlington Heights for 37 years. Last year he attended a Board meeting to discuss the same speeding issue in discussion now. At the time, Village staff didn't seem interested in addressing the issue, but gathers that there may be more interest now. He added that the Village should prioritize this issue and develop a reputation for having strict driving laws. He too feared that one day someone will be seriously hurt or killed in an accident.

Resident Vin Shah has lived on Cleveland Avenue for 34 years and has seen drivers recklessly speeding, not paying attention to pedestrians, children, and cyclists. He said the speed post on his property works on occasion. In an effort to solve this problem, he too suggested speed bumps to force people to slow down.

President Hayes said he has received numerous emails from residents with these same concerns. There are ways to address the speeding issues, however, speed bumps is not one of them for several reason such as ease of access of emergency vehicles and snow plows.

Trustee Grasse said she is aware of the speeding issues within the Village and has also received numerous emails and calls from Cleveland residents. While she is aware of the 2019 survey findings, she acknowledged that a large segment of Cleveland Avenue residents continue to feel unsafe and are asking for help. She suggested an open discussion to come up with a traffic speeding policy or for Village staff to meet with some residents as they continue to feel unheard. Trustee Canty agreed with Trustee Grasse and added that this is not the first time the Board is hearing from the Cleveland community. She said this an opportunity to meet with residents and look at the issue from a different perspective.

Mr. Recklaus said Village staff can communicate with Cleveland Avenue residents to discuss the issue. He mentioned that they previously met with residents in the Wilke/Kirchoff area and implemented a number of improvements as a result of their feedback and data collected.

TRUSTEE LABEDZ MOVED, SECONDED BY TRUSTEE SCHWINGBECK, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE PROPOSED 2023-2027 CAPITAL IMPROVEMENT PROGRAM AND THAT THE FIRST YEAR OF THE PROGRAM TOTALING \$41,574,200 BE INCORPORATED INTO THE VILLAGE'S PROPOSED 2023 BUDGET.

The following voice vote was recorded:

8 Ayes

0 Nays

The motion passed.

Operating Fund Overview/Recommended Budget Ceilings – 2023

Mr. Recklaus said the proposed 2023 budget ceiling is a mid-year review of where the Village stands financially and a precursor to the budget process. In addition, they can provide an initial property tax estimate. He highlighted that at the end of 2021, the General Fund ended with a significant surplus which allowed assistance to a few struggling Capital Funds. He went on to say that the 2023 budget will be a challenging one for some Village funds. The first being the Fleet Fund due to a continued shortage of vehicles. The other is the Water & Sewer Fund. While it has a working cash balance of 65%, in part due to \$9 million in bond revenue, water and sewer user charges have underperformed in the last few years. There are many uncertainties that will determine how this fund will perform going forward.

Mr. Kuehne discussed the General Fund and the Water & Sewer Fund which are the key operating funds. In regards to the General Fund, he highlighted that based on the 2022 estimated actual results, certain revenues have outperformed budget. He attributed this strong performance to inflationary pressures and high demand. On the expenditure side, there is a 10% increase in the vehicle and equipment lease charge, an estimated fuel increase of 95%, and \$110,000 yearly crime lab fee coming over from the Criminal Investigations Fund. While the General Fund is doing well, the Water & Sewer Fund is in need of funds and staff has recommended a reduced service charge paid to the General Fund. In order to accommodate such change, the service charge will be based on an estimated property tax that it will pay the General Fund. The service charge would increase each year depending on if property taxes increase or remain the same.

Mr. Kuehne elaborated on General Fund revenues. In regards to Sales Tax, he said it is 17% higher than anticipated due to inflation and demand, and the 2021 change in Federal Law which stated that large internet sale providers had to collect and remit sales tax to where the item was purchased. The Village has thus far received about \$1.6 million in new revenue from the new internet sales tax law. Home Rule Sales Tax increased by 21%.

Income Tax increased by 31% due to low unemployment rates, and it is projected to increase in 2023 due to higher wages. However, higher federal interest rates could affect companies which may result in private sector layoffs in 2023. Mr. Recklaus explained that income tax is calculated statewide and divided on a per capita basis.

Food & Beverage Tax decreased during the pandemic, however, the portion that is transferred into the General Fund increased by 16% in 2021 over 2020.

Telecommunications Tax has continued to decrease each year. Some communities have started to tax internet streaming. However, staff is not recommending that at this moment.

For the fourth year in a row, Mr. Kuehne said that staff is projecting a 0% increase in the property tax levy due to strong operating revenues. He went on to say that the Village remained consistent

with its yearly debt service levy, budgeted for an increase in the Capital Projects Fund for the Street Resurfacing program, body worn cameras, and additional firefighter turnout gear.

In regards to the Police and Fire Pension funds, Mr. Kuehne said both experienced good interest income through 2021. This year, the actuary tables changed and the lives of municipal public safety employees was extended. This change increased the annual required contribution. As for IMRF, it is almost 100% funded on a market basis of last year.

President Hayes, Trustee Tinaglia, Trustee LaBedz and Trustee Canty thanked Village staff for recommending a 0% increase in the tax levy and acknowledged it is a team effort.

Trustee Scaletta inquired about the actuarial change on the mortality table and what percentage the Village is funded. Mr. Kuehne said that while the mortality table change increased the public safety pension funds unfunded liability, the percent funded still increased due to the strong investment results. He said that the Police Pension Fund is about 87% funded and the Firefighter's Pension Fund is about 81% funded. He added that he will provide additional information to the Board. In regards to the Food & Beverage Tax, Trustee Scaletta asked for clarification on the Alfresco revenues. Mr. Recklaus explained that the increase in Food & Beverage Tax presented in the General Fund is solely based on its performance, not the additional Alfresco tax initiated at the beginning of the year which is allocated to the Arts, Entertainment & Events Fund.

Resident Melissa Cayer asked if the new Amazon distribution facility on Dundee received a tax break from the Village. Mr. Recklaus said Amazon received a Class 6B tax incentive from Cook County. Their taxes are assessed at a lower rate in light of the jobs created.

TRUSTEE GRASSE MOVED, SECONDED BY TRUSTEE CANTY, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE 2023 BUDGET CEILINGS OF \$84,858,600 FOR THE GENERAL FUND; AND \$25,808,900 FOR THE WATER & SEWER FUND.

The following voice vote was recorded:

8 Ayes

0 Nays

The motion passed.