



MINUTES

President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
November 10, 2014
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

BOARD MEMBERS PRESENT:

Mayor Thomas Hayes, Trustees Blackwood, Glasgow, LaBedz, Rosenberg, Sidor, & Tinaglia

BOARD MEMBERS ABSENT:

Trustees Farwell & Scaletta

STAFF MEMBERS PRESENT:

R. Recklaus, D. Mikula, T. Kuehne, C. Perkins, G. Mourning, N. Pecora, M. Juarez, C. Papierniak, Anthony Fashoda, S. Hautzinger, P. Robb, P. Wilkiel

OTHERS PRESENT:

R. Amen, Lauterbach & Amen, L. Kowalczyk, R. Lee, & C. Sente, FGM Architects, M. Silverberg, Daily Herald, S. Ho, Chicago Tribune, T. O'Conner, Journal & Topics

IV. NEW BUSINESS

- A. Review of FY2014 Comprehensive Annual Financial Report (CAFR) - Mr. Ron Amen, Lauterbach & Amen, LLP

This is the first year that Lauterbach & Amen has been engaged in the Village's audit. **Mr. Ron Amen** said that the audit is a team approach and thanked Mr. Kuehne and his staff for all their work. He went on to explain that when Lauterbach & Amen goes through a first audit they look for policies and internal control structure and said that he was happy to report that their Management Letter issued to the Village shows that the Village's internal controls were very tight. He said that the only item in their Management Letter refers to a new

Governmental Accounting Standards Board (GASB) item that is going to change and need to be implemented by the Village within two years. **Mr. Amen** gave a brief explanation of this new GASB pronouncement saying that it will require a change in where and how unfunded liability is reported on the balance sheet for IMRF and the Police and Fire Pension Funds.

Mr. Amen moved on to the CAFR and said that for the 24th consecutive year the Village of Arlington Heights has received the Certificate of Achievement for Excellence in Financial Reporting Award. He stated that the Independent Auditor's Report rendered an unqualified opinion explaining that it is the highest opinion that can be received, and means that the Village's financial statements are materially correct based on auditing procedures. **Mr. Amen** continued by explaining that the MD & A section is a condensed version of the CAFR where management analyzes the Village's year-end financial results and provides explanations. Mr. Amen finished by saying that the General Fund has a healthy positive fund balance.

TRUSTEE ROSENBERG MOVED, SECONDED BY TRUSTEE LABEDZ THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE FY2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT BE ACCEPTED. The motion carried unanimously.

B. Police Station Update

Mr. Recklaus stated that a broad overview on the status of the police station project will be given, and that current project goals and questions that have been identified will be discussed this evening before the project moves forward. He added this project is at a diagnostic stage where needs and other possible avenues to explore are being identified, and said that only questions and validation from the Board is required at this time.

Mr. Perkins said that this early check-in with the Village Board is to talk about the Police station project goals as well as some of the key questions that need to be answered as part the feasibility study. He said that the next meeting with the Board will be scheduled in December or January to go over findings from the study that FGM is currently working on, with dates to be scheduled next year to discuss the project in more detail. He then introduced the members of the Police Station Committee who were present as well as staff from FGM Architects.

Ms. Carol Sente of FGM introduced Ray Lee, the principal in charge of the project, Louis Kowalczyk , the project designer, and said that she is the client advocate. She went on to say that FGM is on track with the time schedule and said that there are parts of the feasibility study that are very important for FGM in making sure that there is a strong understanding of the direction they want to go, as well as having all the questions answered when their report is delivered. **Ms. Sente** went on to explain that "project overarching goals" is a filter for the way FGM focuses, as it looks at their decision making, and how they evaluate design solutions that are encompassed within the study goals.

Mr. Lee said that FGM has met with the Police department staff and spent a considerable amount of time going through the department and looking at their needs, saying that the space needs interviews were completed today. He stated that a preliminary program will

be put together and that a meeting with the task force will take place next week to discuss the findings. He went on to say that the program verification work is the recipe for the building which includes the rooms and spaces as well as site and parking requirements that are necessary for the municipal campus and the police department, saying that size of building and what can fit on the site affects costs. **Mr. Lee** said that starting this week, FGM is going to be verifying what was presented in prior reports regarding existing conditions of the police building and site that will affect budgeting for options that may include remodeling and addition to the building.

Mr. Lee continued by listing the project goals that were identified in the original RFP, from comments that were received when FGM was awarded the project, and through discussions with the Police Committee Taskforce, explaining that these goals are used as filters in their decision making and helps drive solutions.

One of the goals listed mentioned that the total budget for the Police Station should be less than what was proposed in 2010. **Trustee Sidor** wanted the public to know that the amount proposed in 2010 was \$40 million.

Another goal was "Ensure duplicity is taken advantage of. Spaces can be shared with the Village Hall if it can be done effectively." **Trustee Glasgow** said that what he thought the Board meant by sharing space was with common areas such as conference rooms. He thought that connecting the Police Department to Village Hall was not the most prudent course of action at this point explaining that there would be a limited amount of space in Village Hall to expand if additional government services were needed or were mandated because of needs of the County, State, or Federal government. He felt strongly that it was very important that a new police building be secure and that both Village Hall and the new police station have room for growth in the future. **Mayor Hayes** thought that the purpose was to see if a new facility can be placed on the existing site and said that in conjunction with that is exploring the possibility of sharing what space is available in Village Hall. He added that everyone would agree that having one building to house all of the functions for the police department would be preferred, but said that all possibilities need to be looked at. **Trustee Tinaglia** agreed but also thought that certain things cannot be shared but said if ground space of the existing site and air space over the drive aisle is utilized a lot can be done, and added that the biggest issue is being bounded by the parameters of the first floor. **Mr. Lee** said the pros and cons of every option will have to be looked at.

Regarding the goal "Compliment the architecture already on the campus in a cost effective way", **Trustee Tinaglia** said that without getting carried away with finances we need to be efficient in choosing details wisely so that the new building looks like it belongs on the campus. **Trustee LaBedz** agreed. **Trustee Sidor** stated that he would like the use of sustainability elements explored. A short discussion took place regarding possible grant money for leads certifications. The Board agreed to add the goal "Explore sustainability and environmentally friendly components at no extra costs and/or explore grant funding sources" to the list.

Trustee Rosenberg noted that there were underground structural issues that were remedied on the site where Village Hall is and asked if the location of the police building was remedied as well at that time. **Mr. Lee** said that adjusting for soil issues is something that will have to be explored once the location of the building is known. **Mr. Perkins** added that unstable soil areas were removed in the parking area east of the existing police station which was compacted and restored but only for the use of a parking lot. He said that soil borings will have to be done if it was decided to expand or

rebuild on the current site.

Mayor Hayes questioned the goal of having covered parking provided for marked patrol vehicles. **Trustee Tinaglia** thought that it could be done and said that we can be creative and take advantage of land that is not currently being used by identifying what spaces can go on top or below others in a structure. **Trustee Glasgow** concurred and thought that it was a safety issue and necessity to have some of the vehicles covered, not necessarily the entire area covered. He also said having the squads covered will lengthen their longevity, noting that there are expensive electronics and weapons that are in all of them. **Mayor Hayes** thought that the police department would concur that covering the vehicles would be a necessity, but not necessarily an enclosed parking structure.

Discussion moved on to the series of questions compiled by FGM that need to be answered as part of the study. The questions came from the original RFP and from discussions with the taskforce. **Mr. Lee** explained that in reviewing the previous space needs study done in 2010, these questions are meant to answer anything to help the Board move forward with this project. **Ms. Sente** explained that the structure of the report that will come from FGM is not just to answer these questions but will have all the information the Board will need in making a decision to go forward with it. **Trustee Glasgow** stated that many hours of discussion took place between FGM and police command staff where many questions were asked and answered. **Ms. Kowalczyk** went through the list of questions.

Trustee Glasgow said that in regards to the question "What can be moved off site?" he said that he had discussions with Scott Shirley, Director of Public Works, on what he felt were appropriate and available sites in the Village for storage of vehicles and equipment the police department did not need stored on site. He also stated that he asked Mr. Lee to contact Mr. Shirley directly to discuss this in more depth. Trustee Rosenberg asked that as part of this review if existing municipal parking will be looked at and possible reconfiguration. **Mr. Lee** said that they will look at what is needed for the whole site, and then at the options that will be available.

Trustee Glasgow commented on the question "What is the best method for keeping long term evidence?" explaining that evidence of certain crimes has to be stored for a long time if not forever as mandated by State law. He explained that if evidence is not stored properly, officers can be charged with crimes and stressed that the method of storage needs to be done the right way in order to protect the officers.

Trustee Blackwood asked if the parking area on Sigwalt was part of the municipal campus and if it would be considered if it made sense. **Mr. Perkins** answered that it was part of the municipal campus and said that if there was a solution that would help the situation, that that parking area could be considered.

C. Proposed 2014 Property Tax Levy

Mr. Recklaus said a lot of work goes into establishing a tax levy for a municipality of this size, saying that the recommendations being made tonight reflect an overall picture of where the Village is today and what its needs will be on an ongoing basis in the future. He said recommendations are made after a lot of thought and analysis.

Mr. Kuehne stated that the proposed 2014 property tax levy request for the Village and the Arlington Heights Memorial Library reflects a 0% increase over the prior year saying that a key contributing factor was due to the upcoming change in Village's and Library's

fiscal year. He explained that in order to change from a fiscal year ending on April 30th to one ending on December 31st, the Village and the Library will utilize an eight month year beginning on May 1, 2015 and ending on December 31, 2015 at which time the fiscal year will be the same as a calendar year. **Mr. Kuehne** went on to explain that with an eight month year transition year, the Village's personnel costs and a portion of the contractual costs will be less than a normal 12 month fiscal year. He said, however, that summer help costs, debt costs, and capital costs will not change due to most projects being undertaken during the warmer months, and said that as a result there will be lower costs for the shortened fiscal year but that they will not be proportionally lower. He added that this will allow the Village a one-year opportunity to transfer much needed funds to use toward augmenting the Village's capital funds, while keeping the 2014 proposed levy at a 0% increase.

Mr. Kuehne explained that pension related levies comprise nearly 40% of the Village's tax levy which include the IMRF, and the Police & Fire Pension Plans. He added that on an actuarial basis, the Police Pension is funded at about 73% and the Fire Pension at 65%, and said that IMRF is funded at 96% on a market basis. He went on to explain the changes in interest rate assumptions that were made over the last couple of years for the Police and Fire Pensions and said that both of the Pension Boards concurred with the proposed 2014 levy amounts.

Mr. Kuehne went on to say that the Corporate and Capital Improvement Levies were the only discretionary levies that the Village can control on an annual basis and said that the Debt Service Levy represents the annual principal and interest payments net of any abatements that are done. He said that since the 2009 levy year, the total equalized assessed value of all properties located in the Village has decreased by 1.2 billion dollars or 33% due to declining property values, a reduction in the State equalizer for Cook County, and because of the number of successful commercial/industrial tax appeals approved by Cook County.

Mayor Hayes and the Trustees stated that they were pleased with the 0% increase in the tax levy. Trustee Rosenberg said that the Village was doing the right thing with proposing a 0% increase but asked that the pending capital expenditures and ways to pay for them are kept in mind going forward (Flood Study, Water & Sewer issues, Streets, Police Station, etc.). Trustee LaBedz wanted the public to know that the property tax does not fund the whole budget and that the Village is fortunate for having higher revenues.

TRUSTEE BLACKWOOD MOVED, SECONDED BY TRUSTEE TINAGLIA THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD TO AUTHORIZE STAFF TO PREPARE THE VILLAGE'S AND THE ARLINGTON HEIGHTS MEMORIAL LIBRARY'S 2014 TAX LEVY ORDINANCE REFLECTING AN ESTIMATED TOTAL TAX LEVY OF \$45,021,154 OR A 0% INCREASE OVER THE 2013 EXTENDED TAX LEVY FOR THE VILLAGE AND LIBRARY PORTION OF THE LEVY. The motion carried unanimously.

D. Operating Fund Overview/Recommended Budget Ceilings - For the "8 Month Period Ending December 2015"

Mr. Kuehne started by saying that this is the last time that we will be going through the process like this, saying that in the past concerns have been expressed by the Board of going through a tax levy and then going through the budget ceiling process without knowing all the specifics of the budget. He added that next year at this time, we will go through the details of the budget and the property tax levy at the same time.

Mr. Kuehne said that the General Fund and the Water & Sewer Fund are the Village's key operating funds, and said that the General Fund had a fund balance of 34% at the end of FY2014, and the Water & Sewer Fund a 38% fund balance, both in excess of the Village's minimum fund balance policy of 25% of expenditures. He went on to say that as a result of the change in the fiscal year, the Village Board and staff will go through two budget and audit cycles within one year.

Mr. Kuehne said that the estimated actual results for FY2015 form the basis for the proportional 8/12 revenue projections for the 8 month period ending December 2015 through 2017. He said that property tax receipts will not be received proportionally because they are received in March and September of each year and cannot be recognized until the following fiscal year in order to match the total levy with the fiscal year. **Mr. Kuehne** said that based on projections for the 8 month period ending December 2015, which will include a full year of property tax receipts, proportional revenue from other sources and lower projected expenditures, we can expect a one-time transition year surplus of about \$2 million dollars, which provides the Village with the opportunity to transfer funds toward augmenting the Village's capital plans while keeping the tax levy at 0%.

Mr. Kuehne said that during the Village's review of the 5-year CIP, it was noted that a recently completed study analyzed the physical condition of the Village's four public parking garages which recommended that the Village undertake a \$2.35 million retrofit program to return these structures back to their original integrity. He said that as part of this recommendation staff is suggesting that the \$2 million projected surplus from the General Fund be transferred to the Parking Fund for the public parking garage renovation project which would negate the necessity for a bond issue to complete the project. **Mr. Kuehne** said that General Fund assumptions for revenue and expenditures for the 8 month period are conservative.

Mr. Kuehne went on to say that the Water & Sewer Fund remains stable due to a five-year water and sewer rate adjustment plan that was approved by the Board in September, and said that even with the rate adjustments, the Village's water and sewer rates will remain at or below the average for communities in the Chicago area.

Mr. Kuehne explained that the current budget process is being used for the 8 month period saying that it is needed to transition from a fiscal year to a calendar year end. He then said that the 2016 budget process will begin in April of 2015 with the preparation and Village Board review of the five-year CIP. As a result of the compressed schedule that the Village will have between the 8 month transition year and the start of a new calendar year in 2016, staff is recommending that a more streamlined approach be used to review and approve the budget for the 8 month period ending December 2015. He said that only an executive summary of the transition year budget be prepared for Board review and that it would include a highly summarized version of the full budget book with a summary of each of the funds attached to it. **Mr. Kuehne** suggested that there would be one budget meeting and that it will be held in March. He added that there may likely be a separate special meeting to discuss the Metropolis. **Trustee Rosenberg** asked that in the summarized version of the budget that a narrative of the some of the areas that have significant changes or that are above and beyond the norm be provided. **Mr. Kuehne** responded that it would be a good idea for staff to prepare an additional report for the Board on those types of things.

Mr. Recklaus said that the budget should be a story telling document but cautioned that

this year's budget will be an abbreviated version given that the staff has to go through two budget process. Mr. Recklaus also said that if we are going to make permanent changes to the format of the budget document, it would be done in the first full calendar year beginning in 2016.

TRUSTEE ROSENBERG MOVED, SECONDED BY TRUSTEE LABEDZ THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD APPROVAL OF THE "8 MONTH PERIOD ENDING DECEMBER 2015" BUDGET CEILINGS OF \$54,992,200 FOR THE GENERAL FUND; AND \$12,347,500 FOR THE WATER & SEWER FUND. The motion carried unanimously.

V. OTHER BUSINESS

VI. ADJOURNMENT

There being no further business to discuss,

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE ROSENBERG TO ADJOURN THE MEETING AT 8:57 P.M. The motion carried unanimously.