



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
June 27, 2017
7:30 PM

I. CALL TO ORDER

President Hayes called the meeting to order at 7:30 PM.

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

Board Members Present:

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

Staff Members Present:

R. Recklaus, D. Mikula, T. Kuehne, S. Shirley, J. Massarelli, C. Perkins, C. Papierniak, G. Mourning, K. Koeppen, M. Juarez, D. Ruda, P. Wilkiel, & Various Village Support Staff

IV. NEW BUSINESS

- A. Review of the Proposed 2018-2022 Capital Improvement Program (CIP)

Mr. Recklaus stated that the 2018-2021 CIP reflects discussions that have taken place throughout the year. He wanted to acknowledge that staff is closely monitoring the developments in Springfield which could impact the Village's ability to implement this plan. He went on to say that there is not enough hard information from Springfield to warrant changes to this document at this point.

Mr. Recklaus continued by saying that the CIP document is a result of a lot of effort by staff in every department. He said that given that this process is

becoming more routine and is labor intensive for both the Board and staff, that switching to a two-year cycle for the formal review of the CIP beginning next year is being looked at. He noted that actual authority in funding will come from the annual budget process, and said that staff believes that such a change adds a lot greater efficiency for overall financial planning.

Mr. Recklaus went on to give some highlights of this 5-year CIP document which includes;

- Closure of the EAB fund at the end of the year
- Continuation of the accelerated road and water main programs
- Corridor Improvements
- First five years of Storm Water Improvements and enhancements (which assumes the institution of a \$6.25 per month storm water utility fee that will be discussed and finalized in August 2017)
- Inclusion of the Teen Center in the roof replacement program (No money will be spent until discussions on the future of the facility take place later this fall with the Village Board.)

Capital Projects Fund

Mr. Kuehne gave a brief overview of the Capital Projects Fund saying that there are two main revenue sources for this fund, property taxes and home rule sales tax. He noted that the transfer from EAB Funds in 2017 of \$2.6 million helps pay for the Downtown brick paver and corridor projects. He went on to say that there is \$6 million yearly for the Street Program in this fund, and that yearly total expenses for the Street Program would be at the recommended \$8.5 million level. Mr. Kuehne said the small property tax increases over the last two years were solely for streets. He hopes that that street funding will continue, saying that is dependent on what happens with the State.

Trustee LaBedz asked about the status of the fence along the railroad tracks (Davis/Sigwalt).

Mr. Recklaus stated that a section of the Village owned fence was taken down and that some plants were planted on a trial basis to see how it would look and be received. No complaints were received. He said the cost of replacing the fence would be about \$300,000 and that plantings would be significantly less at about \$75,000 - \$80,000 and that plantings would be the recommendation.

Trustee Rosenberg questioned the allocation for the Teen Center roof replacement if it is not done. Mr. Kuehne stated that it would stay in the fund balance. Mr. Recklaus added that the Teen Center is an asset that is currently being actively used and is in need of repair, and said things will get more expensive if money is not spent on it. He added that conversations with the Board will take place before money is expended, and if the Board wants to go in a different direction with that asset.

Trustee Scaletta questioned the budgeted amounts for the midblock crosswalks. Mr. Perkins stated that \$119,000 budgeted in 2017 is for the design and Campbell Street component, and the \$70,000 is budgeted for the Dunton Avenue crosswalk in 2018. Mr. Perkins stated that the Campbell Street crosswalk in front of Metropolis will be done this year. Trustee Scaletta thought that before summer, March or April would be the best time to finish the Dunton crosswalk.

Trustee Rosenberg asked if the flooding issue in front of Metropolis would be resolved before the mid-crosswalk was done. Mr. Massarelli stated that Engineering is in the design phase for those improvements and that it wouldn't be done for about two years. He also said that discussion was to put the walk in and try to work around that design. Mr. Recklaus added that Phase I of storm water improvements would provide a stronger fix for the Metropolis Theatre area. Trustee Rosenberg felt that the projects should be coordinated so that one project does not interfere with the other. He then asked if the Campbell/Sigwalt storm water project is part of this area. Mr. Massarelli stated that that area is the first phase of the major flood relief program saying that it will help with the Campbell Street flooding.

Trustee Scaletta wanted clarification that the crosswalk in front of Metropolis will not be disrupted when any kind of repairs are made to provide relief of flooding of that area. Mr. Massarelli stated that as details are provided, the limits of the sewers would become known. He went on to say that details will not be known until early 2018, after the crosswalk is done this year. Trustee Scaletta thought that it does not make sense to spend the money on the crosswalk when it is unsure if it will have to be dug up for the other improvements to be made. Mr. Recklaus stated that good points were made this evening and that this issue can be revisited.

Trustee Rosenberg asked about the License Plate Recognition Program. Chief Mourning stated that there is an existing operational license plate recognition system since January which has showed solid results. He went on to say that an additional system would like to be added so that one can be used on the north and south ends of town. He also said that they would be connected to the ticket scofflaw program. Chief Mourning noted that funding would be used from forfeiture funds.

Trustee Rosenberg also asked about discretionary funds for a command vehicle. Chief Mourning and Chief Koeppen stated that both departments would share and utilize the vehicle frequently. It would be used for special events, serious traffic crashes, crime scenes, etc. Once ordered, it would take about nine months to receive.

Motor Fuel Tax (MFT) Fund

Mr. Kuehne explained that revenues are coming in at \$1.9 million per year.

Storm Water Control Fund

Mr. Kuehne said that the 2018 key projects in this fund include the ongoing Neighborhood Drainage Program for \$300,000 per year, and the Storm Sewer Rehab/Replacement Program at \$500,000 per year. He also said there are two one-time key projects which include \$1 million for the Enhanced Sewer Back-Up Program and \$2.1 million for Area 4 – Street Ponding Campbell/Sigwalt. He noted that presently this fund does not have a designated source of revenue. He said that the proposed storm water utility fee of \$6.25 per month for single family users and a slightly higher amount for a handful larger businesses and land owners will be presented to the Board sometime in August, with implementation sometime in October. Mr. Kuehne also highlighted that a \$10 million bond issue will be done in mid to late 2018 to help pay for these projects.

Trustee Rosenberg felt that the Enhanced Sewer Back-Up Program should start sooner than later and asked if would start in 2018. Mr. Recklaus stated that there are funds available to start that program sometime in the fall and said that correspondence to targeted residents is being worked on. Mr. Recklaus added that the program can start prior to the collection of the new storm water utility fee as long as we know that the fee will be coming sometime this fall. Discussion took place regarding the timing and funding of the key projects.

Trustee Scaletta also felt that the Enhanced Sewer Back-Up Program should start sooner and asked if calls have come in since the Board increased the program. Mr. Recklaus said nothing yet has been reported to him. He added that no area-wide basement backups in the combined sewer area were experienced since 2011 event.

Trustee Sidor asked that in order to eliminate confusion between the Storm Water and Neighborhood Drainage programs, if the Neighborhood Drainage Program could be renamed. Mr. Massarelli stated that the name can be changed. Discussion took place regarding neighborhood drainage issues and with timing of approvals because of the use of easements.

Water & Sewer Fund

Mr. Kuehne stated that the last part of the Water and Sewer Fund rate increase plan goes through 2019, saying that increases may need to be considered for the future. He mentioned that it is projected that Arlington Heights' water and sewer rates will still be lower compared to other communities.

Mr. Kuehne mentioned that when the auditors were here they said that in 2016 the Village did well in the General Fund and in the Water & Sewer Fund, but added that the cash balance in the Water & Sewer fund has gone down faster than anticipated because of less water usage due to wet springs and summers and not selling as much water. Mr. Kuehne said that because of that, the budgeted amount of water usage has been lowered, and that

increases in the water main program have been extended out to make sure that there is enough money in this fund going forward.

Municipal Parking Fund

Mr. Kuehne said that rate increases for parking have gone up to match what is charged in other surrounding communities. He said that the increases should balance this fund for at least the next five years.

Public Building Fund

Mr. Kuehne stated that the guaranteed maximum price of the new Police Station will be presented sometime in July. He said that occupancy in the new station will be in late 2018 or early 2019. Mr. Recklaus stated that this is a work in progress and that demolition will occur in mid-July.

Trustee Sidor said for transparency and knowledge that he would like to see running totals of what was spent for the new Police Station going back to the study of the police station needs until it is completed and furnished. Mr. Recklaus said that something could be provided to the Board.

Other Funds

Trustee Scaletta asked if all repairs and maintenance for Metropolis comes out of the A & E Fund. Mr. Kuehne stated that they were. He also said that since that building is getting older, it will eventually need a roof replacement which can cost hundreds of thousands of dollars, and said that those costs would be shared among the owners of the building. He went on to explain the Village's reserve amount and restricted contributions (operations) for the Metropolis. Discussion continued regarding ownership and future roof replacement.

Trustee Blackwood asked if there were any details on the \$10,000 Downtown Events budgeted amount in the A & E Fund. Ms. Mikula stated that it is anticipated that the same event (Holiday Happenings) held last December will be held again this year since it was very successful. She added that this was a staff initiated project by the request of the Board for new entertainment opportunities. The new staff workgroup created is called The Downtown Special Events Group.

Unfunded

Mr. Kuehne stated that the unfunded projects are projects that staff wanted to keep on a list but that have no funding at this time. Mayor Hayes asked why the Starline was still listed after so many years. Mr. Perkins stated that it is just a placeholder so that he can keep track of projects that were explored in the past, and said that the Village has quite a bit of interest in properties in that area which may be redeveloped using some elements from the Starline without the actual station itself.

Trustee Tinaglia asked about the Downtown Light Ceiling Phase I and Phase II (unfunded), saying that he is looking forward to them sooner than later. Mr. Perkins said that Phase I, over the intersection of Campbell & Vail, was originally planned for this year, but because of higher costs because of issues with installation using existing poles, the project has been re-budgeted in the CIP for next year. He went on to say that the intended Phase II would continue the project along Vail in front of Harmony Park. Mr. Scaletta liked that Phase II was unfunded and felt that having a light ceiling Downtown was great, but that it didn't need to be over the entire Downtown. He also said that he would like to see design elements before the end of the year so that it can be started in early 2018 and finished by May. Trustee Tinaglia noted that the light ceiling is not just a summer thing, but year-round and thought that it will make a good impact. Trustee LaBedz agreed.

Public Comment

Mr. Adelman stated that he attended a February Village Board meeting regarding the sewer rehabilitation program, saying that at that meeting the Board assured those in the audience that no decisions would be made and that there would be additional time for resident input before the 2018 projects were approved to go forward. He stated that he has concerns with going forward and allocating dollars for projects without resident input.

Mayor Hayes stated that the CIP is just a plan and projection and that nothing is being approved tonight. He went on to say that this will come back to the Board before any funding for these projects are approved.

Mr. Recklaus said that the Sewer Back-Up Program that may start this year is at the top of prioritization to be developed, and said that there is still a lot of work that would have to be done for the other items. Mr. Recklaus stated that this list of projects was talked about in detail in March and were formed by a process that involved multiple open house meetings, surveys of residents, etc. He went on to say that the CIP itself involved a survey that went out to residents to identify issues to make sure the Village was not missing something. Mr. Recklaus said that from the Village's standpoint, there has been public input and said that it is difficult to have individual residents weigh in on what the prioritization should be between projects, because typically people will be interested in the projects that affect them most directly. He went on to say that the Village has gone through the process of prioritizing based on what they observed, the criticality and the frequency of the flooding, and the overall condition based on what our Public Works Department is experiencing. Mr. Reckalus said a lot of work goes into this and said that if someone has thoughts on whether or not the prioritizing should be changed, the Board and staff would be interested in that.

Mr. Adelman voiced his concerns with the prioritization, saying that he felt a lot of the projects that will be frontloaded in phase I and phase II will be outside of the combined sewer area and that a lot of money will be spent on

improvement in sewers areas where very few homes will have a chance of having sewage back up into their homes. He asked that the prioritizing be looked at again and thought that there should be another opportunity for resident input.

Trustee Scaletta stated that the increase in the Sewer Back-Up Program has to do with the combined sewer area and said that the priority list will continue to be reevaluated as we move forward. He said that Board has to do everything they could to eliminate, as much as possible, the flooding that happens to people who have not invested in their home to put in a sewer back-up system. Trustee Scaletta went on to say that he is all for moving forward as quickly as possible to implement this program and to educate the residents who might have flooding issues and can take advantage of this program in order to avoid those issues.

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE SCALETTA, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE PROPOSED 2018-2022 CAPITAL IMPROVEMENT PROGRAM AND THAT THE FIRST YEAR OF THE PROGRAM TOTALING \$43,340,400 BE INCORPORATED INTO THE VILLAGE'S PROPOSED 2018 BUDGET. The motion passed unanimously.

B. Operating Fund Overview / Recommended Budget Ceilings - 2018

Mr. Recklaus talked about the news over the last few days regarding the State's budget and said that the Village plans assumes no dramatic changes in revenues from Springfield, but takes the overall environment into account. He went on to say that specific State proposals being talked about today that appear to have the potential to be pass would dramatically alter the Village's revenue landscape. Some of the State's talks include;

- A four-year property tax freeze for all local governments, except for the City of Chicago, Chicago Public Schools, and school districts on the financial watch lists
- Up to 25% reduction in the Local Government Distributive Fund (which would reduce the Village's revenue of about \$750,000 per year)
- An implementation of a 2% surcharge collected on municipal sales tax revenue

Mr. Recklaus said that at this point it is unclear if the Governor will sign the bill that would prolong the 911 surcharge which would have to be made up of local revenues. He went on to say that these changes would be made along with a four-year income tax increase and that it is unclear if these changes will get the support of both Houses of the General Assembly, and the Governor.

Mr. Recklaus said that while these concepts would dramatically impact the Village's finances, he said that in the short-term, the Village is fortunate to be in a strong enough financial position to avoid the need for drastic

decision making and that the current fund balance will provide for some additional time to plan.

Mr. Recklaus went on to say that the budget ceiling proposal is designed to serve as a basic framework for budget planning by staff, and said that staff always tries and usually outperforms that framework with either expenditure reductions or new revenues. He said that if the State does not create a budget and none of the proposed revenue changes come to pass, staff believes that this framework will be sufficient to develop the 2018 budget. He also said that if the State's changes do come to pass, then Staff will have to regroup and develop an updated framework. He finished by saying that the situation in Springfield will be monitored very closely.

Mr. Kuehne stated that the Village currently has a strong financial position as we look at possible revenue adjustments that the State makes to the Village. He went on to say that in terms of starting the planning process, staff is comfortable with the budget ceilings that have been identified and that they are based on conservative assumptions. He went on to talk about the two growth revenues, Sales Tax and Income Tax, explaining that these key revenues pay for expenses (wage increases, benefits, health insurance, pensions). He said that other revenue sources remain relatively the same, but that increases may be needed in the future if and when there is a property tax freeze imposed by the State.

Mr. Kuehne explained the three-year projections for the General Fund, saying that 2018 shows a zero surplus and deficit, but that in 2019 and 2020 the gap widens between expenditures and revenues. He went on to say that if there is a property tax freeze and/or income tax adjustments from the State that these gaps will widen even further. He went on to explain the General Fund assumptions for 2018.

Mr. Kuehne said that property tax projections are estimates for staff's purposes and that the tax levy will be discussed along with the budget in November. He did explain that we always work to have the lowest property tax increase possible, saying that since 2011, four out of the six Village levies have included a 0% increase for operations, and said that the two most recent levy increases went entirely to increasing the street program. Mr. Kuehne finished by saying that the State's latest proposed property tax freeze would take effect for property taxes paid in 2018 instead of 2019 and would have an effect of \$1.4 million. Discussion continued regarding the State's proposed property tax freeze and Senate Bill 484 and House Bill 4066.

Trustee Glasgow asked if the Village can levy a higher amount in 2017 in order to offset any of the proposed property tax freeze. Mr. Kuehne stated no, that the 2017 tax levy would be for the proposed 2018 proposed property tax freeze. Regarding the proposed budget ceilings, Trustee Glasgow asked Mr. Kuehne if he was comfortable with getting the Village through any proposed legislation. Mr. Kuehne responded by saying that the Village has a solid fund balance which gives time to work through this. He

thought that for the 2018 budget, it would be best to start with the budget ceilings, and if needed, develop options based on actions the State may take. Mr. Recklaus added that an actual budget will not be proposed that doesn't reflect reality, and that the State's actions will be closely monitored. Mr. Kuehne said he is comfortable with the budget ceilings as a starting point, and said that depending on what the State does and depending how much revenues they take that could change. He said that staff will always come up with options for the Board to consider.

Trustee Rosenberg asked if budget ceilings have to be set tonight. Mr. Kuehne stated that it's not absolutely required but felt that a recommendation gives staff a starting point. He explained that departments are given their ceilings and that it takes time for them to come back with proposals which are all looked at and discussed. He also said that revenue and expense options are also looked at. Mr. Recklaus added that because of the uncertainty, discussions with department heads will be different than what they normally would be saying that the potential for State action is becoming more real and that once they are, adjustments will have to be made.

Trustee Rosenberg asked if departments can provide two or three scenarios for their budget and be as conservative as possible. Mr. Kuehne stated that is what has been done in the past and said that based on what happens over the next few days, we will most likely be looking at that type of scenario. Mr. Recklaus pointed out that because the Village is in a strong financial position, we will find a way to weather it. He added that for many municipalities this is going to be a very significant threat to their continued operations.

Mayor Hayes said that the State has already impacted the Village in terms of the way we budget and felt that we cannot let it affect our timeline. He said that for the benefit of this Village, we need to continue our normal process, plan accordingly, and adjust if necessary. Board members agreed.

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE ROSENBERG, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD THAT THE BOARD APPROVE THE 2018 BUDGET CEILINGS OF \$74,801,100 FOR THE GENERAL FUND; AND \$18,646,000 FOR THE WATER & SEWER FUND. The motion passed unanimously.

V. OTHER BUSINESS

VI. ADJOURNMENT

There being no further business to discuss,

Trustee SCALETTA moved, seconded by Trustee LABEDZ to adjourn the meeting at 9:22 P.M. The motion carried unanimously.