



AGENDA
COMMITTEE OF THE WHOLE
City Hall – Council Chambers
3600 Kirchoff Road, Rolling Meadows, IL. 60008

June 15, 2021 – 7:30 p.m.

- 1) FY 2020 City Audit**
- 2) Actuarial Discussion on Police and Fire Pensions**
- 3) FY 2022 Budget Parameters**
- 4) Police Social Worker Update**
- 5) 2800 Brockway Recapture Discussion**

Committee-of-the-Whole Agenda – June 15, 2021

FY 2020 Audit

Attachments:

- **FY 2020 Audit Preparation Timeline**
- **FY 2020 Audited Fund Balance Summary**
- **FY 2020 Audited Fund Balance Review – General Fund & Budget Highlights**
- **FY 2020 Fund Balance Policy Review (General Fund, Refuse Fund, 911 Fund and Garage Fund)**
- **FY 2020 Financial Results for IMRF, Police & Fire Pensions**
- **Debt Service Outstanding**

The City's auditor, Jamie Wilkey of Lauterbach & Amen, will review the FY 2020 Audit (CAFR) with the City Council. (The Audit is still in *final draft form* (finalized after the COW Meeting). The City's Auditor will provide a link to the Audit during the June 15th COW Meeting and will present an overview of the FY 2020 Audit. By June 30th, a paper copy will be available and the Audit will also be posted on the City's website under the Transparency tab around that time period.)

At the June 15th Committee-of-the-Whole Meeting, the City's Auditors and City Staff will provide a review of the Audit and then it can be released (by June 30th). City Staff will file the Audit with Cook County, state and federal agencies, credit rating firms, and with other required agencies. The Comprehensive Annual Financial Report (CAFR) of the City of Rolling Meadows for the year that ended on December 31, 2020 will be available online at the City's website at www.cityrm.org around June 30, 2021. (Note: the City met its fund balance targets for Funds with Fund Balance Policies: General Fund, Refuse Fund, 911 Fund and Garage Fund.) (However, it should be noted that the Refuse Fund is on the very low end of the range and will need funds to maintain the policy.)

To enhance further transparency, the City produced its eighth "Citizen Annual Financial Report" – a brief analysis of where the City's revenues come from, how dollars are spent and trends in the local economy. (It is a user-friendly report and summarizes the City's financial position in about 10 pages.) This report will also be available on the City's website around June 30th (it is currently being developed).

We are pleased to announce that the Government Finance Officers Association (GFOA) has given an Award of Outstanding Achievement in Popular Annual Financial Reporting to the City of Rolling Meadows for its Popular Financial Report for the fiscal year that ended on December 31, 2019. This prestigious, national award recognizes the City for conforming to the program's standards of creativity, presentation and usefulness to the reader.

In addition, for the 34th consecutive year, GFOA has awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Rolling Meadows for its Comprehensive Annual Financial Report (the City's Audit) for the fiscal year that ended on December 31, 2019. (Staff,

with the Auditors will be filing the FY 2020 Audit & Popular Annual Financial Reports for GFOA Awards. In addition, as mentioned, the City is required to adhere to continuing disclosure requirements. Staff will be filing the FY 2020 Audit with numerous federal, state and credit rating agencies.)

The City's auditors determined that the City's financial statements are accurate and consistent with governmental accounting standards. The City received a clean audit opinion from the Auditors (the highest level of an audit opinion).

FY 2020 Audit Preparation Timeline

The City's Auditors are Lauterbach & Amen, LLP. The City's Auditors audit the City's financial statements and related items supporting the City's financial statements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. For FY 2020, the City's auditors determined that the City's financial statements are accurate and consistent with governmental accounting standards. The City received a clean audit opinion from the Auditors (the highest level of an audit opinion).

The City's Audit process is a year-long endeavor from January to December each year. However, due to COVID-19, Staff engaged the City's Auditors for the initial audit meeting (typically the first audit meeting is in December). [Note: Auditor testing on many items is dependent upon the return of information and data from third parties.]

Summary of Major Items

- § Internal Controls
- § Trial Balance, General Ledger & Subsidiary Ledgers
- § Computer Systems
- § Debt Issues
- § Funds/Fund Balance Policies
- § City Council Meeting Minutes
- § Fire Pension & Police Pension Meeting Minutes
- § Contractual Agreements
- § Capital Assets - Additions & Deletions
- § Complete Review of All Revenue Sources
- § Complete Review of All Expenditures
- § Personnel Changes
- § GASB Pronouncements
- § Policy Changes/Updates

Additional Coordination for the City's Audit (data is requested from third parties):

- § *Library Auditor* (McClure, Inserra & Company) (Library conducts a separate audit which is incorporated into the City's Audit).
- § *Fire Pension Fund* (accounting completed by Sikich, LLP accounting firm and their audit completed by Lauterbach & Amen, LLP).
- § *Police Pension Fund* (accounting completed by Lauterbach & Amen, LLP and their audit completed by Sikich, LLP).
- § *Fire Pension & Police Pension Funds* – Actuary Reports – Lauterbach & Amen, LLP.
- § *Fire Pension Fund* – Wall Capital (Investment Consultants).
- § *Police Pension Fund* – Marquette & Associates (Investment Consultants).
- § *TIF Compliance Review & Annual Report* – Kane, McKenna, & Associates.

Highlights of the City's Audit Timeline [Fiscal Year 2020]:

- ü **October 2020** – Preliminary Planning Meeting with the City's Auditors.
- ü **December 2020** – Audit Entrance Planning Meetings with the City's Auditors and the Library's Auditor.
- ü **January 2021** – City and Library bank reconciliations completed by Finance Staff for December 2020; Audit Preparation of materials and other items for Preliminary Fieldwork (February 2021). In January 2021, the City is coordinating data and requests throughout the month of January.
- ü **February 2021** – City and Library bank reconciliations completed by Finance Staff for January 2021; Audit Preparation of materials and other items. Preliminary fieldwork is conducted by the City's Auditors. Finance is completing audit schedules and capital asset entries. Finance reviews the Audit journal entries and completes the first draft of the Trial Balance.
- ü **March 2021** – City and Library bank reconciliations completed by Finance Staff for February 2021; Audit Preparation of materials and other items. The City's Auditors complete two weeks of on-site fieldwork.
- ü **April 2021** – The City receives the first draft of the Audit and any adjusting entries to be recorded to the General Ledger. The City reviews the Audit draft and continues to make changes as new data is received from the various sources.
- ü **May 2021** – The City completes the final review of the Audit and provides feedback to the City's Auditors. The Actuarial Reports and the Library's Audit is reviewed by the City. The Management's Discussion & Analysis and the Transmittal Letter are completed (only after the final Audit copy is completed).
- ü **June 2021** – In preparation of the June 15th Committee of the Whole Meeting, the Audit and Actuarial Summaries are prepared. After the June 15th COW Meeting, work continues to the complete the City's Final Audit. The City's Audit, Single Audit and the Citizen's Annual Financial Report will be loaded to the City's website on or before Wednesday, June 30th. After the City's Audit is completed it is filed with numerous agencies including but not limited to Standard & Poor's, Moody's, the Securities and Exchange Commission, the Illinois Comptroller's Office, Illinois Department of Transportation (IDOT), Illinois Environmental Protection Agency (IEPA), Department of Justice (DOJ), Cook County and other State of Illinois agencies. In addition, there are reporting requirements for the State of Illinois' Grant Accountability and Transparency Act (GATA). The City also files the Single Audit with the State of Illinois and GATA.

Additional Notes:

** It is important to note that the City's Auditors review revenues through the months of January through March. There are revenues received that are received after the fiscal year closes which are recorded back to that fiscal year.

** The City's expenses for the previous fiscal year are completed in February.

** The City's Auditors audit the Property Taxes received and these are not available until March (along with many major revenues for the City).

** Each month after the close of the year, the bank reconciliations are completed. The Auditors review these for any subsequent journal entries and other items.

** The Actuarial Reports and Pension Data is typically not available until April and May.

** The final review and draft process is from mid-April to the end of May.

Requested Materials by the City's Auditors for the City's Audit [Fiscal Year 2020]:

- ✓ In February, for a few days, the City's Auditors perform preliminary fieldwork testing. Finance Staff prepares the items requested by the Auditors to conduct their Internal Control test in preparation to audit the validity of the financial information in March. Examples of the items requested by the City's Auditors include the following.
 - Employee personnel files
 - Employee timesheets and Payroll Registers
 - Invoices and Accounts Payable Registers
 - Utility Billing Monthly & Final Billing Registers

- ✓ In March, the Auditors return for two weeks to begin testing the items requested by the City from third parties, the City's general ledger transactions, and all related work papers prepared by Finance Staff to validate the financial activity of the City. The following items are reviewed by the City's Auditors during the two week on-site testing:
 - Confirmations (Banks, Grants, Legal, Pension Funds, etc.)
 - Ready at Preliminary Fieldwork
 - Minutes
 - City Board – Available for Review
 - Police Pension Board - Copies
 - Fire Pension Board - Copies
 - Budget/Appropriations
 - Copy of Original Budget/Appropriations with Board Ordinance
 - Detail of the Budget with Reconciliation of Fund Totals to Board Ordinance
 - Copy of Budget Amendments/Transfers
 - Actuarial Reports (Not available until April each year)
 - Police Pension (Not available until April each year)
 - Firefighters' Pension (Not available until April each year)
 - OPEB (Not available until April each year)
 - IMRF (Not available until May each year)
 - Census Data for Actuarial Reports
 - Component Unit Information – Library
 - Copy of PY CAFR Certificate Award
 - Trial Balances
 - Cumulative General Ledger - Copy or Electronic
 - Cash
 - Bank Reconciliations - All Accounts
 - Copies of Bank Statements at Fiscal Year End - All Accounts
 - Copies of Bank Statements for 1st Month after Fiscal Year End - All Accounts
 - List of Deposits in Transit - All Accounts
 - List of Outstanding Checks - All Accounts
 - Copies of Collateral Agreements & Statements of Collateral Held at Fiscal Year End
 - IMET – Liquidating Trust
 - Investments
 - Summary of Investments - All Funds
 - Copies of Bank/Brokers Statements at Fiscal Year End
 - Governmental – Revenue/Receivables

- Copy of Ordinances Establishing New Revenue Sources
- Copy of Ordinances for Revenue Rate Changes
- Sales Tax Revenue/Receivable
- State Income Tax Revenue/Receivable
- Utility Tax Revenue/Receivable
- Court Fines Revenue/Receivable
- Franchise Fees Revenue/Receivable
- Motor Fuel Tax Revenue/Receivable
- Miscellaneous Receivables – Detail Listing – by Fund
- Copy of Property Tax Levy Ordinance
- Copy of Property Tax Abatement Ordinances
- Schedule of Property Tax Collections and Allocations Reconciled to T/B's – by Fund
- Copy of County Final Extensions Statement
- Copy of County Final Distribution Statement
- Road and Bridge Tax Revenue/Receivable
- Proprietary – Revenues/Receivables
 - Copy of Ordinance for Revenue Rate Changes
 - Summary of Gallons Billed vs Pumped - Current Year and Prior Year
 - Water Accounts Receivable Billed - Aging
 - Water Accounts Receivable Unbilled - Estimate
 - Significant Revenue/Receivable Reconciliations (Sewer, Garbage, Stormwater, Utility, etc. – as Applicable)
- Inventories
 - Detailed Listing – Water Meter Inventory (Detailed Listing)
- Interfunds
 - Schedule of Due to/Due from
 - Schedule of Transfers – Purpose of Transfer
- Capital Assets
 - Summary of Capital Assets Cost and Accumulated Depreciation
 - Detail Listing of Capital Assets Cost by Function and Activity
 - Detail Listing of Capital Assets Depreciation by Function and Activity
 - Detail Listings – Additions and Deletions
 - Reconciliation of Additions to Capital Outlay Accounts
 - Current Contributed Assets
- Accounts Payable and Related
 - Accounts Payable Summary – by Fund
 - Accounts Payable Detailed Listing
 - Search for Unrecorded Liabilities
 - List of Disbursements/Check Register since Fiscal Year End
 - Retainage Payable
 - Detailed List of Retainage Payable – by Fund at Fiscal Year End
 - Copies of Large Construction Contracts Outstanding at Fiscal Year End
 - Invoices of all Legal Expenses
 - Reconciliations for Misc. items
- Payroll and Related
 - Accrued Payroll - All Funds
 - Accrued Payroll - Copy of Applicable Payroll Summary
 - Accrued Compensated Absences - All Funds
 - Employee Deductions and Liability Withholdings – all Funds

IMRF Payable/Payments Reconciliation and GASB required reporting - All Funds
FICA and Medicare Payable/Payments Reconciliation - All Funds
W2 and 941 Quarterly Expenditures/Expenses – All Funds

Debt Service Payables/Payments

New Debt Issuances (if applicable)

Copy of Ordinance

Copy of Repayment Schedule from Bank or Finance Company

Copy of Escrow Agreement if Refunding Bonds

Early Repayment of Debt - if Applicable

Copy of Board Ordinance

Bank Support for Payment

Copy of Updated Repayment Schedule if Debt Balance is Outstanding

Arbitrage Calculation - if Applicable

Fund Balance/Fund Equity/Net Position

Equity Reconciliation to Prior Audit

Detail List of any Changes to Equity

Grants

Copy of Grant Agreements

Copy of Grant Revenue Receipt

Single Audit Requested Materials/Questionnaire – if Applicable

Risk Management

Copy of Current Insurance in Force

Pools (IRMA, IPBC, etc.) - Reconciliation of Payments/Payables to T/B's

Copy of all Insurance Expense Invoices

Final Audit Items Completed (Before the Audit is Final)

- ✓ Certificate of Achievement
- ✓ Management Letter
- ✓ Transmittal Letter
- ✓ Management's Discussion and Analysis
- ✓ Stats Section
- ✓ IDOI Report Preparation for the Fire Pension and Police Pension
- ✓ Single Audit Report (Federal Audit of Grant)
- ✓ Grant Accountability Transparency Act (GATA) Portal Filing
- ✓ TIF Compliance Report
- ✓ File the Annual Treasurer's Report with the State of Illinois (and publish in a local newspaper)
- ✓ Illinois Comptroller's – Annual Financial Report
- ✓ Prepare the Citizen's Annual Financial Report

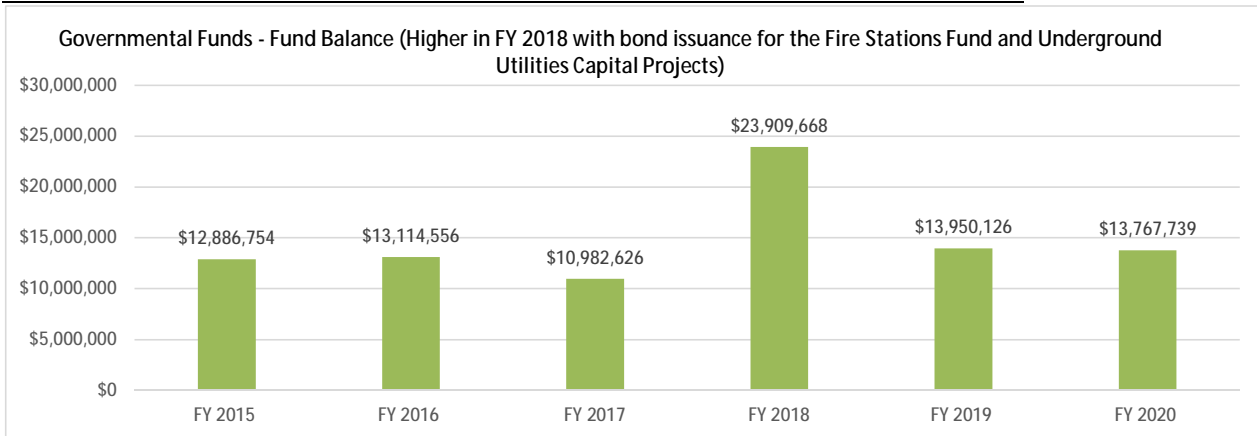
Final Items (as noted previously):

The City's Audit, Single Audit and the Citizen's Annual Financial Report will be loaded to the City's website on or before Wednesday, June 30th. After the City's Audit is completed it is filed with numerous agencies including but not limited to Standard & Poor's, Moody's, the Securities and Exchange Commission, the Illinois Comptroller's Office, Illinois Department of Transportation (IDOT), Illinois Environmental Protection Agency (IEPA), Department of Justice (DOJ), Cook County and other State of Illinois agencies. In addition, there are reporting requirements for the State of Illinois' Grant Accountability and Transparency Act (GATA). The City also files the Single Audit with the State of Illinois and GATA.

FY 2020 Audited Fund Balance Summary

City of Rolling Meadows - Fund Balance Summary - FY 2020 Audited Data

FUND NAME	BGN FY 2020 AUDITED FUND BALANCE	REVENUES - AUDIT	EXPENSES - AUDIT	NET CHANGE IN CURRENT YEAR FUND BALANCE	SOURCES/USES OR TRANSFERS	ENDING FY 2020 AUDITED FUND BALANCE OR EQUIVALENT
Governmental Funds:						ACTUAL
General (01) **	10,790,450	32,682,225	33,223,642	(541,417)	798,287	11,047,320
Motor Fuel Tax (03)	367,755	1,406,739	600,000	806,739	-	1,174,494
E911 (04)	1,349,130	710,897	563,662	147,235	-	1,496,365
Debt Service (47)	17,515	-	752,188	(752,188)	751,713	17,040
Local Roads (61)	355,783	2,485,347	2,725,482	(240,135)	-	115,648
TIF #2 (37) Kirch/Owl	(1,157,011)	381,149	58,466	322,683	-	(834,328)
TIF #4 (38) Golf Road	3,189	1,964,834	1,967,985	(3,151)	-	38
Fire Stations Fund (83)	1,941,244	1,021,042	2,484,330	(1,463,288)	-	477,956
Foreign Fire Tax (26) *	72,154	51,840	33,475	18,365	-	90,519
Police Asset Seizure (17) *	209,917	17,274	44,504	(27,230)	-	182,687
<i>* Foreign Fire & Police Asset Seizure are shown on the City's Financials but are not controlled by the City Council.</i>						
Enterprise Funds:						
Utilities (20)	4,134,531	11,651,752	9,081,699	2,570,053	-	5,684,183
Refuse (16)	1,029,931	2,241,441	2,276,189	(34,748)	-	699,465
Internal Service Funds:						
Garage (14)	1,185,030	1,548,076	1,258,785	289,291	-	1,474,321
Vehicle-Equipment (25)	1,342,848	1,553,188	1,387,518	165,670	100,000	2,077,379
Building & Land (33)	1,431,916	756,643	661,294	95,349	200,000	1,201,939
Liability Insurance (23)	1,303,376	1,581,722	832,235	749,487	(700,000)	914,876
Health Insurance (45)	1,587,113	3,668,308	4,162,899	(494,591)	(1,150,000)	1,965,633
TOTAL ALL CITY FUNDS	\$ 25,964,871	\$ 63,722,477	\$ 62,114,353	\$ 1,608,124	\$ -	\$ 27,785,535



****Notes:**

The General Fund's Total Fund Balance is \$11,047,320 or 33.3% Fund Balance.

1. \$400,000 Committed Funds are for the FY 2021 Budget (settled labor negotiations for AFSCME and Local 150) and other labor items.
2. There is \$40,648 for Prepaid Expenses (similar to past years).

After deducting these items, the General Fund's Ending Unassigned Fund Balance is \$10.6 million and is in range with the City's Fund Balance Policy at 31.9% of expenditures (the range is between 15% to 30% of Unassigned Fund Balance to Expenditures).

General Fund Balance Review - Audited Data - FY 2020

FY 2020 General Fund Results

FY 2020 Expenditures	\$	33,223,642
FY 2020 Unassigned Fund Balance	\$	10,606,672

Fund Balance as % of Expenditures - Between 3 and 4 months of reserves	31.9%
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This represents almost four months of reserves for the City. As a reminder, there have been years that the City did not receive its Local Government Distributive Taxes (such as Income Tax) and Property Taxes. These taxes lagged by four to six months and necessitated the City to borrow in the short term.

Breakdown of Each Month's Expenditures

1 month of expenditures =	8.30%
2 month of expenditures =	16.70%
3 month of expenditures =	25.00%
4 month of expenditures =	33.30%
5 month of expenditures =	41.70%
6 month of expenditures =	50.00%

Listed above is a breakdown of the FY 2020 Audited Expenditures for the General Fund as a Percent (%) of Expenditures.

The City adopted an Initial Fund Balance Policy for the General Fund to range from 15% to 30% of the General Fund's Operating Expenditures.

The City's Auditors recommend that the City review the Fund Balance Policy on an annual basis to ensure the policy meets the needs of the City's obligations.

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General Fund Budgetary Highlights Detail - FY 2020

	Original Budget		Final Budget		Actual	% of Actual to Final Budget
Revenues						
Taxes	\$ 23,320,894	\$	23,320,894	\$	22,015,251	94.4%
Intergovernmental	3,607,250		3,949,175		4,388,328	111.1%
Licenses and Permits	1,066,500		1,066,500		1,147,215	107.6%
Charges for Services	3,418,463		3,418,463		3,222,284	94.3%
Fines and Forfeitures	1,152,100		1,152,100		1,257,268	109.1%
Interest	350,000		350,000		122,927	35.1%
Miscellaneous	495,550		495,550		528,952	106.7%
Total Revenues	\$ 33,410,757	\$	33,752,682	\$	32,682,225	96.8%
<i>Actual to Final Budget Decrease in Revenues =</i>					(1,070,457)	-3.2%
Expenditures						
General Government	3,386,197		3,431,197		3,078,077	89.7%
Public Safety	26,436,870		26,436,870		26,058,888	98.6%
Public Works	4,186,750		4,186,750		4,051,994	96.8%
Health/Welfare and Culture	11,720		11,720		4,377	37.3%
Economic Development	48,500		48,500		30,306	62.5%
Total Expenditures	\$ 34,070,037	\$	34,115,037	\$	33,223,642	97.4%
<i>Actual to Final Budget Decrease in Expenditures =</i>					(891,395)	-2.6%
Excess of Revenues Over (Under) Expenditures	(659,280)		(362,355)		(541,417)	149.4%
Other Financing Sources (Uses)						
Transfers In	150,000		1,650,000		1,650,000	100.0%
Transfers Out	(851,713)		(851,713)		(851,713)	100.0%
	\$ (701,713)	\$	798,287	\$	798,287	100.0%
Net Change in Fund Balance	\$ (1,360,993)	\$	435,932	\$	256,870	
Fund Balance - Beginning - January 1, 2020				\$	10,790,450	
Fund Balance - Ending - December 31, 2020				\$	11,047,320	

FY 2020 - Fund Balance Policy - Review - Audited Data

In FY 2014, the City of Rolling Meadows approved a Fund Balance Policy for the General Fund; in FY 2015, a Policy was approved for the Refuse Fund, and in FY 2016, a Policy was approved for the 911 Fund. In FY 2019, the Garage Fund Balance Policy was approved by the City Council.

Listed below is a summary of the FY 2020 year-end results of the General Fund, Refuse Fund, 911 Fund and the Garage Fund with regards to each of the Fund Balance Policies.

General Fund: Unassigned Fund Balance to be in range between 15% to 30% of Unassigned Fund Balance to Operating Expenditures.

General Fund - Unassigned Fund Balance	\$	10,606,672
Divided by General Fund - Operating Expenditures	\$	33,223,642
FY 2020 General Fund - In Range of 15% to 30%		31.9%

% Breakdown of Expenditures

1 month =	8.6%
2 months =	16.7%
3 months =	25.0%
4 months =	33.3%
5 months =	41.7%
6 months =	50.0%

Refuse Fund: Current Net Position ranging from 30% to 50% of the Refuse Fund's Operating Expenditures.

Refuse Fund - Current Net Position	\$	699,465
Divided by Refuse Fund - Operating Expenditures	\$	2,276,189
FY 2020 Refuse Fund - In Range of 30% to 50%		30.7%

911 Fund: Unassigned Fund Balance ranging from at least (1.0 times coverage ratio) to one and a half times (1.5 times coverage ratios) of annual expenditures.

911 Fund - Unassigned Fund Balance	\$	1,496,365
1.0 X the Annual Expenditures of \$563,662	\$	563,662
1.5 X the Annual Expenditures of \$563,662	\$	845,493
FY 2020 911 Fund - In Range of 1x - 1.5 x		\$563,662 - \$845,493
<i>Slightly above policy due to upcoming capital expenditures</i>	\$	1,496,365

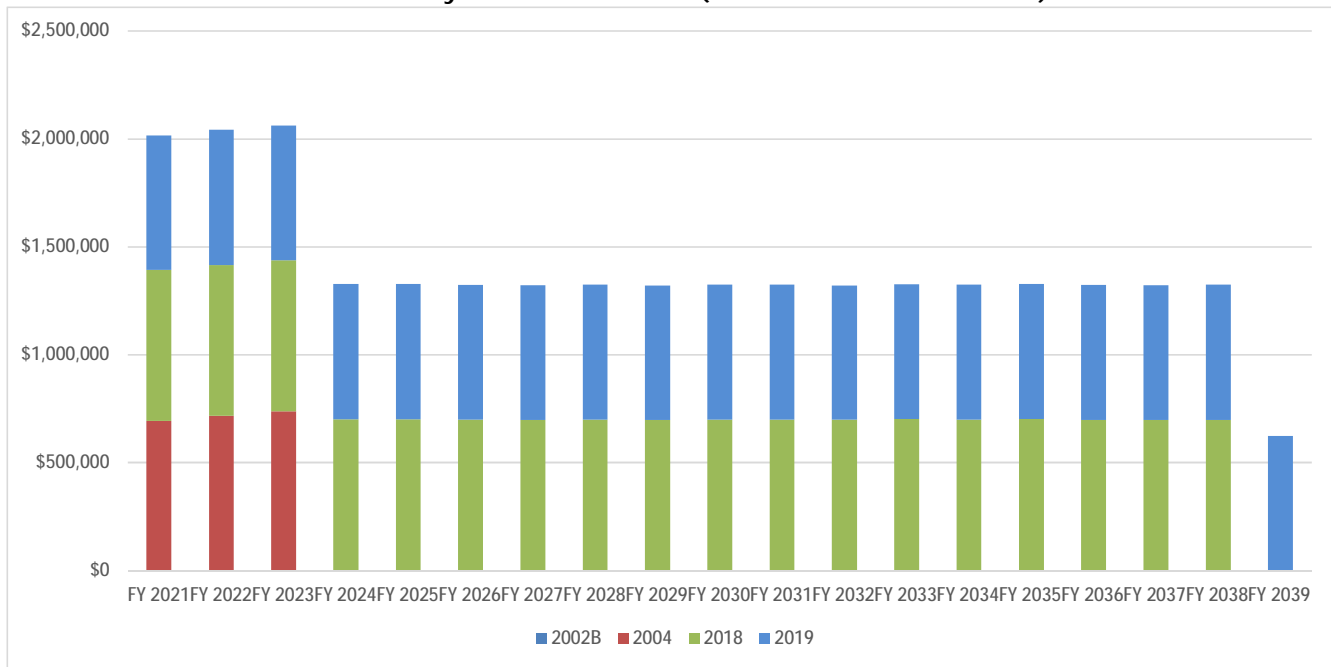
(The City Council has been preparing for NW Central capital and radio purchases Police, Fire & the City.)

Garage Fund: Maintain a range of \$1.0 million to \$1.5 million annually in fund balance.

Garage Fund - Current Net Position	\$	1,474,321
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FY 2020 Garage Fund is in Range of \$1.0 million to \$1.5 million in fund balance.

**Current Outstanding Debt Service Payments - General Obligation Bonds Outstanding
Per the City's FY 2020 Audit (from FY 2021 - FY 2039)**



Summary of Outstanding Bonds by Type

Bond Issues	City Fund Debt Retired By	Original Amount Issued	Budget Year-Debt is Paid Down	Estimated Principal & Interest @ 12/31/2021
Bond Series 2012 (2004)	General Fund (01)	\$ 8,070,000	FY 2023	\$ 2,145,288
Bond Series 2018	Fire Stations (83)	\$ 9,500,000	FY 2038	\$ 12,581,600
Bond Series 2019	Fire Stations (83) & Utilities (20)	\$ 8,500,000	FY 2039	\$ 11,884,200
Estimated Total Principal & Interest				\$ 26,611,088

Notes:

- 1) The 2012 (2004) Bond is retired by a transfer from the General Fund to the Debt Service Fund to pay for the bond. The amount of the transfer from the General Fund is approximately \$700,000 annually. This bond matures in FY 2023.
- 2) The 2018 Bond is for the Fire Stations Fund.
- 3) The 2019 Bond is for the remaining expenditures for the Fire Stations Fund and the underground, capital projects for the Utilities Fund (rate stabilization).
- 4) The City has IEPA Loans paid by the Utilities Fund not shown on this chart. These loans are paid in full in FY 2033. The IEPA Loans are not shown on this chart.
- 5) For the 2018 and 2019 Bonds, the City will review any call features to evaluate potential savings (about the seven-year mark).

Committee-of-the-Whole Agenda – June 15, 2021

Actuarial Discussion on Police and Fire Pensions

Attachments:

- **Police & Fire Pension Funds' Annual Investment Returns Net of Fees (2010-2020)**
- **Police & Fire Pension Funds' Funded Status (2010-2020)**

Discussion Summary:

The City's Actuary, Kevin Cavanagh, of Lauterbach & Amen, LLP, will be here tonight to present information and data to the City Council regarding the City's Police and Fire Pension Funds.

The City's Police and Fire Pension Funds are governed by state statute (Article 3 for the Police Pension Fund and Article 4 for the Fire Pension Fund). State statute stipulates the types of investments the Funds may make. Each fund has a separate investment policy (not governed by the City) and has a professional investment consultant (who reports to each Fund's Board). However, despite the separation from the City, the City ultimately holds the liability and risk for the Funds. By state statute, the City must fund the pension funds per actuarial studies and reports. [Each Board consists of five members, and have to have two active employees, one retiree and two appointments by the City Council.]

The City has made progress over the years to ensure that the City is funding per the actuaries. It is important to note the progress achieved is in that despite of the fluctuations in investment returns and changes in actuarial assumptions (such as the mortality tables).



The City is consistently maintaining a funded status position and moving towards 70%. The Fire and Police Pension Funds continue to increase their funded status.

For FY 2020, the funded status increased from 51.1% to 58.0% for the Fire Pension Fund and from 60.0% to 64.1% for the Police Pension Fund. (Some years it is higher than others – it all depends on the investment returns, changes in benefits, changing mortality tables and other assumptions.)

The City has maintained its credit rating from Standard & Poor's and Moody's. Their reasoning is that while the total liabilities are very high, the City has a consistent funding plan of action and the City has taken steps to add more funds from reserves. They view this is a positive course of action and recommend that this action continues. The total liabilities effect the General Fund's financial position and continued monitoring is essential for the City's future finances. The City has made additional contributions to the pension funds from reserves in past years.

Listed below is a summary of the City’s total liabilities, net position and funded status for the Police and Fire Pension Funds.

The overall funded status for both Police and Fire Pension Funds (when combining them together) is 61.1%.

PENSION FUNDS - TOTAL LIABILITIES				
The Total Liabilities of the pension funds are important to review and monitor. The City's total outstanding liabilities for the pension funds are as of 12/31/2020:				
		Total Liabilities Outstanding	Net Position	Net Position as % of Total Liabilities
Police Pension Fund		\$ 86,705,360	\$ 55,561,902	64.1%
Fire Pension Fund		\$ 82,505,704	\$ 47,853,133	58.0%
TOTALS		\$ 169,211,064	\$ 103,415,035	61.1%

The City levies the actuarial amounts provided in the Actuarial Reports for the Police Pension Fund and the Fire Pension Fund. For the FY 2022 Budget, the amounts are similar to the FY 2021 Budget. For the Police Pension Fund, the funding amount is approximately \$3.6 million (similar to FY 2021 Budget) and for the Fire Pension Fund, the funding amount is approximately \$4.4 million (similar to the FY 2021 Budget).

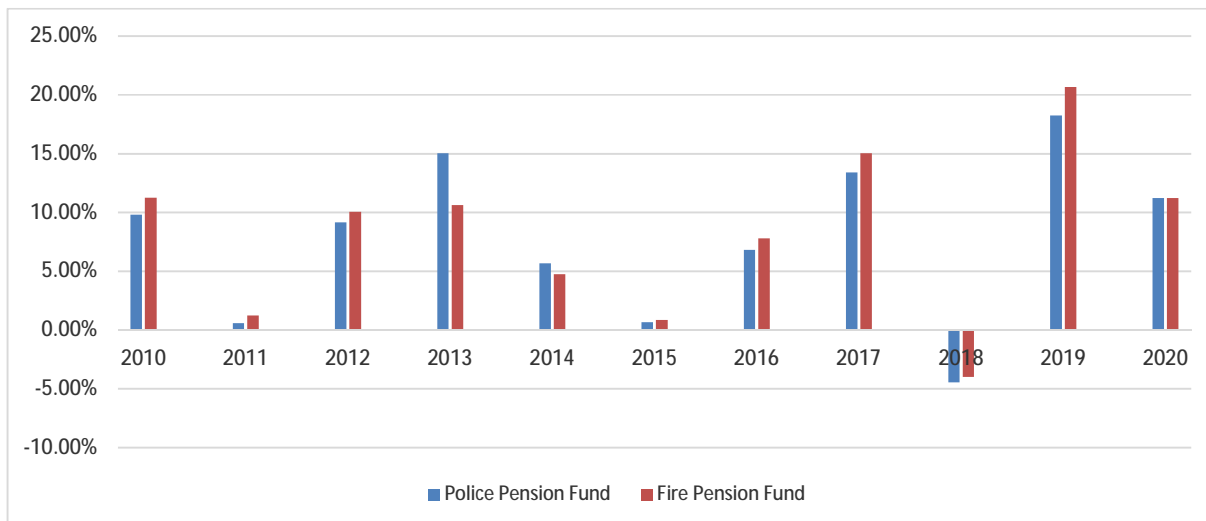
The City’s Actuary will be reviewing the actuarial items that go into producing the amount for the property tax levy.

**CITY OF ROLLING MEADOWS
POLICE & FIRE PENSION FUNDS
ANNUAL INVESTMENT RETURN (NET OF INVESTMENT FEES)**

Fiscal Year	Police Pension Fund	Fire Pension Fund
2010	9.80%	11.24%
2011	0.60%	1.25%
2012	9.14%	10.06%
2013	15.03%	10.65%
2014	5.67%	4.75%
2015	0.68%	0.86%
2016	6.81%	7.80%
2017	13.41%	15.05%
2018	-4.43%	-3.98%
2019	18.26%	20.65%
2020	11.21%	11.22%
10-YEAR AVERAGE	8.62%	8.96%

Notes:

- 1) Investment Returns are shown net of investment fees as required by state statute.
- 2) Each pension fund has an investment consultant and must adhere to the pension statutes for allowable investments.

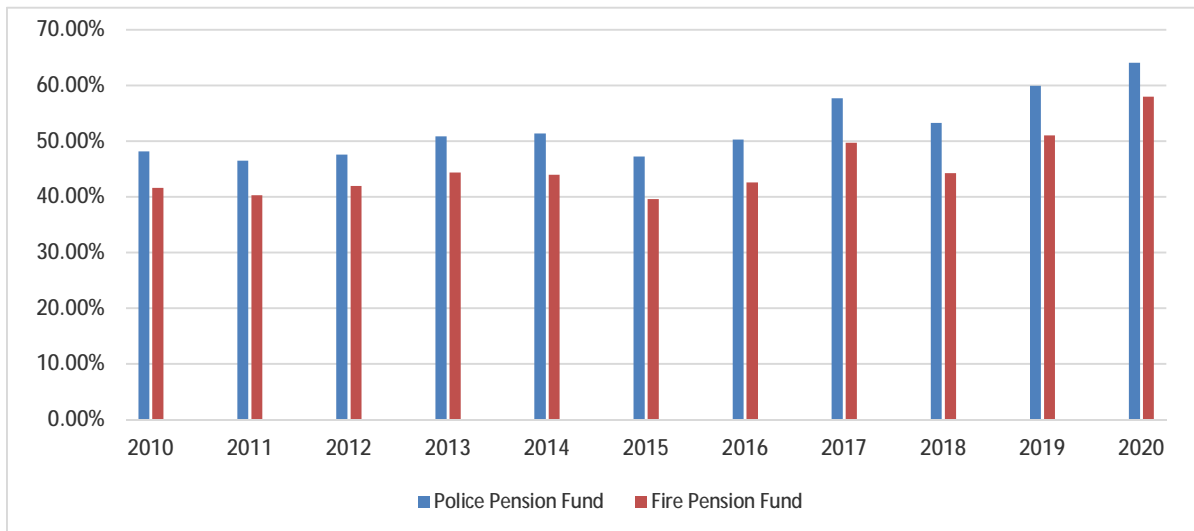


**CITY OF ROLLING MEADOWS
POLICE & FIRE PENSION FUNDS
% Funded Status or Net Position as a % of the Total Pension Liability**

Fiscal Year	Police Pension Fund	Fire Pension Fund
2010	48.17%	41.62%
2011	46.49%	40.32%
2012	47.61%	41.95%
2013	50.85%	44.41%
2014	51.40%	43.94%
2015	47.25%	39.56%
2016	50.30%	42.61%
2017	57.69%	49.68%
2018	53.30%	44.20%
2019	59.95%	51.05%
2020	64.08%	58.00%

Notes:

1) The Funded Status per the Governmental Accounting Standards Board (GASB) is the Net Position as a % of the Total Pension Liability. This data is detailed in the City's Comprehensive Annual Financial Report (CAFR), also known as the City's annual Audit.



Committee of the Whole Agenda – June 15, 2021

FY 2022 Budget Parameters

Attachments:

- **City Annual Budget Process**
- **Budget Planning Calendar**
- **Debt Service Outstanding**

Summary

There will be a brief Power Point presentation during tonight's Committee of the Whole Meeting.

The City of Rolling Meadows' FY 2022 Budget document is being developed to meet the needs of the community and to provide high-quality services. It is also a resource for residents and businesses in learning more about the City's operations and services.

The City's Annual Budget fulfills several functions:

- The City's Budget is a communication tool. It explains the City's operations, needs, resources, constraints and opportunities.
- The City's Budget is an important policy document.
- The City's Budget is an accounting document. The City's Budget establishes guidelines, in conjunction with Fund Balance Policies, that the City uses to measure and control expenditures and to track revenues.

This discussion begins the process of reviewing parameters for developing the FY 2022 Budget (very similar to the last few years). ***Initial development of the budget has been started.*** The City Council's input from this discussion is valuable and appreciated. It should be noted that the City continues to monitor revenue estimates, unfunded mandates, State of Illinois' changes to the Local Government Distributive Fund (Motor Fuel Tax, Personal Property Replacement Tax, Use Tax, Income Tax and others), grants, and other items. Within this discussion, the Property Tax Levy will be reviewed as a starting point for the FY 2022 Proposed Budget.

Budget Development

The City develops two key financial planning documents to guide the City's decision process in allocating revenues and expenditures: the Fiscal Year Budget and the 5-Year Capital Improvements Plan (CIP). The City's Budget and 5-Year Capital Improvements Plan (CIP) are developed throughout the fiscal year. The City's Budget is developed with a long-term look at revenues and expenditures.

The Annual Budget is the City's financial planning document that communicates the City's plan for revenues and expenditures each year. The 5-Year Capital Improvements Plan is a five-year financial plan with detailed information on capital expenditures (this is only a plan – not a budget). The CIP is reviewed in depth by the Ad-Hoc Capital Projects Committee each year. The 5-Year Capital Improvements Plan will be presented to the City Council at the August 17th Committee of the Whole Meeting. It is important to note that the 5-Year CIP is not a prediction of the future but a financial planning tool. (Please remember that all items in the Capital Plan do not always make it into the Budget.) At the September 14th City Council Meeting, the FY 2022 Proposed Budget will be distributed to the City Council and the public. At the September 21st Committee of the Whole Meeting, the FY 2022 Budget will be presented by Staff and the City Council will hold its first meeting to review the budget.

After the FY 2022 Budget is adopted by the City Council (typically in November), these documents are added to the City's Transparency portal on the City's webpage at www.cityrm.org.



Budget Awards

The City has applied for and received the Government Finance Officers Association's "Distinguished Budget Presentation Award" since FY 2016. This award represents a significant achievement by the City. The award reflects the commitment of the City to meeting the highest principles of governmental budgeting.

The following are actions that the City is undertaking as we plan for the FY 2022 Budget:

General Fund

- **Monitor and assess revenue estimates and provide frequent updates.** There is significant uncertainty surrounding current estimates and as the Illinois Municipal League reports "precise estimates are impossible." Keeping estimates updated frequently will assist in evaluating the economic situation and our continued path forward (particularly with inflationary news and data of Consumer Price Index – CPI increases.)
- Salaries, Benefits, Contractual and Supply items (majority of the line items follow the labor contracts).
- **Actively reduce overtime** in Departments by reviewing scheduling and other items (except overtime required by employment agreements or job responsibilities).
- **Collective Bargaining Contracts.** The City's union contracts had contractually determined items and for salary items which were incorporated into the FY 2021 Budget. The FY 2021 Budgeted "Manager's Hold" is \$400,000. (There will be a "Manager's Hold" as in past budget years for the Fire and Police Contracts, if not completed by the time the FY 2022 Budget is completed. Also, with the newly engaged Environmental

Committee and Economic Development Committee, there may be a FY 2022 inclusion of some goal money.)

- **Monitoring growth in new revenues** such as recreational marijuana sales (recall that on July 1, 2020, the City will began receiving sales tax from recreational marijuana sales).
- **Continue (and evaluate) the repayment plan of \$100,000 (7th year) from the General Fund to the Vehicle and Equipment Replacement Fund.** [The City started with \$100,000 in FY 2016 of a \$1.0 million repayment to the Vehicle and Equipment Replacement Fund. This was an interfund loan.]
- The General Fund transfers per the required debt service schedule (bond payment), \$715,688 to the Debt Service Fund for FY 2022.
- As a reminder, in FY 2023, (the last year for this bond), the General Fund transfers \$736,450. This is an important part of the City's long-term planning as this bond matures in full. The General Fund will have additional funds available of approximately \$730,000 more each year (for capital investments, pensions, reserves, etc.) starting with the FY 2024 Budget.
- Chargeback funding will be increased to account for work done in other Funds. This is the same item as Committee and past Councils have approved.

911 Fund

- The City contracts its emergency communication dispatch services through Northwest Central Dispatch Services (since 2009). All parts of the emergency communications system is accounted for in this Fund.
- This Fund has a Fund Balance Policy and is currently in range with the Policy.
- The Fund is supported by the City's annual Property Tax Levy of \$700,000. At this time, the proposal is to keep the same amount for the Property Tax Levy for the FY 2022 Budget (however, at some point, an increase is needed to fund future expenses). The Fund should have approximately \$1.0 million in reserves each year.
- As an example of future expenses, under the new Illinois justice reform law, every Police Officer is required to have a body camera by FY 2024 (purchased by the City). This is an unfunded mandate of approximately \$300,000 to \$500,000 annually (estimates only for now).

State Motor Fuel Tax Fund & Local Roads Fund

- The State Motor Fuel Tax Fund's FY 2022 Budget will be taking into account the additional amount of Motor Fuel Tax funding from the State of Illinois and the Rebuild Illinois Funding for long-term capital improvements for roadways.
- Currently, the City Manager, Public Works Director, Assistant Public Works Director and the City Engineer are updating the FY 2022 to FY 2026 Capital Improvements Program (CIP) and looking ahead to the overall long-term plan (20 plus years).
- As Staff prepares these updates, the Annual Street Program amount ranging \$1.0 million to \$1.5 million will continue to be a priority (as recommended by the Capital Projects Committee).
- However, along with capital projects, the Local Road Fund must pay for street lights, road salt, sidewalks, bridge repairs, street maintenance and other items.
- The revenue availability and reimbursement process will need to be balanced with the project planning process.
- At the June 22, 2021 Capital Projects Committee, the Committee will review the State Motor Fuel Tax Fund and Local Roads Fund capital improvement projects.

Utilities Fund

- **No Utility Rate Increases for the Utilities Fund** based on the Utility Rate Stabilization (started in FY 2020). (The use of ARPA money also allows for this again.)
- Capital Projects continue in the Utilities Fund. The Capital Projects Committee is reviewing the capital projects in the FY 2022 to FY 2026 Capital Improvements Program (CIP).
- It should be noted that JAWA (City of Chicago Water) is looking at future rate reductions which helps the Utilities Fund (in the future years ahead).
- At the August 17th Committee of the Whole Meeting, Staff will be proposing a Fund Balance Policy for the Utilities Fund (and the Liability Insurance and Health Insurance Fund).
- As the City Manager discussed at the April 18th Committee-of-the-Whole Meeting, the American Rescue Plan Act (ARPA) was signed into law on March 11, 2021 and provides \$350 billion in additional funding for state and local governments. The City of Rolling Meadows is scheduled to receive \$2.9 million from the ARPA. This prudent investment keeps an eye towards the long-term financial stability and sustainable operating performance in the City's Utilities Fund.

The final guidance is still in process. When the State of Illinois completes their certification from the U.S. Department of Treasury, the City will receive the first round of funding. The City will not receive money directly from the Treasury. Staff has been informed that the State of Illinois cannot intercept or change an administrative fee but the funds will be deposited to one of the City's bank accounts at some point. The 2nd round of funding will happen around a year from now.

Refuse Fund

- This Fund needs a transfer in and/or a rate increase (even without future added expenditures). The Fund is at the low range of its Fund Balance Policy. The rate has been held since FY 2014.

Liability Insurance & Health Insurance Funds

- Both of these Funds are performing as expected and their reserves are in a good position.
- At the August 17th Committee of the Whole Meeting, Staff will be proposing a Fund Balance Policy for the Liability Insurance and Health Insurance Fund (and Utilities Fund).

Capital Project Funds (Building & Land Fund and Vehicle & Equipment Fund)

- **Prioritize capital projects.** We are currently developing the FY 2022 to FY 2026 Capital Improvements Plan (CIP). For some projects already started, we are evaluating if any projects, vehicles or equipment will need modified for the CIP. We are looking into all funding opportunities for projects (especially for grants).
- **Evaluate the Chargebacks for Funds** (based on Expenditure needs). Please remember that chargebacks are not at 100% because we cannot fund completely at this time. Chargebacks are increased incrementally, when possible.
- [Note: The City is down to only one fund that has a negative balance. This is TIF #2 (37) (Kirchoff & Owl). This TIF was created on December 10, 2002 and is a 23-year TIF so it has an expiration date of December 2025. Now that the bonds have been repaid, this fund is slowly becoming positive. It will be positive on its own before the 2023 end of the TIF's term.]

City Council Input & Direction

As mentioned and shown in the FY 2022 Budget Planning Calendar, the 5-Year Capital Improvements Plan will be presented to the City Council at the August 17th Committee-of-the-Whole Meeting. At the September 14th City Council Meeting, the FY 2022 Proposed Budget will be presented. The September and October Committee-of-the-Whole Meetings are the meetings in which the FY 2022 Budget is discussed. There are public hearings at City Council meetings for the Property Tax Levy and the FY 2022 Budget. The City Manager and Finance

Director will hold one-on-one discussions with the Mayor and City Council to review the FY 2022 Budget.

- Proposal to transfer from reserves following the FY 2020 Audit: The General Fund’s initial estimate (from the FY 2021 Budget) was \$10,364,446 and the Unassigned Reserves came in at \$10,606,672 which is \$242,228 more than the City’s estimate for ending Fund Balance. Staff’s proposal is to transfer \$142,228 to the Refuse Fund for future expenses (such as the toters) and to fund balance. Staff is proposing to transfer the remaining \$100,000 to the Local Roads Fund to build the Fund Balance which is approximately \$115,000. (Straw vote needed so the FY 2021 Budget amendment can be made in FY 2021.)
- Property Tax Proposal: For the FY 2022 Budget, to cover future expenses, the Fire Pension Fund needs a funding increase of \$125,000 and the Police Pension Fund needs an increase of \$26,000. To start to accumulate funds for Police body cameras, Staff is proposing an increase of \$75,000 to the 911 Fund. To address the Local Road Fund’s reserve needs, Staff is recommending an increase of \$75,000. (For Local Roads – there have been past discussions with City Council about increasing the Property Tax Levy.)
 1. For consideration, the overall, Proposed Property Tax increase is proposed at approximately \$301,000 or a 2.0% increase year-over-year.
 2. For the Proposed Property Tax Scenario, is there direction from the City Council to proceed as a working scenario for the FY 2022 Proposed Budget?
- Property Tax Increase Scenarios: The City’s Current Property Tax Levy (excluding debt service) is \$14.7 million. The following information shows the % increase and the dollar increase to the Property Tax Levy (rounded where possible).

Current Property Tax Levy		\$ 14,737,060
% Increase	Property Tax Levy Increase	\$ Increase
0.5%	\$ 14,811,060	\$ 74,000
1.0%	\$ 14,888,060	\$ 151,000
2.0%	\$ 15,038,060	\$ 301,000
3.0%	\$ 15,182,060	\$ 445,000
4.0%	\$ 15,327,060	\$ 590,000
5.0%	\$ 15,477,060	\$ 740,000

- At this point, are there items or topics related to the Budget Parameters the City Council wishes to discuss?



The Budget Process in the City of Rolling Meadows

The City of Rolling Meadows operates under the Budget Officer Method of municipal finance as outlined by State Statute. The Budget Officer is empowered to develop and encourage "the use of efficient planning, budgeting, auditing, reporting, accounting, and other fiscal management procedures in all municipal departments, commissions, and boards." The Budget is the planning document for the City. The City Manager serves as the City's Budget Officer, and is responsible for preparing and presenting the annual budget to the Mayor, City Council and Public.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds, except the Foreign Fire Tax Fund, the Asset Seizure Fund, and the pension trust funds. All annual appropriations lapse at fiscal year-end.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however any revisions that alter the total expenditures/expenses of any fund must be approved by the City Council. During the year, if supplemental appropriations are necessary, such as adding a new grant to the budget or amending the budget, the City Council approves the new appropriation. The amounts then are reflected in the financial statements detail the original and final amended budget, if it is amended for any reason.

The City Council meets once a month, as a Committee of the Whole, to discuss current issues and their impact on current and pending policies and topics. All Department Heads attend these meetings. Criteria for the development of the next year's budget develops from the discussions and decisions made at these and other Council meetings. Monthly, the Finance Department provides reviews of the City's financial activities. Typically in August, the Capital Improvements Plan (CIP) is prepared and submitted to the City Council for review and discussion. The CIP is available online at www.cityrm.org.

As part of the proposed budget process, revenues and expenditures are reviewed and estimated for the end of the current fiscal year and upcoming fiscal year. The City Manager and the Finance Department establishes procedures to coordinate the budget process. Each department head is then responsible for generating a departmental budget with key input from the City Manager and the Finance Department. The City Manager establishes the direction for the proposed budget.

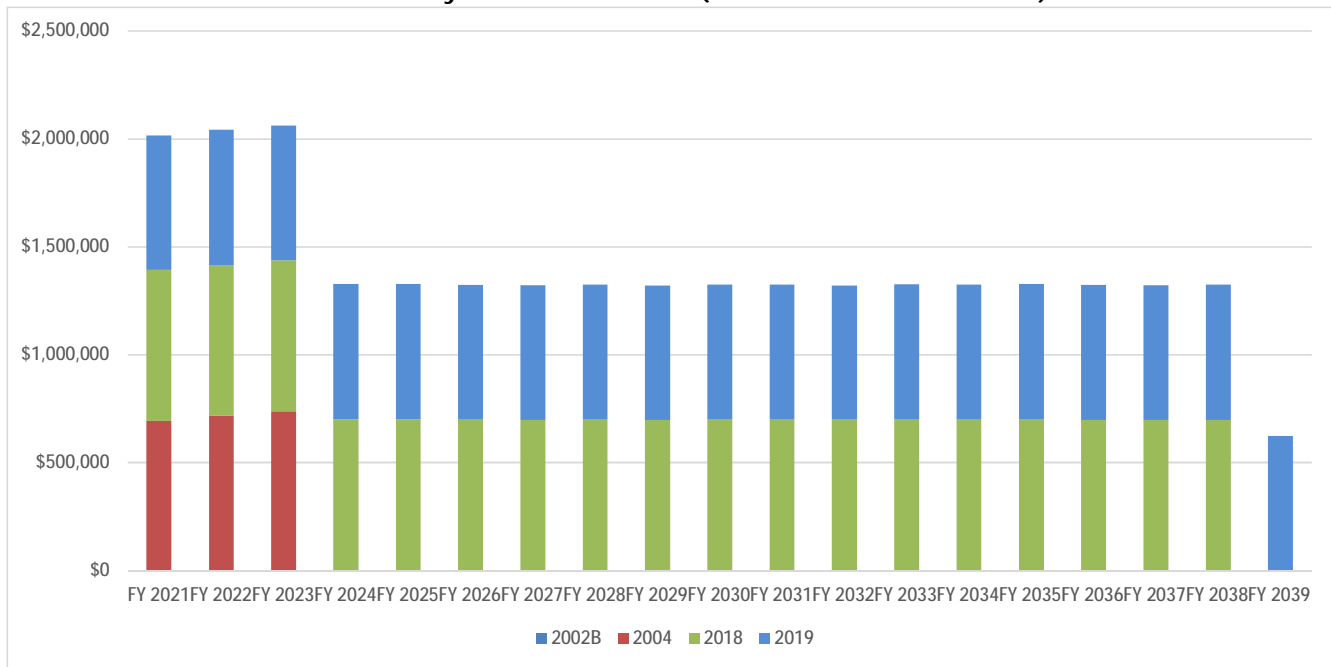
In early September, a Proposed Budget is distributed to the Mayor and City Council and made available to the Public at the local library. City Staff then revises the Proposed Budget based on feedback and discussions with the City Council. All ordinances and paperwork necessary to implement the proposed budget are then prepared. A public hearing is held for Public input on the proposed budget and property tax levy. After the public hearings, the budget and tax levy are formally adopted by ordinance. A final budget must be prepared and adopted prior to December 31st.

CITY OF ROLLING MEADOWS
FY 2022 BUDGET & CAPITAL PLANNING CALENDAR (TENTATIVE/DRAFT)(Following past schedules & procedures)

DATE	DAY	ACTIVITY
February to July	---	Capital Improvements Committee Meetings.
March to June	---	Capital Improvement Projects - Inputted by Departments.
April to July	---	CIP Meetings & Review with City Manager & Finance Director.
April to July	---	Input Budget Entries, Review Budget Entries, Hold Departmental Meetings, Review and Edits by City Manager and Finance Director.
June 15, 2021	Tuesday	June Committee of the Whole Meeting. FY 2020 Audit Presentation & FY 2020 Year-End Fund Balances Presentation. FY 2020 Citizens' Annual Financial Report Presentation. FY 2022 Budget Parameters/Tax Levy Discussion Police & Fire Pension Fund - Actuarial/Tax Levy Discussion
July 20, 2021	Tuesday	July Committee of the Whole Meeting. FY 2022 Budget Parameters / Tax Levy Discussion (Tentative Continued Discussion - As Needed) (From the June COW Meeting - if needed)
August 10, 2021	Tuesday	CIP Released to the City Council & Public with the August 10, 2021 City Council Meeting Agenda Packet. (Friday, August 6th release.)
August 17, 2021	Tuesday	August Committee of the Whole Meeting. CIP presented to the City Council at the Committee-of-the-Whole Meeting for discussion & Revenues, Chargebacks, and Fund Balances. <i>Note: City Council one-on-one Budget review meetings with City Manager & Finance Director to take place in September 2021.</i>
September 14, 2021	Tuesday	FY 2022 Proposed Budget Released to the City Council & Public with the September 14, 2021 City Council Meeting Agenda Packet. (Friday, September 10th release.)
September 21, 2021	Tuesday	September Committee-of-the-Whole Meeting: City Levy/Budget Discussion.
September 2021	-----	Publish the Public Hearings Notices in a Newspaper for the Tax Levy & Budget.
September 28, 2021	Tuesday	<i>City Council Meeting - Public Hearing - Tax Levy (i.e., Truth In Taxation)(City & Library).</i> City Council Meeting - Some Budget Ordinances - 1st Reading.
October 12, 2021	Tuesday	<i>City Council Meeting - Public Hearing - City Budget & Library Budget.</i> City Council Meeting - Some Budget Ordinances - 2nd Reading.
October 19, 2021	Tuesday	October Committee-of-the-Whole Meeting - City & Library Levy/Budget Discussion.
October 26, 2021	Tuesday	City Council Meeting - 2nd Reading of some Ordinances & 1st Reading of some Ordinances.
November 9, 2021	Tuesday	City Council Meeting - Approve City & Library Levy (1st Readings), and 1st and 2nd Reading of some Ordinances.
November 16, 2021	Tuesday	November Committee-of-the-Whole Meeting - City Budget (If Needed)
November 23, 2021	Tuesday	City Council Meeting - Approve City & Library Levy (2nd Readings), Adopt City Budget & Accept Library Budget; and 2nd Reading of some Ordinances.

Notes:
NOTES: * Budget filings must be completed before the December deadline to Cook County.**
The City Manager and the Finance Director will hold one-on-one meetings with the Mayor and City Council in September to review the FY 2022 Proposed Budget.

**Current Outstanding Debt Service Payments - General Obligation Bonds Outstanding
Per the City's FY 2020 Audit (from FY 2021 - FY 2039)**



Summary of Outstanding Bonds by Type

Bond Issues	City Fund Debt Retired By	Original Amount Issued	Budget Year-Debt is Paid Down	Estimated Principal & Interest @ 12/31/2021
Bond Series 2012 (2004)	General Fund (01)	\$ 8,070,000	FY 2023	\$ 2,145,288
Bond Series 2018	Fire Stations (83)	\$ 9,500,000	FY 2038	\$ 12,581,600
Bond Series 2019	Fire Stations (83) & Utilities (20)	\$ 8,500,000	FY 2039	\$ 11,884,200
Estimated Total Principal & Interest				\$ 26,611,088

Notes:

- 1) The 2012 (2004) Bond is retired by a transfer from the General Fund to the Debt Service Fund to pay for the bond. The amount of the transfer from the General Fund is approximately \$700,000 annually. This bond matures in FY 2023.
- 2) The 2018 Bond is for the Fire Stations Fund.
- 3) The 2019 Bond is for the remaining expenditures for the Fire Stations Fund and the underground, capital projects for the Utilities Fund (rate stabilization).
- 4) The City has IEPA Loans paid by the Utilities Fund not shown on this chart. These loans are paid in full in FY 2033. The IEPA Loans are not shown on this chart.
- 5) For the 2018 and 2019 Bonds, the City will review any call features to evaluate potential savings (about the seven-year mark).

Committee of the Whole Meeting– June 15, 2021

Update on additional Police Social Worker

Background: At the September 15th 2020 Committee of the Whole meeting, the City Council directed Staff to explore the feasibility of adding a second social worker to the police department. The intended purpose was to expand our responsiveness and capability to assist, help and advocate for individuals in crisis and victims of crimes.

Rolling Meadows Police Department applied for a grant, with the assistance of the City's grant consultant, and was successful in obtaining a multi-year (VOCA) grant award. The award was for \$54,725 (yearly), which will partially fund and offset the cost of an additional police social worker. This grant was approved and accepted by the City Council in May of this year.

Update: A new police social worker, Kimberly Quintanilla has joined our team and has already hit the ground running. A big part of her quick acclimation to this important position and her familiarity with Rolling Meadows is that Kimberly attended Rolling Meadows High School and also is no stranger to the department. Kimberly was an intern here and worked closely with Dr. Nieves. During her time here she impressed us all with her dedication and drive in providing unwavering assistance, compassion and empathy to victims of crime.

This familiarity with the position and responsibilities associated with it has been extremely valuable as Dr. Nieves is currently on extended family leave. If it wasn't for the vision and leadership provided by the City Council in adding this position we would currently have no social worker available at this time. Having the second position has allowed us to continue providing the high level of service our residents are accustomed to and deserve.

The additional police social worker will also allow us not only to help those that need help the most but to expand our responsiveness to assist victims and allow for the department to be more proactive in the field of police social services. As other cities and towns talk about adding a police social worker to their agency, we have not only already done so but are expanding in this area, and challenging ourselves to be leaders in the field of helping victims.

Goals and objectives are in the process of being finalized. Steps have already been taken in other areas to increase interactions and collaboration with patrol and police social services. The new police social worker's office has been moved to the patrol officer's area. This has increased interaction and communication between officers and social services in addressing needs of victims.

As we move forward with the additional police social worker I'm excited about what the future holds and the increased level of service we will be able to provide.

Committee-of-the-Whole Agenda – June 15, 2021

Topic: Staff is advising Council of a residential property owner's request that a Recapture Ordinance be approved by Council. If granted, the Ordinance would require "benefitted" residential property owners to pay the owner who installed the public sanitary sewer line their share of his up-front cost if and when they desire/need to connect to it in the future. Recapture agreements last ten years, unless authorized by Council at the end of the ten year to be extended up to an additional five years. If that time expires and no one connects to the sanitary line, the installing party remains responsible for the entire cost. The public sanitary line was installed by Mr. Bellagamba, owner of the property at 2800 Brockway Street.

Background: In 2020, the owner of the property at 2800 Brockway Street constructed an addition to his home, which caused for the extension of the City's public sanitary sewer from its previous position to the south (shown as MH in the image below), north approximately 405' to his north property line. In these instances, the cost of extending the sewer main to serve the property is born solely by the applicant. The Subdivision Regulations in the City Code of Ordinances for the City of Rolling Meadows, describes the process for the owner who pays for these improvements "up front" to receive payment from properties who receive future benefit from that improvement when/if they connect to the improvement in the future. This process requires the owner to request Council's approval of an ordinance that future connections along the improvement not be permitted unless a fair and reasonable portion of the certified costs are reimbursed to the installing party. Then, when those owners desire or need to connect to the sanitary line, permits would only be issued upon their calculated fee based on the size of their property.



Analysis:

The Subdivision regulations allow anyone who paid to install a public improvement to request a recapture agreement provided the following requirements are followed:

1. Applicant must make formal request.
2. The City engineering must verify installation costs, which shall include the following and no other costs:
 - a. Actual construction costs (material, labor, equipment and overhead associated with the contract to install). Overhead is assumed to include MWRD Permit fees and bond costs.
 - b. Engineering fees not more than three percent of the installation costs.
3. Determination of the “benefitting properties”. The code defines properties as benefitted if the improvement fronts the property, otherwise serves the property, or is oversized and/or deepened beyond what would be required to serve just the developed property.
4. The maximum term of a recapture agreement is ten years, except that the installing party may request one extension, up to five years, if justification can be provided that additional development or utility connects are likely.

The Subdivision Regulations specifically state:

The city council shall have the sole authority to determine the following:

- 1. The benefitted properties.***
- 2. The costs eligible for the recapture.***
- 3. The method by which the costs are to be determined and certified.***
- 4. The amount of interest, if any, which may be charged to a benefitted property owner (not to exceed ten percent simple interest per annum).***

The city engineer will use the following methodology when determining benefitted areas and costs to be allocated for recommendation to the city council.

Sanitary sewer

- 1. Properties that will or can be served by an extension of the system are determined.***
- 2. The size (square footage) of a property in relation to the total area served is used to establish its pro-rated share.***
- 3. The actual cost for the sanitary sewer installation is used. Up to three percent of such cost for engineering may be included. The gross cost of installation is divided by the total square footage of the benefitting properties; the factor is multiplied by the square footage of the benefitted properties outside the subdivision to determine a gross amount due from each property.***
- 4. While the developer's sanitary sewer installation allows outside property owners to connect to the sanitary sewer in the future, the future customers will still have to extend the sewer mains additional distances to account for their needs. The value of this additional work is subtracted from the gross installation cost to develop a net eligible cost for each parcel.***

	Parcel Number	Address	Square Feet	% of Total	Recapture Amount
Permittee	02-34-202-004	2800 Brockway	37767	18.67%	\$14,879.43
Benefitted Property	02-34-201-007	2801 Brockway	52011	25.71%	\$20,491.27
Benefitted Property	02-34-202-005	2850 Brockway	37767	18.67%	\$14,879.43
Benefitted Property	02-34-202-017 (1)	2850 Brockway	9585	4.74%	\$3,776.29
Benefitted Property	02-34-201-008	2851 Brockway	52011	25.71%	\$20,491.27
Benefitted Property	02-34-201-020	2851 Brockway	13155	6.50%	\$5,182.80
(1) Includes only 45' of frontage times lot depth of 213'					
TOTALS			202296	1	\$79,700.50
Total Eligible Expenses					
Install Costs Paid		\$71,850.00			
Engineering @ 3%		\$2,155.50			
Bond Fee		\$2,570.00			
MWRD Permit		\$3,125.00			
		\$79,700.50			

The spreadsheet above shows total install costs as evidenced by paid receipts, engineering at 3%, the bond fee, and MWRD overhead costs all totaling \$79,700.50. Additionally, each parcel (including the permittee's) that has frontage along the newly installed sanitary sewer line is listed, along with the square footage of the property.

Please note that Parcel Number 02-34-202-017 only includes 45' of frontage instead of the entire width. This is because the sanitary sewer line that existed before this project was completed already extended partway through this property. This can be seen in the map shown on the first page. Staff did confirm from "as-built" drawings that the prior improvements stopped at the manhole (marked MH) on the map on the first page, not as shown on the map. The smaller properties at the south end of the project that show no structures on the map above are actually under the same ownership as the properties immediately to the north. Therefore, those owners will have to pay both fees if they decide/need to connect to the sanitary sewer line in the future. Please note that if ten years pass and there has been no desire/need to connect to the sanitary service line, the recapture agreement is null and void and the fees are not required for any future connection.

Rolling Meadows has not typically authorized interest to be paid by benefitted properties, therefore staff is not recommending it be authorized for this recapture agreement.

Summary:

Recapture agreements are fairly common when an owner who desires or needs sanitary service can only access that service by extending a line for a distance more than just their property. They allow for repayment of that investment any time within ten years in the event one of the "benefitted" properties desires or needs to connect to a public sanitary service. The ordinance basically directs staff not to issue any permits until that recapture fee is paid.

Staff recommends Council direct City staff and legal counsel to prepare the necessary ordinance with the terms outlined in this memo for consideration at a future meeting.