



**AGENDA**  
**COMMITTEE OF THE WHOLE**

**City Hall – Council Chambers  
3600 Kirchoff Road  
Rolling Meadows, IL 60008**

**June 21, 2022 – 7:30 p.m.**

- 1) FY 2023 Budget Parameters**

## Committee of the Whole Agenda – June 21, 2022

### 1) FY 2023 Budget Parameters

#### Attachment - Budget Planning Calendar

#### Summary

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

The City of Rolling Meadows' FY 2023 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 that sets forth the City's work plan for the year.
- 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 2023 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 2023 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 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 CIP 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 16<sup>th</sup> Committee of the Whole Meeting. It is important to note that the 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 13<sup>th</sup> City Council Meeting, the FY 2023 Proposed Budget will be distributed to the City Council and the public. At the September 20<sup>th</sup> Committee of the Whole Meeting, the FY 2023 Budget will be presented by Staff and the City Council will hold its first meeting to review the budget.

After the FY 2023 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](http://www.cityrm.org).



**Budget Award**

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 2023 Budget:**

**General Fund**

- **Monitor and assess revenue estimates and provide frequent updates.** The State shared revenues are beginning to take a more positive path based on preliminary calendar year estimates. Even though, the total per capita year over year is flat for the estimated 2022 year, this is an increase from the calendar 2021 year-end decrease of 2%. Here are the State of Illinois estimates from the February 2022 edition of Illinois Municipal League’s Review Magazine:

Revenue Summary Calendar Year (CY)	CY 2020 Actual	CY 2021 Revised Estimate October 2021	CY 2021 Actual	CY 2022 Revised Estimate October 2021	CY 2022 Revised Estimate January 2022	% Change CY 2022 Estimate vs CY 2021 Actual
LGDF (Per Capita)	\$108.67	\$130.80	\$132.08	\$128.40	\$132.20	0%
State Use Tax (Per Capita)	\$40.90	\$42.0	\$41.29	\$38.80	\$38.80	-6%
Motor Fuel Tax (Per Capita)	\$22.28	\$22.70	\$22.53	\$23.80	\$23.10	5%
Transportation Renewal (Per Capita)	\$15.18	\$16.40	\$16.25	\$16.85	\$17.00	5%
Cannabis (Per Capita)	\$0.60	\$1.40	\$1.38	\$1.80	\$1.80	30%
<b>Total Per Capita</b>	<b>\$187.62</b>	<b>\$213.30</b>	<b>\$213.53</b>	<b>\$209.65</b>	<b>\$212.90</b>	<b>0%</b>
PPRT (millions)	\$1,381.30	\$2,349.0	\$2,424.9	\$1,850.0	\$2,280.0	-6%

Since these are preliminary estimates, any updated estimates will be incorporated into the revenue assumptions especially in light of the economic situation (such as inflationary news and data of Consumer Price Index – CPI increases).

- Salaries, Benefits, Contractual and Supply items are reviewed annually during the budget development process (majority of the line items follow labor contracts).
- **Collective Bargaining Contracts.** Police and Fire contracts are in place until 2025 and any contractual obligations have been accounted for in the budget. AFSCME and Local 150 are pending contract negotiations. Local 150's contract ends December 2022 and AFSCME ends December 2023. The FY 2023 Budgeted "Manager's Hold" is \$200,000; half of the FY 2022 hold amount.
- **Find and Implement Funding Opportunities.** The funding opportunities can present as new or enhanced revenues or cost efficiencies that reduce the cost of one or more service to allow for enhancements in another service.
  - Revenue opportunities can be revamping an existing revenue structure or closing loop holes in existing revenues to capture the full intent of the tax/fee/license. For example, the City ended vehicle stickers and the administrative burden of issuing, monitoring, etc. by implementing a Gas Use Tax instead.
  - Some examples of cost efficiencies are found through joint purchasing agreements, review of city contracts, and innovation enhancements.
- **Continue (and evaluate) the repayment plan of \$100,000 (8<sup>th</sup> 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.]
- As a reminder, in FY 2023, (the last year for this bond), the General Fund transfers \$736,450 per the required debt service schedule (bond payment), to the Debt Service Fund. 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 as in past years. The chargeback amounts are based on the City's five internal service funds. The goal is to chargeback the other funds 100% for the total of the internal service funds.

## **911 Fund**

- The City contracts its emergency communication dispatch services through Northwest Central Dispatch Services (since 2009). All parts of the emergency communications system are 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 2023

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 2023 Budget will be incorporating 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 2023 to FY 2027 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 28, 2022 Capital Projects Committee, the Committee will review the State Motor Fuel Tax Fund, Local Roads Fund, and Utilities Fund capital improvement projects.

### **Utilities Fund**

- **No Utility Rate Increases for the Utilities Fund** based on the Utility Rate Stabilization (started in FY 2020) and the fund balance ended FY 2021 above 25% of expenditures.
- Recommend approving a fund balance policy of maintaining at least 25% of operating expenditures as recommended by APWA and GFOA.
- Capital Projects continue in the Utilities Fund.
- The Capital Projects Committee is reviewing the capital projects in the FY 2023 to FY 2027 Capital Improvements Program (CIP).

- It should be noted that NSWJAWA (City of Chicago Water) is looking at future rate reductions which helps the Utilities Fund (in the future years ahead).

### **Refuse Fund**

- This Fund needs a transfer in and/or a rate increase (even without future added expenditures).
- The rate has been held since FY 2014.
- The Fund is at the low range of its Fund Balance Policy at 30.2% at FY 2021 year end. This was possible with a one-time General Fund transfer of \$142,228 to bring the fund balance inline with policy.
- The Vehicle & Equipment Fund is paying for the new refuse carts in FY 2022 to facilitate the new automation project. This is budgeted at \$62,000.

### **Liability Insurance & Health Insurance Funds**

- Both of these Funds are performing as expected and their reserves are in a good position.
- As outlined in the FY 2022 budget, recommend adopting fund balance policies as follows:
  - Liability Insurance Fund balance policy to have a reserve equal to one year's payment of insurance plus an additional reserve for any unforeseen liability payments (approximately \$1 million)
  - Health Insurance Fund balance policy to have a reserve equal to one half a year's payment of insurance (approximately \$2.25 million)
    - The City is part of the Intergovernmental Personnel Benefit Cooperative (IPBC) for these benefits. IPBC provides economies of scale and risk pooling that the City would not be able to obtain individually.
    - IPBC also has a reserve threshold for each member. In total, the City's reserve threshold is \$325,235. Current reserve at IPBC is \$2.2 million.

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

- **Prioritize capital projects.** We are currently developing the FY 2023 to FY 2027 Capital Improvements Plan (CIP). For some projects already started, we are evaluating if any projects, vehicles or equipment will need to be 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.

- Chargebacks are used to recover costs for providing goods and/or services from an internal service fund to another fund within the same entity.
  - The Government Finance Officers' Association (GFOA) has released a [best practices document](#) that the staff will reference when determining the final charges for FY 2023.
- 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 2025 end of the TIF's term.

### City Council Input & Direction

As mentioned and shown in the FY 2023 Budget Planning Calendar, the 5-Year Capital Improvements Plan will be presented to the City Council at the August 16<sup>th</sup> Committee-of-the-Whole Meeting. At the September 13<sup>th</sup> City Council Meeting, the FY 2023 Proposed Budget will be presented. The September and October Committee-of-the-Whole Meetings are the meetings in which the FY 2023 Budget is discussed. There are public hearings at City Council meetings for the Property Tax Levy and the FY 2023 Budget. The City Manager and Finance Director will hold one-on-one discussions with the Mayor and City Council to review the FY 2023 Budget.

- Discussion on the Transfer Station revenue: Consideration of reallocation of all or a portion of the Transfer Station revenues to support the Refuse Fund.

	Actual Collections	
FY2016	368,424	
FY2017	336,767	
FY2018	312,290	
FY2019	289,639	
FY2020	244,251	
FY2021	274,513	
FY2022*	115,007	*To Date thru 6.9.22

- Property Tax Proposal:
  - Fire and Police Pension Funds
    - The City is consistently maintaining a funded status position and moving towards 70%. The State requirement is that these funds must be 90% funded as of 2040 (less than 20 years to reach this goal).
    - FY 2021 funded status has increased for both funds; from 51.44% to 58.12% for the Fire Pension Fund and from 60.37% to 66.54% for the Police Pension Fund.

- The actuarial determined contributions for Fire and Police for the upcoming levy are 8% or \$342,292 and 10% or \$363,457 lower, respectively.
    - However, to be fiscally prudent and to proactively reach the City’s and the State’s funding goals, it is recommended that these levies remain the same amount as last year’s levy (\$3,626,000 for Police & \$4,257,000 for Fire).
    - The Fire and Police Pension Funds actuarial recommended contributions will be discussed at the June 28 City Council Meeting in detail.
  - Illinois Municipal Retirement Fund (IMRF) levy assumes a 3% increase of \$27,810.
  - 911 Fund - To start to accumulate funds for Police body cameras, Staff is proposing an increase of \$75,000.
  - 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.)
  - Operations – The tax levy includes specific funding for Police, Fire, and Public Works operations. The General Fund portion of these departments operations audited year ending 2021 was \$30.6 million while the tax levies totaled \$3.2 million or 10% of General Fund operations. With increasing costs and rising inflation, an increase to these levies is recommended.
1. For consideration, the overall, Proposed Property Tax increase is recommended 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 2023 Proposed Budget?
- Property Tax Increase Scenarios: The City’s Current Property Tax Levy (excluding debt service) is \$14.7 million. The information below 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

- Any additional items or topics related to the Budget Parameters the City Council wishes to discuss?

**CITY OF ROLLING MEADOWS**

**FY 2023 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.
May to August	---	Input Budget Entries, Review Budget Entries, Hold Departmental Meetings, Review and Edits by City Manager and Finance Director.
August	---	CIP Meetings & Review with City Manager & Finance Director.
June 21, 2022	Tuesday	June Committee of the Whole Meeting. FY 2023 Budget Parameters/Tax Levy Discussion
June 28, 2022	Tuesday	June City Council Meeting. FY 2021 Audit Presentation FY 2021 Police & Fire Pension Fund - Actuarial/Tax Levy Discussion
August 9, 2022	Tuesday	CIP Released to the City Council & Public with the August 9th City Council Meeting Agenda Packet. (Friday, August 5th release.)
August 16, 2022	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 &amp; Finance Director to take place in September 2022.</i>
September 13, 2022	Tuesday	FY 2023 Proposed Budget Released to the City Council & Public with the September 13, 2022 City Council Meeting Agenda Packet. (Friday, September 9th release.)
September 20, 2022	Tuesday	September Committee-of-the-Whole Meeting: City Levy/Budget Discussion.
September 2022	----	Publish the Public Hearings Notices in a Newspaper for the Tax Levy & Budget.
October 11, 2022	Tuesday	<i>City Council Meeting - <b>Public Hearing</b> - City Budget &amp; Library Budget. City Council Meeting - <b>Public Hearing</b> - Tax Levy (i.e., Truth In Taxation)(City &amp; Library). City Council Meeting - Some Budget Ordinances - 1st Reading.</i>
October 18, 2022	Tuesday	October Committee-of-the-Whole Meeting - City & Library Levy/Budget Discussion.
October 25, 2022	Tuesday	City Council Meeting - 1st & 2nd Reading of some Ordinances.
November 8, 2022	Tuesday	City Council Meeting - Approve City & Library Levy (1st Readings), and 1st and 2nd Reading of some Ordinances.
November 15, 2022	Tuesday	November Committee-of-the-Whole Meeting - City Budget (If Needed)
November 22, 2022	Tuesday	City Council Meeting - Approve City & Library Levy (2nd Readings), Adopt City Budget & Accept Library Budget; and 2nd Reading of some Ordinances.

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 2023 Proposed Budget.