

**COMMITTEE OF THE WHOLE
MINUTES
April 18, 2023**

Mayor Pro-Tem McHale called the Committee of the Whole meeting to order at 7:30 p.m.

ROLL CALL:

Present: Alderpersons Karen McHale, Nick Budmats, Kevin O'Brien, Jenifer Vinezeano, Jon Bisesi, Mandy Reyez and Lara Sanoica

Absent: Mayor Joe Gallo

STAFF IN ATTENDANCE: City Manager Rob Sabo, Assistant City Manager/Community Development Director Glen Cole, Deputy City Clerk Judy Brose, Finance Director Molly Talkington, Police Chief John Nowacki, Fire Chief Peter Sutter, Deputy Fire Chief Scott Mohr, Director Public Works Aaron Grosskopf, Assistant Director Public Works JoEllen Charlton and City Attorney Melissa Wolf

Mayor Gallo announced that the floor will be open to the audience for 20 minutes to address the City Council on matters that are on the agenda after the City Council discusses with Staff. Persons wishing to address the City Council keep their comments to 5 minutes in length. Comments must be addressed to the Council as a whole through the Mayor, and profanity may not be used in any form.

1) Tree Preservation Ordinance Update

JoEllen Charlton, Assistant Director Public Works stated that the tree preservation has been a topic of consideration by the City for the last couple of years. It originated mostly from an incident in recent past when a large, heavily wooded, single-family residential lot in Ward 2 was purchased with an intent to subdivide one lot with one home, into four lots with four homes. All trees on the lot were cleared on a weekend before anyone was aware of what the new purchaser intended to do with the property. Many of the destroyed trees happened to be high quality "legacy" oak/hickory trees over 100 years old.

Council first discussed the possibility of adding a Tree Preservation Ordinance at their August 18, 2020 Committee of the Whole meeting (Link to minutes: <https://www.cityrm.org/AgendaCenter/ViewFile/Minutes/08182020-682>). Based on the case described above, Council agreed there was merit in further investigating whether a Tree Preservation Ordinance might have prevented this unfortunate situation from happening, but also expressed concerns that any new ordinance not become over-reaching on private property rights, particularly for residents on single-family lots. Specifically, Council was clear to articulate that while preserving trees as part of a redevelopment was important, they were not interested in new rules that would be applicable every time an existing homeowner wanted or needed to remove nuisance trees on their property, or when trees needed to be removed in order to construct an improvement on their property that otherwise complied with other requirements.

Model ordinances in communities with a long history in tree preservation such as Highland Park and Park Ridge were initially reviewed, but Council also expressed interest in evaluating how Rolling Meadows' closer neighboring communities were handling the situation. In response, staff investigated additional ordinances and regulations from Arlington Heights, Palatine, Schaumburg, Hoffman Estates, Mt. Prospect and Wilmette. The City Forester has relationships with his counterparts who work in those communities and is familiar with the challenges they faced implementing their ordinances. For example, communities that relied solely on the submittal of a request

for zoning relief or a building permit as the trigger for requiring a tree removal permit noted that people would get around the ordinance requirements simply by finalizing the acquisition and clearing the site prior to filing for zoning relief or building permits. This prompted those communities to add new triggers, like defining the size or type of trees, or the location of the trees on the lot, where removal would require a permit regardless of whether new construction was involved. Some communities (like Mt. Prospect) created a trigger for permits when more than five trees are removed on one property. In all cases, the permit process involves a dialogue between the applicant and the municipality to identify options if and when trees can be preserved. When they can't be preserved, the Ordinance stipulates how many and where replacement trees must be placed. Some ordinances also provide "fees in lieu of trees" in recognition that it is sometimes simply not practical to replace trees on a site. Instead, the fees would be used by the local jurisdiction to add trees to other areas of town deficient in tree cover.

Evaluating ordinances of surrounding communities confirmed for staff that rules in any Tree Preservation Ordinance can be specifically tailored to meet the specific needs and desires of a community. It's just a matter of finding the right combination of requirements that prevent the undesirable scenarios from occurring, while also satisfying concerns that the code is not too over-reaching on private property ownership rights. As with in any new ordinance, it is important to note that routine revisions can continue to be made in response to changes in policy direction.

The draft ordinance incorporates staff research and feedback received from the Environmental Committee at their regular March and April meetings this year. It proposes revisions to existing Chapter 114 "Vegetation" of the City Code. Specifically, Chapter 114 in its current form includes provisions that mostly address requirements for public trees on city owned properties or trees in the public right-of-way. Over time, likely in response to specific needs, the chapter was revised to address a few situations regarding trees on private property, resulting in the current chapter that includes mixed requirements.

The proposed draft revision proposes to reorganize the existing chapter into four (4) articles as shown below. The first two (2) articles are existing language that was initially updated by the City Forester for clarity. Article 3, "Trees on Private Property", is all new language. Staff recommends repealing Article 4 as it is not currently relevant. Revision marks in this draft are utilized to show recommended changes by staff and/or the Environmental Committee after the first draft was presented to the Environmental Committee. A brief summary of each article is provided below.

1. Article 1. The language in this section consists of existing language in existing Chapter 114, modified with additional information as necessary to clarify issues.
Article I, "In General", includes sections that address the following:
 - a. Statement of Purpose
 - b. Goals
 - c. Home Rule Authority
 - d. Definitions, including additional definitions specific to trees on private property.
 - e. Authority and Responsibility
 - f. Hazardous Trees and Shrubs
 - g. Disease and Insect Control
 - h. Licensing
 - i. Appeals

2. Article 2, "Trees and Shrubs on Public Property", also includes existing language regarding trees located on public property or in the public right-of-way. Again, the language in this section consists mostly of existing language in chapter 114 regarding trees on public property, with updates recommended mostly by the City Forester to address known issues.

3. Article 3, "Trees on Private Property", is all new language. Revision marks are utilized to show recommended changes by staff and/or the Environmental Committee after the first draft presented to the Environmental Committee.

Highlights of the new draft language are as follows:

- a. Includes additional goals of protecting trees on private property.
- b. Makes it unlawful to remove "Protected Trees" on private property, unless done in compliance with the regulations.
- c. Identifies tree species that are excluded from the list of "protected trees". This makes it possible to remove "nuisance" trees without penalty. So, if a property has an old Willow Tree, or Buckthorn, or other invasive trees on the list, they can be removed without process.
- d. Defines "exempt properties" as those single-family zoned properties with existing and occupied single family homes having less than 20,000 square feet, EXCEPT when there are "protected trees" totaling 54" or more diameter at breast height. This would allow a single-family property that had one or possibly even two or three trees to remove them without process if the sum of their size was less than 54 inches. The section excludes properties when they are part of a collection of properties less than 20,000 square feet that might be assembled with neighboring properties within 24 months as part of a larger subdivision.
- e. Identifies when "tree removal permits" are required and lists permit application requirements.
- f. Allows for tree removal permits "without incident" in the following situations:
 - i. For Safety Hazards as defined
 - ii. For diseased or poor condition trees as defined
 - iii. When necessary to observe good forestry practice
 - iv. When authorized by the City as part of an approved landscape plan
 - v. When reasonable efforts have been exhausted
 - vi. To mitigate for Invasive Trees
 - vii. In certain emergencies, including the following:
 1. When a tree has become a danger due to fire, accident or natural occurrence.
 2. In order to perform an emergency repair
 3. Other emergencies as declared by the Public Works Director
 4. Emergencies defined by private parties in the absence of the Public Works Director or Designee
- g. Provides for Replacement Trees and/or Fee in Lieu of lost trees when required. Includes formulas that provide the following:
 - i. No Replacement Trees are required when tree removal result in < 24" of trees being removed
 - ii. Requires Replacement Trees in the equivalent of 1 tree for every 24" of protected Tree being removed, and/or payment of a fee-in-lieu to a Tree Replacement Fund.
 - iii. Allows, with approval, for a fee-in-lieu payment = to \$250/12" of Protect trees being removed. The payment of a fee for every 12" of trees removed is intended to be an incentive for replacing the tree instead of paying the fee.

The intent is to allow for trees to be replaced when possible, but to also allow for a fee in lieu when it becomes impractical to replace the number of trees required on the same property.
- iv. Establishes the size of Replacement Trees as two inches in caliper
- v. Requires species as allowed by City
- vi. Requires replacement be completed within 12 months of removal
- h. Establishes requirements for submitting tree surveys and preservation plans for development that require special uses or site plan approval, including preservation of trees where possible, and includes "best management practices" as follows:
 - i. Root zone protection

- ii. Protective fencing and barriers
 - iii. Root and crown pruning
 - iv. Consideration for landscaping as it relates to the location of site improvements, utilities, and for site grading
 - i. Establishes penalties for non-compliance
 - j. Establishes an appeals process that includes the Public Works Director, the City Manager, and the City Council.
4. Article 4 is also existing language in Chapter 114, and is being evaluated to be removed, as the language is no longer applicable given that brush is picked up as part of the City's refuse services.

Council direction to finalize a draft Tree Preservation Ordinance was first provided at the August 18, 2020 Committee of the Whole meeting. Since that time, staff utilized feedback from that meeting to review the codes of surrounding neighbors, and drafted a code that would preserve the community's tree canopy in a responsible manner, without being over reaching. The Environmental Committee has reviewed and commented on the ordinance at two separate meetings. They have also asked to review the final draft, which can be accomplished at their May 2, 2023 meeting, after securing any additional feedback from City Council at the April 18, 2023 Committee of the Whole meeting.

Staff requested additional input from the Council, and concurrence to finalize the draft ordinance for presentation and final review by the Environmental Committee at their May 2, 2023 meeting, with Council first reading of the ordinance tentatively scheduled for the May 9, 2023 regular meeting. Staff proposed that the effective date to be September 1, 2023 as it would give Staff enough time to provide educational materials to residents and contractors and to create application forms and create a permit tracking system using EnerGov.

Aldersperson Bisesi confirmed that the permits are free.

Aldersperson O'Brien asked for clarification regarding the fee of \$250 in lieu of replacement. Assistant PW Director Charlton clarified that the fee in lieu is intended to provide extra money for tree replacement on public property. The monies would be tracked in 2023 and then a line item would be added in the 2024 budget.

Aldersperson Sanoica added that other communities are significantly higher than \$250 as a means to encourage specific behavior which was to preserve tree canopy. From feedback from the Council the Environmental Committee decided to limit the amount to something more in line of the Council's previous direction.

Aldersperson Budmats stated that it looks like 80-90% of the houses fall under the 20,000 square feet, is Staff sure about the cumulative number? Assistant PW Director Charlton stated that it will protect the situation that occurred with the larger properties. If after 2-3 years and the 20,000 square foot and the inches of cumulative trees needs to be reduced or reduce the size of the property, Staff will come back for Council's approval. Staff was hoping to follow direction of Council and start slowly.

Aldersperson Sanoica provided additional context from the Environmental Committee. They spoke with residents who had expressed some concern that if they wanted to cut a tree they would have to go through a permit process and take staff and their time. There was also some other recommendations that if they're going to work through a third party (landscapers, etc.) it wouldn't be as burdensome because the expectation is if they're working with a third party that the third party is going to investigate permit requirements anyway. The Environmental Committee will review what kind of impact that could be anticipated if the minimum number of cumulative width were to be decreased.

2) Refuse Rate Discussion and Discussion of Utility Rate Study Recommendations

Utility Rate Study was presented by Finance Director Molly Talkington, Tim Chan and Eileen Kennedy of Baxter & Woodman:

The Utilities Fund is an enterprise fund meaning it functions like a business. This fund is supported by its customers. The rates charged to the customers have not increased since FY 2019 while the cost for supplies has significantly increased. The Chicago Department of Water Management charge to supply water has been increasing at 5% annually via Northwest Suburban Municipal Joint Action Water Agency (NSM-JAWA) and is projected to continue at that rate. The FY 2023 anticipated cost for water is \$4.3 million and is 31% of the total expenditures for the fund. NSM-JAWA is actively working to find ways to reduce the increase that is being passed on from the City of Chicago and if successful, any decrease in the cost will be updated in a future capital plan.

The Utilities Fund is projected to fall into a deficit position in its fund balance within the above financial projection. This downward trend is based on services and revenues remaining as is including water shut offs, penalties, and late fees that resumed in September 2022. Since this is a business-like fund, the City contracted with Baxter & Woodman to complete an analysis of the City's water, sewer, and stormwater rates.

The City is striving towards rate and capital stabilization for its residents and businesses. The purpose of the study is to provide the City with various feasible scenarios for setting rates to cover operating, debt service, NSM-JAWA water cost, and capital improvement expenses while maintaining the appropriate cash balances (fund balances).

Baxter & Woodman developed this study utilizing the City's audited financial data, incorporating the City's FY 2023 Budget and capital plan for the next five years to FY 2031. The City has recently achieved some stabilization with NSM-JAWA with City of Chicago rates capped at a maximum of 5% per year and the elimination of minimums. In addition, the Baxter & Woodman study assumes Public Works' capital plan at approximately \$3.0 million annually (fluctuations vary depending on expenditures). The \$3.0 million is comprised of \$1.5 million for water projects, \$1.0 million for sewer projects, and \$0.5 million for stormwater annually. These capital project assumptions were updated since the City's FY 2023 budget adoption to reflect the base capital funding levels for these utilities.

The Baseline (Scenario 1) shows that with no rate increases applies, the Utilities Fund's expenses (bar) outpace the revenues (line) in most years. The uptick in FY 2019 reflects \$4 million in bond proceeds which then increases expenses in the following years to payback the debt. Additionally, the FY 2023 uptick in revenues is a one-time transfer from the General Fund and referred to as the American Rescue Plan Act (ARPA) Parallel projects.

The American Water Works Association (AWWA) and the Government Finance Officers Association (GFOA) recommend that a Utilities Fund maintain an operating reserve goal of 25% of annual operating expenses. In 2022, the City adopted this as its Utilities Fund Balance Equivalent Policy (22-R-86). The Baxter & Woodman report includes an operating reserve goal of 25% of the annual operating expenses. This is approximately \$3.0 million per year for the operating reserve goal through the projection.

The AWWA also recommends a capital reserve in addition to the operating reserve. This reserve would be dedicated to large capital improvement projects, depreciation, and/or debt service. This would add another layer to shield the utilities fund from sudden financial shifts and provide for more reactionary time to address any fluctuations in the fund such as significant drop in water use, emergency repairs, and others. The City does not have a capital reserve in place. Baxter & Woodman's recommendation to add this reserve would require identifying another \$2 million in reserves.

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Based on the Baxter & Woodman study results at current rates and spending trends (Baseline Scenario 1), the City will fall below the operating reserve in FY 2024 and will continue to decline.

Rate and Capital Stabilization Plan: In the Baxter & Woodman report, there are scenarios which continue capital improvements stabilization and establish stable rates for residents and businesses. Baxter & Woodman took a two-pronged approach to reviewing and recommending rate increases by separating out the stormwater fee from water and sewer. Each scenario is explained below.

Scenario #1: Baseline – This scenario shows zero rate increases for water, sewer and stormwater.

- a) Water and sewer rates are a fixed rate (access fee) plus a two-tier volumetric rate. The fixed rate is applied on each monthly bill (\$2.00 for water and \$1.00 for sewer). The volumetric portion of the monthly bill fluctuates based on usage and is tiered based on total gallons used per month. If a resident uses less than 15,000 gallons per month, their volumetric portion of the bill will be \$12.36 for water and \$3.62 for sewer per gallon. If the use is above 15,000 gallons, then water will be billed at \$14.12 per gallon and \$4.28 per gallon for sewer. There is no difference in rate based on meter size.
- b) Stormwater rate is based on impervious surface area and is translated into an Equivalent Residential Unit (ERU). For the City, one ERU was set at 3,604 square feet of impervious surface area per parcel. In general, the City's residential customers are assigned one ERU and this assumption is used in this study. One ERU equates to \$4.76 per month. The City's total ERU haven't significantly changed from FY 2018. The greater the ERU, the greater the stormwater fee.
- c) Additionally, the City has customers outside of the City limits. These users are water and sewer users only and consist of four residential properties and two commercial properties (Forest Preserve of Cook County). These customers are assessed a 150% multiplier to the volumetric water and sewer rates. Per City ordinance, the 150% multiplier should be applied to the fixed access cost as well. At this time, the access fee is charged at the in-city rate. It is recommended to apply this multiplier to the access fee and should occur independent of the in-city rate decisions.

Scenario #2: Existing Utilities Rate Structure Increases – This scenario includes increases to water and sewer under the existing rate structure (fixed fee plus a two-tier volumetric charge). The stormwater fee would have targeted increases in FY 2024 through FY 2027 then levels out. The goal of this scenario is to maintain an ending fund balance equivalent that falls at or near the City's identified Operating and Reserve Goal by fiscal year end for FY 2031.

Water and sewer fees are increased on both aspects of the existing rate structure. Beginning in FY 2024, the monthly access fees (fixed charge) is increased to \$4.00 for water and \$2.00 for sewer; for a total of \$9.00 per month for the water and sewer access fees. There are marginal increases applied to the access fees in subsequent years. Users outside of city limits will be charged the 150% multiplier to the access rates.

The City's two-tiered volumetric rates were increased as well. The under 15,000 gallons tier was increased at a lower amount as compared to the over 15,000 gallons tier. This was done to better capture the proportionally larger share of expenses incurred by the Utility Fund with the larger users. Users outside of city limits will be charged the 150% multiplier to the volumetric rates.

For the stormwater fee, this was reviewed independently since the basis for the fee is handled differently than water and sewer fees. The analysis showed that from FY 2018 to FY 2021, the stormwater revenues exceeded its operating expenses and capital expenditures. This generated slightly less than \$1 million in reserve. The current stormwater fee is expected to be sufficient to cover expenses through FY 2023. However, a series of capital projects

have begun or are planned for stormwater; the largest being the Park Street Drainage Improvements. This project began in FY 2022 and has subsequent years of work as included in the fund projection.

To address the outyears of the projection and to continue to have sufficient reserves, Baxter and Woodman recommends increases to the Stormwater Management Fee starting in FY 2024 through FY 2027.

With these increases, the stormwater revenues stay below expenses from FY 2022 through FY 2025. With the targeted rate increases, the stormwater revenues are projected to exceed expenses beginning in FY 2026 and help rebuild adequate reserves for this use.

Scenario #3: Fixed Scaled Meter & Modified Inclining Block – This scenario incorporates a fixed scale meter rate structure; which customers pay a proportional fixed charge per bill based on the water meter size. Also, this scenario would increase the number of tiers in the volumetric rate charge from the existing 2-tiers to a 5-tier plan. These proposed changes would apply to both the water and sewer rates. The stormwater fee increase would remain as recommended in Scenario 2.

The proposed fixed scale meter rate structure starts at the 3/4th meter size and smaller. The properties with these meters would pay the smallest access fee, and the access fee would increase with meter size from there. Typically, the 3/4th meter size is residential. There are three residential properties with meter sizes up to 2 inches; two are for a care facility and one requested because home has an indoor pool. The proposed change in the access rate charge to be based on meter size is to apply a large share of the expenses to the larger users which correlates to meter size. Scaling the fixed charge by meter size more equitably prorates the City's fixed expenses, predominantly driven by infrastructure maintenance, across the diverse customer base. Increasing the access fees by the same rates as indicated under Scenario 2 with the implementation of the fixed scale meter in FY 2024 is projected to generate approximately an additional \$300,000 in revenue.

As noted in other scenarios, the outside of city limits customers would have the 150% multiplier applied to the access fees displayed above and to the volumetric fees discussed below.

The volumetric fees for water and sewer are proposed to change from a 2-tiered plan to a 5-tiered plan (inclining block). By adding the additional tiers, the impact to the lowest water and sewer users is lessor than to those with higher volume use. As the volume increases so does the per use charge. When reviewing water use by customer, there are specific customers that routinely use well over 15,000 gallons a month. Likewise, there is a significant group of customers that use less than 5,000 gallons of water monthly. In the proposed scenario, those customers using under 5,000 gallons a month have a new bottom tier that is also the lowest volumetric rate charge. Those that use 100,000 gallons or more per month can fall into one of two new tiers, 100,000 gallons to 250,000 gallons tier or the over 250,000 gallons tier. These two new tiers allow the City to charge higher volumetric rates for these users for both water and sewer.

The additional tiers were selected based on a statistical analysis that Baxter & woodman performed on the City's customer base and usage. The significant ware users are typically Commercial, Industrial, and Schools. These types of customers also tend to require a proportionally larger amount of infrastructure such as fire flow protection, emergency storage and pumping capacity, and redundant piping that are planned and engineered as a standby. These needs can drive up the operational and maintenance related costs to the water and sewer systems.

By using the proposed new tier system, this enables the City to have more granular control over the impacts of its cost of water to each of these major user groups. Also, this prevents the volumetric rates from becoming burdensome for relatively low water use customers, and more equitably prorates the revenue requirements across the City's customers.

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City Council Consideration: The Utility Rate Study is one step of the Fiscal Stability Plan. The Fiscal Stability Plan was identified as a key goal of the FY 2023 Adopted Budget. The Baxter & Woodman Utility Rate Study recommends that the City Council consider Scenario 3 - Fixed Scaled Meter & Modified Inclinng Block for Water and Sewer Rates, Stormwater Management Fee targeted increases, and applying the City Ordinance multiplier of 150% to outside of city limits users on the access fees similar to its application on the volumetric rates for water and sewer.

However, in looking at the Fiscal Stability Plan as a whole and the fiscal condition of both the Utilities and Refuse Funds. Any follow-up needed will be incorporated into the next steps of the Fiscal Stability Plan. Staff will continue to monitor the two fund's activity and continue to provide Council with monthly financial reports.

Council discussed if access fees can be charged to individual units in multi-tenant complexes, if heavy users are charged more and asked Staff to provide more data and scenarios/comparisons.

City Manager Sabo stated that Council does not have to make a decision tonight and that Staff will come back to Council at a later date for further discussion and to seek direction.

Finance Director Talkington stated that 2019 was the last time utility rates were raised.

Aldersperson Sanoica stated that as a Council we were aware of the requirements for the investment in this infrastructure and over the past 3 years we were dealing with the COVID-19 pandemic and as a Council made a conscious decision to freeze rates and also we did not pursue any water shut offs. If there are any residents who are curious about the equity related to this policy or rate increases to please reach out to discuss.

Refuse Rate Discussion was presented by Finance Director Molly Talkington:

Molly Talkington, Finance Director stated that the Refuse Fund is an enterprise fund meaning it functions like a business. This fund is supported by its customers. Refuse service revenue accounts for 88.6% of the total revenue for this fund. The rates charged to the customers have not changed since FY 2014 while the cost for supplies has increased significantly. Included in the FY 2023 budget was to move approximately \$345,000 for Host/Tipping Fees and the Transfer Station revenue from the General Fund to the Refuse Fund as a means to add new revenue streams to this fund.

Expenses for this fund have continued to increase while the rate has remained flat. Salaries and benefits for the in-house refuse service account for 19.1% of the total expenses. Contractual services are the largest expense for this fund at 56.6%. Contractual services two largest costs are Dump fees (refuse disposal and landscape waste) and Recycling collections costs.

The Refuse Fund unassigned fund balance equivalent policy is 30% to 50% of operating expenditures. Even with the additional revenue streams, the FY 2023 ending fund balance equivalent is projected to fall below the policy range at 16% of operating expenditures. This is occurring because revenues are being outpaced by expenses. FY 2023 revenue growth, excluding Host/Tipping Fees and Transfer Station revenue, is projected at 0.3% or essentially flat compared to FY 2022 year-end estimates. This is in contrast to expense growth projected at 4.2% for FY 2023.

The City engaged with the University of Illinois at Chicago's College of Urban Planning and Public Affairs (UIC) graduate students. These students were tasked with looking a various areas of the Fiscal Stability Plan and one specific area was a Refuse Fund Analysis. The UIC analysis looked at the City's Refuse Fund as a whole and at comparable communities. The analysis was broken down into two parts 1) a retrospective look at the Fund through

the annual audit reports with a financial focus and 2) a comparison of the City's refuse operations as compared to other communities.

The first part, Historical Fund Analysis, showed that the Fund's financial health is declining and without any assistance to this fund, the projected fund balance equivalent will continue to further drop below the Council adopted fund balance equivalent policy. Key financial information that supports this outcome is the trends in revenues and expenses over time. Over the last 10 years, 99% of the fund revenues are from Charges for Services. This includes the monthly rate, penalties, late fees, and other charges.

Charges for Services have been relatively stable with a slight downward trend of (1.6%) year over year. However, expense growth year over year averaged 2.16% over a 9-year period excluding IMRF and Other Post-Employment Benefits (OPEB). The City is a member of the Solid Waste Agency of Northern Cook County (SWANCC). The City's membership cost is based on population size and our costs typically covers about 3.5% to 4% of SWANCC's operating costs. Based on the annual audit reports, the annual expenses are broken down by year in the following chart. Due to a change in the Government Accounting Standards Board (GASB) reporting, the IMRF pension funding shows a decrease in FY 2021 but a pension obligation remains in this fund.

In the Refuse Fund Balance, the increase to fund balance in FY 2014 was the last rate increase of 2.0%. The first significant drop in fund balance is in FY 2016 when the fund transferred \$200,000 to the Local Roads Fund.

The UIC Analysis included a deeper dive into Palatine and Arlington Heights Refuse programs and funding. Palatine has outsourced operations to Groot but has kept billing customers in-house. SWANCC membership costs account for 25.9% of Palatine's total expenses in their Refuse Fund as compared to the City's at 21.5% of expenses. The above table shows Palatine's monthly charge at \$23.28 compared strictly to the City's monthly rate, it is \$6.67 less per month. However, add one electronics waste disposal or an appliance disposal and their charge for that month is \$43.28 or \$13.33 greater than Rolling Meadows. Notably, Palatine's fund balance has been significantly decreasing over the past 5 years by transfers to capital projects.

The other comparable community that was further analyzed was Arlington Heights. Arlington Heights is fully outsourced for operations and billing for Refuse. Rates for residents actually decreased when the fully outsourced model was put into place. Currently, the monthly rate is \$17.30, \$12.65 lower than Rolling Meadows. However, if an Arlington Heights resident were to use the additional features, their rate increases. For example, if a resident wanted the subscription yard waste program, their bill increases by \$11.11 per month for a total of \$28.41. This monthly total is more in-line with Rolling Meadows especially since yard waste collections is included in our base service.

Arlington Heights has included a Solid Waste Infrastructure Fee (SWI) that is collected by Groot in the monthly fee. The SWI is remitted to the Village and put into their Refuse Fund. The Village's Refuse fund has a significant fund balance and the main expense is for SWANCC. There have been one-time transfers to the General Fund (\$200,000) and to Capital Projects (\$300,000) that have slightly drawn down the fund balance.

The Refuse Fund Analysis is one step of the Fiscal Stability Plan. The Fiscal Stability Plan was identified as a key goal of the FY 2023 Adopted Budget. In addition, and at this same Committee of the Whole, staff will present a Utilities Rate discussion.

Currently, expenses are outpacing revenues year over year. Also, the City's Refuse Fund balance is projected to fall below the Fund Balance Policy which is to hold an amount, Current Net Position, between 30% to 50% of the Refuse Fund's Operating Expenses. The UIC Analysis contained two recommendations to address the structural imbalance of the fund.

1. Increase Monthly Fees – This would allow the City to maintain current service levels. There are multiple rate increase strategies the City could consider:
 - a. One-Time increase – This would bring revenues up to address the current shortfall in the fund as a near term solution. As expenses increase, consideration of future rate increases would be needed.
 - b. Recurring On-Going Rate Increase – This would allow the rate to be increased annually with inflation. This would require Council action to put this policy into place and staff would adjust the rates annually. Inflation in the last two years has trended higher than most and inflation is fluctuates based on current economic conditions and other factors.
 - c. On-Going Rate Increase Annually – This would require the Council to act each year on the rate increase. This would occur with the budget process and staff would recommend increases to maintain the fund’s stability and to be within the fund balance policy range.
2. On-Going Rate Increase Annually – This would require the Council to act each year on the rate increase. This would occur with the budget process and staff would recommend increases to maintain the fund’s stability and to be within the fund balance policy range.

However, in looking at the Fiscal Stability Plan as a whole and the fiscal condition of both the Utilities and Refuse Funds, tonight, Staff will take input on the scenarios presented and does not expect a decision this evening. Any follow-up needed will be incorporated into the next steps of the Fiscal Stability Plan. Staff will continue to monitor the two fund’s activity and continue to provide Council with monthly financial reports.

Finance Director Talkington stated that Council does not have to make a decision tonight and that Staff will come back to Council at a later date for further discussion and to seek direction.

Aldersperson Bisesi stated that there was an overwhelming vote on a referendum for not to privatize refuse. Most residents do not want services reduced is aware that there’s a tradeoff and strongly suggests not to privatize.

Aldersperson Vinezeano stated that in 2019 she asked for senior discounts and would like to see that discount similar to other towns.

Aldersperson O’Brien asked Staff look at other scenarios and not keep privatizing as an option.

Aldersperson McHale stated that there hasn’t been a rate increase in 10 years. After last week’s COW discussion regarding the transfer station and the asset that it brings to the City as an additional revenue stream is going to be really important.

Aldersperson Vinezeano doesn’t think it’s a good idea to tie the rates to inflation because it’s so unstable and unpredictable. She’s in favor of a gradual steady increase.

City Manager Sabo stated that Staff will come back with different gradual increase scenarios and seek Council’s direction moving forward.

Aldersperson O’Brien suggested to get public input sooner than later.

ADJOURNMENT

Mayor Gallo asked for a motion to adjourn. Alderperson Vinezeano has made the motion and it has been seconded by Alderperson Budmats. A voice vote approved adjournment.

There being no further business, by unanimous consent the Committee of the Whole meeting was adjourned at 9:09 p.m.

Respectfully submitted: Judy Brose, Deputy City Clerk

April 18, 2023 Special Committee of the Whole Minutes Approved by Council on May 9, 2023.

Judy Brose

Judy Brose, Deputy City Clerk