

**COMMITTEE-OF-THE-WHOLE
MINUTES
June 18, 2019**

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

COUNCIL IN ATTENDANCE: Aldermen Mike Cannon, Kevin O'Brien, Jon Bisesi, John D'Astice and Lara Sanoica

COUNCIL MEMBERS ABSENT: Alderman Nick Budmats

STAFF IN ATTENDANCE: City Manager Barry Krumstok, Finance Director Melissa Gallagher, Deputy City Clerk Judy Brose, Assistant to City Manager Lori Ciezak, Police Chief John Nowacki, Business Advocate Martha Corner, City Attorney James Macholl

1) FY 2018 Audit

Melissa Gallagher, Finance Director – Tonight, we proudly present the City's FY 2018 Audit to the City Council. The Audit has been released via email to only the City Council and Mayor. The electronic version that you received in your emails will say draft.

The City's auditor, Jamie Wilkey of Lauterbach & Amen, will review the FY 2018 Audit (CAFR) with the City Council. (For the Mayor and Members of the City Council, an electronic draft copy of the Audit will be loaded onto each of your computers and a printed copy may be made available to you – if you request one. Audit copies will be available by June 28th.)

The City's Auditors and City Staff will provide a review of the Audit and then it can be released (by June 28th). 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 ended December 31, 2018 will be available online at the City's website at www.cityrm.org by June 28, 2019 (under the Finance tab and scroll down to the Related Pages Section). (Note: the City met its fund balance targets for Fund's with Fund Balance Policies: General Fund, Refuse Fund and the 911 Fund.)

The attachments in tonight's agenda packet are as follows:

- FY 2018 Audited Fund Balance Summary
- FY 2018 Audited Fund Balance Review – General Fund
- FY 2018 Fund Balance Policy Review (General Fund, Refuse Fund & 911 Fund)
- FY 2018 Financial Results for IMRF, Police & Fire Pensions
- Debt Service Outstanding (*Estimated*) (*includes 2018 & 2019 bonds*)

To enhance further transparency, the City produced its seventh "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 by June 28th.

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, 2017. This prestigious, national award

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recognizes the City for conforming to the program's standards of creativity, presentation and usefulness to the reader.

In addition, for the 32nd 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 (CAFR) for the fiscal year that ended on December 31, 2017. (Staff, with the Auditors will be filing the 2018 CAFR & 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 2018 CAFR with numerous federal, state and credit rating agencies.)

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

We have shown revenue strength and diversification in 2018 by kicking off Video Gaming. We also added ambulance billing enhancements to capture revenue that we previously did not have. We also diversified our revenue stream for natural gas tax and modernization. We increased our food and beverage taxes in terms of the overall receipts coming in do to those economic development enhancements. We saw an increase in real estate transfers and building permits as well.

Economic Development as far as progress on that front, the Comprehensive Plan Update occurred and there will be a Zoning Code update in 2019. The Business Messenger engaged local business, that's a quarterly update to businesses. We had a Business and Community Showcase, the first one of its kind in this area. Restaurants opening and expanding and restaurants incentive plan and outdoor seating guideline updates. There is definitely more community events happening and that is also documented in our City's Audit.

In terms of building for the future, with capital projects also highlighted in the Audit, we successfully general obligation bonds and maintained the City's credit rating reaffirmed by Standard & Poor's.

The City's multi-year ERP project is underway and investments into the City's utility fund infrastructure improvements are occurring as well. The City invested nearly \$2 million overall in annual street program, roadway and other roadway improvements. The Golf Road corridor has benefited from many of the roadway improvements through the Golf Road Tif. Those are just a few of the highlights from the City's Audit.

Jamie Wilkey, Lead Auditor of Lauterbach & Amen – Good evening, we appreciate you having us out this evening to review the annual audit. I must start this discussion with a huge thank you to the staff, the amount of effort that staff puts into the annual audit is quite honestly not the norm that we typically see in most government engagements. I think their commitment to ensuring that the financial statements that we receive when we come in to do our testing are 100% accurate, all adjustments have been made and really an effort to coordinate with our staff throughout this process which is really kind of six months from start to finish. Quite of back-and-forth with the staff and I certainly we want to thank Melissa and her team for all of their efforts.

I know Melissa covered quite a few key items related to the audit and I want to start with just a few high level items and then we'll walk through front to back of the report itself. I'll be able to point out some of the key areas within the audit along with some of the key transactions for the year as we walk through.

The Comprehensive Annual Financial Report (CAFR) itself is the highest level of reporting we can have for a government entity. That is an external program run through the Government Finance Officers Association. The comprehensive annual report does have certain required components and we'll walk through those briefly. Certainly, there's a lot of effort as you can see that is put into that document on an annual basis. Again, thanks

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to staff for their efforts in all of those components that have to be pulled in and certainly other departments even within the City itself. There's definitely feedback required from public safety and Public Works to get through this process.

The City also produces a Popular Annual Financial Report that is run by the same Government Finance Officers Association. It is a condensed version of trying to take this 200+ page document down to a more palatable, digestible discussion of the City's finances, local economy, economic development, etc. We are in the process of finalizing that report and that will be available at the end of the month as well.

The Management Letter is the one bound document that is before you, I was not going to spend a lot of time on that document because I am happy to report that there are no new recommendations for this year. Overall, no new internal control related issues, no new best practices that we've indicated and no new significant Governmental Accounting Standards Board (GASB) changes that are going to have significant financial impact on the City's finances.

Within there you will see that we did implement one new standard from this year from GASB that is related to retiree healthcare costs, it's what we call other postemployment benefits (OPEB). I won't go into the nitty-gritty details because I know our Actuary is sitting here in the audience and he and I might be able to give you a three day session on this which I'm sure none of you want. At a very high level most governments prior to the standard did not report the true full unfunded liability for future retirees' healthcare costs. Their idea is when we have retirees on a health insurance plan which is required to allow them on the plan if you are an IMRF employer. The overall cost of the plan participants as a whole obviously increase when we have retirees on the plan. Typically in government the majority of the cost of health insurance is borne by the employer not the employee so those future potential liabilities are really translated to the employer's financial statements. The Actuary goes through an exercise and this was the first year we implemented this new statement that did result, after those estimates were done, in about a \$5.6 million future non-cash liability for the City.

We also had some new state mandates, we love when we have unfunded state mandates from the State of Illinois. This was a big year for that, we have a new grant accountability and transparency act that local governments are required to adhere to. That is an online portal that the State of Illinois is dictating the format in which local agencies have to submit all of their grant related activity. There is an impact on the audit opinion so the state has also mandated for audit firms who provide government audit opinions that we have to in theory audit a little bit differently when we have certain thresholds of grant programs. Just know that's also a key change for this fiscal year.

What I'd like to do now if you have the electronic version of the audit and/or paper copy in front of you, what I'd like to do is briefly go through the sections of the document. My page number references will reference the actual page numbers at the bottom of the document. We have some major sections within the report so I'll cover those and then we'll stop at a few of the pages and give some key highlights as well.

Starting on page 1 we begin the introductory section of the document. Here you will find information such as list of principal officials, organizational chart, and transmittal letter. The transmittal letter is prepared by internal staff, the goal of this letter is to really highlight the non-financial results for the year. The focus here is really on the local economy, major initiatives, internal policies, so really not focusing on the results of the numbers but all the background that we need to know related to the City that helps us assess the financial condition. You will also find a copy of the certificate achievement award provided within the introductory section as well. Again, that will cover pages 1-15 of that document.

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Starting on page 16 – 18 you will find the independent auditors report. Melissa indicated that it is a clean audit opinion. We have basically two goals with any government financial audit, #1 is to ensure that the financial statements are materially correct, are the balances that have been provided to us by City management are they accurate and reflect reality of the transactions for the year. #2 we are required to assess the internal control environment, can we rely upon the policy and procedures that the City has put in place, are they being followed, do we have issues or area of concern, red flags etc. Certainly if there were issues identified during our testing we would have to bring those fourth to City Council this evening. As I alluded to in the management letter we have no such findings, recommendations or issues to bring forth this evening.

Pages 19 – 42 you will find a section labeled Management’s Discussion and Analysis. From our perspective this is probably one of the most important sections within the document. The goal here is to be the executive summary to the entire report. You will find high-level discussions on results of the fiscal year in comparison to prior year. You will find information on capital asset activity for the year, long-term debt transactions, any of those key operating indicators or trends that we’re seeing in the financial statements will also be discussed within this section of the document. I always encourage our councils and boards to make sure you read that section in detail, I do think it provides in more of a layman’s terms the overall results of the fiscal year.

Pages 43 you will find the actual financial statements. The first two set of financial statements taking you from pages 43 – 46 provide what we call our government wide financial statements. These two statements, balance sheet and income statement are required for external audit reporting purposes only, basically on an annual basis. Most governments traditionally operate on closer to a cash basis, you prepare your budgets typically closer to what we would consider a cash basis approach. Once a year we are required under auditing standards to provide to the users of financial statements a picture of the City that would reflect what it would look like in theory if it were a business running full accrual and accounting for all transactions including capital assets and long-term debt. These are the two schedules where you will see the City’s capital assets pulled in on the balance sheet as well as outstanding long-term debt that would be bonded debt, pension obligations, the retiree liability that we just discussed and recently implemented and will give you an overall net position or equity for the City as of the fiscal year end. At the very highest level what is our snapshot. If we take a look at that we did have positive increase in net position overall, page 46 will indicate that. Once we take into account all of those transactions, equity went up about \$3.9 million in total for the City.

More importantly I want to focus on the statements that you typically see on a monthly basis and those begin on page 47 of the document. Page 47 provides our balance sheet for all of the governmental funds for the City. I just want to point out a couple of key items within this page, the General Fund in particular is our primary operating fund so we’re always curious what the results are in that fund each fiscal year. The General Fund ended up with a total fund balance of around \$11.1 million. We have \$1.4 million, on page 47 that is set aside for future compensated absences, those are hours that are on the books and accrued for unpaid vacation time predominantly. The idea would be that if an employee were to leave employment with the City what would we have to pay out as part of the personnel and union agreements with regards to accrued predominantly vacation time. The City has recognized that we have a potential liability for that and already started segregating some of fund balance in order to be able to meet those future obligations. We’re left with then about \$9.7 million towards the bottom of page 47 of what we call unassigned fund balance which is really available for future needs. The primary component of what we analyze as far as the reserve policy that the City has in place. As of December 31, 2018 that \$9.7 million represents just about 30.9% of expenditures. Your current fund balance policy is a 15 to 30% range, we’re just at the cusp of the high end of the policy that the City has in place. So Melissa alluded to a positive year obviously to be within that target.

Page 59 starts the notes to the financial statements so any of the detailed disclosures that you might be interested in related to the numbers themselves you would find starting on page 59. I was not going to go through those in detail because we’re going to hit the very next section that will focus on some of the pension obligations as well

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as the retiree healthcare obligations which I think is a little bit easier of a snapshot to see that picture. Again, the notes begin on page 59.

Page 118 starts the section we call required supplementary information. Here is will you will find the start of the specific disclosures for the City's IMRF/Police/Fire pension obligations. I just briefly wanted to highlight those, I think Melissa's summary schedule does a nice job of capturing all of these pages and one nice condensed page, and might be easier for you to flip to the executive summary she provided on pensions within that document that she briefly reviewed. What you will find is that the IMRF pension is about 81% funded as of December 31, 2018, Police is roughly 53% funded and Fire is roughly 44% funded. Our December year end experienced a very unique phenomena with the timeline because if you all remember the markets absolutely tanked in December. Unfortunately, when the Actuary goes through their exercise to calculate the potential future liability and match that liability to the assets that are on the books as of December 31, we basically had to take into account those investment losses. If you were to redo that picture at this point in time those pension plans would look a little bit different because we would have recouped those investment losses. So just to note that certainly market volatility you can definitely see come into play when we look at pension funding as of year-end and the anomaly of December really being just a poor market return month. You will also find disclosures within that section again starting on page 118 for the OPEB or retiree health care liability, again as I mentioned the estimated future liability came in just about \$5.6 million for the City. We've implemented those required disclosures as well as the related transactions on the government wide balance sheet and income statement. You will also find within that section the start of the budgetary comparison schedules. The General Fund is provided, you will see we had positive operating results for the General Fund as you continue through that section of the document. We have also provided within that section the motor fuel tax results for the fiscal year.

Page 132 you'll find the combining individual budgetary schedules as well for the rest of the City's funds. Those really start what we call our non-major funds, non-major funds are just smaller in dollar value in comparison to our General Fund and our MFT fund. Again, you will find all of the detailed results for the fiscal year in comparison to budget. I want to point out that Melissa has provided for you a really nice snapshot of all of the funds and fund balances really is probably an easier place to extract that information versus trying to go through each of the individual fund schedules within this section.

Supplemental schedules begin on page 174, they represent all of the future required debt service payments on the City's outstanding bonds as well as any related loans that are on the books as of December 31, 2018.

The very last section of the document starts on page 178. Page 178 represents the start of our statistical section. One of the things that I want to point out because we've been working with the City for some time, the historical look back at how far the City has come from a financial standpoint. Many years ago we were dealing with multiple funds with deficit positions and deficit cash, as of the end of December 31, 2018 we really just have TIF #2 that is still in a deficit and typically at the start of any TIF we expect it to be in a deficit until those incremental revenue start flowing through. The turnaround the City has made over the last 5 and 10 year period is pretty astonishing quite frankly and I think you can see that trend. Starting on page 178 as you flip through those schedules we basically provided 10 years of financial and nonfinancial historical information we can start to see those trends kind of jump off the page within that section.

I would be happy to answer any questions. Melissa or Barry if you think that there are any other key highlights that we want to spend a little more time on I'd be happy to certainly do so.

Alderman O'Brien - I have one question. This might be more for Staff and I'm just educating myself. I could play the rookie card for year. Looking at the recommendations that we got tonight, I know there were prior recommendations and also the new state law benefits for retirees, that \$5.6 million I know it's the non-cashless

responsibility. Barry or Melissa, I'm just guessing are we self-funded, from an insurance perspective, I was looking through the changes noted on employee healthcare, I know we didn't hire a ton of people and I see that 100% of the premiums are covered by the retirees, is that because we're self-funded?

Barry Krumstok, City Manager – That is correct.

2) Actuarial Discussion on Police & Fire Pensions

Melissa Gallagher, Finance Director – Before I turn it over to the City's new Actuary Todd Schroeder of Lauterbach & Amen, I would like to make a few overall remarks. The Police and Fire pension plans provide retirement, disability and death benefits for participants. It's important to remember that there are three items that go into the annual overall contribution for pension plans for fire and police. We have the employee contributions which is set by state statute, approximately 9% of the overall employee base salary, investment returns determined by state statute and as Jamie mentioned that point in time measurement if you can move the marker from December 31 it just depends on where the investment lands at that time and then the employer contribution which is determined annually after the investment returns are received and the actuary runs the calculations for the year. Those three pieces make up the annual contribution to cover retirement benefits.

We have a lot of information and data in the actual audit but we're trying to give you a little high level overview. 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. However, despite the separation from the City, the City ultimately holds the liability and risk for the Funds. We do our best to make sure we're making our contributions annually per the City's actuary reports and have done a great job of that in the last several years. It's also important to remember that 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 of approximately 44% (Fire Pension Fund) to 53% (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.) However, a 44% to 53% funded status needs to improve and work towards a higher level.

Recall, there is some pension reform that took place in 2011 by the General Assembly which created Tier 2. However, the City will not realize the benefits of this pension reform for some time. More pension reform needs to take place on the part of the State of Illinois.

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 as a positive course of action and recommend that this action continues. The total liabilities affect the General Fund's financial position and continued monitoring is essential for the City's future finances.

The City's Actuary will be reviewing the actuarial items that go into producing the amount for the property tax levy. They will also be reviewing the change in mortality assumptions. In addition, they will discuss funding to a 15-year amortization period from funding to 2033 (City has financially proactive and funding to 2033 vs. 2040) (to achieve a sound funding plan of action).

Todd Schroeder, Actuary of Lauterbach & Amen, LLP – Thank you very much Melissa. I am the Actuary for the Pension Funds and I will give you a high level overview of where we're sitting this year and why and talk about some of our funding strategies as we progress forward.

There's two reports that we do for each pension fund each year, one report goes into the audit and is part of the financial statement reporting, that's the GASB reports or Governmental Accounting Standards Board reports, so I'm not going to focus on those too much this evening but those numbers are a part of your audit and part of all that information. There's a second report we do for each pension fund that's related to the cash funding, the budgeting, the tax levy process and everything like that so we're going to focus on that part of the conversation because there were some changes that came through this year. We're looking between the two funds right now of an increase of about \$1.1 million in contribution from last year's calculation to this year's calculation putting it at around \$8 million in total between the two funds.

There's a couple things we do that's the most pure actuarial part of the process, it's a two-step process. Step one is estimating what the pension funds are going to be paying out in the future. That's where we use actuarial assumption side of the process, our assumptions tells us when people are going to retire and start receiving benefit payments, when we think they're going to stop receiving benefit payments and what are the chances that there's a beneficiary involved that will receive benefit payments. Step one of the process is really estimating those future benefit payments. As far as your results this year is where we saw the most change. What we do for you and what we do for all of our pension funds is every 3 to 5 year we do a full-scale review of Illinois police and fire pension funds to give us a good idea on things like when are folks retiring, how often are they receiving disability within the pension fund, how long are folks living and receiving payments from these pension funds so that we can keep you as current as possible as part of that process. One of the new pieces that we added this year not only is it bringing you current related to the mortality assumption but we're also estimating how mortality is going to improve going forward in this process. Since we're trying to estimate benefit payments 10 or 20 years from now as part of this process it's important for us to understand what we think the life expectancy environment is going to look like 10 – 20 years from now all the way out to potentially 80 years from for your active members who are accruing their service right now and will be receiving payments from the pension fund as part of this process. One of the key changes that was a driver to these results is that we are now not only bringing you current on mortality which is a process you've already been through before this year but we're now projecting that into the future as well. It's going to help us increase some of the stability related to mortality changes as new information comes out and help you manage the volatility related to those changes. Again, step one of the process is where we saw a lot of change with respect to the contribution.

Step two of the process is how we want to pay for those contributions. As Melissa mentioned, we've drawn a 14 year pay off schedule so a 2033 payoff of the unfunded liability. In your current results we didn't make any changes to your funding policy. Overall your funding policy for this year's results is in a very good spot. If you look at the Actuarial literature on best practices on funding policies you fall within those parameters. The Government Finance Officers Association also has literature out there on funding policy, they have a best practices work paper and you fall within those parameters as well. As Melissa mentioned, the Standard & Poor's (S & P) from rating agency perspective also likes the funding policy so you have everybody on the same page with respect to your funding policy and you're doing a good job with the City's funding policy where it stands right now. In terms of where you're at right now and the overall fiscal responsibility we didn't make any changes for this year contribution.

The one piece of funding policy that we'll be talking about as the year progresses and not related to this year's contribution but to future contributions is the sustainability of that policy. That policy gave you the results you saw this year in terms of the contribution, approximately \$8 million in contributions. But we want to come back with as we look towards future years and work with Staff and get you some information on what is this funding

policy potentially look like in 2025, 2030 as you start approaching that 2033 mark to see what the sustainability looks like going forward. The 100% payoff by 2033 works out as long as we can make our contributions all the way through 2033 in that process. I think it's important for you to see that information. It doesn't affect this year's numbers but it does affect things going forward.

We have a couple ideas related to volatility management and that becomes more important as your payoff period gets shorter and shorter. You do run the risk when the payoff period gets down to 5 years and the markets have a return like they did last year for example. It doesn't give you a lot of time to react to that and to pay for those changes and a good funding policy doesn't necessarily require you to pay for those changes on such a short period of time. We have some information that we're going to provide related to layering out and separating out your unfunded liability. Recognizing what you have today that you want to take care of over 14 years and then when new things come up in the future we'll talk about how we want to handle those things and talk about them independent of what we're doing with today's unfunded liability. That would allow you to continue to improve your funded percentage that you have today related to your current unfunded liability and appropriately react to any future changes that come up.

Currently, from a funding policy perspective, if you look back at the last 5 years you had a couple big factors working against you. You have been able to at least maintain or tread water as part of this process of funding in terms of the metrics people most commonly look at the fund percentage. Again, the City's policy which is backed by a lot of different organizations in terms of the health of the policy is a sound policy. What it's done and Melissa brought up the mortgage example, you're far enough along in your mortgage and you've gotten that period short enough where your payments are greater than your interest on your unfunded liability now. Each year you make a payment we're expecting that to chip off the unfunded liability as part of this process. You've been in that situation for the last 4-5 years so that's put you in a good spot. You've made additional contributions as well in the last 5 years so that's been a positive in terms of your funded percentage and your progress on your funded percentage. The two items that worked against you that kept you at that tread water spot, one was the markets over the last five years, you like to get your returns over a long period of time but you're funding for this and reacting to things that happen over a shorter period of time. Over the last 5 years we've had relative to the expected returns on the assets you had two years are pretty normal, you've had one year that was good (2017) and then you had 2 years that were less than expected, 2018 being the most recent example of that. You've had a little more on the downside than you had on the upside which has held your assets down a little bit which brings your funded percentage back down. The other thing that you've had in the last 5 years is a re-measurement of the liability and that was the process of bringing your mortality current. There was new information that came out in 2014 related to mortality and their release in information on a fairly regular basis now. Some of that has brought your liability up in the past 5 years so again that's worked against your funded percentage. The City's policies, the additional contributions have allowed the City to at least tread water through a couple of tough things that have hit your assets and liabilities both in the opposite direction that you would like to see on a regular basis. Again, some of the metrics that we've put in this year is going to help you manage some of that on a going forward basis.

3) General Fund Distribution of Some Reserve Money to Pensions

Melissa Gallagher, Finance Director - With the FY 2018 Audit presented this evening and with past discussions regarding fund balances, cash and future items, it is recommended that the following re-allocations be made for the health of the City's finances. If approved, at the Committee-of-the-Whole Meeting, a FY 2019 Budget Amendment Resolution will be drafted for a future City Council meeting.

As discussed during tonight's Actuarial discussion item, the City's total outstanding pension liabilities are very high and the funded status is currently at 53.3% for the Police Pension Fund, 44% for the Fire Pension Fund and

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81.4% for the Illinois Municipal Retirement Fund (IMRF). As discussed during the FY 2019 Budget process and in the past, the use of reserves from the General Fund is discussed after the City's audit is completed.

For FY 2018, the City's Unassigned General Fund Balance is \$9,675,955 which is 30.9% of expenses to fund balance. The General Fund's Fund Balance Policy is to maintain a range of 15% to 30% of expenses to fund balance. The reserves are the top range and Staff is recommending reducing General Fund reserves to a level of 26.1% or \$8.1 million (which approximately three months of reserves). The \$1.5 million use of reserves would contribute \$400,000 to the 2019 Property Tax Levy for the FY 2020 Budget; \$500,000 as an additional contribution for the Police Pension Fund in FY 2019; \$500,000 as an additional contribution for the Fire Pension Fund in FY 2019; and \$100,000 as an additional contribution for IMRF in FY 2019.

The use of reserves is viewed in conjunction with the longer range plan to reduce the property tax levy for the FY 2020 Budget (due to pension funding increases) and contribute additional funding towards the Fire Pension Fund, Police Pension Fund and IMRF. It is very important to continually monitor and review the pension funds' total liability (and also in relation to their net position). The total outstanding liabilities exceed \$211 million and additional funding to bring down the liabilities needs to occur.

It should also be mentioned that Staff is working on drafting the FY 2020 Proposed Budget. With the State of Illinois' budget approved, the City is monitoring the new changes and impacts to the City. In addition, the FY 2020 Budget has transfers and chargebacks that are currently in the development phase. As a reminder, the FY 2020 Proposed Budget will be presented at the September 11, 2019 City Council.

If approved the recommendation is to allow Staff to bring forth a FY 2019 Budget Amendment Resolution to a future City Council Meeting and to currently allow \$400,000 to be utilized in the FY 2020 Budget.

Barry Krumstok, City Manager - I just want to make a few other comments that when Melissa and I were going through this typically we put a lot into local roads and some additional capital items. With the sale of the Bonds and with some other money that we've done in the past to capital improvements we thought it's very important that we need to start addressing that \$211 million liability. We thought this was proactive on a two stage front meaning 2019 money into about \$1.1 million and then the other \$400,000 into the 2020 budget for the property tax levy. It has a little different feel from what we've done in the past but we're also staying within our parameters. The whole discussion that we've had in the past about where is our comfort level between that 15 – 30% is still 3 months of reserves. We still don't know what's going to happen in the economy and we don't know what's happening with the State of Illinois. We feel comfortable looking out longer and that's why we're making this recommendation and we believe with the budget amendment like we did before putting more into local roads already this is why we came with this decision for the \$1.5 million of reallocation.

Mayor Gallo - Briefly remind me how you came to that sum of the \$400,000 again.

Barry Krumstok, City Manager - When we do the calculation and this will be a little more apparent in the next discussion on the budget parameters, the \$400,000...

Melissa Gallagher, Finance Director - It's on electronic page 18 the tax levy scenario.

Barry Krumstok, City Manager - When you look at the draft tax levy this is following some of the parameters that we've had with the 2019 budget and even with the discussion about the bonds. When you look at the third to last bottom in the main subject that's where the use of the General Funds for \$400,000 reducing that overall if you just continued with everything, with what the actuarial is stating right now when we talked about that additional \$1.1 million plus some of the other pieces it was a 7.1, that \$400,000 plus the additional \$276,000

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brings it down to the 2.4% which is what we talked about with the Council using it as a target for the 2020 budget.

Alderman Sanoica – Can you describe which column you're in again?

Barry Krumstok, City Manager – I'm actually in the "Dollars Change from 18 Levy," if you look in the main body of that part it would be where the yellow proposed property tax levy, go 2 levels before that and that's the \$400,000 that we're utilizing plus the other less part that we're using for some reserve amount to make that 2.4%. I know it's a little complicated for people at home but following the sheets that's why we came up with that \$400,000 plus addressing the liability with \$500,000 and \$500,000 and the \$100,000 to IMRF.

Alderman Cannon - looking at the returns from last year, realizing that anyone that follows the market knows December was a bad month but when we see what happened with IMRF that's incredible, they're down 13%. The market wasn't down 13% last year. Have they changed their philosophy on how they go to market and how they invest their money? Would you be aware that?

Melissa Gallagher, Finance Director - It really was part of the market but there were some other pieces to that as far as the actuarial as well. There were some actuarial changes as well.

Barry Krumstok, City Manager – IMRF has not changed their philosophy it was just some of the components that were put into it.

Alderman Cannon - Remind people that we have no influence on how the money in Fire is invested but yet we're still responsible for the outcome.

Barry Krumstok, City Manager – That is correct. For the City of Rolling Meadows the main 3 pensions that we have are specifically Police and Fire, they're two separate ones they each have their own 5 member board. Those two 5 member boards run those two pension. IMRF which is for all non-sworn officers (Police & Fire) and that's for any municipality that is one board for all of us. They accumulate millions and play with billions in investments compared to each of these numerous pension boards that are throughout the State of Illinois that have their own autonomy as they make their investments per state rules. If I can make one little pitch, this is why Mayors, Managers, City Councils have been lobbying so hard down in Springfield to bring economies of scale and also change pensions overall because where you have IMRF that is doing so well and then when you have so many different pension boards that do fluctuations and that's why we're trying to get this under control.

Alderman Cannon - The House or the Senate take a really close look at combining all of them?

Barry Krumstok, City Manager – With IML and Northwest Municipal Conference they lobbied very hard. They had multiple different plans that were being addressed and talked about but at the end of the day the House and Senate did not pass any pension reform overall in consolidation. There's three that are really getting some traction but they don't have the vote yet. That traction deals with some of the thoughts of consolidating and some of that deals with how the Boards are set up. The biggest thing is that there's a feel that certain people don't want to lose their autonomous feel instead of doing the good for all. There's also economy of scales, there are certain municipalities that do better than others.

Mayor Gallo – Are you looking for a straw vote this evening?

Melissa Gallagher, Finance Director – Yes, we're looking for a straw vote so we can bring forth a Resolution unity future City Council meeting.

Mayor Gallo - I would like to see a show of hands from the City Council to allow for an additional \$400,000 to be utilized in the FY 2020 budget. Those in favor, raise your hand. Opposed? 4 in favor and 1 opposed. The majority does rule so it will be right for at a future Council meeting.

4) Budget Parameters for FY 2020

Melissa Gallagher, Finance Director – As in past years, this discussion begins the process of reviewing parameters for developing the FY 2020 Budget. 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 the new legislation from the State of Illinois, unfunded mandates, the 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. The City is looking at ways to be strategically aligned with new developments from the State of Illinois. Within this discussion, the Property Tax will be reviewed as a starting point for the FY 2020 Proposed Budget.

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 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. The CIP is reviewed in depth by the Ad-Hoc Capital Improvements Committee from January to July. The 5-Year Capital Improvements Plan will be presented to the City Council at the August 20th 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 10th City Council Meeting, the FY 2020 Proposed Budget will be presented to the City Council. After these documents are adopted by the City Council, the documents are added to the City’s Transparency portal on the City’s webpage at www.cityrm.org.

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.

Continuing the focus areas set forth in the FY 2019 Adopted Budget for the City of Rolling Meadows, the FY 2020 Proposed Budget will incorporate several major areas of focus (but are not limited to these items).

Capital & Technology Infrastructure Projects, Public Safety & Fire Protection, Economic & Business Development, Zoning & Land Use Planning, Community Events, Utility Rate Stabilization and Fiscal Stability, Pension Funding & Reserves.

The General Fund, the City’s largest operating fund, accounts for the majority of services provided for in the City of Rolling Meadows and is a primary focus of the annual budget process. Beyond the General Fund, parameters are reviewed for the City’s operating, internal service and enterprise funds and fund balance policies are also reviewed.

City Revenues

- Assess the baseline data and develop revenue estimates which will be similar to the FY 2019 Adopted Budget (to be adjusted where necessary).

- Each fund has its unique revenue structure and some revenues such as the Motor Fuel Tax Fund have restrictions on the use of those funds. For example, the use of Motor Fuel Tax Funds are approved by the Illinois Department of Transportation and are used for the Annual Street Program.
- Review and evaluate items from the State of Illinois' budget process, the City's newly initiated video gaming revenues, other revenues and fees.
- Monitor available fund balance in each of the Funds and follow Fund Balance policies developed for certain funds (the General Fund, 911 Fund and the Refuse Fund).
- At some point, Staff will be developing a Fund Balance policy for other funds such as the Garage Fund. This policy will be brought forth as a Resolution for City Council approval.
- Evaluate revenue estimates based on prior trend-line data, CPI data, Illinois Municipal League data, and various other sources.
- The City approved the 2019 Utility Rate Study, prepared by Baxter & Woodman, which developed a multi-year plan for rate stabilization and continued capital improvements for the Utilities Fund. The City's Water, Sewer and Stormwater rates will not be increased for the FY 2020 Budget per the Utility Rate Study's analysis and due to the funds received for the 2019 bond proceeds.
- Evaluate the Refuse Rate per the Fund Balance Policy and to not to exceed 3.25% of an increase per the agreement. There has been some discussion in the past about bringing back the residential chipper service. If so, then a slight increase in the rate to cover the service would be proposed.
- Increase Chargebacks for Funds where possible (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.

The City's property tax levy consists of Police and Fire Protection (a portion of the overall cost); Police, Fire and IMRF Pensions; Public Works operations (only a small amount of the overall cost); a portion of the Annual Street Program cost; 911 Fund services; and the 2018 and 2019 bond payments.

Every dollar of property tax paid by Rolling Meadows residents is divided among taxing districts. This year the City portion of the typical property owner was 16.6% including the Pension Fund (shown for Elk Grove Township) (rounding differences may occur).

For Property Tax Levy's working scenario, the increases to the Police, Fire and IMRF Pensions are shown per the actuarial reports. The deduction for the Public Works Operations is due to the fact that the Property Tax Levy for the FY 2019 Budget approved the accumulation of revenues for the debt service payment and future tax levies. The 2018 and 2019 Debt Service payments are added to the tax levy. The total increase shows at \$1,026,166.

When incorporating the use of reserves of \$400,000 from this evenings General Fund Reserves discussion and the planned use of the tax levy from the FY 2019 Budget of \$276,108, the proposed tax levy is \$350,058 or 2.4% year-over-year.

City Expenditures

- Assess the baseline data and develop expenditure estimates which will be similar to the FY 2019 Adopted Budget (to be adjusted where necessary).
- The City's union contracts have contractually determined items which will be incorporated into the FY 2020 Budget.
- Review Consumer Price Index (CPI) data from for the past several years.
- Fund the Police, Fire and IMRF pension funds per the actuarial determined amounts (Statutory requirements from the State of Illinois).
- Evaluate and prioritize capital improvement projects in the Capital Improvements Plan and review the CIP projects with the Ad-Hoc Capital Improvements Committee.
- Evaluate and prioritize vehicle purchases in the Capital Improvements Plan with the Vehicle Replacement Committee.
- The City's Enterprise Resource Planning (ERP) development and upgrades will continue in FY 2020. This important investment integrates the City's GIS data through multiple platforms across Departments.
- In FY 2020, the City's website is scheduled to be refreshed (search engine optimization, layout and other items) as part of the contractual agreement with the City's website vendor.
- Determine the key road funding projects and funding availability from the State Motor Fuel Tax Fund and the Local Road Fund.
- Continue the repayment plan of \$100,000 (5th 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 mentioned in the FY 2019 Budget, the FY 2018 Audit and other reports, the City has set aside in the General Fund's Fund Balance \$1.4 million for funding compensated absences (which is approximately 35% of the total amount of \$3.9 million). At a future date, it might be valuable to discuss the appropriate level to set aside in reserves. Municipalities do not typically set aside funds for compensated absences but may set aside an amount equal to the estimated amount to pay each year. This is an item for a future discussion with the City Council.
- The City is down to only one fund that has a negative balance. This is TIF #2 (37) (Kirchoff & Owl). Now that the bonds have been repaid, this fund is slowing becoming positive. It will be positive on its own before the 2023 end of the TIF's term. If the City Council decides to sell the last lot, all proceeds are sent back to this fund.

As mentioned and shown in the FY 2020 Budget Planning Calendar, the 5-Year Capital Improvements Plan will be presented to the City Council at the August 20th Committee-of-the Whole Meeting. At the September 10th City Council Meeting, the FY 2020 Proposed Budget will be presented. The September and October Committee-of-the-Whole Meetings are the meetings in which the FY 2020 Budget is discussed. There are public hearings at City Council meetings for the Property Tax Levy and the FY 2020 Budget. The City Manager and

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Finance Director will hold one-on-one discussions with the Mayor and City Council to review the FY 2020 Budget.

Mayor Gallo – Ms. Gallagher, how would you like to phrase the straw vote request?

Melissa Gallagher, Finance Director – I think similar to the last straw vote, we have the working draft scenario and if that's something we can move forward with.

Mayor Gallo – With a show of hands can I see whether or not the Council is in approval for proceeding as laid out here as the working scenario for FY 2020 proposed budget? All those in favor, raise your hand. Opposed? 4 in favor and 1 opposed. The majority is in favor in moving forward as proposed.

5) Elected Officials Training Part 2

Barry Krumstok, City Manager - At the last Committee-of-the-Whole meeting we did elected officials training part 1, it was pretty in-depth. We still have some other items that we need to mention. City attorney, Jim Macholl will take the mic and it will be much quicker this time. We also want you to remember that if you have additional questions or concerns please reach out to City Attorney Jim Macholl. I hope everyone is done with their reading as there will be a test later. I know that Alderman O'Brien has finished reading the book as he has already talked to me about a few parts. At the last meeting we mentioned that we still need your certificate for the Open Meetings Act training from those who have not turned them in yet. This is a requirement and if you think you have done it in the past you can go on the website and reprint your certificate and send it to myself or Deputy City Clerk Judy Brose.

Jim Macholl, City Attorney - One thing that I will point out I do not have anything to distribute tonight that was a lack of communication on my part between myself and the Deputy Clerk.

Referendum Questions - There are two types of referendum questions, binding and advisory. Sometimes the Council will pass an ordinance or resolution to put a question on a ballot to get feedback from the voters as to whether they're in favor or not in favor. Those are largely advisory, the Council can still do whatever the Council chooses to do.

The second type referendum questions are binding referendum questions. Those consists primarily of resolutions which result in a proposal to change the form of government. A couple months ago the city Council passed a resolution to propose reducing the consecutive number of an Alderman's terms from 3 to 2. That will be on the March 2020 ballot and the voters can weigh in on whether they support or oppose that or not. Binding referendums such as the one I just talked about are what's called self-executing, in other words if more people vote in favor of the referendum then not then with that vote that referendum goes into effect. Historically, what the Council has done on similar situations such as term limits is they've codified the Code of Ordinances to reflect that referendum but that's not necessary or not required. There cannot be a condition attached to a binding referendum.

Gift Band Act - This Act provides that you cannot accept a gift within certain dollar amounts or any gift from a prohibited source. The Act defines a "prohibited source" as any person seeking official action by the member or officer or in the case of an employee by the employee or by the member, officer or other employee directing the employee, in other words a vendor or potential vendor of the City. There are exceptions. The exceptions consists of if it's a gift or sum that's available to the general public or anything that you or an immediate family member pays the fair market value. Also political donations are subject to the Gift Band Act. A gift from a relative is not subject to the Gift Band Act or if you have a personal relationship with someone that does business

with the City that you've known for a long time, for example, they want to take you out for dinner for your birthday that's fine provided that in your own mind that the gift from a close personal friend not someone who's trying to gain some advantage with doing business with the City. The thing that comes up more often is one of the exceptions is food or refreshments not exceeding \$75 in one day from a prohibited source. As long as you don't exceed the \$75 per day, you're okay. Intra-governmental and inter-governmental gifts, for example if one of your children is getting married and you invite other members of the City Council to attend that wedding/reception and they reciprocate by providing your child and their spouse with a gift that's okay. Any item or items for anyone prohibited source during any calendar year having accumulated total value of less than \$100. There's also a get out of jail free card if you think you have violated the Act that is you immediately return the value of what you received or if that's not possible for some reason the alternative is to make a donation of remote equal to its value to an appropriate 501 (c)(3) charity.

Land Use and Zoning - A few years ago the City combined the Zoning Board of Appeals and the Planning and Zoning Commission. The function of the Zoning Board of Appeals is to hear and decide the appeals from decisions of the Community Development Director. Typically, those involve garages and sheds that violate setback lines or encroachments on an adjoining property. The Zoning Board of Appeals are now the Planning and Zoning Commission on those decisions acts not only as a recommending body to the City but they act as an administrative body. As such a person aggrieved by the decision of the Zoning Board of Appeals or now the Planning and Zoning Commission in that capacity, wants to appeal they have to go to the Circuit Court of Cook County and they have 35 days to do that. That's covered by the Administrative Review Act.

The Planning and Zoning Commission conducts public hearings, here's evidence and from that evidence makes recommendations and findings to the City Council relative to the approval of plots of subdivisions, plan developments, re-zoning, special uses, variances and amendments to the Zoning Code itself. Again, they are a recommending body to the City Council and the City Council ultimately makes the decision. As Finance Director Melissa Gallagher indicated earlier the City is in the process of redoing its entire Zoning Code to make it more modern and bring it up-to-date which I think is something that's going to benefit the City.

Boards and Commissions - The City Council establishes different Boards and Commissions such as the Environmental Committee, the Economic Development Committee, etc. To establish that the City Council passes ordinances to create those Committees and Commissions and within that ordinance indicates how many members comprise that committee, their term, tenure, appointment and what their powers, duties and functions are. Those are all codified in the ordinances.

The last thing I wanted to mention was discussion with potential vendors, material suppliers, contractors and the like. We're a City Manager form of government. If you have an idea that's going to benefit the City and you have some contact that you would like to talk to or pursue, the thing to do is turn it over to the City Manager and not undertake to do that by yourself. We are a managerial form of government, it should go to the City Manager and from there it would go to a Committee-of-the-Whole Meeting and then to ordinance or resolution that would be on the agenda for Council action.

6) Elections – 3 or more than primary – Discussion – Referendum (Alderman D’Astice)

Mayor Gallo - I am striking from this evening’s meeting. After reading this when it came out on Friday I noticed it was absent of any samples or examples of nearby communities that are also Council management forms of government. Not strong Council forms of government so I would like to see a little bit more information or feedback, some data, statistics so we can have a data-driven decision made from this. In addition to that, this is a conversation that our Aldermen should be having with residents after this conversation happens around this table. For now we are going to omit this and move on. It can come back when it has more information brought up and at that point we will visit it.

Alderman D’Astice - I have an objection with that and I would like to call for the Orders of the Day.

Mayor Gallo - What is your objection? We’re not going to call for any Orders of the Day. I’ll have you state your objection.

Alderman D’Astice - I have an objection with you pulling it and I’m calling for Orders of the Day. A call for the Orders of the Day means we move ahead with it. You can check it in parliamentary procedure and Roberts Rules of order.

Mayor Gallo - You can call for orders of the day, you can call it whatever you want. There is nothing in this report...

Alderman D’Astice - This is not up for discussion.

Jim Macholl, City Attorney - To make a motion for Orders of the Day and seconded and go from there. To be honest Orders of the Day is a little new to me. If the Council wants to consider it then I guess it’s up to a second and a vote. Again, I’m not familiar with it as Alderman D’Astice is.

Alderman Sanoica – Alderman D’Astice please explain that motion a little bit more?

Alderman D’Astice – Sure, a call for Orders of the Day prohibits an item being pulled from the agenda, it does not require a second and it does not require a vote. You can vote on it but it would take a super majority to strike it.

Mayor Gallo – Do I have a second? Alderman D’Astice made the motion and it was seconded by Alderman Cannon. All those that want to proceed raise your hand.

Alderman O’Brien - I would like some additional information myself. I’m with you Mr. Gallo but I’m wondering myself too so I would just like some additional information which I think could be done through discussion. I’m learning myself so that’s why I’m open to a discussion tonight. It seems like Mr. D’Astice might have some of the background on it which I know is not in the write up.

Mayor Gallo – As Chairman of this Council, if you look at every other agenda item that was presented in our packet there was numerous points and positions with data and statistics driving them so we can review them in advance. I’m not saying this is not up for discussion itself at some point but three sentences does not constitute a cogent opportunity to discuss this at this time. So my question is who is in favor of continuing this conversation at this point? Show of hands.

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Alderman Bisesi - Can add one thing, the one thing that I'm thinking right now is to at least give and I agree with you regarding not much information...

Mayor Gallo – Then I want you to give me with a quick show of hands if you want to see this proceed at this time. Those in favor?

Alderman O'Brien - I would like more detail but I don't see an issue with continuing with just an open discussion. I'm with you if we were to move forward...

Mayor Gallo – What are we discussing if we don't have any data, statistics or facts behind this at this time? What are we discussing?

Alderman D'Astice - A call for the Orders of the Day, in parliamentary procedure, is a motion to require a deliberative assembly to conform to its agenda or order of business, it does not require a second. It does not call for discussion at this point in time. We've already had a second and we now move to discussion of the item.

Mayor Gallo - The question is there has to be a vote in order to approve moving forward.

Alderman D'Astice - You can have a vote.

Mayor Gallo - That's where we're at right now. I'm asking for a show of hands if you want to proceed. All those in favor, raise your hand. Opposed? 3 in favor and 2 opposed. Alderman D'Astice take the floor and give your presentation.

Alderman D'Astice - Thank you. After the last election that the City had several residents came to me and asked me whether or not there would be a runoff in those elections where the winner did not receive a majority of the voting public. I said I didn't know the answer so I looked it up and found out our City did not have an ordinance that requires a majority of the voters. After talking to several residents I thought we could have a discussion here of whether or not the City would like to allow the residents the opportunity to speak up on the matter by form of a referendum. A referendum we would decide what the question would be and then the voters in the March 2020 election the voters could decide whether or not we should continue the way we operate now or whether we should change our government to say the winner of any particular elected position should receive 50% or more of the votes.

Mayor Gallo - I appreciate your position on this and I appreciate you fielding questions from residents and we are much like many communities in the United States plurality/majority winner take all form. We don't pursue runoffs and if you would've brought back information or statistics after voter turnout from a runoff election because we've only had 2800 residents participate in our elections. If you wanted to come back to me or to this Council and say that after the initial election occurs and then a runoff election takes place you have a 70% attendance rate than that's significant. But at this time we could do simple numbers and assume that those who voted in this case the third and fourth place you take them out of the equation and that leaves the first and second place voters which is 1,002 and another 709 and that's a total of 1711 voters. If you wanted to look at that first place recipient of 1,002 votes that's 59% of the vote and second-place is 41%. Because you don't have any statistics telling me how many voters are going come back and participate in a runoff, I don't know whether it's worth our voter turnout time.

Alderman D'Astice - The situation we have now and the situation we're talking about, there is not a vote runoff it would be similar to the City of Chicago and Hoffman Estates. If there are three or more candidates running for any elected position, there would be a primary when the primary is held, and the two top vote getters at that point would move on to the election. There is no runoff we don't do that in this State. Further, it's just a matter of I'm offering this as a potential referendum to let the people of the City decide. Do they want to continue the way we are now or whether they would prefer to do it in a manner that know whoever wins will receive 50% or more of the vote. With as many people that have come to me and asked me about this I felt that a referendum that this Council should be able to have a discussion on whether or not the people of the City could have a referendum and they can make a decision. I don't feel that it's appropriate for seven people to make a decision for potentially 15,000 voters even if only 2000 or 3000 come out to vote, that's their choice. I've always been about choice and I feel that it has nothing to do with who won this time it's a matter of what should we allow the people to do, what do they want to do. That's why we would offer them a referendum. Seeing is that there's another referendum already on the ballot it cost the City no additional funds to do it because there's one out there.

Mayor Gallo - What I would like to do and I never said that this could not be brought up for debate or discussion among the seven peers on the Council. What it is bringing back for those residents, 1) I would like to see a petition of all those residents that would be greatly appreciated and 2) I want to know what the financial implications are to the City to host a primary election thereafter if we have two or more candidates in an election. So I would like that data here before we go ahead pursuing this and putting it up for referendum.

Alderman D'Astice - I said there would be no costs since there is already a referendum item on the primary ballot for the City...

Mayor Gallo - You're missing the point Sir. Not about putting an additional referendum on the ballot but about hosting additional votes with additional polling places and the logistics behind those secondary votes that take place. Not about putting a referendum on the ballot for resident to sign.

Alderman D'Astice - May be on not making myself clear. We have a primary in March 2020, there already is a referendum on that ballot, to add a second referendum on the ballot would not cost additional funds to the City.

Alderman O'Brien - that was one of the questions I was going to have during the discussion. Is going forward the cost of primaries?

Barry Krumstok, City Manager - Can I just clarify? Alderman D'Astice you are correct, for the referendum there is no additional cost but what Mayor Gallo is saying after (hypothetically) the referendum passes and then ordinance is passed, that first time that a primary comes up what is the financial considerations to the City? So it's two different subjects.

Mayor Gallo - There will be and I want presented to the residents so they're fully aware of the long-term ramifications. This is the information that I was expecting to see this evening so we could have a cogent discussion about this.

Alderman D'Astice - Then I want Staff to let me know what that cost would be.

Mayor Gallo - Alderman D'Astice you brought this to the floor it would be expected of you to go ahead and do the research.

Alderman D'Astice - Why do you continue to interrupt me when I have the floor? I'm being very polite with you. I'm just asking if Staff can get that information for us and I don't believe that any petition is required. We didn't have a petition required to see whether or not we should change the Alderman terms so let's be fair about the whole thing. What we do for one we do for the other. Fair is fair and this is how government works. It doesn't work by petition.

Mayor Gallo - Staff are you okay with resourcing that information?

Barry Krumstok, City Manager – Yes.

Alderman Bisesi - I don't see outside of the election that we just had, particularly the mayor's race, where we had four candidates were this has ever been an issue in the past. I don't know if we can actually foresee if it's going to be an issue in the future either. In some form it might be a good idea like you said, I would have to see the specifics, what we're voting on with the data behind it to make an educated decision.

Mayor Gallo – I'll put it to a vote that this is not ready to be a City Council conversation rather a second of the Committee-of-the-Whole conversation with further data and statistics. Could we vote on that? All those in favor, raise your hand. Opposed? 5 in favor and 0 opposed. It's unanimous, it'll stay at the Committee-of-the-Whole so we can have a cogent discussion moving forward before we bring it to the Council.

7) Open Land/Empty Office Building Incentive – Real Estate Transfer Tax Incentive

Barry Krumstok, City Manager – The Economic Development Committee is recommending this new, economic development incentive to the City Council. For the real estate transfer tax, the City's tax is \$3 per \$1,000 of a purchase price of real estate property (or 0.3% of the purchase price). The basic premise is after the development occurs, the City would rebate \$2 to the buyer and the City will keep \$1 of the overall real estate transfer tax. There has to be development of the project or the vacant part. There's two parts on this, they wanted within six months either a building permit applied for an open land or if it was vacant within nine months to a year, if it was vacant by 25% they wanted it up to about 75%. 6 months, 9 months and 12 months were the thresholds that the Committee had. The Committee worked on this and they felt comfortable bringing it to the City Council to see if we should even entertain a real estate transfer tax incentive.

Alderman O'Brien - That additional information was helpful. Would that be tiered? I believe the transfer takes place at the point of purchase. Would it go into an escrow? Then it would be tiered and how they're doing at 6 months, 9 months, and 12 months? That was my worry too, that we give away 2/3 and then they don't do anything.

Barry Krumstok, City Manager - The feeling was and that's why they made the parameter the 6 months to a year for the building permit. Then we would already have a building permit that they paid for and that they're doing work. This is not paid in an escrow, this is one year. 2019 we taken the real estate transfer tax and then 2020 when it would be paid. Reserves are being used, it's not a lot of dollar amounts, we did some calculations but it might get the incentive. Economic Development Committee did not want something being purchased by a friend and then you have another friend purchasing it and then nothing is really being done. It's a little amount but it might get someone to look at it. The biggest thing that the Committee really talked about was that if you had 50 to 75% vacant how do you address getting that last piece done? Maybe the incentive will help.

Alderman Bisesi - Sounds like what they're trying to address is that someone pulls a permit and stays vacant because they decided that they're not going to build. After they pulled the permit we've already given him 2/3 back.

Alderman D'Astice - The Economic Development Committee had in-depth conversations about this and we had a write up on it that outlined how it worked, it defined would open land was, it defined an empty office building was and they even put a timeframe on how long building has to be empty before it qualifies. Maybe Mr. Krumstok can send that information out to everyone. It wasn't until progress was made, they couldn't just pull a permit and then get there incentive. The same for open land, they would have to buy it and do something with it. It just was not that I'm going to buy this piece of vacant land and then get my money. Something has to happen. The entire Committee put some relatively stringent defenses on this and it should be noted that the Committee recommended this to the Council but I think the Council should see what the fencing was so you have a much better idea. The whole idea of this is give the City another tool to attract businesses to the City.

Alderman Cannon - I compliment Economic Development Committee for looking into issues like this. With the example that we're using, I can't believe a buyer would buy or not buy a building over \$11,000 incentive. That's just an opinion, I might be wrong. I compliment the Committee for this but I don't think this would be a game changer.

Alderman Bisesi - This would only apply to office buildings or vacant land?

Alderman D'Astice – Commercial only. If the Council wanted to increase that, we just wanted a starting point in some sort of incentive to present. Council can use its discretion and come up with something else.

Alderman Bisesi - When we get the transfer tax were does it go? Is that money currently earmarked for something?

Barry Krumstok, City Manager - It goes in the General Fund.

Melissa Gallagher, Finance Director - We budgeted \$300,000 but last year we received \$921,000.

Barry Krumstok, City Manager – We're not talking big numbers. When you have a large piece of property such as Gallagher you have a large transfer tax.

Alderman Sanoica - It's a small amount of money but perhaps, this may be a question for the Economic Development Committee at a later time, when we go out to bid or if we have any examples were commercial businesses are coming in if we have some kind of agreement going forward if they want to build or construct that would impact the community, have some kind of community agreement going forward that might balance out that \$11,000 or so that might have gone to something else like Public Works that might be a viable solution.

Barry Krumstok, City Manager - I think what we're hearing is that you want some additional information so don't take a straw vote tonight and will get more details. We were just bringing it tonight because this resolution/ordinance is going to take more time to draft. We had to do some refinements.

8) Electronic Participation by City Council Members (Alderman O'Brien)

Alderman O'Brien - This actually came up at the last COW meeting when Attorney Macholl did the overall initial training and was talking about the Open Meetings Act. As a little bit of follow up on that I have done and talking to some others about the Open Meetings Act which a part of it more recently done was that elected officials can attend, it was a State statute that was passed, it was part of the Illinois state law passed several years ago and technology wasn't the greatest, it was probably the rotary phone type thing, is that members of bodies can attend remotely if they meet one of three special circumstances. I think everyone's expectation is to be here physically but we also all have other work commitments. I put a very, very rough draft using an old ordinance

so I had all the criteria in there. The State calls out that it's only for one of three exceptions 1) personal illness or disability 2) employment purposes, 3) a family or other emergency. It's clearly not for vacation, when you're on vacation you just can't call in, you're just absent for that meeting. There are 14 other requirements I don't want to read through them one by one. The expectation is that we all are here, a quorum must be physically present in the room, only two members may attend using electronic means for the same meeting and they may not be at the same remote location. I had a hard time looking at the municipal ordinances for Arlington, Hoffman, Schaumburg, Palatine, our surrounding ones. The ones I reviewed happen to be from the western suburbs area Oak Park and River Forest, though seem to be most assessable through searches so I did pick and choose some of those. It really was just to get a straw vote and thoughts. Some of the questions that I was struggling with as I was drafting this, would it just be for City Council? Or is it for any Council? That was some of the wording as we continue would it be effective for Planning and Zoning? Or is it just elected? Some of them that I reviewed clearly stated elected officials only and the other ones use appointed. I just wanted to bring it to the group for discussion since it's a new Council and technology has advanced. Another question is what would it cost? I don't know if the room is set up for a phone call, I don't think we knew to do a video and it might be cost prohibited as well.

Mayor Gallo – Comments? Questions? Does City Council want to move forward on this item and explore it? Investigate opportunities and options? Staff, do you need time to look into this with IT?

Barry Krumstok, City Manager - Yes, if Council decides that they want to move forward that's what we would need to do so we can get you some additional information. Talking with Alderman O'Brien that was one thing we did mention, this room was not set up for that. This discussion has come up in the past and the Council at that time specifically stated that they wanted the physical presence. Again, technology does change. As long as we're making this refined and that people understand what the parameters are. The Council needs to give us the direction if you want us to spend the time to investigate.

Mayor Gallo - One of my concerns would be if it's going to be a chronic issue were Council members are going to fall in one of the three buckets and it's going to be a necessity or is it something that's a significant issue up on the agenda could we in a show of collaboration and camaraderie just table it until the next meeting if it was that significant.

Alderman O'Brien - I'm not expecting it to be and that even some of the criteria that I put in there, a doctor's note or if it is for employment and we could require the travel itinerary and give notification to the Mayor or the City Manager and they could request additional documentation. I wouldn't expect it to be a chronic thing by any means.

Mayor Gallo - If it's not a chronic issue among Council members and there happens to be a controversial or contentious or significant item on the agenda we can always make a motion to postpone or table it until the next meeting if we needed to.

Alderman O'Brien - I'm open to this but it can come back cost prohibitive. I would like to at least see what the cost but I'm absolutely with you and I think with the camaraderie we could postpone if it would be cost prohibitive. I'd be on board for that.

Mayor Gallo - The question becomes does Council want Staff to pursue looking into this matter?

Alderman Cannon - Can you run a meeting remotely in your position? I don't know if it's doable or not.

Mayor Gallo - Paralleling it to other meetings and other conferences, yes.

Alderman O'Brien - We can strike, delete and tweak if the Mayor wasn't going to be here there would have to be another presiding body in the room.

Mayor Gallo - The challenge becomes making sure that those other participants are verbal enough to illustrate what's occurring at the time.

Alderman Sanoica - If we're going to look into the cost of allowing a Council member to be able to remotely participate in the meetings, would it be difficult for Staff to also consider how we can incorporate citizens to also participate remotely?

Mayor Gallo - To your point Alderman Cannon, I think as Mayor I would just allow the Mayor pro tem to sit in in my absence. Anything further from Council? If not, does Council want Staff to pursue looking into this matter? All those in favor, raise your hand. Opposed? 5 in favor and 0 opposed. It's unanimous.

9) G1 Hours of Operation

Barry Krumstok, City Manager - The hours of operation for G1 licenses (licenses of alcoholic liquors and the use of video gaming machines) are currently between the hours of 11:00 a.m. to 2:00 a.m., the following morning. (On New Year's Eve, alcoholic liquors may be sold until 3:00 a.m., the following morning.)

A few G1 license holders have requested that the City Council discuss changing the start time for this license. Some have asked changing the time from 11:00 a.m. to an earlier time (such as 8:00 a.m., as an example). The reason for the request is to accommodate those coming out for brunch/breakfast and to encourage more restaurant patrons to dine out.

The businesses would need to get the data from the State as to what the advantages are for moving the start time from 11am to 8am. The State has the data from the machines and we cannot obtain that information the businesses need to request it from the State.

Staff is looking for direction if the City Council would like to change the start time for G1 license holders only.

Alderman D'Astice - You said that it would put them at a competitive disadvantage, I'm assuming you're speaking to other gaming establishments in the area.

Barry Krumstok, City Manager - That is correct.

Alderman D'Astice - Since all of our G1 license holders are restaurants with gaming they would have to then start selling food at 8am as well?

Barry Krumstok, City Manager - The answer is yes and the majority of them do open up before the 11am start time right now. Many of their customers are there for the meal and then they would like to go to video gaming.

Alderman D'Astice - I just wanted to verify that they were going to be serving food because the intention of the G1 was to have more restaurants come to the City and this was another tool so that they can supplement income and create income for the City as well.

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Barry Krumstok, City Manager - Two out of the five would have to change their start time, the other three are already open.

Alderman D'Astice - And they serve food but they still don't serve alcohol until 11am?

Barry Krumstok, City Manager - If you change the G1 we would ask that liquor would start at the same time as the video gaming machines. You and decide that the only thing that you are changing is the operation because G1 is only dealing with the machines but what we've heard is that they're more concerned about the gaming machines but what you're trying to say is that it might be easier to open everything.

Alderman D'Astice - I'm concerned that it's not just the gaming machines because they are restaurants they start serving restaurant food at 8am, typically that would be some kind of breakfast food. Just want to make sure I understand for G1, gaming, food and alcohol all starting at 8am?

Barry Krumstok, City Manager - If that's what the Council decides. We were only talking about the video machines going active.

Alderman D'Astice - I personally would not go for just the gaming machines being active at 8am. There has to be food to go along with that because these are restaurants that have video gaming.

Mayor Gallo - I think the primary conversation is that the restaurants that are open at this time would just like to turn the machines on at that same time.

Barry Krumstok, City Manager - That is correct.

Mayor Gallo - And because the restaurants are open their menus are available to patrons.

Alderman Cannon - Just out of curiosity, are any of the current holders of this license serve breakfast right now?

Barry Krumstok, City Manager - As a matter of fact Daisy's Café, Isabella's and Anna's Red Apple. Those are the three that actually have hours that are earlier than the 8am start. The two that do not are Stadium and Grande Jake's.

Alderman O'Brien - That would just mirror the weekend hours?

Barry Krumstok, City Manager – Correct.

Mayor Gallo – First question, to allow the machines to turn on at 8am. All those in favor, raise your hand. Opposed? 5 in favor and 0 opposed. Second question, serve alcohol and food at 8am if they don't already. All those in favor, raise your hand. Opposed? 4 in favor and 1 opposed. Majority still moves it forward.

Is there a motion to adjourn? Alderman Cannon has made the motion and it has been seconded by Alderman O'Brien. All in favor say aye; those opposed say nay. The ayes have it and the meeting is adjourned.

There being no further business, by unanimous consent the Committee-of-the Whole meeting was adjourned at 9:32 p.m.

Respectfully submitted by: Judy Brose, Deputy City Clerk