

CITY OF ROLLING MEADOWS

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www.cityrm.org

Citizen's Annual Financial Report

Fiscal Year Ended
December 31, 2014

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Citizens of Rolling Meadows,

The City of Rolling Meadows is pleased to present the City's fourth Citizen's Annual Financial Report for the Fiscal Year ended December 31, 2014. This report provides a brief analysis of where the City's revenues come from and how those dollars are spent, as well as trends in the local economy.

The information in this report is based on the City's 2014 Comprehensive Annual Financial Report (CAFR) which represents the City's official audited financial statements. The City's official financial statements received a favorable opinion from its independent auditors affirming that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Every year since 1985 the City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). This achievement, along with the creation of this Citizen's Financial Report reflects the City's strong commitment to fiscal accountability and integrity.

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 Annual Financial Report for the fiscal year ended December 31, 2013. This prestigious, national award recognizes the City for conforming to the program's standards of creativity, presentation and usefulness to the reader.

We hope upon reading this report, you will have greater insight into the City's financial condition. If you have any questions or comments regarding information in the document, or any City financial report, please contact Finance Director, Melissa Gallagher at 847.870.9041.

Sincerely,

Barry Krumstok
City Manager

Rolling Meadows Fast Facts

Population	24,099
Per Capita Personal Income	\$28,813
Total Taxable Assessed Value (2012 Levy)	\$723,134,295
Fiscal Year 2013 Expenses	\$40.3 million
Fiscal Year 2013 Revenues	\$46.7 million
City Full Time/Part Time/Seasonal Employees	160 FT/ 19 PT/ 12 Seasonal
City Outstanding Bonded Debt	\$12,740,000
City Bond Rating	Aa3 from Moody's AA+ from Standard & Poor's



General Information

The City of Rolling Meadows is located in northwest suburban Cook County, 27 miles from downtown Chicago, Illinois.

The City operates under a city manager form of government. The city manager administers the City's day-to-day operations. The legislative authority of the City is vested in a seven-member council, each elected from their respective wards. The Mayor and City Clerk are elected at large. Each alderman and the mayor serve staggered, four-year terms with term limits. The public voted by referendum to eliminate the elected city treasurer's position in 2006, and subsequently those duties were assigned to the Finance Director.

The City provides a full range of municipal services including public safety, public works, planning and zoning, community development, finance and general administration.

Elected Officials

(As per December 31, 2014)

Mayor		Tom Rooney
City Council:		
Ward 1		Mike Cannon
Ward 2		Len Prejna
Ward 3		Laura Majikes
Ward 4		Brad Judd
Ward 5		Rob Banger, Jr.
Ward 6		John D'Astice
Ward 7		Tim Veenbaas

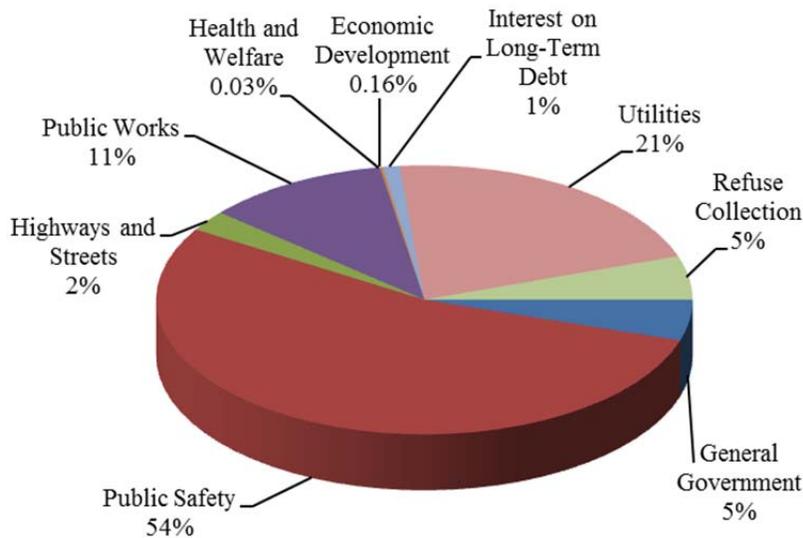
Local Economy

The area economy is still in a slow recovery, yet, there are some upward trends in the areas of sales tax, income tax, real estate taxes and hotel taxes.

The area economy is still in a slow recovery, yet, there are some upward trends in the areas of sales tax, income tax, use tax and hotel taxes. However, some items show while there have been some slight upward trends, there have been some one-time revenues such as real estate transfers, building permits and red light fines. The City's unemployment rate as of December 2014 was 6.4%.

Based on area data, reports show that retail sales have nearly returned to pre-recession 2007 levels but lost some ground over the last few years. While the City experienced some natural growth, revenues are not at pre-recession numbers. According to various data, vacancy rates for commercial real estate has decreased slightly with major stores shifting to meet the new challenges and impacts of e-commerce and customers' demands for quality, yet economical goods.

2014 EXPENSES - \$40,335,059



FAST FACTS:

- The City was able to control costs during the year, with total expenses increasing only 3.0% from 2013, due primarily to increased health insurance and pension costs.
- Public safety expenses account for just over 54% of total expenses of the City.

General Government

Includes administrative services (mayor, council, human resources, city clerk, finance, etc.) and community development services. \$1,978,376

Public Safety

Includes police and fire services (nearly 24% of total are police and fire pension expenses). 21,718,054

Highways and Streets

Includes the operations of the City’s annual motor fuel tax program, including snow and ice control and other capital outlay. 993,051

Public Works

Includes public works administration, buildings and grounds, forestry and streets services. 4,478,722

Health and Welfare

Includes museum, emergency planning, employee wellness, board of fire and police and urban affairs services. 10,352

Economic Development

Includes services related to the operation of the City’s TIF Districts. 65,738

Interest on Long-Term Debt

Includes interest costs on all City governmental long-term debt, including general obligation bonds and capital leases. 412,711

Utilities

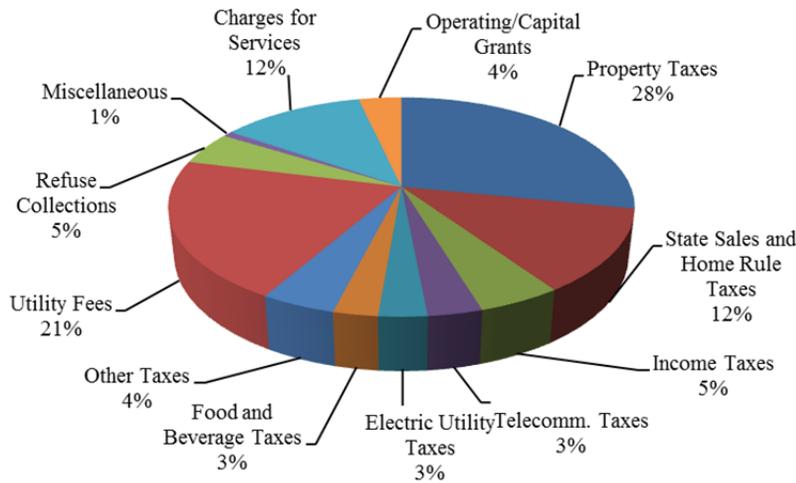
Includes water, sewer and stormwater services. 8,557,359

Refuse Collection

Includes refuse collection services. 2,120,696

\$40,335,059

2014 Revenues - \$46,672,704



FAST FACTS:

- The City was able to report a 8.29% (\$438,520) increase in sales tax and home rule sales tax from FY 2013.
- The City’s revenue base continues to be diversified, with only 28% originating from property taxes.

Property Taxes

Taxes collected from property owners based upon assessed valuation and tax rate (includes the police and firefighters’ pension funds).

\$13,185,352

State Sales and Home Rule Taxes

Sales tax is imposed on a seller’s receipts from sales of tangible personal property for use or consumption. The current rate consists of the State of Illinois Rate (6.25%), Cook County Rate (0.75%), Regional Transportation Authority Rate (1.0%) and the City of Rolling Meadows Home Rule Rate (1.0%) for a total sales tax rate of 9.00%.

5,725,672

Income Taxes

The City receives a portion of the state income tax receipts based on a per-capita basis.

2,282,225

Telecommunication Taxes

The City receives a portion of taxes imposed on telecommunication services such as telephone services, two-way communications, cellular telecommunications and other transmission of messages.

1,489,622

Utility Fees

The City provides water, sewer and stormwater services. Each component has a separately determined user fee and funding mechanism related to delivering water from Lake Michigan and maintaining the underground utility system.

9,638,533

Refuse Collections

The City provides refuse services, which has a separately determined user fee and funding mechanism related to delivering refuse services.

2,289,293

Charges for Services

Includes licenses and permit fees, ambulance fees, fines and forfeitures, including red light enforcement, and other miscellaneous charges for services.

5,532,626

All Other Revenue Sources

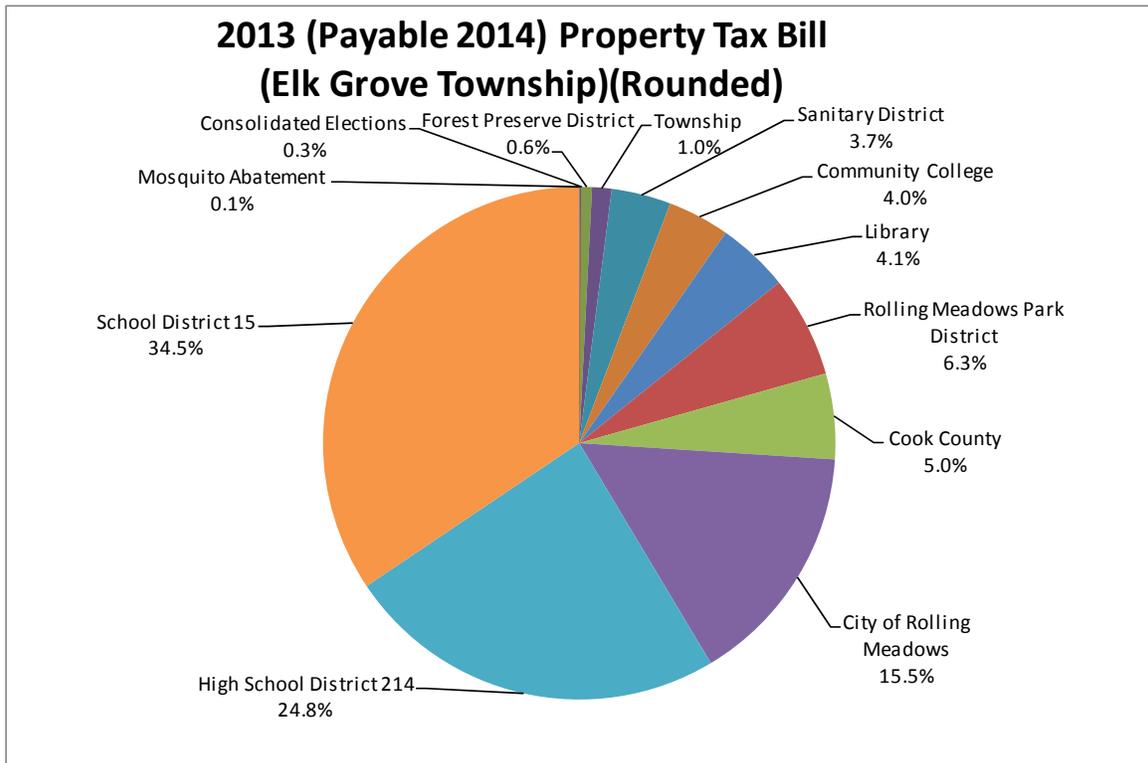
Includes electric utility taxes, food and beverage taxes, real estate transfer taxes, hotel taxes, local use taxes, replacement taxes, interest income, miscellaneous revenue and operating/capital grants.

6,619,381

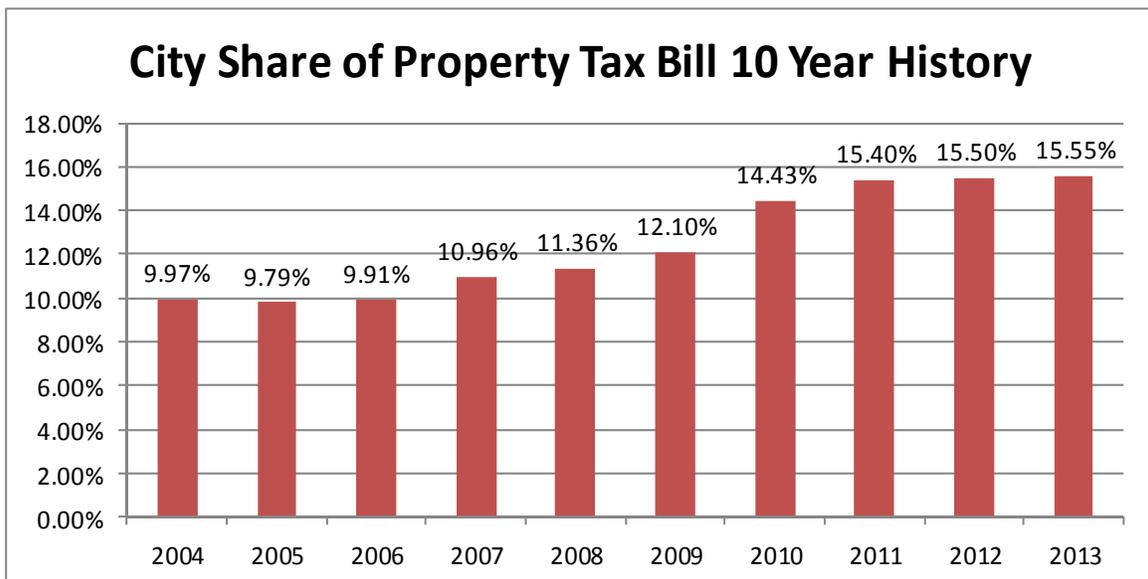
\$46,762,704

Where Do My Property Taxes Go?

Every dollar of property tax paid by Rolling Meadows citizens is divided among many taxing districts. This year the City portion of the typical tax bill for a Rolling Meadows property owner was 15.5% including the Pension Funds (Elk Grove Township) (Rounding differences may occur).



The chart below shows the City’s share of the average property tax bill (Elk Grove Township) for the last ten tax levy years. The City’s share includes the police and firefighters’ penion funds.



Financial Health of Rolling Meadows and Long-Term Financial Planning

In order to insure that the City continues to meet its immediate and long-term service goals, several financial policies and procedures have been implemented by management. Highlighted are some of the more pertinent policies that the City followed in fiscal year 2014:

- In November 2014, *Moody's Investor Service upgraded Rolling Meadows' general obligation (GO) bond rating* to Aa3 from a previous rating of A1, reflecting the agency's confidence in the City's overall financial health. The Moody's report cited a substantial increase in the City's reserve levels as well as a strong capacity to meet financial obligations.
- The City *adopted a Fund Balance Policy for the General Fund* which the City shall maintain a General Fund Unassigned Balance (available) from 15% to 30% of General Fund operating expenditures.
- The City is *committed to rebuilding fund balance reserves* and has eliminated negative fund balances and has made significant progress to that end. TIF #2 (Kirchoff/Owl) is the only Fund with a negative fund balance position and is estimated to become positive by the end of its TIF term in 2025.
- As required by Public Act 97-0609, the City posted employee compensation data for Illinois Municipal Retirement Fund (IMRF) employees who are expected to receive compensation greater than \$75,000. The City took this mandate one step further, to enhance transparency, and published this data for all employees.
- Prepared and reviewed monthly revenue, expenditure and cash balance reporting for all funds with particular focus on the General Fund to the City Council. These financial reports ensure that the City Council is made aware of any variances from the appropriated budget. (The budget document continues to be revised and made easier to understand.)
- Followed a purchasing policy to ensure that goods and services are obtained in a timely manner at the lowest possible cost.
- Followed a written credit card policy for all business-related credit card purchases. Employees must sign a credit card policy agreement prior to a city-issued credit card may be issued.
- Adhered to an investment policy which invests public funds in a manner which protects principal, maximizes return for a given level of risk and meets the daily cash flow needs of the City.
- In June, the City complied with the state-mandated annual treasurer reporting requirements. The report is published in a local newspaper and posted on the City's website at www.cityrm.org under the Finance Department page.



Major Initiatives – Economic Development

The City actively pursues economic development activities in an effort to expand and diversify its revenue base and ultimately secure the financial health of the organization and community.

Fiscal Year 2014 saw increased economic activity, expansion of existing businesses and development interest in the City of Rolling Meadows, punctuated by continued building permit activity (both residential and commercial) and building improvement valuation. For the past three years, the City hired an economic development consultant, Mike Mallon of Mallon and Associates [now D & K Real Estate Service Corp. (d/b/a DK Mallon)], to assist the City of Rolling Meadows in driving economic development and retail activities. At Economic Development Committee Meetings, the economic development consultant and City Staff provide recaps and updates of activities and progress to that end.

Economic Development continues to be a priority for the City of Rolling Meadows. The City Council approved an updated Market Summary by Goodman Williams Group. The Market Summary provides information including demographic characteristics, major employment centers, employment density, leakage analysis, shopping center locations, information regarding available property and other additional items. The Market Summary is useful to site seekers, real estate developers, brokers and potential businesses interested in investing in the City.

In FY 2013, the Continental Towers property at 1701 Golf Road sold for \$58.5 million and the City received approximately \$175,000 in real estate transfer taxes. The new owner, Glen Star Properties, is working on renovations to improve the property. Continental Towers is an approximately 910,000 square foot, Class A office complex and is comprised of three 12-story towers situated on a 34-acre site. [New parking garage and other internal items and external work expected in 2015.]

The \$5.3 million federally and state funded Golf Road Reconstruction Project was completed in 2014. With 70,000 cars passing through this area each day, this retail and business corridor is expected to benefit greatly from the project.

For 2015, the City continues to work on various economic development activities:

First, the City's Downtown area along Kirchoff Road is an area of redevelopment and growth. There are several items of interest for redevelopment:

- Meadows Marketplace (formerly the Dominick's Property) and its developer, Clark Street Development, began redevelopment in 2012 with the expectation that much of the vacant square footage was to be filled by the end of 2013. Clark Street Development continues to work marketing the property to a potential junior box retailer, other retailers or possibly another use for the property.
- As mentioned in last year's Transmittal Letter, the next area of redevelopment was the AMF bowling center at 3245 Kirchoff Road (the City's "Downtown" area). Chicago-based Lexington Homes has been approved by the City to develop a 54-unit townhome community on Kirchoff Road. The new development will feature a mix of two and three-bedroom townhomes and this project is expected to create opportunities for future downtown businesses.
- The Former Ray's Auto location at 3001 Kirchoff Road is a property that may be redeveloped into a coffee and ice cream shop – a perfect location for foot traffic on weekdays and weekends (or after a baseball game or school).

Second, the next area is along the Golf and Algonquin Road Corridor. Currently, the City has been in talks with multiple restaurants and businesses to move into various properties. Listed below are a few of the new items for this area:

- Arthur J. Gallagher Co. recognized as one of “America’s Best Employers” by Forbes Magazine is relocating to the Golf Road Corridor. The fourth largest international insurance brokerage and risk management services firm, Gallagher purchased the property at 2850 Golf Road in 2014. Their plan is to move its world headquarters from Itasca back to Rolling Meadows. The plans calls for significant renovations to the Golf Road property and the company will be bringing upwards of 1,100 plus employees.
- As mentioned previously, Glen Star Properties, is working on renovations to improve the property at 1701 Golf Road known as Continental Towers. The property is an approximately 910,000 square foot, Class A office complex and is comprised of three 12-story towers situated on a 34-acre site. This property is expected to be close to full occupancy after the remodeling is completed (a parking garage is being worked on).
- Umi Grill closed in 2014 located at 1440 Golf Road. The property recently sold and is now owned by “Chen’s Brothers of Illinois, LLC” of Chicago. The group is looking to open a “China Buffet” type restaurant and have submitted for building permits.
- The City has been approached by an interested party for the former Chili’s Restaurant at 1480 Golf Road with thoughts of reopening a bar and grill.
- At the Atrium Center at 3800 Golf Road, Capital One Financial Corporation is currently doing a build-out. The company will be expanding into offices that will be vacated by Riverside Publishing in the near future. Once the expansion is completed, Capital One will occupy 75% of the Atrium Center.
- Just east of the Atrium Center, Weichi, the world’s largest engine producer, is entering the American market. The Rolling Meadows facility will primarily be used for research and development. The company is in the midst of \$4.4 million in improvements to their property and have received a 7b Cook County incentive.
- ATS/Sortimat located at 5540 Meadowbrook Industrial Court has expanded into 27,800 square feet of additional warehouse space. The company is completing roof and mechanical work at that location in 2015. In 2010, the City Council approved a Cook County 6b tax incentive for ATS/Sortimat.
- The building on the site of the former Russell’s Barbeque has now been demolished by the owner. Inquiries for this property have included a memory care/adult day care facilities and a self-storage facility.
- At the site of 3985/3989 Algonquin Road (former Supermercado which closed in August 2014), plans have been submitted to the City and construction is in progress for a store/grocer/restaurant.
- A Japanese Grill Restaurant remodeling permit has been approved by the City at 1673 Algonquin Road (former Muscle Maker Grill Restaurant).
- Another target area is the vacant Sam’s Club property on Golf Road and the City is hopeful for some positive economic development on this property.

Third, another area which is seeing redevelopment and growth is the Plum Grove Road area (cross streets of Plum Grove Road/Kirchoff Road and Plum Grove Road/Euclid Road):

- The Former Pizza Hut building (2101 Plum Grove Road) is being renovated to open as a Hardee’s Restaurant and will open at a later date.

The tables on the next two pages are condensed forms of the financial statements within the CAFR. The City's CAFR contains very detailed information and data. The CAFR should be read in conjunction with this Citizen's Report. Interest users may obtain a complete copy by visiting the City's website at www.cityrm.org. The Citizen's Report is consistent with Generally Accepted Accounting Principles; however it is not intended to act as a complete financial statement and does not include the City's component unit, the Public Library.

The Statement of Net Position and Statement of Activities are divided between governmental and business-type activities to distinguish functions of the City which are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions which are intended to recover all or a significant portion of their costs through user-fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, public works, health and welfare and economic development. The business-type activities include utilities and refuse collection.

The Statement of Net Position below presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. *Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.* The City reports restricted net position of \$1,226,505 at December 31, 2014, which is legally restricted for public safety, highways and streets and tax incremental financing district related items. Unrestricted net position of \$11,281,474 may be used to meet the ongoing operational obligations of the City. The City's investment in capital assets (net of debt used to purchase such assets) amounts to \$126,193,679 at December 31, 2014.

	City Statement of Net Position			% Change From 2012
	2014	2013	2012	
Current Other Assets/Def. Outflows	\$ 39,904,467	35,937,078	29,445,950	36%
Capital Assets	141,250,252	140,846,527	140,785,472	0%
Total Assets/Def. Outflows	<u>181,154,719</u>	<u>176,783,605</u>	<u>170,231,422</u>	6%
Current Liabilities/Def. Inflows	18,962,172	18,181,345	17,288,092	10%
Noncurrent Liabilities	23,490,889	26,328,247	27,164,356	-14%
Total Liabilities/Def. Inflows	<u>42,453,061</u>	<u>44,509,592</u>	<u>44,452,448</u>	-4%
Net Position				
Net Investment in Capital Assets	126,193,679	123,279,808	122,154,515	3%
Restricted	1,226,505	1,281,794	1,437,541	-15%
Unrestricted (Deficit)	<u>11,281,474</u>	<u>7,712,411</u>	<u>2,186,918</u>	416%
Total Net Position	<u><u>138,701,658</u></u>	<u><u>132,274,013</u></u>	<u><u>125,778,974</u></u>	10%



The Statement of Revenues, Expenses and Changes in Net Position below summarizes the reasons behind the change in the City’s net position. Revenues include program revenues (charges for services and grants that directly relate to the provision of certain City services) and general revenues (majority of which are property taxes). *The City’s net position has increased 10% since December 31, 2012.*

	City Changes in Net Position			% Change From 2012
	2014	2013	2012	
Revenues	\$ 46,762,704	45,632,476	45,396,582	3%
Expenses	40,335,059	39,137,437	38,032,113	6%
Change in Net Position	6,427,645	6,495,039	7,364,469	-13%
Net Position - Beginning	132,274,013	125,778,974	118,414,505	12%
Net Position - Ending	138,701,658	132,274,013	125,778,974	10%



The City is required to perform an audit of its finances each year. Historically, the City has exceeded minimum reporting and disclosure standards by producing a Comprehensive Annual Financial Report (CAFR). *The City's CAFR has been awarded a Certificate of Excellence in Financial Reporting for 28 consecutive years* by the Government Finance Officers Association.

If you have any questions concerning this report or would like to offer any ideas or suggestions for improvement, please feel free to call Melissa Gallagher, Finance Director at 847.870.9041.

City of Rolling Meadows Website

www.cityrm.org

The City's website contains additional financial information including the Comprehensive Annual Financial Report and the City budget.

The City's website is a great resource for information on all City services and events. Meeting agendas and minutes of City Council meetings can also be found on the City's website.



Finance Department

For more information on financial matters of the City of Rolling Meadows, please call the Finance Department at 847.394.8500