

# City of Rolling Meadows

*Progress Through Participation*

3600 Kirchoff Road, Rolling Meadows, IL 60008

www.cityrm.org | Tel: 847.394.8500

# Citizen's Annual Financial Report



Fiscal Year Ended December 31, 2018



City of  
**ROLLING  
MEADOWS**



City of  
**ROLLING  
MEADOWS**

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## City Manager's Office

3600 Kirchoff Road, Rolling Meadows, IL 60008 • [www.cityrm.org](http://www.cityrm.org) • ☎ 847.394.8500 • 📠 847.394.8710

May 23, 2019

Citizens of Rolling Meadows,

The City of Rolling Meadows is pleased to present the City's seventh Citizen's Annual Financial Report for the Fiscal Year ended December 31, 2018. 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 2018 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, 2017. 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

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



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

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.

## City of Rolling Meadows Fast Facts

<b>Population (U.S. Census Bureau)</b>	24,231
<b>Per Capita Personal Income</b>	\$35,094
<b>Total Taxable Assessed Value (2017 Levy)</b>	\$808,104,131
<b>Fiscal Year 2018 Expenses</b>	\$50.6 million
<b>Fiscal Year 2018 Revenues</b>	\$54.5 million
<b>City Full Time/Part Time/Seasonal Employees</b>	158 FT / 18 PT
<b>City Outstanding Bonded Debt</b>	\$13,541,852
<b>City Bond Rating (Reaffirmed in 2018)</b>	Aa3 from Moody's; AA+ from Standard & Poor's

## **Elected Officials**

(as of December 31, 2018)

### **LEGISLATIVE**

Mayor: Len Prejna

Deputy City Clerk: Judy Brose

<b>Ward 1:</b>	Mike Cannon, Alderman
<b>Ward 2:</b>	Nick Budmats, Alderman
<b>Ward 3:</b>	Laura Majikes, Alderman
<b>Ward 4:</b>	Joseph Gallo, Alderman
<b>Ward 5:</b>	Rob Banger, Jr., Alderman
<b>Ward 6:</b>	John D'Astice, Alderman
<b>Ward 7:</b>	Rob Williams, Alderman

### **ADMINISTRATIVE**

<b>City Manager:</b>	Barry Krumstok
<b>Finance Director:</b>	Melissa Gallagher
<b>Public Works Director:</b>	Fred Vogt
<b>Police Chief:</b>	John Nowacki
<b>Fire Chief:</b>	Terry Valentino

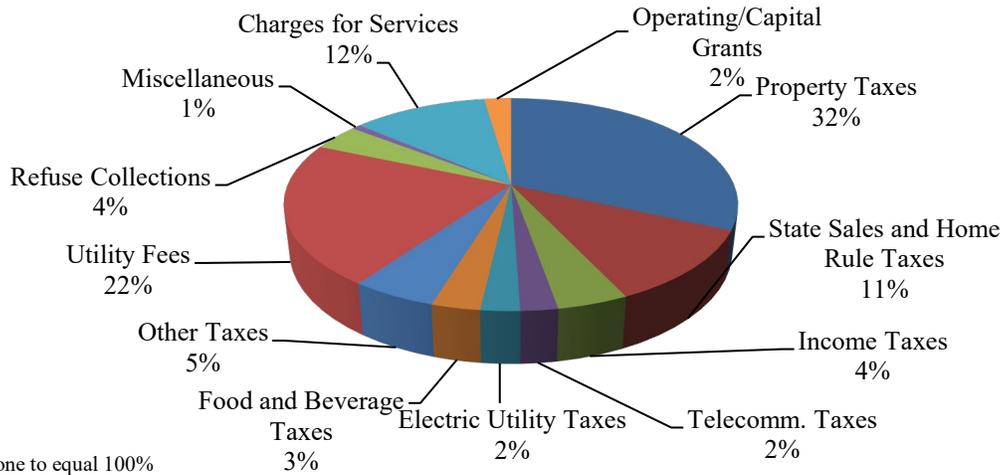
## Local Economy

The area economy is showing positive signs with some upward trends in the areas of sales tax, food & beverage taxes, use tax and hotel taxes. However, some items show while there have been some slight upward trends, there have been some unanticipated, one-time revenues such as real estate transfers, building permits and red-light fines. The City's unemployment rate as of December 2018 was approximately 3.9%.

Rolling Meadows is centrally located and enjoys excellent regional transportation connections. Approximately 290,000 people live within five miles of downtown Rolling Meadows (Kirchoff Road) and another 149,000 work within that area. Businesses, large and small, consider relocating to the City due its strategic location in the Northwest suburbs. The City is just eight miles from O'Hare International Airport with high-traffic visibility along major expressways. The City has a business-friendly community and has approximately five million square feet of prime, Class A office space. Redevelopment of commercial and industrial properties has added to increases in property values across the City.



# City Revenues

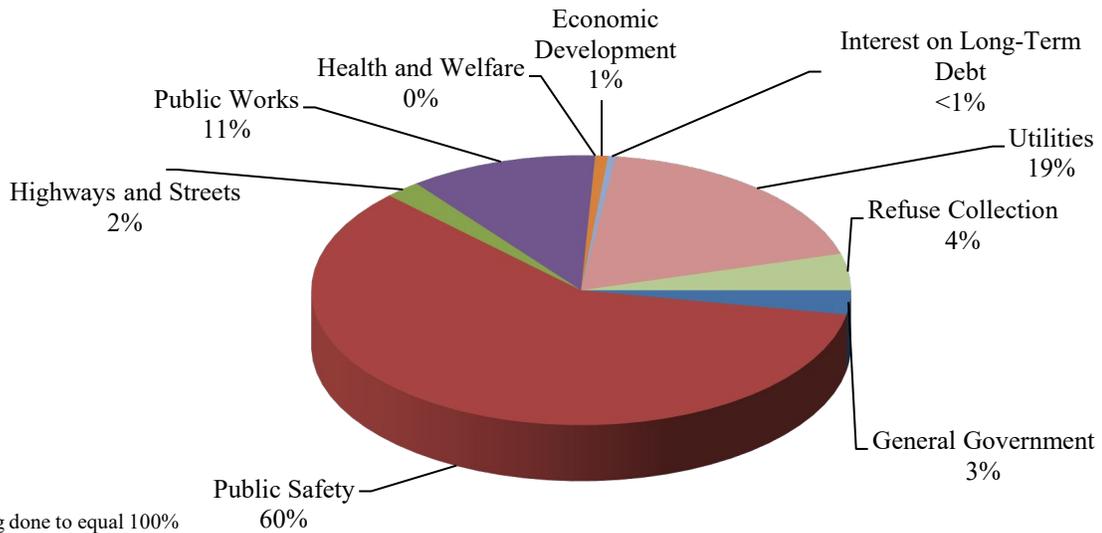


## 2018 Revenues: \$54,459,929

The city reported a 1.65% decrease in sales tax/home rule sales tax from FY 2017. The City’s revenue base continues to be diversified, with only 32% originating from property taxes.

<b>Property Taxes</b>	
Taxes collected from property owners based upon assessed valuation and tax rate (includes the police and firefighters’ pension funds).	\$17,292,247
<b>State Sales and Home Rule Taxes</b>	
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%) Local Sales Tax to the City (1.0%) and the City of Rolling Meadows Home Rule Rate (1.0%) for a total sales tax rate of 10.00%.	6,108,188
<b>Income Taxes</b>	
The City receives a portion of the state income tax receipts based on a per-capita basis.	2,324,681
<b>Telecommunication Taxes</b>	
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.	1,215,689
<b>Utility Fees</b>	
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.	11,789,968
<b>Refuse Collections</b>	
The City provides refuse services, which has a separately determined user fee and funding mechanism related to delivering refuse services.	2,178,810
<b>Charges for Services</b>	
Includes licenses and permit fees, ambulance fees, fines and forfeitures, including red light enforcement, and other miscellaneous charges for services.	6,249,727
<b>All Other Revenue Sources</b>	
Includes electric and natural gas utility taxes, food and beverage taxes, real estate transfer taxes, hotel taxes, local use taxes, replacement taxes, interest income, video gaming, miscellaneous revenue and operating/capital grants.	7,300,619
<b>Total</b>	<b>\$54,459,929</b>

# City Expenses



## 2018 Expenses: \$50,603,327

The City's expenses increased from 2017 due to effects of the net pension liabilities/deferred items for the City's pension funds. Public safety expenses account for 60% of total expenses of the City.

<b>General Government</b> Includes administrative services (mayor, council, human resources, city clerk, finance, etc.) and community development services.	\$1,457,228
<b>Public Safety</b> Includes police and fire services (nearly 24% of total are police and fire pension expenses).	30,114,837
<b>Highways and Streets</b> Includes the operations of the City's annual motor fuel tax program, including snow and ice control and other capital outlay.	1,082,494
<b>Public Works</b> Includes public works administration, buildings and grounds, forestry and streets services.	5,718,353
<b>Health and Welfare</b> Includes museum, emergency planning, employee wellness, board of fire and police and urban affairs services.	4,790
<b>Economic Development</b> Includes services related to the operation of the City's TIF Districts.	386,195
<b>Interest on Long-Term Debt</b> Includes interest costs on all City governmental long-term debt, including general obligation bonds and capital leases.	230,817
<b>Utilities</b> Includes water, sewer and stormwater services.	9,399,536
<b>Refuse Collection</b> Includes refuse collection services.	2,209,077
<b>Total</b>	<b>\$50,603,327</b>

# Financial Statements

## City's Financial Data

The tables on the next page 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 the Citizen's Report. Interested users may obtain a complete copy by visiting the City's website at [www.cityrm.org](http://www.cityrm.org). The Citizen's Report is consistent with Generally Accepted Accounting Principles, however, it is not intended to act as a complete set of financial statements and does not include the City's component unit, the Public Library.

The Statement of Net Position (the City's Balance Sheet) and Statement of Activities (the City's Income Statement) 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 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 \$1,797,635 at December 31, 2018, which is legally restricted for public safety, highways and streets and tax incremental financing district related items. The City's investment in capital assets (net of debt used to purchase such assets) amounts to \$146,876,224 at December 31, 2018.



<b>City of Statement of Net Position</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Current/Other Assets/Def. Outflows</b>	\$ 80,554,627	\$ 58,107,172	48,7123,871
<b>Capital Assets</b>	152,918,494	149,737,024	145,433,365
<b>Total Assets/Def. Outflows</b>	233,473,121	207,844,196	194,157,236
<b>Current Liabilities/Def. Inflows</b>	29,414,176	36,340,955	24,824,468
<b>Noncurrent Liabilities</b>	112,895,013	81,556,824	98,295,997
<b>Total Liabilities/Def. Inflows</b>	142,309,189	117,897,779	123,120,465
<b>Net Position</b>			
<b>Net Investment in Capital Assets</b>	146,876,224	142,847,769	135,732,708
<b>Restricted</b>	1,797,635	1,670,010	1,388,890
<b>Unrestricted (Deficit)</b>	(57,509,927)	(54,571,362)	(66,084,827)
<b>Total Net Position</b>	91,163,932	89,946,417	71,036,771

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).

<b>City Changes in Net Position</b>				<b>% Change from 2016</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>	
<b>Revenues</b>	\$ 54,459,929	\$ 50,570,300	49,425,395	9%
<b>Expenses</b>	50,603,327	31,660,654	53,356,945	-5%
<b>Change in Net Position</b>	3,856,602	18,909,646	(3,931,550)	202%
<b>Net Position – Beginning (as Restated)</b>	87,307,330	71,036,771	74,968,321	14%
<b>Net Position - Ending</b>	91,163,932	89,946,417	71,036,771	22%

# General Fund Snapshot

The General Fund represents approximately 60% of the City's operating activities and accounts for the majority of all of the City's primary activities. The City's General Fund has stabilized over the last several years with a reduction in expenses and better than anticipated revenues in some areas (many of these revenues are one-time increases).

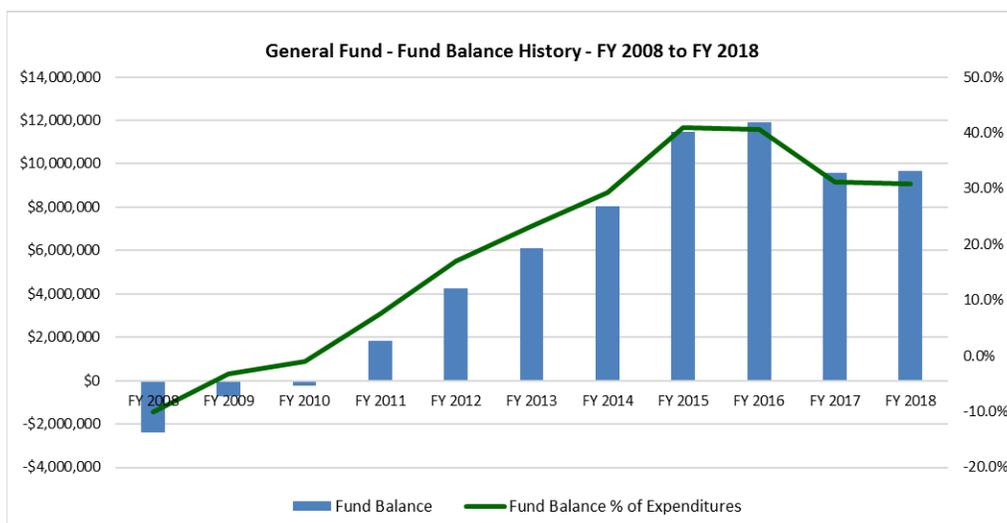
The City is actively engaged in developing new strategies for economic growth and development. Economic Development continues to be a priority for the City of Rolling Meadows. Rolling Meadows is known as a business-friendly community and has a reputation as a "Great Place to Do Business". The City encourages businesses to begin, grow and expand their businesses. In FY 2018, the City Council approved new revenues to promote the overall health of the General Fund.

For FY 2018, there were no budget amendments for the General Fund. The City's General Fund's revenues came in 2.5% better than budget and expenditures came in 2.4% under budget.

As of December 31, 2018, the total fund balance for the General Fund was \$11,114,386 or 35.5% of General Fund operating expenditures excluding transfers in or out of the General Fund. Of the total fund balance, \$9.7 million (or 30.9% of 2018 operating expenditures) is unassigned fund balance (available fund balance for about three months of activities in the General Fund) and is available to meet the City's ongoing obligations to its residents, businesses and creditors.

The City's commitments on total fund balance of \$11.1 million include the committed amount of \$1.4 million in the General Fund to be used for funding compensated absences and \$38,341 as nonspendable for prepaid expenses.

The chart below reflects the historical look over the last ten years and the overall gains for the General Fund.



## Pension Trust Funds and Post-Employment Benefits



Three pension plans are established by state statute, which cover City employees. The benefits and funding of each plan are determined by state statute, and each plan provides retirement, disability and death benefits for participants. The City of Rolling Meadows is committed to fully funding the pension funds each year per the actuarial report.

In December 2010, the Illinois General Assembly approved pension reform legislation that pushed the 30-year closed amortization period to 2040 with a funding target of 90%. The City of Rolling Meadows' maintains the financially prudent approach to continue funding at the 2033 mark with a funding target of 100%. The Firefighters' and Police

Pension Funds are fully funded through an annual property tax levy and are funded at the 2033 amortization target vs. 2040. In addition, the City of Rolling Meadows has made additional funding contributions beyond the annual actuarial amount for both the Fire and Police Pension Funds.

The City of Rolling Meadows worked with the private actuary to ensure that the actuarial report for the Police and Fire Pension was current and the actuarial valuation matched the fiscal year. This was accomplished for this audit year. Based on December 31, 2018, the Net Position as a Percentage of the Total Pension Liability (known previously as funded status) for the Police Pension Fund is 53.3% (a decrease from FY 2017 of 4.4% from 57.7%) and for the Fire Pension Fund is 44.2% (a decrease from FY 2017 of 5.5% from 49.7%). The funded status decreased primarily due to negative investment returns.

Firefighters contribute 9.455% of their annual base salary, and police officers contribute 9.91% of their annual base salary. Sworn firefighters and police officers hired after July 1986 contribute to Medicare (1.45% of taxable income).

The Illinois Municipal Retirement Fund (IMRF) pension plan covers civilian employees working at least 1,000 hours within a 12-month consecutive time period. Funding for this pension plan is made through contributions from the employer (actuarially determined annually by the IMRF) and employees of the City (established at 4.5% of total compensation). Employees covered under this pension plan also contribute to Social Security (4.2% of salary capped annually) and Medicare (1.45% of total compensation).

The IMRF pension plan's Net Position as a Percentage of the Total Pension Liability as of December 31, 2018 is 81.4% compared with the last year's funded status at 95.1% (due to negative investment returns). This amount meets or exceeds the State of Illinois' annual requirement for Net Position.

The notes to the financial statement provide more information pertaining to employee pensions. Note: the City has fully implemented Governmental Accounting Standards Board's (GASB) Statements No. 67 and 68.

The City also provides post-retirement health care benefits for retirees and their dependents. The City finances these benefits on a pay-as-you-go basis. Retirees pay 100% of their health care premiums.



## Financial Health and Long-Term Financial Planning

In order to ensure 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 2018:

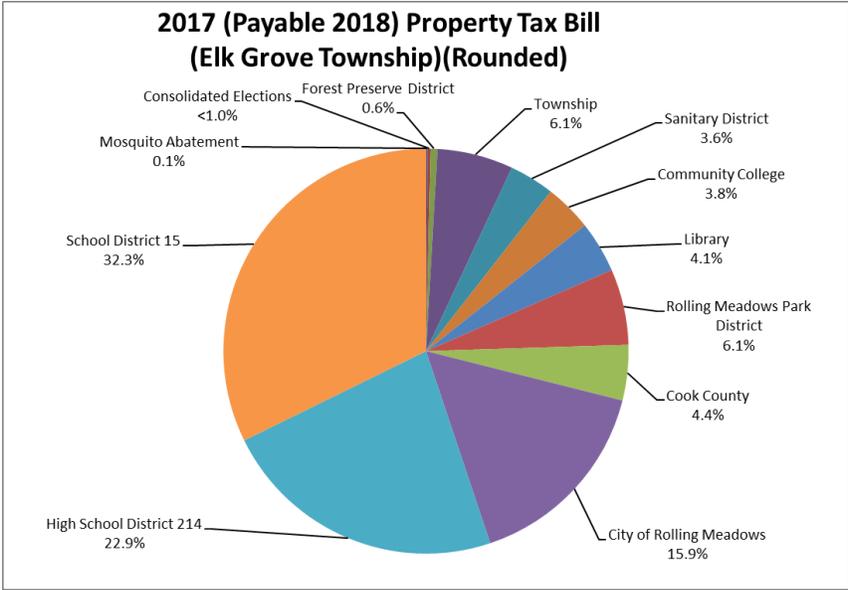
- Issued a Comprehensive Annual Financial Report within 180 days of the end of each fiscal year that complies with generally accepted accounting principles.
- The Ad-Hoc Capital Improvements Committee continues to review capital projects and offer recommendations for long-term capital improvements.
- 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) holds a negative fund balance position and is estimated to become positive by the end of its TIF term in 2025.
- The City adopted a Fund Balance Policy for the General Fund in FY 2014 which the City shall strive maintain a General Fund Unassigned Balance (available) from 15% to 30% of General Fund operating expenditures. The City will review this policy on an annual basis.
- In FY 2015, the City Council adopted a Fund Balance Policy for the Refuse Fund which the City shall strive to hold an amount known as Current Net Position ranging from 30% to 50% of the Refuse Fund's operating expenditures. The City will review this policy on an annual basis.
- In FY 2016, the City Council adopted a Fund Balance Policy for the 911 Fund which the City shall strive to hold an amount known as Unreserved Fund Balance (also known as Unassigned Fund Balance) ranging from at least one time to one and a half times the annual expenditures budgeted for the 911 Fund.



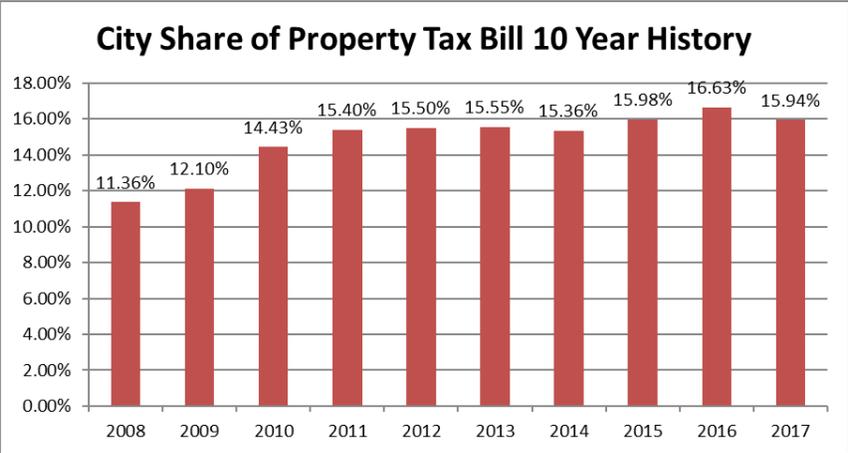
# Property Taxes

## 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 15.94% 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’ pension funds.



# Major Initiatives

The City is actively engaged in developing new strategies for economic growth and development. Economic Development continues to be a priority for the City of Rolling Meadows. The City encourages businesses to begin, grow and expand their businesses within the City limits.

## Recent Accomplishments

Large commercial insurance broker Arthur J. Gallagher & Company's arrival represented the latest in a string of economic development activities that have transformed the Golf Road corridor over the last five years. Arthur J. Gallagher & Company moved its headquarters from Itasca to Rolling Meadows in 2017. The large insurance company invested more than \$85 million to upgrade buildings, garages, roadways and landscaping in the Meadows Corporate Center (2850 Golf Road) relocating 2,000 employees to this new location. The City approved the Golf Road Tax Increment Financing District (Golf Road TIF #4) in FY 2015, which provides a shortened TIF term of 15 years to help finance the redevelopment costs of the area. EAV Growth has nearly tripled from their arrival due to building improvements in the corporate campus area.



The Golf Road corridor has also benefitted from recent roadway improvements. The City extended Squibb Avenue, one of the interior roads serving businesses based at the City's Golf Road corporate campus. This capital project significantly improved area traffic flow and safety. This extension provides local businesses and employees with a safer option for entering and leaving the corporate campus. The

\$576,000 roadway extension project was funded by revenue raised through the Golf Road/Gallagher Tax Increment Financing (TIF) District.

In FY 2017, the City conducted an in-depth survey of the City's business community. The survey reinforced the City's reputation as a business-friendly community. In FY 2018, the findings also helped foster ways to strengthen outreach and services to businesses (see the next two pages).

# Major Initiatives Cont'd

- With feedback from the business community, the City approved an Ordinance allowing local businesses to offer video gaming while ensuring proper oversight. The newly-approved video gaming ordinance, in accordance with Illinois law, allows businesses to place up to five video game machines



– games such as poker and blackjack – on their premises. The State of Illinois collects 30% of the revenue generated from the video gaming machines (allocating 5% to the City), while businesses split the remaining 70% with the machine operator. The business must apply for a G-1 Liquor License and pay annual licensing fees for each machine. City Council’s approval of this ordinance places the City on a more competitive footing with nearby communities and provides opportunities for businesses to grow and develop.

- As a result of the video gaming ordinance, the Stadium Sports Club located at 4015 W. Algonquin Road, is renovating its space. The restaurant has operated in the City for more than 30 years and has expressed its appreciation for the City’s ‘pro-business’ climate for continued success.

- The City approved a contract with Evanston-based urban planning firm, Teska Associates, to update the Rolling Meadows’ Comprehensive Plan and Zoning Code. The firm will help modernize the current Comprehensive Plan – last updated in 2006. The updates will provide a blueprint for planning, development and land use for the next ten to twelve years. The Comprehensive Plan will also serve as a guideline when considering new development proposals, help the City pursue state and federal grant funding, and market the City to developers and businesses.

- The City launched a Business Newsletter called the “Business Messenger” to engage local businesses. The quarterly newsletter is developed specifically to provide timely and accurate information on topics that affect local businesses. The Business Messenger also showcases local businesses each quarter.



- Restructuring Community Development as a division of Public Works with attention towards enhanced customer service.

- The City’s recently hired Business Advocate has been working with local businesses to help them with development efforts and obtaining feedback from business owners.

## Major Initiatives Cont'd

- On the City's home webpage, the City's online "Community Portal" provides relevant, up-to-date information for residents and businesses. The interactive portal includes property information, local services and zoning classifications.
- The City hosted a Business & Community Showcase for local business leaders to network with other professionals and connect with customers.
- Restaurants looking to open in the City may apply for tax rebates and reduced permit fees through the City's Restaurant Incentive Program. This newly developed program started in 2018.

The City welcomed more than 37 new businesses to the community, underscoring the City's continued economic growth and development effort.

Key additions included:

- In June, Rep's Place – Sports, Burgers, and Beers – opened, featuring the City's newest downtown sports bar/restaurant at 3200 Kirchoff Road. Within just a few months running, the restaurant has earned a reputation as a destination where residents can bond over a sports game, enjoy friendly conversation and choose from a wide variety of burgers, sandwiches, salads and dinner. In November, Rep's doubled their footprint and expanded their restaurant.
- Coquelicot Gallery & Café located at 4880 Euclid Avenue opened its doors by mother and daughter business partners. The café is a gallery, shop and meeting place.
- Jersey Mike's Subs located at 1450 Golf Road opened its restaurant serving the busy, Golf – Algonquin Road corridor.
- Dunkin' Donuts/Baskin Robbins located at 1921 Algonquin Road opened in December, featuring state-of-the-art meeting rooms. This one of a kind location is an attractive meeting spot.





The City of Rolling Meadows 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 32 consecutive years by the Government Finance Officers Association (GFOA). For more information on financial matters of the City of Rolling Meadows, please call the Finance Department at 847.394.8500.

We hope that you find the CAFR both useful and informative. Any questions, comments or suggestions regarding this report can be directed to:

**City of Rolling Meadows - Finance Department**

**Melissa Gallagher, Finance Director**

**3600 Kirchoff Road, 1st Floor**

**Rolling Meadows, IL 60008**

**Telephone: 847.870.9041**



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The City's website contains additional financial information including the Comprehensive Annual Financial Report and the City budget. The 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 at [www.cityrm.org](http://www.cityrm.org).

## Plans for 2019



The City is planning its 2nd annual local business expo to encourage business-to-business networking and help residents learn more about companies.



The City will be actively engaged with the regional collaboration, Next Level Northwest, a community-based business accelerator.



The City conducted focus groups for its Comprehensive Plan Update. The Comprehensive Plan will be completed and discussed in FY 2019. The City will also be updating its Zoning Code in FY 2019.



To take advantage of interest savings, the City issued general obligation bonds in December 2018 and in March of 2019 for the fire stations projects and also for underground utilities capital infrastructure projects (watermains).



Continuing the success of the City's Community Events Program, the City will hold a full line-up of community events with live music, markets and other activities.



The City Council approved a nearly \$1 million contract with Tyler Technologies to license Enterprise Resource Planning (ERP) software that will bring together the City's current, independent operating platforms into one streamlined system (a multi-year project).

Since 1955

City of  
**ROLLING  
MEADOWS**