

CITY OF ROLLING MEADOWS

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Citizen's Annual Financial Report

Fiscal Year Ended
December 31, 2013

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Citizens of Rolling Meadows,

The City of Rolling Meadows is pleased to present the City's third Citizen's Annual Financial Report for the Fiscal Year ended December 31, 2013. 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 2013 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, 2012. 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	\$30,919
Total Taxable Assessed Value (2012 Levy)	\$836,011,843
Fiscal Year 2013 Expenses	\$39.1 million
Fiscal Year 2013 Revenues	\$45.6 million
City Full Time/Part Time/Seasonal Employees	159 FT/ 17 PT/ 11 Seasonal
City Outstanding Bonded Debt	\$15,245,000
City Bond Rating	A1 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, 2013)

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	James Larsen

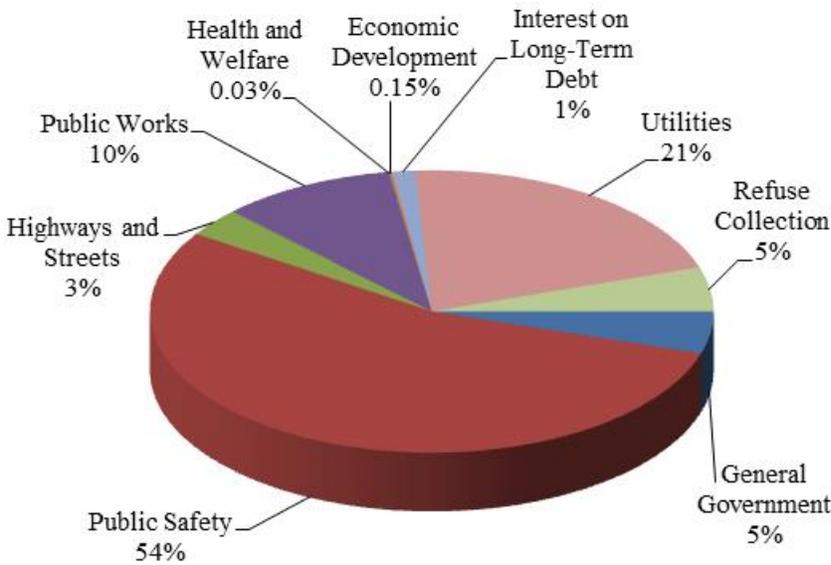
Local Economy

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.

Based on area data, reports show that retail sales have nearly returned to pre-recession 2007 levels. 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.

City of Rolling Meadows' unemployment rate as of December 2013 was 9.2%. When looking at the unemployment rate of 3.8% in 2007, it is noticeable that there are still many City residents struggling to make ends meet. The City has seen some rebound growth in the income tax in the last years – in 2013 income tax receipts grew by 8.8% as compared with 2012 or by \$187,327. Income tax receipts are slowly getting back to pre-recession levels yet there is a sense that this may be the “new economy”.

2013 EXPENSES - \$39,137,437



FAST FACTS:

- The City was able to control costs during the year, with total expenses increasing only 2.9% from 2012, 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. \$1,884,228

Public Safety

Includes police and fire services (nearly 24% of total are police and fire pension expenses). 21,310,555

Highways and Streets

Includes the operations of the City’s annual motor fuel tax program, including snow and ice control and other capital outlay. 1,271,488

Public Works

Includes public works administration, buildings and grounds, forestry and streets services. 3,929,719

Health and Welfare

Includes museum, emergency planning, employee wellness, board of fire and police and urban affairs services. 10,481

Economic Development

Includes services related to the operation of the City’s TIF Districts. 59,851

Interest on Long-Term Debt

Includes interest costs on all City governmental long-term debt, including general obligation bonds and capital leases. 512,086

Utilities

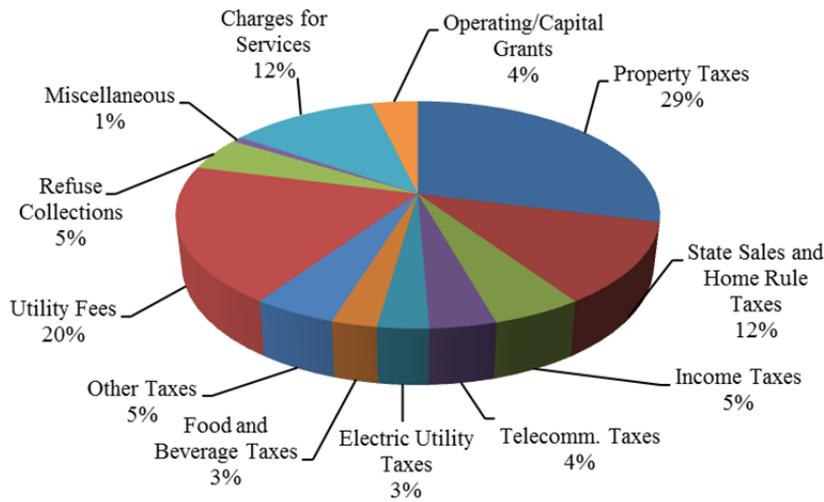
Includes water, sewer and stormwater services. 8,178,445

Refuse Collection

Includes refuse collection services. 1,980,584

\$39,137,437

2013 Revenues - \$45,632,476



FAST FACTS:

- The City was able to report a 3.11% (\$159,633) increase in sales tax and home rule sales tax from FY 2012.
- The City’s revenue base continues to be diversified, with only 29% 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).

\$13,212,272

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%.

5,287,152

Income Taxes

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

2,323,902

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.

1,705,124

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.

8,900,389

Refuse Collections

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

2,182,624

Charges for Services

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

5,345,119

All Other Revenue Sources

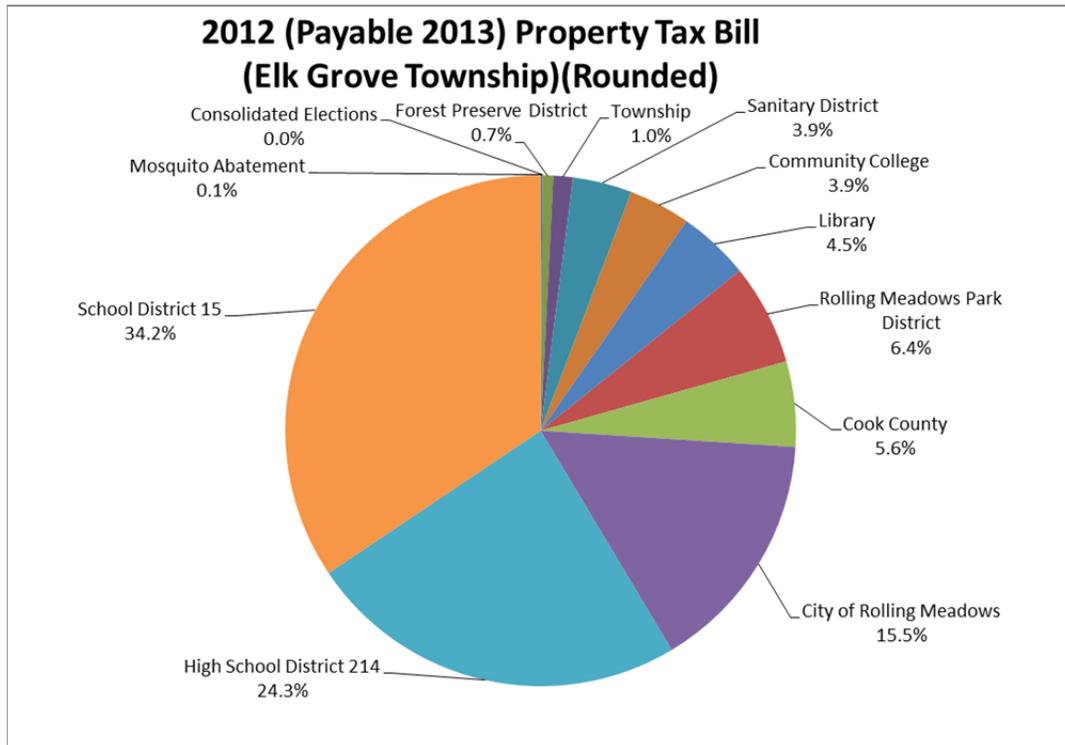
Includes electric utility taxes, food and beverage taxes, real estate transfer taxes, hotel taxes, local use taxes, replacement taxes, interest income, miscellaneous revenue and operating/capital grants.

6,675,894

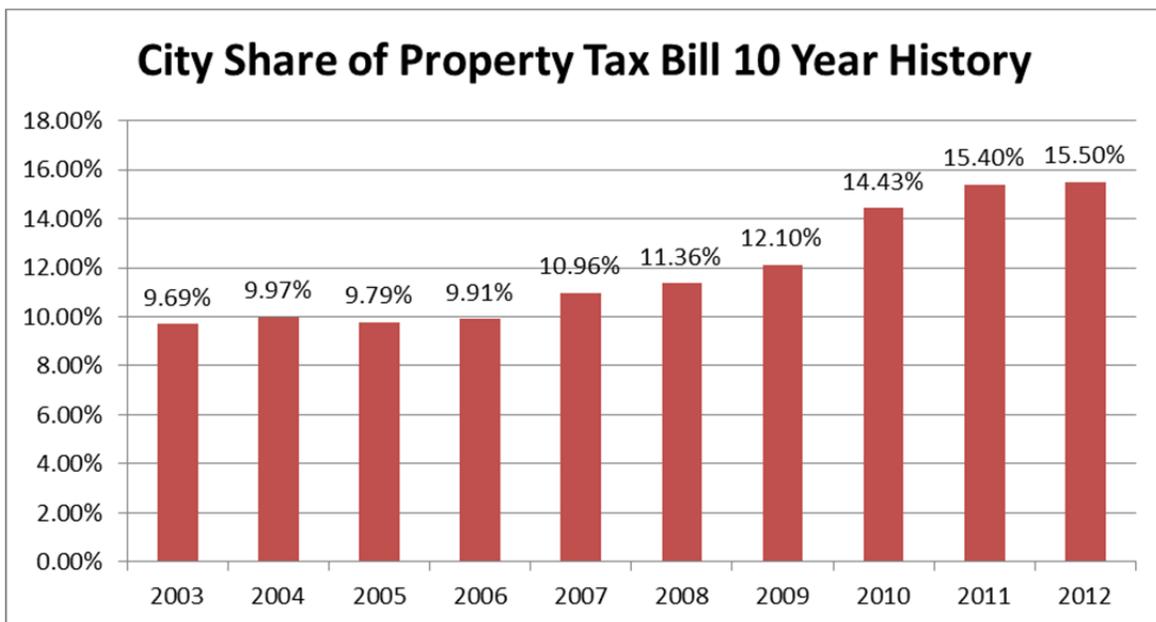
\$45,632,476

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 2013:

- In December 2013, *Standard & Poor's Rating Services raised the City's long-term rating* on the City of Rolling Meadows' general obligation bonds to AA+ from A+ based on Standard & Poor's recently released local General Obligation criteria. Standard & Poor's *cited the City's very strong budgetary flexibility, liquidity and strong budgetary performance* among the reasons behind the increase in the credit rating. The City of Rolling Meadows' current bond rating is an A1 from Moody's Investors Services. The City's Management and the City Council continually review its debt structure for any potential interest savings.
- The City is *committed to rebuilding fund balance reserves*, eliminating negative fund balances and has made significant progress to that end.
- 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.
- City *refinanced General Obligation Bonds work more than \$2.0 million dollars which will save a little more than \$60,000 over the next five years*. The bonds were originally issued to pay for redevelopment costs at the mixed use Riverwalk development on Kirchoff Road (the City's TIF #2 Fund).
- 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.)
- In FY 2013, the City *updated its capital planning process to include a five-year financial forecast* for capital items with a five-year capital plan. Previous to that change, the financial forecast for capital items was a three-year forecast.
- 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

Economic Development Committee – The City established an Economic Development Committee (EDC) in 1988 to encourage greater cooperation with the private sector in attracting and retaining business and industry. The committee is comprised of members of commercial and retail sectors, City staff and elected officials. Pursuant to the EDC’s 1996 policy statement, ***the City seeks opportunities to forge partnerships with enterprises***, which will enhance the City’s development with diverse, high quality and high revenue generating types of commercial, office and manufacturing projects that conform to the City’s Comprehensive Plan and development goals, objectives and policies. Since 2006, the Economic Development Committee has heard and recommended approval for eight 6B Cook County ***Incentive Programs which has resulted in multi-million dollar rehabilitation/renovation of the buildings, reoccupation of nearly 300,000 square feet of industrial space in Rolling Meadows and more than 400 new employees.***

After review by the EDC, in December 2011, the City Council approved an Economic Incentive Program to promote economic development in the City of Rolling Meadows and increase sales tax. Based on certain parameters, the program rebates part of the real estate transfer tax if vacant commercial space is reoccupied. The goal is to incent current businesses to expand or fill vacancies and attract new business to the City. In 2012, the Economic Development Committee recommended Mike Mallon of Mallon and Associates, as the City’s retail consultant (reapproved for 2013). In doing so, ***the City has taken an active role in recruiting new retail businesses throughout the City.***

For 2014, 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. The City released details early in 2013 that a grocery store with ties to the Caputo grocery stores, called Uncle Joe’s Tuscan Fresh Market was interested in anchoring the property. In April of 2013, the City entered into a sales tax sharing agreement with Uncle Joe’s Tuscan Fresh Market. The grocer was expected to open in October 2013, however the business did not move ahead to open as expected. Clark Street Development continues to work marketing the property to a potential junior box retailer and other retailers.
- The next area of redevelopment is the AMF bowling center at 3245 Kirchoff Road (the City’s “Downtown” area). The City remains in constant talks with the property owner, Kimco (who owns, manages, leases, develops, and acquires shopping centers across the USA) in hopes to continue implementation of a redevelopment plan created in 2011. Hopefully, more work in 2014 with a development agreement and construction at some point in time. The property is actively being marketed.
- 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).

Second, the next area is along the Golf and Algonquin Road Corridor. As road construction wraps up, this area is of particular interest to retailers, businesses and restaurants. Interested restaurants, businesses and retailers are looking to redevelop but not build out new construction sites. Currently, the City has been in talks with multiple restaurants to move into some of these properties. Listed below are a few of the restaurants and businesses that have opened their doors to call Rolling Meadows “Home”:

- Panera Bread Co. (1321 Golf Road) opened its doors in January 2014 and features one of the few Panera's with a drive-thru window. The restaurant is very busy especially during lunch hours.
- Grande Jake's Authentic Mexican Grill (5500 New Wilke Road) – Grande Jake's opened in late December 2013. The Rolling Meadows Chamber of Commerce sponsored a ribbon cutting ceremony in January 2014. The Plan Commission and the City Council has since approved a front yard setback as well as outdoor seating with alcohol service. The restaurant is busy and doing well in 2014.
- Umi Grill Buffet at 1440 Golf Road opened its doors in late 2013 with a ribbon cutting ceremony held in November 2013.
- Michoacan Ice Cream Shop (2219 Algonquin Road) – a homemade ice cream shop – opened in 2014.
- Opened in 2013, the family-owned and operated Coffee Planet at 1451 Golf Road serves homebrewed coffees and teas and is busy with customers in 2014.
- In the newly purchased Continental Towers along the Golf and Algonquin Corridor, Rational Oven just recently celebrated their grand opening with a ribbon cutting ceremony sponsored by the Rolling Meadows Chamber of Commerce. Rational Oven is a German professional oven company specializing in hot food preparation and selected Rolling Meadows as its U.S. showroom location.
- At the Atrium Center at 3800 Golf Road, Capital One is currently doing a build-out in the tenant space formerly occupied by BMO Harris Bank. The City also gained a major new employer in **Capital One Financial Corporation** which leased 150,000 square feet in Rolling Meadows. Capital One is located along the City's Golf Road commercial corridor and cited the area's "experienced and talented workforce" as a key reason for wanting a local presence. Initially, this deal is expected to bring 500 jobs to Rolling Meadows with more to follow of upwards to 1,000 jobs. In an article in Crain's Chicago Business, they stated that the Capital One lease is the second-largest real estate agreement in the Chicago suburbs this year.
- The McDonald's at 1775 Algonquin Road submitted plans for redevelopment. The proposal calls for tearing down the existing building and rebuilding a prototype with a dual drive-through.
- Weber Grill located at 2900 Golf Road will be leasing the entire building (48,000 square feet) which is currently owned by Jani-King. Weber Grill already has its corporate office in Rolling Meadows.
- Another target area is the vacant Sam's Club property on Golf Road and while there is no activity as of yet, the City remains hopeful that redevelopment or a possible expansion of the adjacent Wal-Mart store could occur in the next few years. Overall, the City is positioned for economic growth and an increasing property, sales and restaurant tax base in 2014 and beyond.

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):

- Krakowski Market (2122 Plum Grove Road) opened its doors featuring a Polish deli and grocery.
- The Former Pizza Hut building (2101 Plum Grove Road) is being renovated to open as a Hardee's Restaurant and will open soon in 2014.
- A sushi restaurant is considering opening at the former location of a restaurant called Fusionland at 1939 Plum Grove Road.

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 \$1,281,794 at December 31, 2013, which is legally restricted for public safety, highways and streets and tax incremental financing district related items. Unrestricted net position of \$7,712,411 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 \$123,279,808 at December 31, 2013.

	City Statement of Net Position			% Change From 2011
	2013	2012	2011	
Current Other Assets/Def. Outflows	\$ 35,937,078	29,445,950	23,313,151	54%
Capital Assets	140,846,527	140,785,472	140,169,763	0%
Total Assets/Def. Outflows	176,783,605	170,231,422	163,482,914	8%
Current Liabilities/Def. Inflows	18,181,345	17,288,092	16,338,890	11%
Noncurrent Liabilities	26,328,247	27,164,356	28,729,519	-8%
Total Liabilities/Def. Inflows	44,509,592	44,452,448	45,068,409	-1%
Net Position				
Net Investment in Capital Assets	123,279,808	122,154,515	120,220,463	3%
Restricted	1,281,794	1,437,541	2,767,336	-54%
Unrestricted (Deficit)	7,712,411	2,186,918	(4,573,294)	269%
Total Net Position	132,274,013	125,778,974	118,414,505	12%



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 12% since December 31, 2011*; the City has made great strides in controlling revenues over the last three fiscal years, evidenced by the overall increase in expenses of just 1%. At the same time, the City has experienced a 10% increase in revenues since December 31, 2011.

	City Changes in Net Position			% Change From 2011
	2013	2012	2011	
Revenues	\$ 45,632,476	45,396,582	41,367,737	10%
Expenses	39,137,437	38,032,113	38,691,348	1%
Change in Net Position	6,495,039	7,364,469	2,676,389	143%
Net Position - Beginning	125,778,974	118,414,505	115,738,116	9%
Net Position - Ending	132,274,013	125,778,974	118,414,505	12%



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 27 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