



City of
**ROLLING
MEADOWS**

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Rolling Meadows, Illinois 60008
Phone 847.394.8500
www.cityrm.org

Citizen's Annual Financial Report

Fiscal Year Ended December 31, 2016

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Citizens of Rolling Meadows,

The City of Rolling Meadows is pleased to present the City's fifth Citizen's Annual Financial Report for the Fiscal Year ended December 31, 2016. 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 2016 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, 2015. 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	24,009
Per Capita Personal Income	\$32,238
Total Taxable Assessed Value (2015 Levy)	\$703,906,897
Fiscal Year 2016 Expenses	\$53.0 million
Fiscal Year 2016 Revenues	\$49.0 million
City Full Time/Part Time/Seasonal Employees	158 FT / 20 PT
City Outstanding Bonded Debt	\$7,535,000
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, 2016)

Mayor	Tim Veenbaas
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

**Acting Mayor – Tim Veenbaas*

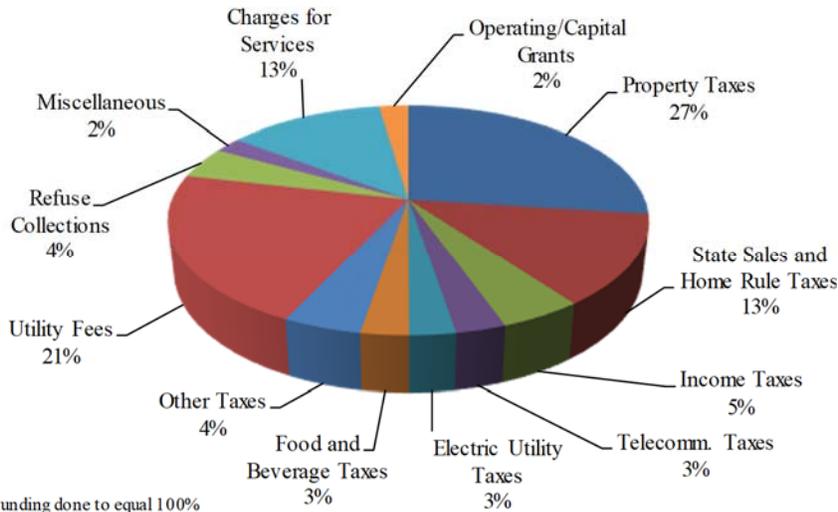
Local Economy

The area economy is showing positive signs with 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 unanticipated, one-time revenues such as real estate transfers, building permits and red light fines. The City's unemployment rate as of December 2016 was 5.9%.

Rolling Meadows is centrally located and enjoys excellent regional transportation connection. Approximately, 290,000 people live within five miles of downtown Rolling Meadows (Kirchoff Road) and another 149,000 work within that area.

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. ***The City experienced 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.

2016 Revenues - \$49,425,395



FAST FACTS:

- The City was able to report a 4.16% (\$345,293) increase in sales tax/home rule sales tax and income tax from FY 2015.
- The City’s revenue base continues to be diversified, with only 27% 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).

\$13,352,200

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%) 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%.

6,332,653

Income Taxes

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

2,315,210

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.

1,405,592

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.

10,600,582

Refuse Collections

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

2,198,818

Charges for Services

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

6,182,759

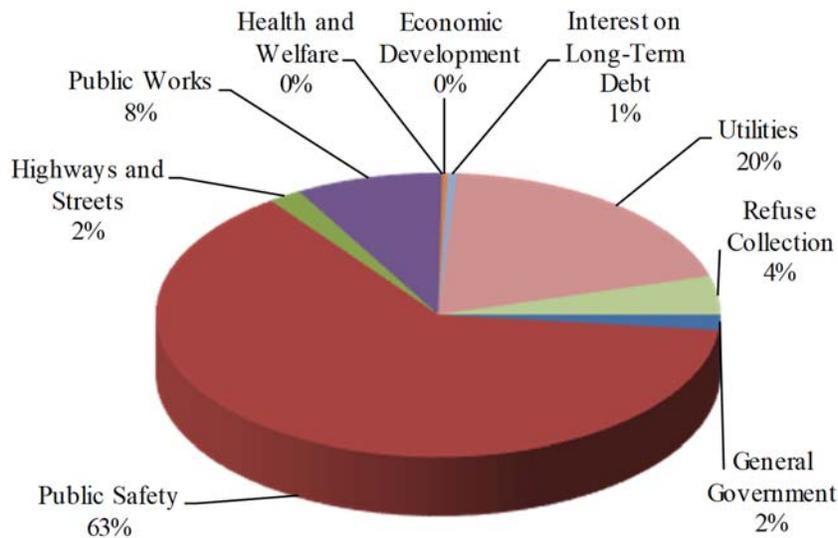
All Other Revenue Sources

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.

7,037,561

\$49,425,395

2016 Expenses - \$53,356,945



*Rounding done to equal 100%

FAST FACTS:

- The City’s expenses increased from 2015 due to effects of the net pension liabilities/ deferred items for the City’s pension funds, net other post-employment benefit plan and changes in compensated absences.
- Public safety expenses account for just over 63% of total expenses of the City.

General Government

Includes administrative services (mayor, council, human resources, city clerk, finance, etc.) and community development services. \$929,813

Public Safety

Includes police and fire services (nearly 29% of total are police and fire pension expenses). 33,691,854

Highways and Streets

Includes the operations of the City’s annual motor fuel tax program, including snow and ice control and other capital outlay. 1,013,213

Public Works

Includes public works administration, buildings and grounds, forestry and streets services. 4,498,849

Health and Welfare

Includes museum, emergency planning, employee wellness, board of fire and police and urban affairs services. 4,370

Economic Development

Includes services related to the operation of the City’s TIF Districts. 159,407

Interest on Long-Term Debt

Includes interest costs on all City governmental long-term debt, including general obligation bonds and capital leases. 283,878

Utilities

Includes water, sewer and stormwater services. 10,425,577

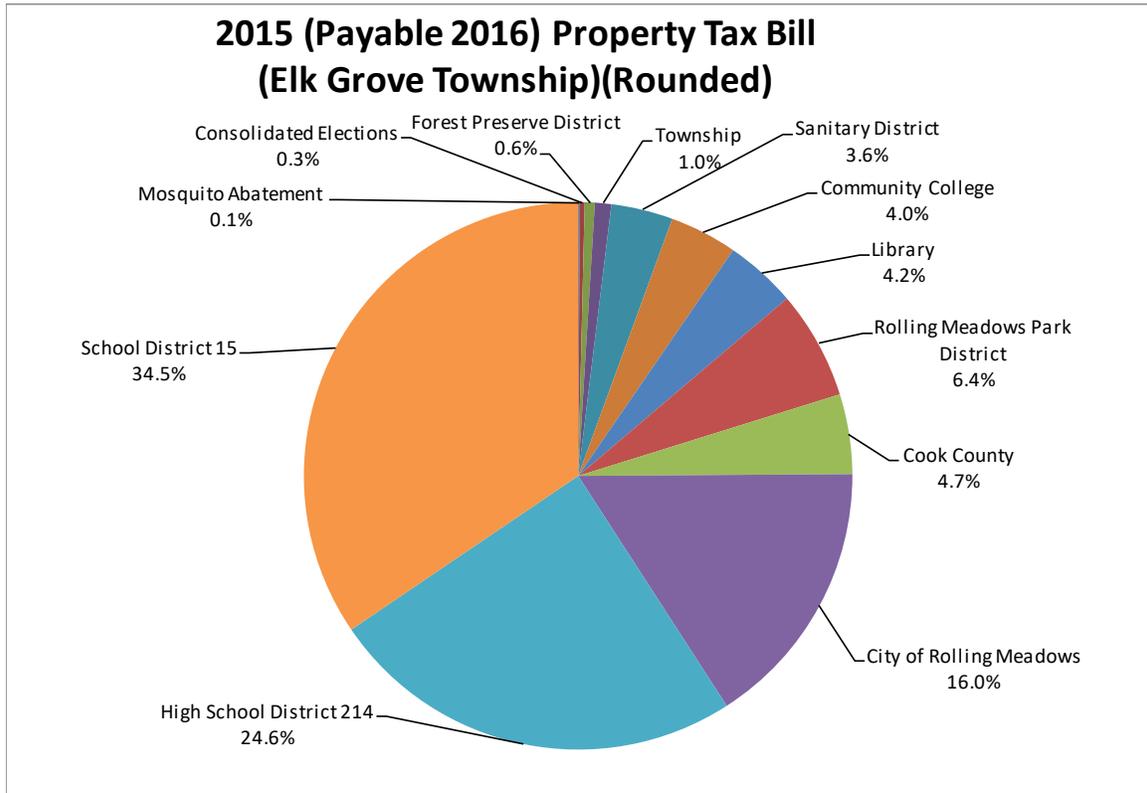
Refuse Collection

Includes refuse collection services. 2,349,984

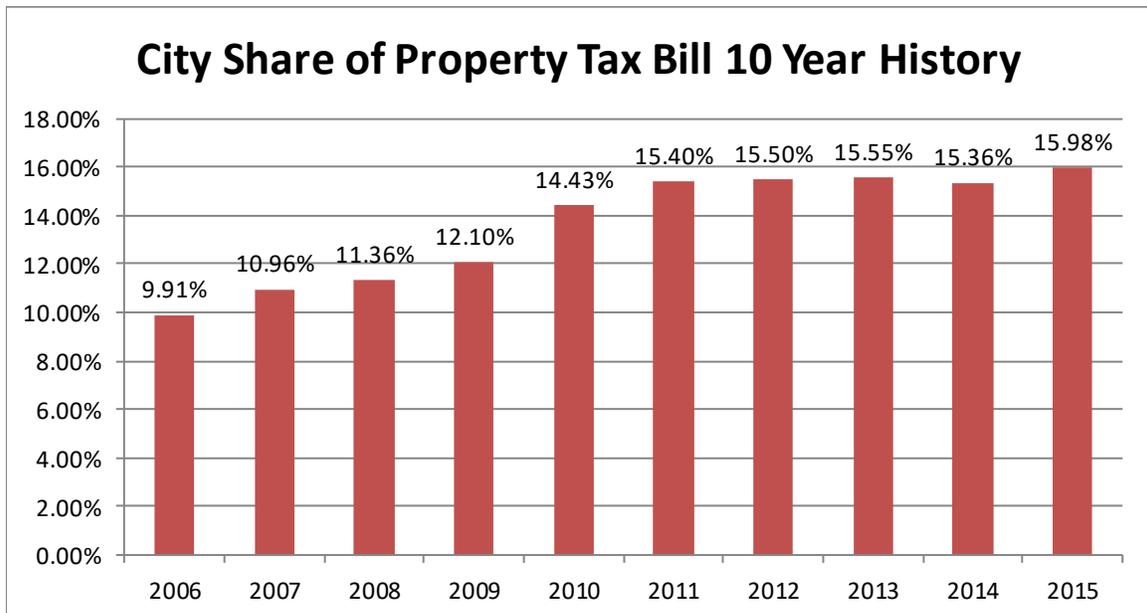
\$53,356,945

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 16.0% 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 2016:

- 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. TIF # 4 (Golf Road) has a negative fund balance position and is expected to become positive as Cook County reassesses the value of the new building and garage improvements on this TIF.
- 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 to strive to hold between one to one and half times the annual expenditures for the 911 Fund. The City will review this policy on an annual basis and will prepare for a large capital purchase that all Northwest Central Dispatch communities are dealing with in the near future.
- Posted on the City's website employees' salary and benefit data, as a continued transparency initiative (providing this data since 2011).
- 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 worth 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).
- Staff and the City Council discussed long-range financial planning in 2011 and 2012 during its budget discussions. One of the goals discussed was reviewing the City's outstanding debt. In 2012, the City refunded nearly \$10 million worth of general obligation bonds to save taxpayers approximately \$750,000 over the next 12 years. [In 2013, the City refunded general obligation bonds to maximize its interest savings over the long-term.]
- 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.)

- Adhered to a capitalization policy which establishes the capitalization thresholds and estimated useful lives of fixed assets.
- Mid-year prior to the presentation of the proposed budget, the City prepares a five-year capital plan with a five-year financial forecast which outlines management's intentions regarding capital asset purchases and infrastructure improvements.
- 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.



A Great Place to Call Home

Major Initiatives – Economic 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”. In FY 2016, there were higher-profile successes across the City:

Large commercial insurance broker **Arthur J. Gallagher Insurance’s** pending arrival in early 2017 will represent the latest in a string of economic development activities that have transformed the area over the last five years. **Arthur J. Gallagher Insurance** is planning on moving its headquarters from Itasca to Rolling Meadows in 2017. The large insurance company is investing over \$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. In 2016 Arthur J. Gallagher Insurance also purchased the 2900 Golf Road Building and after remodeling they moved their IT Department into this location.

The **Continental Towers** property at 1701 Golf Road completed its second phase of a \$12 million capital improvement project by the owners, Glen Star Properties. Continental Towers covers approximately 910,000 square foot of Class A office space and is comprised of three 12-story towers situated on a 34-acre site. The upgrades included enhancements to building entry ways, creating a new entrance, incorporating new landscaping, installing modern LED lighting and constructing a four-story (400 car) parking garage. Newer businesses to Continental Towers include Panasonic Corporation of North American and Verizon (relocating around 900 employees from Elgin to Rolling Meadows in March of 2016) (both businesses signed long-term leases).

In FY 2015, Chicago-based Lexington Homes broke ground for a planned 54-unit townhome development at 3245 Kirchoff Road (former AMF Bowling Center). Known as **Lexington Crossing**, the development features a mix of two- and three-bedroom townhomes. The development will boost the downtown area’s residential population and enhance the economic development of the area. In FY 2016, the development was nearly completed and City officials believe the project will boost the downtown area’s residential population and create new opportunities for businesses. By the end of 2016 half of the townhomes were sold.

At 3000 Kirchoff Road, the Jewel/Osco completed a half million dollar remodeling project which included a Starbuck’s Coffee and seating area.

As part of the City’s commitment to funding local roads between the Annual Street Program, ongoing repairs and maintenance and grant reimbursed projects, the City spent approximately \$1.7 million (approximately \$1.1 million on the Annual Street Program and the remainder on various other projects). The Annual Street Program resurfaced fifteen local streets – four more than originally planned due to lower contractor bids.

For 2017, the City will enhance and expand its economic development activities:

- The City Council approved plans for a local market research company to develop and conduct a business survey to be delivered through multiple communication channels and to use strategic partners such as the Rolling Meadows Chamber of Commerce to assist with the survey. The goal is to ensure that the City is doing all that it can to be an attractive option for businesses considering opening or relocating and to retain current businesses in Rolling Meadows.
- The City of Rolling Meadows is planning on partnering with surrounding municipalities – Elk Grove Village, Hanover Park, Hoffman Estates and Schaumburg – to create an exciting opportunity for business development. The consortium will partner to create Next Level Northwest (NLNW) (a not-for-profit entity) to serve as a business accelerator for Stage 2 businesses and as a facilitator of continuing education, economic development, and innovation.
- The City of Rolling Meadows will be discussing updating the City’s Comprehensive Plan.

- The 11-acre parcel at the corner of Kirchoff Road and Meadow Drive (formerly the Dominick’s Property) is available and currently being marketed by the City and the property’s developer.



One of the key economically vibrant areas in the City 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:

- As mentioned previously, Arthur J. Gallagher Co. recognized as one of “America’s Best Employers” by Forbes Magazine is relocating to the Golf Road Corridor in 2017. 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 2,000 employees. (They now own the 2900 Golf Road Building to that houses their IT Department.)
- Also noted previously, Glen Star Properties, finished more than \$12 million in renovations to improve the property at 1701 Golf Road known as Continental Towers. Continental Towers covers approximately 910,000 square foot of Class A office space and is comprised of three 12-story towers situated on a 34-acre site. This property is close to full occupancy with Verizon, Panasonic and other major employers.
- 5600 Apollo, LLC plans to purchase the property at 5600 Apollo Drive which is currently occupied by Charles Industries. 5600 Apollo LLC plans to demolish the existing building and construct a new 131,561 square foot headquarters to accommodate School Health Corporation. The estimated construction costs are approximately \$10 million which will include demolition, asbestos remediation, construction of a Class A facility, parking lot, stormwater detention and landscaping. School Health is a full-service provider of health supplies and services to health professionals in educational settings from pre-school to college. The company is expected to move all of its 110 to 120 employees and hire 10 additional employees. There may be some sales tax generated but this does not open until 2018.
- WinTrust Bank is planning to open a bank branch with a drive-thru window for their patrons at 1634 Algonquin Road.
- At 1921 Algonquin Road (former Bowl House) a Dunkin Donuts/Baskin Robbins is being discussed for this location.
- The vacant Sam’s Club property on Golf Road is a parcel that the City is hopeful for some positive economic development at some point.

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) and Industrial Avenue (Industrial/Hicks/Rohlwing) area:

- The Former Pizza Hut building (2101 Plum Grove Road) was renovated and Nic’s Organic Fast Food opened its doors at the end of 2016.

- The shopping plaza at the corner of Euclid and Plum Grove Road is under renovation with façade and other improvements. Also, a ramen noodle restaurant opened in 2016 in that shopping center and has gone through an expansion.





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 \$1,388,890 at December 31, 2016, 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 \$135,732,708 at December 31, 2016. The decrease in unrestricted net position in the current year relates to changes the City's recognized of its net pension liabilities and related deferred items for the Illinois Municipal Retirement Fund (IMRF), the Police Pension Fund, and the Firefighters' Pension Fund.

	City Statement of Net Position			% Change From 2014
	2016	2015	2014	
Current/Other Assets/Def. Outflows	\$ 48,723,871	61,541,745	39,904,467	22%
Capital Assets	145,433,365	144,020,310	141,250,252	3%
Total Assets/Def. Outflows	194,157,236	205,562,055	181,154,719	7%
Current Liabilities/Def. Inflows	24,824,468	25,634,218	18,962,172	31%
Noncurrent Liabilities	98,295,997	104,959,516	23,490,889	318%
Total Liabilities/Def. Inflows	123,120,465	130,593,734	42,453,061	190%
Net Position				
Net Investment in Capital Assets	135,732,708	131,605,638	126,193,679	8%
Restricted	1,388,890	1,084,594	1,226,505	13%
Unrestricted (Deficit)	(66,084,827)	(57,721,911)	11,281,474	-686%
Total Net Position	71,036,771	74,968,321	138,701,658	-49%

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).

	City Changes in Net Position			% Change From 2014
	2016	2015	2014	
Revenues	\$ 49,425,395	50,023,488	46,762,704	6%
Expenses	53,356,945	52,985,424	40,335,059	32%
Change in Net Position	(3,931,550)	(2,961,936)	6,427,645	-161%
Net Position - Beginning*	74,968,321	77,930,257	132,274,013	-43%
Net Position - Ending	71,036,771	74,968,321	138,701,658	-49%

* Beginning Net Position in 2015 was restated for the implementation of GASB Statement No. 68.



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 30 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