



AGENDA
COMMITTEE OF THE WHOLE
November 8, 2011 – 7:30pm

- 1) **Budget**
 - a) **MFT & Local Road Fund**
 - b) **Utilities Fund**
 - c) **Pension Funding**
 - d) **Overall Budget**
- 2) **Refuse**
 - a) **Recycling Contract Update**
 - b) **Refuse Collection RFP Development**
- 3) **TIF and Marketing**
- 4) **Municipality Electricity Aggregation**
- 5) **Economic Development Proposal**
- 6) **Proposal to Sell Algonquin Road Property**

D Committee of the Whole Agenda Item – November 8, 2011

- 1) 2012 City Budget Discussion**
 - a) Motor Fuel Tax Fund & Local Road Fund**
 - b) Utilities Fund**
 - c) Pension Funding**
 - d) Overall Budget**

Attachments: Motor Fuel Tax Fund & Local Road Fund, Utilities Fund, Pension Funding, Overall Budget & Departmental Responsibilities & Functions

Discussion:

The review that follows this page covers discussion items from the October 18th Committee of the Whole Meeting and a number of other considerations to further the decision-making process.

Previous Council Action:

- § FY 2012 Proposed Budget presented at September 13, 2011, City Council Meeting
- § FY 2012 Proposed Budget Discussion at the September 20, 2011, Committee-of-the-Whole Meeting
- § FY 2012 Proposed Budget Discussion at the October 18, 2011, Committee-of-the-Whole Meeting



InterOffice Memorandum

Date: November 3, 2011

To: Barry Krumstok, City Manager

From: Fred Vogt, Director of Public Works

CC: Tom Rooney, Mayor
City Council

Subject: FY2012 Budget Discussions - Street Program Funds, Possible Re-Orientation

Per discussion at the October 18 Committee-of-the-Whole meeting, it was stated to be the desire of the City Council to restructure the Street Maintenance program budget into two funds to reflect restricted fund use (i.e. State of Illinois Motor Fuel Taxes Revenues, State and federal grants, etc.) and unrestricted (i.e. local tax, fee revenue sources) fund use. This can be done.

Please consider the following information when establishing this accounting change:

-
- I. Because the City budget already has a long-standing Fund #03 "Motor Fuel Tax", it is suggested that this fund continue to be utilized for state MFT revenues and other revenues received from outside sources that would be project specific. (An alternative approach would be to transfer MFT revenues to a fund to be established only for capital projects.)

The City has in recent years been funding all other street maintenance expenditures from two funds:

- Local Road Fund (#61)
- General Fund (Streets and Forestry salary and benefits only).

II. Motor Fuel Tax Fund and Local Roads Fund

Consider the discussion that was provided in the Committee-of-the-Whole report of February 15, 2011, see attachment.

III. Historical Comparison on Street Maintenance Budgeting

Consider the following information that is provided specific to a comparison between FY1999-2000 City budgets, and FY2011-2012 City budgets in regard to Street Maintenance support of operations so that it can be better understood what support is no longer provided by the General Fund:

Without even adjusting for inflation, cost of living, etc., the comparisons in the City of Rolling Meadows budgets have declined in General Fund support of Street Maintenance operations and is illustrated as follows:

<u>1999 Budget</u>	<u>2000 Budget</u>	<u>2011 Budget</u>	<u>2012 Budget</u>
\$1,236,088*	\$1,346,033*	\$1,116,076*	\$1,087,017**

*1999 and 2000 Budgets, General Fund, provide for Street Maintenance, Parkway Maintenance (including Forestry), Snow and Ice Control operating supplies, salaries and benefits.

**2011 and 2012 Budgets, General Fund provide for Street Maintenance and Forestry salaries and benefits only. Operating supplies are now funded in Local Roads.

Also note that, prior to the establishment of the Local Roads Fund in approximately 2006, Vehicle Sticker revenue (\$365,000) was going to General Fund, which indirectly supported some Street Maintenance operations.

1999 Street Operations Only General Fund	2000 Street Operations Only General Fund	2011 Street Operations (Local Road Funds)	2012 Street Operations (Local Roads Funds)
\$572,830.00	\$624,772.00	\$1,431,912.00*	\$1,039,097.00**
		*(including \$285,000 in debt services and \$250,000 in transfer to Police & Fire Pensions)	** (including \$162,151 in debt services)

In other words, the General Fund no longer supports these Street Maintenance Operational costs, which the Local Roads Funds now supports by the use of the Vehicle Sticker revenue, the 2¢/gallon local Gasoline Tax (\$230,000), the Road/Bridge levy (\$210,000) and SSA#1 and #3 (\$149,000...a limited time revenue source). As a net result, and in simple terms, we have taken \$500,000 to \$1,000,000 in street maintenance operations cost, over the past 10 years, and only supported it in revenues by the establishment of the 2¢ per gallon local gas tax. All other revenues have stayed the same. (This includes State MFT collections, which have seen no change in revenue formula since 1992.)

IV. Other Capital Projects

Be aware that this report does not address those “capital outlay” projects for which federal and state grants are obtained to provide anywhere from 50-90% of the costs necessary for state and county road improvements that the City initiates, and for which the community and region both benefit. If the City desires to continue to apply for and

obtain outside funding sources, we need to plan and budget accordingly for the “local agency” share of costs.

Recent examples include Plum Grove Road, New Wilke Road, East and West Frontage Roads and bridges, Rohlwing Road, Algonquin/Golf intersection, several bikepaths, Weber/62 traffic signals, Marketplace traffic signals and Algonquin/Golf/New Wilke street lighting. Future projects may include Golf/New Wilke intersection, Commuter Drive, Meacham Road, and Algonquin/New Wilke intersection.

Please note that all line items involving GRANTS are one-time revenues and expenditures for specific projects, and are not permanent dedicated revenue sources.

Summary:

- General Fund no longer supports Street Operations costs, only salaries and benefits.
- MFT Fund no longer is used only on “capital outlay” projects, but is also used for street light electricity costs, road salt costs, traffic signal maintenance, and pavement striping (\$374,000 in operational costs).

Finance Department has prepared some charts to illustrate revenues and expenditures in the MFT Fund and the Local Road Fund for the proposed FY2012 Budget.

Taken from Committee-of-the-Whole report of February 15, 2011:

The Motor Fuel Tax revenues are set annually by IDOT, and has been reduced this year from \$708,000 (2010) to \$636,500 (2011). The payments are based on a population formula, and the state collects revenues from taxes on gasoline sales.

Because the City intentionally under spent its annual MFT allotment for several years to accumulate fund balance for our share of the Golf/New Wilke intersection project, and then received grant funding to cover a large portion of these costs, the City was able to budget \$1,000,000 in FY2010 for its Street Program (actual contract award was \$820,000, with expenditure \$720,000). This is an exception, not the norm.

The City cannot support a desired \$1,000,000 annual street program on \$636,500 in annual MFT revenue alone, let alone also utilize MFT funds for street lighting, road salt, sidewalk program, and various project engineering design services as annual expenditures.

The City also cannot support a local street program with the approximate \$1,000,000 in annual Local Road Fund dedicated revenues, while making \$1,400,000 in annual expenditures.

Other revenues within Local Road Fund vary from year to year, based on grants received, Fund transfers, etc. This makes budget comparisons from fiscal year to fiscal year difficult. A simplification is provided below:

Annual Revenues – Permanently Dedicated

MFT	\$636,500
Local Road	<u>\$959,200</u>
	\$1,595,700

Non-Discretionary Expenditures – i.e. Annual Needs*

Debt Service	\$285,500
Outside Repairs & Maintenance (LR)	\$132,500
Debris Disposal	\$22,000
Operating Supplies	\$99,000
Repair & Maintenance Supplies	\$20,000
Street Lights	\$100,000
Outside Repairs & Maintenance (MFT)	\$135,000
Snow Removal Supplies	\$174,000
Annual Sidewalk Program	<u>\$130,000</u>
	\$1,098,600*

***Note: Vehicle Maintenance and Vehicle Replacement Chargebacks are not identified here as a specific annual expenditure need, however there does need to be a dedicated funding source(s) for these operational costs.**

With the elimination of all discretionary street maintenance and capital improvement expenses (as shown above), the current revenue committed to

street program services provides for approximately \$500,000 per year for discretionary pavement resurfacing. (\$1,595,700- \$1,098,600 = \$497,100)

It should also be noted that, while a targeted \$1,000,000 annual street resurfacing program in the 1990's was sufficient to "keep pace" with street resurfacing needs of the community, in 2011 a \$1,000,000 street resurfacing expenditure only provides about 60% - 65% of what this amount of money provided for in paving back in 1995-2000. [Ed. Note: The General Fund was providing financial support to a number of street operations in the 1990's, including street lighting, road salt, a portion of the street resurfacing program, and all materials and contract services that it no longer does.]

Note that the General Fund only supports Public Works Department Street Maintenance salaries, benefits, and Forestry operations.

In order to maintain the "standards" of street conditions that the City was accustomed to, in future years, the City would need to be providing, on average, approximately \$1,500,000 annually to its street resurfacing program. Otherwise, we can expect to see a continuation of the slow decline in the overall pavement conditions that has been experienced during the past 10 years. (See the July 13, 2010 report on street conditions – attachment).

This discussion is provided to illustrate current Street Program revenues and annual operational needs.

a) Motor Fuel Tax & Local Road

Motor Fuel Tax Fund & Local Road Fund - Side by Side

FY 2011 Estimated Ending Fund Balance	\$ 1,795,393	\$ 254,050
	MOTOR FUEL TAX FUND	LOCAL ROAD FUND
FY 2012 PROPOSED BUDGET		
<u>REVENUES</u>		
State Motor Fuel Tax	\$ 600,000	\$ -
State Motor Fuel Tax Grants	\$ 76,000	\$ -
Special Service Area Funding	\$ -	\$ 149,301
Home Rule MFT - 2 Cents Local MFT	\$ -	\$ 230,000
Home Rule MFT - 1 Cent Local MFT (Proposal)	\$ -	\$ 115,000
Levy - Road & Bridge (Non-City)	\$ -	\$ 210,000
Vehicle License	\$ -	\$ 365,000
Vehicle Sticker Increase (Per 10/18/11 COW Meeting)	\$ -	\$ 63,000
Investment Earnings	\$ 100	\$ 100
Reimbursements (State Funds)	\$ -	\$ 183,700
Transfer from TIF #1	\$ -	\$ 54,000
Total Revenues	\$ 676,100	\$ 1,370,101
<u>EXPENDITURES</u>		
Contractual Services	\$ 365,000	\$ 732,346
Utilities - Electricity - Street Lights	\$ 110,000	\$ -
Supplies	\$ -	\$ 144,600
Snow Removal Supplies (Salt is largest expense)	\$ 179,000	\$ -
Debt Service	\$ -	\$ 162,151
Capital Outlay:		
Annual Street Program	\$ 500,000	\$ -
Citywide Sidewalk Program	\$ 130,000	\$ -
RT 62/58 Street Lights	\$ 300,000	\$ -
Bridge Improvements	\$ 50,000	\$ -
Plum Grove Bike Path CMAQ 10% Constr	\$ -	\$ 20,000
Commuter Drive Bike Path 10% Ph 2	\$ -	\$ 130,082
Total Expenditures	\$ 1,634,000	\$ 1,189,179
<u>Grants: Revenues & Expenses</u>		
Revenue: Construction Engineering-IL Capital Funds		\$ 255,000
Revenue: Infrastructure Improvements-IL Capital Funds		\$ 150,000
Revenue: Emergency Repairs - New Wilke-State Funds		\$ 1,000,000
Capital: Golf/New Wilke Intersection		\$ (1,401,650)
Surplus (Deficit)	\$ (957,900)	\$ 184,272
FY 2012 Proposed Ending Fund Balance	\$ 837,493	\$ 438,322

Notes:

1) Grant eligible expenses are typically spent in one year and reimbursed in the next year such as for the Plum Grove Bike Path and Commuter Drive expenses. These are expended in 2012 and reimbursed to the City in 2013 (depending on the State of Illinois' repayment schedule).

a) Motor Fuel Tax & Local Road

FY 2012 PROPOSED VEHICLE STICKER INCREASES - LOCAL ROAD FUND

	<i>FY 2011 Current Rate</i>	<i>Annual Amount Sold</i>	<i>Estimated of Current Revenue</i>	<i>18.2% Increase</i>	Column A Increase - Staff Recommend s	<i>Proposed Revenue</i>	<i>FY 2012 \$ Increase</i>
Passenger	\$ 22	15,000	\$ 330,000	\$ 26	\$ 26	\$ 390,060	\$ 60,060
Motorcycles	\$ 22	200	\$ 4,400	\$ 26	\$ 26	\$ 5,201	\$ 801
Vehicle > 8,000 lbs	\$ 49	140	\$ 6,860	\$ 58	\$ 60	\$ 8,400	\$ 1,540
Trailers	\$ 8	60	\$ 480	\$ 9	\$ 10	\$ 600	\$ 120
R.V.'s	\$ 27	15	\$ 405	\$ 32	\$ 35	\$ 525	\$ 120
Senior - Over 65	\$ 10	1,900	\$ 19,000	\$ 12	\$ 10	\$ 19,000	\$ -
Disabled	\$ 8	400	\$ 3,200	\$ 9	\$ 10	\$ 4,000	\$ 800
Antique	\$ 11	60	\$ 660	\$ 13	\$ 11	\$ 660	\$ -
Active Military	\$ 1	30	\$ 30	\$ 1	\$ 1	\$ 35	\$ 5
		<u>17,805</u>	<u>\$ 365,035</u>			<u>\$ 428,481</u>	<u>\$ 63,446</u>

Notes:

1) At the October 18th Committee of the Whole Meeting, the original \$30 per vehicle sticker was reduced to \$26 in 2012, then increasing to \$30 in 2013.

1) Approximately, 15,000 Passenger Vehicle Stickers and 2,800 of other types of stickers sold annually.

2) At the October 18th Committee of the Whole Meeting, City Council asked Staff to increase all vehicle stickers by 18.5%. In the past, residents have request that rates be set to the nearest "5" or "0". Staff recommends the rates shown in Column A.

3) Staff recommends freezing the Senior rate at \$10 per sticker and Antique Stickers at \$11 per sticker.

4) The additional revenue to the Local Road Fund is estimated at \$63,446 with an across the board increase in rates (staff recommendation).

5) If approved, ordinances will be prepared.

b) Utilities Fund

Water & Sewer Rates

The City's Utilities Fund consists of water, sewer and storm sewer revenues and expenses. Prior to FY 2010, these services were accounted for in separate funds. Since then, these services are accounted in one fund detailed by water, sewer and stormwater revenues and expenditures. The Utilities Fund not only accumulates revenues for providing these services but also acts to reserve funds for capital improvement projects such as watermain pipe replacements, pumping station and pressure zone improvements, maintenance projects, sanitary sewer rehabilitation, creek retention projects, storm sewer rehabilitation among other infrastructure projects.

At the time of drafting the FY 2012 Proposed Budget, the City of Chicago indicated that their increase in water rates would be about 7%. In the proposed budget, a 7% increase is proposed for water/sewer service.

However, since the City of Rolling Meadows' proposed budget was released, the City of Chicago has proposed an increase to the JAWA rate of 25% in 2012, 15% in 2013, 15% in 2014 and 15% in 2015. JAWA purchases their water from the City of Chicago and the City of Rolling Meadows is contractually part of JAWA. There are 130 communities who purchase City of Chicago water and will be affected by those increases.

At the October 18th Committee of the Whole Meeting, it was discussed to review a possible increase to the Water rate but not to the Sewer rate. Historically, the Sewer rate is a % of the Water rate – for years it was 25% of the Water rate. Currently, it is equal to 33% of the Water rate. We are trying to balance out the City of Chicago's rate increase to Water. Staff recommends a 3% reduction in Sewer rates from 33% to 30%.

Turn to the Utilities Fund attachment to further review the possible scenarios for the Water and Sewer Rates.

Stormwater Management

The implementation of a stormwater management fee was established for the continued maintenance of existing storm facilities, including storm sewers, catch basins and inlet structures, drainage ditches, culvert pipes, water quality issues, detention management, Salt Creek bank stabilization and maintenance and implementation of stormwater management programs. The Stormwater Management Fund was merged into the Utilities Fund, effective with the approval of the FY 2010 Budget.

In the 2010 Budget, and for several years previous to this, the annual Stormwater Management Fee was increased annually by 5% (this was done by City Council action in 2005 – Ordinance 05-06). In 2011, the Stormwater Management Fee was **not** increased.

At the current rate of \$3.05 per month for a single family dwelling unit, a 10% Stormwater Management Fee increase (5% for 2011 and 5% for 2012) would be a \$.305 cents increase per month, or a \$3.66 annual total increase per homeowner per year.

b) Utilities Fund

Water & Sewer Rate Analysis

Assumes Sewer Rate is Equal to **33%** of Water Rate

Typical Water Bill is about 8,000 gallons per month (approx. a family of four)

Rate per 1,000 Gallons for the 1st 15,000 Gallons of Water		Water Rate Increase	Water	Sewer - 33% of Water Rate	Water/Sewer Portion of Monthly Bill	\$ Increase Per Month	Total Water Revenue	Total Sewer Revenue
\$	6.35	2011 Rate	\$ 50.80	\$ 16.76	\$ 67.56	---	\$ 5,000,000	\$ 1,666,650
\$	6.79	7% Proposed Budget	\$ 54.36	\$ 17.94	\$ 72.29	\$ 4.73	\$ 5,230,000	\$ 1,712,300
\$	7.30	15%	\$ 58.42	\$ 19.28	\$ 77.70	\$ 10.13	\$ 5,573,000	\$ 1,826,130
\$	7.62	20%	\$ 60.96	\$ 20.12	\$ 81.08	\$ 13.51	\$ 5,787,490	\$ 1,897,280
\$	7.94	25%	\$ 63.50	\$ 20.96	\$ 84.46	\$ 16.89	\$ 6,001,900	\$ 1,968,425

	JAWA Proposed Budget	\$ 2,859,209
	JAWA ADDITIONAL INCREASE 25%	\$ 714,802
1)	2012 JAWA Proposed Expenditure	\$ 3,574,011
	FY 2012 Proposed Fund Balance (7%)	\$ 1,089,108
2)	FY 2012 Proposed Fund Balance (7%) & JAWA Increase	\$ 374,306
3)	FY 2012 Fund Balance (15%)	\$ 831,136
4)	FY 2012 Fund Balance (20%)	\$ 1,116,776
5)	FY 2012 Fund Balance (25%)	\$ 1,402,331

Notes:

- 1) A 25% increase in the JAWA rate is estimated at an additional \$714,802 in JAWA Water Supply expenses.
- 2) With a 7% water rate increase and a 25% increase from JAWA, the Utilities Fund Balance is estimated at \$374,306.
- 3) If the City increases the water rate by 15% and if the sewer rates are kept at 33%, Utilities Fund Balance is estimated at \$831,136.
- 4) If the City increases the water rate by 20% and if the sewer rates are kept at 33%, Utilities Fund Balance is estimated at \$1,116,776.
- 5) If the City increases the water rate by 25% and if the sewer rates are kept at 33%, Utilities Fund Balance is estimated at \$1,402,331.
- 6) Staff recommends a 20% increase in the water rate to ensure that the JAWA rate increase is covered, capital infrastructure needs are met and fund reserves are maintained.
- 7) City of Chicago Proposed Rates are 25% in 2012, 15% in 2013, 15% in 2014 and 15% in 2015.

b) Utilities Fund

Water & Sewer Rate Analysis

Assumes Sewer Rate is Equal to **30%** of Water Rate

Typical Water Bill is about 8,000 gallons per month (approx. a family of four)

Rate per 1,000 Gallons for the 1st 15,000 Gallons of Water		Water Rate Increase	Water	Sewer - 30% of Water Rate	Water/Sewer Portion of Monthly Bill	\$ Increase Per Month	Total Water Revenue	Total Sewer Revenue
\$	6.35	2011 Rate	\$ 50.80	\$ 16.76	\$ 67.56	---	\$ 5,000,000	\$ 1,666,650
\$	6.79	7% Proposed Budget	\$ 54.36	\$ 16.31	\$ 70.66	\$ 3.10	\$ 5,230,000	\$ 1,712,300
\$	7.30	15%	\$ 58.42	\$ 17.53	\$ 75.95	\$ 8.38	\$ 5,573,000	\$ 1,772,530
\$	7.62	20%	\$ 60.96	\$ 18.29	\$ 79.25	\$ 11.68	\$ 5,787,490	\$ 1,841,592
\$	7.94	25%	\$ 63.50	\$ 19.05	\$ 82.55	\$ 14.99	\$ 6,001,900	\$ 1,910,648

NOTE: the 2011 Sewer Rate above is shown at 33% of the Water Rate.

	JAWA Proposed Budget	\$ 2,859,209
	JAWA ADDITIONAL INCREASE 25%	\$ 714,802
1)	2012 JAWA Proposed Expenditure	\$ 3,574,011
	FY 2012 Proposed Fund Balance (7%)	\$ 1,089,108
2)	FY 2012 Proposed Fund Balance (7%) & JAWA Increase	\$ 374,306
3)	FY 2012 Fund Balance (15%)	\$ 777,536
4)	FY 2012 Fund Balance (20%)	\$ 1,061,088
5)	FY 2012 Fund Balance (25%)	\$ 1,344,554

Notes:

- 1) A 25% increase in the JAWA rate is estimated at an additional \$714,802 in JAWA Water Supply expenses.
- 2) With a 7% water rate increase and a 25% increase from JAWA, the Utilities Fund Balance is estimated at \$374,306.
- 3) If the City increases the water rate by 15% and if the sewer rates are lowered to 30%, Utilities Fund Balance is estimated at \$777,536.
- 4) If the City increases the water rate by 20% and if the sewer rates are lowered to 30%, Utilities Fund Balance is estimated at \$1,061,088.
- 5) If the City increases the water rate by 25% and if the sewer rates are lowered to 30%, Utilities Fund Balance is estimated at \$1,344,554.
- 6) Staff recommends a 20% increase in the water rate to ensure that the JAWA rate increase is covered, capital infrastructure needs are met and fund reserves are maintained.
- 7) City of Chicago Proposed Rates are 25% in 2012, 15% in 2013, 15% in 2014 and 15% in 2015.
- 8) Staff recommends a 3% reduction in Sewer Rates from 33% to 30%.

b) Utilities Fund

Water & Sewer Rate Analysis

Assumes Sewer Rate is Equal to **25%** of Water Rate

Typical Water Bill is about 8,000 gallons per month (approx. a family of four)

Rate per 1,000 Gallons for the 1st 15,000 Gallons of Water	Water Rate Increase	Water	Sewer - 25% of Water Rate	Water/Sewer Portion of Monthly Bill	\$ Increase Per Month	Total Water Revenue	Total Sewer Revenue
\$ 6.35	2011 Rate	\$ 50.80	\$ 16.76	\$ 67.56	---	\$ 5,000,000	\$ 1,666,650
\$ 6.79	7% Proposed Budget	\$ 54.36	\$ 13.59	\$ 67.95	\$ 0.38	\$ 5,230,000	\$ 1,712,300
\$ 7.30	15%	\$ 58.42	\$ 14.61	\$ 73.03	\$ 5.46	\$ 5,573,000	\$ 1,680,040
\$ 7.62	20%	\$ 60.96	\$ 15.24	\$ 76.20	\$ 8.64	\$ 5,787,490	\$ 1,745,498
\$ 7.94	25%	\$ 63.50	\$ 15.88	\$ 79.38	\$ 11.81	\$ 6,001,900	\$ 1,810,951

NOTE: the 2011 Sewer Rate above is shown at 33% of the Water Rate.

	JAWA Proposed Budget	\$ 2,859,209
	JAWA ADDITIONAL INCREASE 25%	\$ 714,802
1)	2012 JAWA Proposed Expenditure	\$ 3,574,011
	FY 2012 Proposed Fund Balance (7%)	\$ 1,089,108
2)	FY 2012 Proposed Fund Balance (7%) & JAWA Increase	\$ 374,306
3)	FY 2012 Fund Balance (15%)	\$ 685,046
4)	FY 2012 Fund Balance (20%)	\$ 964,994
5)	FY 2012 Fund Balance (25%)	\$ 1,244,857

Notes:

- 1) A 25% increase in the JAWA rate is estimated at an additional \$714,802 in JAWA Water Supply expenses.
- 2) With a 7% water rate increase and a 25% increase from JAWA, the Utilities Fund Balance is estimated at \$374,306.
- 3) If the City increases the water rate by 15% and if the sewer rates are lowered to 25%, Utilities Fund Balance is estimated at \$685,046.
- 4) If the City increases the water rate by 20% and if the sewer rates are lowered to 25%, Utilities Fund Balance is estimated at \$964,994.
- 5) If the City increases the water rate by 25% and if the sewer rates are lowered to 25%, Utilities Fund Balance is estimated at \$1,244,857.
- 6) Staff recommends a 20% increase in the water rate to ensure that the JAWA rate increase is covered, capital infrastructure needs are met and fund reserves are maintained.
- 7) City of Chicago Proposed Rates are 25% in 2012, 15% in 2013, 15% in 2014 and 15% in 2015.

c) Pension Funding

Background: At the October 18, 2011, Committee of the Whole Meeting, Alderman Brad Judd requested that Staff prepare information for a discussion on increasing Police and Firefighters' Pension Plan Funding.

The City of Rolling Meadows' Police Pension Plan and the Firefighters' Pension Plan are single-employer defined benefit pension plans that cover all sworn police and fire personnel. Although these are single-employer pension plans, the defined benefits and employee contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois General Assembly.

Pension Reform continues in the State of Illinois. Effective January 1, 2011, Illinois Public Act 96-1495 was approved which significantly impact police and fire pensions. The statute created two Tiers system for the pensions: Tier 1 are members hired before January 1, 2011; and Tier 2 are members hired after January 1, 2011 with varying degrees of changes to benefits.

The Act also created new changes to actuarial methods, funding targets and amortization periods that were previously at 2033 and were moved to 2040.

On page 61 of the City's 2010 Audit, the funded status for the City of Rolling Meadows' Police Pension Fund is 45.2% and the City of Rolling Meadows' Firefighters' Pension Fund is 39.5%. The 2011 pension reform law extended the 100% funded requirement to 2040. At a minimum the City has committed to contributing the amount as determined by the Illinois Department of Insurance. An appropriate level of funding varies but typically plans are in the 70-80% funded at this time. As previously discussed, funding ratios are factored significantly into City's credit ratings and fiduciary insurance reviews.

Alderman Judd has brought up increasing the City funding amount to go from the 2040 amount to the 2033 or an additional \$400,000 in the tax levy.

Each year the Illinois Department of Insurance reviews the data and the tax levy amount is a moving target.

Following this discussion section, is a detailed review of the Property Tax Levy. This snapshot looks at the FY 2012 proposed tax levy (with the 911 tax levy request reduced from \$85,000 to \$42,500) adding increments of \$50,000 (\$25,000 to both the Police & Firefighters' Pension Plans). The reason for this review is to show the net dollar effect to increase the funded ratios of both plans.

c) Pension Funding

Pension Funding Increase

Summary - Property Tax Levy - FY 2012 Proposed Property Tax Levy
 (Assumes reduction in 911 levy request from \$85,000 to \$42,500)

FY 2012 Proposed Tax Levy		
	\$ Change from 2010 Levy	% Change from 2010 Levy
	\$ 1,505,548	14.5%

	If the Property Tax Levy Increases By	\$ Change from 2010 Levy	% Change from 2010 Levy
	\$ 50,000	\$ 1,555,548	15.0%
	\$ 50,000	\$ 1,605,548	15.5%
	\$ 50,000	\$ 1,655,548	16.0%
	\$ 50,000	\$ 1,705,548	16.5%
	\$ 50,000	\$ 1,755,548	17.0%
	\$ 50,000	\$ 1,805,548	17.4%
	\$ 50,000	\$ 1,855,548	17.9%
	\$ 50,000	\$ 1,905,548	18.4%
Total Increase	\$ 400,000		

Notes:

Assumes that \$50,000 would be distributed evenly between Police & Firefighters' Pension Plans.

d) Overall Budget

As proposed, the 2012 Proposed Budget reflects a 15% property tax levy increase. At the October 18th Committee of the Whole Meeting, it was discussed reducing the tax levy request for 911 services (funded through the E911 Fund) from \$85,000 to \$42,500. The result is reducing the tax levy increase from 15% to 14.5%. This is a \$1,505,548 increase from 2010 tax levy to the 2011 tax levy.

Also at the October 18th Committee of the Whole Meeting, the vehicle sticker passenger rate was reduced from \$30 to \$26 with the thinking that in the 2013 budget it may be increased from \$26 to \$30. Staff was asked to review all sticker prices and increase them by a similar amount. Also at this meeting, the Natural Gas Tax proposed revenue of \$110,087 to the General Fund was eliminated by a straw vote.

Following actions taken at the November 1st City Council Meeting, on employment agreements, there is a wage savings of \$112,000 plus additional savings in overtime and uniforms.

The discussion for this meeting begins with the attachments that follow this first page of the FY 2012 Proposed Budget Discussion. Ideas from the October 18th Committee of the Whole Meeting were incorporated in this discussion packet.

An important reminder – residents and businesses will have the opportunity to express their views on the proposed budget during a public hearing scheduled for Tuesday, November 15th at 7:30 pm. The hearing will take place during City Council's regularly scheduled meeting.

d) Overall Budget

Property Tax Levy for FY 2012 **PROPOSED** Budget

As of 11/8/11 COW Meeting

	2009	2010	2011		Dollar	Percent
	<u>Tax Levy</u>	<u>Tax Levy</u>	<u>Tax Levy</u>		<u>Change from</u>	<u>Change</u>
					<u>From 10 Levy</u>	<u>From 10 Levy</u>
<u>General Fund</u>						
Police Protection	1,791,570	1,791,570	1,991,570	(4)	200,000	11.2%
Fire Protection	1,791,570	1,791,570	1,991,570	(5)	200,000	11.2%
Police Pension	1,540,998	2,039,222	2,164,222	(1)	125,000	6.1%
Fire Pension	1,577,637	2,010,832	2,135,832	(1)	125,000	6.2%
IMRF Pension	410,370	410,370	1,010,370	(2)	600,000	146.2%
Public Works Operations	441,570	441,570	656,570	(6)	215,000	48.7%
Sub Total General	7,553,715	8,485,134	9,950,134		1,465,000	17.3%
<u>E911 Fund</u>						
E911 Service	509,000	509,000	551,500		42,500	8.3%
<u>Debt Service Purpose</u>						
2002A Bond (expires 2017)	507,912	512,668	511,516		(1,152)	-0.2%
2005 Bond (expires 2016)	849,838	846,400	845,600		(800)	-0.1%
Sub Total Debt Service	1,357,750	1,359,068	1,357,116		(1,952)	-0.1%
Total City	9,420,465	10,353,202	11,858,750		1,505,548	14.5%

Notes:

- (1) The actuarial determined amounts for Fire and Police Pension Funds' tax levies are based on the same FY2011 budgeted amount, as the City has not received new numbers from the Dept of Insurance. Last year was partially funded by a \$250,000 transfer from Fund 61, Local Roads.
- (2) City (Employer) Liability for IMRF in 2010 was approximately 1,030,000. Last increase was the 2003 levy.
- (3) All three pension funds are funded below what is considered acceptable. Police & Fire are funded under the 55% threshold as required by state statute.
- (4) Police Protection--last increase was for the Tax Levy for 2006.
- (5) Fire Protection--last increase was for the Tax Levy for 2006.
- (6) Public Works Operations--tax levy is maintained at the amount to which it was reduced in 2005.

Property tax estimate increase by household - based on total dollar tax bill paid:

<u>Total Tax Bill</u>	<u>City Share</u>	<u>Tax Increase</u>
\$ 2,500	\$ 364	\$ 53
3,000	436	63
4,000	582	85
5,000	727	106
6,000	873	127
7,500	1,091	159
9,000	1,309	190
10,000	1,454	211

d) Overall Budget

Property Tax Levy Scenarios & Ending Fund Balance Review

FY 2012 Proposed Budget Process
November 8, 2011 Committee of the Whole Meeting

Scenario Adjustments	2010 Tax Levy	2011 Proposed Tax Levy	\$ Change from 2010 Levy	Change from 2010 Levy	911 Fund - FY 2012 Ending Fund Balance	General Fund - FY 2012 Ending Fund Balance
1) FY 2012 Proposed Budget	\$10,353,202	\$11,901,250	\$ 1,548,048	15.0%	\$ (280,381)	\$ 513,592
2) Less: \$42,500 for 911 Increase	10,353,202	11,858,750	1,505,548	14.5%	(322,881)	513,592
3) Less: Natural Gas Tax \$110,087	10,353,202	11,858,750	1,505,548	14.5%	(322,881)	403,505
4) Add: \$325,824 Transfer Station from the Refuse Fund	10,353,202	11,858,750	1,505,548	14.5%	(322,881)	729,329
5) Savings from 11/1 Employment Agreements	10,353,202	11,858,750	1,505,548	14.5%	(322,881)	900,540
6) Less: \$200,000 Police Protection Proposed Levy	10,353,202	11,658,750	1,305,548	12.6%	(322,881)	700,540
7) Less: \$200,000 Fire Protection Proposed Levy	10,353,202	11,458,750	1,105,548	10.7%	(322,881)	500,540
8) Less: \$215,000 Public Works Proposed Levy	10,353,202	11,243,750	890,548	8.6%	(322,881)	285,540

Notes:

- 1) The FY 2012 Proposed Budget presented at the 9/13/11 City Council Meeting includes a positive ending fund balance of \$513,592 with a 15% Tax Levy increase from last year.
- 2) At the 10/18/11 Committee of the Whole Meeting, the \$85,000 proposed tax levy increase for the 911 Fund was reduced to \$42,500.
- 3) At the 10/18/11 Committee of the Whole Meeting, the \$110,087 was removed. The \$110,087 represents 1 penny per therm. Per Nicor Gas, of the \$110,087, 52% are Business therms and 48% are Residential therms.
- 4) At the 10/18/11 City Council Meeting, the \$325,824 Revenue for the Transfer Station was transferred from the Refuse to the General Fund.
- 5) At the 11/1/11 City Council Meeting, City Council took action on employment agreements.
- 6) Scenario #6 is shown with a \$200,000 reduction to the Police Protection proposed tax levy increase.
- 7) Scenario #7 is shown with a \$200,000 reduction to the Fire Protection proposed tax levy increase.
- 8) Scenario #8 is shown with a \$215,000 reduction to the Public Works proposed tax levy increase. Police, Fire and IMRF Pensions are funded at the FY 2012 Proposed Property Tax Levy Amounts.

d) Overall Budget

Property Tax Estimate by Household Taxes - Based on Total Tax Dollars

<i>Total Property Tax Bill</i>	<i>ANNUAL PROPERTY TAX INCREASE BY %</i>				
	<i>15% Tax Increase</i>	<i>14.5% Tax Increase</i>	<i>12.6% Tax Increase</i>	<i>10.7% Tax Increase</i>	<i>8.6% Tax Increase</i>
<i>\$ 2,500</i>	<i>\$ 56</i>	<i>\$ 53</i>	<i>\$ 40</i>	<i>\$ 29</i>	<i>\$ 18</i>
<i>\$ 3,000</i>	<i>\$ 67</i>	<i>\$ 63</i>	<i>\$ 48</i>	<i>\$ 34</i>	<i>\$ 22</i>
<i>\$ 7,500</i>	<i>\$ 168</i>	<i>\$ 159</i>	<i>\$ 119</i>	<i>\$ 86</i>	<i>\$ 55</i>
<i>\$ 5,000</i>	<i>\$ 112</i>	<i>\$ 106</i>	<i>\$ 80</i>	<i>\$ 57</i>	<i>\$ 37</i>
<i>\$ 6,000</i>	<i>\$ 134</i>	<i>\$ 127</i>	<i>\$ 95</i>	<i>\$ 68</i>	<i>\$ 44</i>
<i>\$ 7,500</i>	<i>\$ 168</i>	<i>\$ 159</i>	<i>\$ 119</i>	<i>\$ 86</i>	<i>\$ 55</i>
<i>\$ 9,000</i>	<i>\$ 201</i>	<i>\$ 190</i>	<i>\$ 143</i>	<i>\$ 103</i>	<i>\$ 67</i>

Notes:

1) Above shows the breakdown of property tax bills, increased by a certain percentage and the estimated, net effect of the increase to the property tax bill.

2) The annual dollar amount under each % column represents the estimated amount that would be remitted to the City by the County.

3) As an example, if your property tax bill is \$6,000, and the tax increase is 14.5%, then the estimated amount paid to the City is \$127, or about \$11 per month more than currently being paid.

d) Overall Budget

Refuse Rate & Ending Fund Balance Review

FY 2012 Proposed Budget Process

FY 2011 Ending Fund Balance Project \$ 232,000

Scenario Adjustments	FY 2012 Proposed Revenues	FY 2012 Proposed Expenditures	Surplus (Deficit)	FY 2012 Ending Fund Balance
1) FY 2012 Proposed Budget	\$ 2,493,188	\$ 2,440,587	\$ 52,601	\$ 284,601
2) Less: \$325,824 Transfer Station from Refuse	2,167,364	2,440,587	(273,223)	(41,223)
3) Updated Proposed Budget with Change from Recycling Contract of \$4.77 to \$3.88	2,167,364	2,361,016	(193,652)	38,348
4) Increased Refuse Rate from \$28.08 per month to \$30.90 per month	2,378,232	2,398,007	(19,775)	212,225
5) Increased Refuse Rate from \$28.08 per month to \$32.50 per month	2,492,664	2,398,007	94,657	326,657

Notes:

- 1) The FY 2012 Proposed Budget did not increase the Refuse Rate from the current rate of \$28.08 per month. The Recycling Rate is a component of the Residential Refuse Rate.
- 2) At the October 18th Committee of the Whole Meeting, it was discussed to move the Refuse Transfer Station Revenue to the General Fund.
- 3) This line, above, updates the proposed budget to reflect the current recycling contract rate of \$3.88 per month per residential unit.
- 4) Additional revenue from a proposed rate increase to **\$30.90** is **\$214,444**.
- 5) Additional revenue from a proposed rate increase to **\$32.50** is **\$325,300**.

d) Overall Budget

Rolling Meadows Police Department – Responsibilities & Functions (FY 2012 General Fund Proposed Budget \$10,289,205)

Police Administration

Educational Programs

- Increase public awareness of crime prevention strategies and techniques.
- Increase the efficiency of crime reporting by the public.
- Improve youth understanding of the alternatives to and consequences of drugs, alcohol and crime.
- Increase the involvement of the community through volunteer programs, VIPs/CERT, and Crime Stoppers.
- Educational and participatory programs marketed to residents and businesses.

Recruiting

- Job fairs, college campuses, and businesses visited.
- Experienced Hiring Program candidates contacted.

Citizen Volunteer Cadres

- Increase value-added service provided by the cadre, as well as, assist with police-community relations with all segments of the community.
- Volunteers recruited.
- Work force-hours assisted.

Records Program

Data Systems Integration

- Archive paper documents to digital form.
- Improved data information availability.
- UCR Reports prepared.
- FOIA summary.

Establish Records Interface

- Export data and resources to field units.
- Collect/disseminate data-specific programs to facilitate Community Policing objectives.
- Traffic analysis.
- Community Beat Reports.

Policy

Compliance

- Review and update current policies to ensure compliance with existing standards.
- Train selected personnel in issues facing policy updates.
- Amended and/or create procedures.

d) Overall Budget

- Attend monthly IRMA seminars.

External Assessment

- Maintain Lexipol training status.
- Prepare annual report.
- Prepare necessary reports, audits, and inspections as mandated by policy.

Police Training

Technical competency

- Police Reports prepared.
- Data sheets on employee-hours expended.

Field experience training

- Increased competency through integration of academic and technical training.
- Preparation of staff for succession in ranks.
- Complete Career Development Plans.
- Reports of hours per employee spent in practical application.

Hometown Security

- Train all first responders in applicable NIMS courses.

Patrol Services

Traffic Safety

- Reduce traffic crashes resulting in injury, including D.U.I. related crashes, and reduce complaints of speeding violations on residential streets.
- Initiate Patrol based Traffic Initiative Program.
- Reduce crime via FBI Crime reports.
- Traffic Crash reports prepared.
- D.U.I. related accident reports prepared and a B.A.C. database.
- Citizen complaints processed.

Community Policing

- Use permanent beat officers to recognize problems or potential problems and develop strategies for their solutions; enhance external communications within neighborhoods and business areas and develop customized services for each.
- Daily Activity Reports submitted.
- Beat Reports.
- Action Plans developed and maintained.
- Wellness checks.
- Special event notification.

d) Overall Budget

Investigations

Reactive Case Report Investigation

- Maintain positive case clearances for property crimes and crimes against persons.
- Process investigation reports.
- Monthly Investigations Summaries prepared.

Proactive Case Report Investigation

- Initiate criminal investigations through crime analysis and intelligence information.
- Develop informant-based investigations.
- Foster compliance with State and Local laws pertaining to Liquor and Tobacco violations.
- Initiate Cold Case review program.
- Investigative Management Reports prepared.
- Investigator Case Initiated Reports prepared.
- Outside Agency Case Reports processed.
- Informant files maintained.
- Sexual offender management.

Coactive Investigations

- Coordinate case investigations with support from beat officers, victims of crimes, other police agencies and social service agencies.
- Work in partnership with businesses seeking compliance with liquor license applications/renewals.
- Maintain cases status files for victims and officers.
- Attend meetings with beat officers.
- Conduct quarterly compliance activities with liquor license holders.
- Attend/Conduct Community Meetings.

d) Overall Budget

Rolling Meadows Fire Department – Responsibilities & Functions (FY 2012 General Fund Proposed Budget \$9,064,623)

Administration

- Monitoring compliance with federal, state and local regulations and mandates.
- Planning, organizing, directing, controlling all aspects of fire department operations.
- Development and implementation of programs within the fire department.
- Continually review department performance and taking corrective action where necessary. to assure best practice policies and procedures are being followed.
- Development of the annual budget and monitoring expenditures throughout the year.
- Directly involved in hiring, promotions and evaluating employee performance.
- Responsible for establishing short term goals and long range planning for the organization.
- Network with internal and external organizations to enhance resource sharing opportunities and capabilities.
- Represent the City and the department by actively participating on various committees both internally and externally.
- Development of policies and procedures.
- Responsible for maintaining labor management relations and resolving grievances.
- Responsible for establishing command and control at major incidents within the City.
- Responsible for emergency planning as it relates to Fire Department Operations.

Fire Suppression

- § Structure fires (residential, commercial, industrial).
- § Vehicle fires.
- § Rubbish fires (dumpsters, roll-off containers).
- § Vegetation fires.
- § All our personnel are trained to the level of Firefighter III and Journeyman Firefighter. Our personnel receive at least 240 hours of continuing education in all areas related to fire suppression.

Emergency Medical Services

- § Advanced Life Support.
- § Advanced Cardiac 12 lead EKG treatment.
- § Advanced CPAP equipment for respiratory treatment.
- § Advanced cardiac arrest treatment.
- § Affiliated with one of the most advanced emergency medical systems in the country, the Northwest Community Emergency Medical System.
- § All paramedics receive monthly advanced training to assure they remain at the cutting edge of the latest medical research and technology.

d) Overall Budget

Specialty Rescue

- § Consolidated Dive Team response with Palatine and Palatine Rural.
- § Confined Space Rescue.
- § High Angle Rescue Team.
- § Trench Rescue Team.
- § Hazardous Material Team (Statewide Response Team Support).
- § Auto Extrication Specialists.
- § Collapse Rescue Team.
- § Participation in Statewide USAR (Urban Search and Rescue) Team.
- § Homeland Security work.

Fire Prevention Life Safety

- § Fire Inspections (multifamily, reinspections of commercial, high-rise and industrial facilities).
- § Arson Investigation Team.
- § Juvenile Fire Setter Program.
- § Emergency Plan/Exit Plan Review.

Public Education

- § Learn Not to Burn Program.
- § File for Life Program.
- § Senior Program.
- § CO detector installs.
- § Recruiting.
- § Home inspections.
- § CPR classes.
- § Wellness checks.

d) Overall Budget

Rolling Meadows Public Works Department – Responsibilities & Functions (FY 2012 General Fund Proposed Budget \$2,430,481)

Public Works Administration

- § Provides long and short term planning, management and implementation of Public Works programs and services, technical advice to the City Manager, Mayor and City Council, and a foundation of leadership and support for all of the operating divisions of the Department.
- § Provides administrative, financial, and operational support for the Public Works Department. This includes the capital and operating budget preparation, personnel management, payroll and purchasing, customer service and response to requests from the public, and the implementation of City policy.
- § Oversees and coordinate the delivery of public works programs and services, and maintenance of the City's equipment and infrastructure assets.
- § Protects public health and safety, and insure a safe work environment for our employees in compliance with Federal, State of Illinois and local government regulations.
- § Provides quality control, communication with public for programs, rules and regulations, compliance and enforcement.

Street Maintenance Division

- Provide a proactive maintenance, inspection, repair and capital improvement program for streets, sidewalks, bikeways, street lighting, traffic signals and signs, curbs and gutter, storm water drainage collection systems, parkways, and other improvement sin the public right-of-way and public roadway easements.
- Provide pavement sweeping and snow and ice control on public streets, sidewalks and parking lots.
- Recruit, develop and retain a diverse, highly qualified, motivated and productive workforce.
- Protect health and safety, and to ensure a safe work environment in compliance with IDOT, CCHD, IEPA, OSHA, City Code, and all other required State and local regulations.

Forestry Division

- Ensure the public safety, by the pruning and removal of trees and shrubs that block street signs, traffic signals, sidewalks, bike paths, and those trees and shrubs that obstruct motorist visibility.
- Remove and replace dead, damaged and diseased trees on City property, and maintain and increase the number of trees on public property by new plantings in appropriate locations and by the use of appropriate species.
- Provide for periodic curbside brush collection services for residents.
- Serve as the City Forester, and coordinate the enforcement of Chapter 22 (vegetation) of the City Code.

d) Overall Budget

- Recruit, develop and retain a diverse, highly qualified, motivated and productive workforce.
- Protect the public health and safety, and to ensure a safe work environment in compliance with Illinois Department of Agriculture, OSHA, SWANCC, City Code, and all other required State and local regulations.

Facilities Division

- § To provide for the cost efficient maintenance of City buildings and grounds so that they are safe, functional, and attractive for the public and City employees.
- § To conduct routine inspections and repairing all facilities utilizing professional construction and maintenance services in a timely manner.

Committee-of-the-Whole – November 8, 2011

2a) Curbside Recycling Collection - Proposals

Discussion Part 1 Recycling Services: City staff has been in continued negotiations with the recycling service providers since the October 18, 2011 Committee of the Whole meeting and due to the varied proposals conditions that were received. Staff has determined that it is in the best interest of the City to formally request each of the original seven (7) vendors that were sent a copy of the City's original RFP for recycling services to submit new pricing proposal for either a 6 month or a 12 month term with no conditions. Furthermore each vendor submitting a price proposal based on these terms should include a rebate formula that matches the current SWANCC formula exactly. There are to be no deviations or conditions, in order to be fair, and to simplify the comparisons for the short term contract that is now being desired. The terms of the final contract would be derived from the original RFP.

If the City decides in 2012 to enter into a contract for all solid waste and yardwaste collection services, the recycling portion of the contract could then be rolled into the primary contract at the end of the six month or the one year term.

Staff believes that by entering into a recycling collection contract for a full twelve months, and by then including all solid waste and yardwaste services in an RFP during 2012 is the best option for the City for the following reasons:

1. To allow Council the time and opportunity to fully discuss and understand the financial implications of outsourcing refuse collection operations and those cost which are fixed within the Refuse Fund (See part 2 of this report).
2. A 12 month recycling contract will allow the City the time necessary during early 2012 to assemble the RFP and to make decisions on the levels of service to be provided.
3. Complete a thorough review of all aspects of the RFP responses and conditions in a prudent manner.
4. By including recycling services in a refuse & yardwaste collection RFP, this should provide the City with the most favorable pricing overall since the value of the recyclable material collected is, by nature of all such contracts, shared between the hauler and the municipality; and thus used to offset some of the inherent cost of the other two major waste streams.

Staff has requested of the prospective vendors that pricing for a six month or one year contract be provided to the City by Wednesday November 9, 2011. Once the pricing is received, staff will be able to prepare a recommendation for Council consideration for the Recycling collection contract only. (Note that some vendors have indicated to staff a preliminary reluctance to consider a 6-month contract.)

Discussion Part 2 Request for Proposals – All Solid Waste and Yardwaste Services:

The request for proposals for all solid waste services should include a service level equal to the City's current solid waste and yardwaste collection program. However, in an effort to obtain the most favorable contract pricing possible, and to understand the cost for services, the proposals should be considered to include some or all of the following options:

- Pricing options for instituting a Yardwaste Sticker Program, so that only resident who use the service are required to pay for the service.
- White-Goods and other bulky material to be collected on a fee based system.
- A migration to Standardized containers (refuse carts) at sometime during the contract.
- Billing services to be provided by the vendor, so that the costs of solid waste collection services are completely removed from the City Budget.
- Awarded vendor to purchase, maintain and replace all city owned recycling carts.
- Awarded vendor to assume remaining liability for the original purchase of the existing refuse carts.
- Awarded vendor to provide pricing for purchasing City own trucks.
- Awarded vendor to provide alternate pricing (discount) programs, for Council consideration.

- Determination will need to be made as to how to pay the City's liability for the SWANCC Debt Service.
- Public Works labor force effect (discussion below).

Determination will also need to be made as to whether or not the following programs will remain in the Refuse Fund or be moved to some other fund:

- Street Sweeping Debris
- SWAP Operations & Overtime
- Downtown & City Buildings Refuse Containers
- Brush Collection Services – Annually scheduled.
- Emergency response for storm damage, prolonged power outages, or other occurrences which cause significant increases in refuse or yardwaste volumes. On average this has been occurring 1 – 2 times per year and at a substantial cost to the Refuse Fund.

The Refuse Fund also has been providing cash transfer payments in the operating budget to support other City Funds including:

- General Fund
- Building & Land Fund
- Liability Insurance Fund
- Health Insurance Fund

- Vehicle Replacement Fund

Additional contract requirements may be identified by Council or by staff as the Request for Proposals are finalized.

It has been assumed that a refuse collection company may hire the City's current Refuse Division employees, as part of an outsourcing effort. This has been found to quite likely be an "empty promise". All of the local refuse hauling companies employ unionized laborers. And these laborers are assigned to work on a seniority bases, therefore any City employees that might be offered jobs would have the lowest seniority and would be the first to be laid-off, or be reclassified as seasonal, temporary or "fill-in" labor; or these employee may be transferred to remote locations in the vendor's service area. Therefore the Public Works Department should first be directed to review all of its internal staffing needs as part of such a process, and if in the case the refuse service is contracted out, a proposal for future staffing will need to be developed and reviewed. At this time the Public Works Department is carrying three (3) vacant positions as the result of the Voluntary Separation Incentive Program

The value of the City's existing refuse collection vehicles will also need to be determined. Staff has contacted several third-party used equipment dealers in an effort to begin to establish the true and best value of the four refuse packer trucks. This information will allow the City to determine whether or not to list the equipment for sale in the pending RFP, to sell the equipment out right, or to take the equipment to auction. Which ever decision the City ultimately determines should be in the best interest of the City and not necessarily in the best interest of a vendor.



InterOffice Memorandum

Date: November 2, 2011
To: Barry Krumstok, City Manager
From: Fred Vogt, Director of Public Works
CC: Bob Hartnett, Assistant Director of Public Works
Subject: Refuse Operations - Potential External Cost Obligations

Regardless of whether or not Refuse Collection and Yardwaste is outsourced or kept as a City service, the City has a number of fixed costs associated with the Refuse Fund operations, as follows:

<u>Fixed Costs</u>	<u>Resident Monthly Cost</u>	<u>Annual Cost</u>
Debt Service (carts) to 2017	\$0.51	\$ 36,475
Admin/Finance Staff, Bank Fees, Postage, Bills	\$0.83	\$ 59,360
SWANCC Debt Service	\$0.84	\$ 60,075
Street Sweeping Debris	\$0.08	\$ 5,720
SWAP Operations & Overtime	\$0.06	\$ 4,290
Replacement Carts	\$0.03	\$ 2,145
Downtown & Buildings Refuse Containers	\$0.01	\$ 715
Special Storm Damage Collections (average)	\$0.25	\$ 17,880
Building & Land Chargeback*	\$0.52	\$ 37,190
Liability Insurance Chargeback*	\$0.50	\$ 35,760
Administrative Fees*	\$5.44	\$389,070

*These are currently revenues to other City funds. How will they be replaced in the event the City's Refuse Fund is eliminated?

<u>Out of Pocket Costs</u> – To be provided by a contractor	
Recycling Contract	\$3.88
Yardwaste Tipping (Dump) Fees	\$1.05
Refuse Tipping (Dump) Fees-SWANCC	\$7.69
Refuse Tipping Multi-Family (\$71,000 reimbursed)	\$1.00
Refuse Curbside <u>collection</u>	To be determined by proposals
Yardwaste Curbside <u>collection</u>	To be determined by proposals

The following costs would go to the outsourcing provider or be eliminated:

	<u>Resident Monthly Cost</u>	<u>Annual Cost</u>
Vehicle Maintenance	\$1.85	\$132,310
Vehicle Replacement	\$1.60	\$114,430
Misc. PW Costs...tools, etc.	\$0.10	\$ 7,150
Salary (5)	\$5.05	\$361,175
Benefits (5) inc. health ins, IMRF, etc.	\$2.45	\$175,225
Overtime	\$0.25	\$ 17,880
Seasonal Workers (2)	\$0.22	\$ 15,735

If we are to assume that a recent \$23-24 verbal “ballpark” quote for “cadillac” refuse collection services is inclusive of refuse, yardwaste, and recycling collection, and is inclusive of dumping fees for refuse and yardwaste (currently at \$8.74/month per home, per FY2012 Budget) then the City’s “fixed” costs of \$2.61/month would need to be added to the future received quoted vendor costs for comparison purposes. Additionally, \$6.46/month (\$462,000 annually) needs to be replaced in the General Fund and Utilities Fund revenues!

If the price quoted at \$23-24 is not inclusive of dumping costs, this would drive overall costs even higher, to approximately \$30/month. Should all Refuse/Yardwaste/Recycling collection operations be contracted out in the future, it will need to be determined what portion of the “Administrative Fees” needs to be retained, and what cost increases will need to be absorbed by the General Fund and/or by the Utilities Fund.

The impact of the outsourcing of Refuse/Yardwaste collection operations on the General Fund would be significant based upon the lost “revenue” from Refuse Fund, the possible retention of several refuse employees (into positions still vacant by the early-retirement incentive program), the loss of Building & Land Chargebacks, the loss of Liability Insurance Chargebacks, etc.

Again, for reference, attached is the “2010 Refuse Survey Pricing Comparisons” of the 9 municipalities that originally responded with information, and the 5 additional responses received at a later date.

Final note to keep in mind: The Village of Streamwood Refuse/Yardwaste/Recycling contract, cited at the previous Committee-of-the-Whole meeting as a comparison, provides for the service provider to use its own local transfer station, is not a member of SWANCC, has no recycling rebate program, and is without any internal fixed costs; all significant cost reductions available to them in comparison to Rolling Meadows.

In moving forward with Refuse outsourcing cost data collection and proposals, we need to be sure to do everything possible to be able to make “equitable” comparisons in service levels being offered, both between competing vendors and between existing City services that have been provided over the years. A suggestion offered is to form a working committee consisting of Public Works, Finance staffs and one or two aldermen to serve in the preparation of specifications and review of proposals received.

2010 Refuse Survey Pricing Comparisons

	SWANCC Community	Refuse Collection	Yard Waste Collection	Yard Waste Sticker Program	Recycling	Street Sweeping	Brush Collection	SWAP 600 Man Hours	Monthly Rate	Property Tax Subsidy
Arlington Heights	Yes	\$20.34	\$9.10	Yes @ \$1.95	\$3.54	N/A	N/A	N/A	\$32.98	No
Pricing for Arlington Heights include twice a week collection for refuse.										
Bartlett	No	\$11.08	\$12.83	Yes @ \$2.75	\$4.92	N/A	N/A	N/A	\$28.83	No
Deerfield	No	\$6.50	\$9.33	Yes @ \$2.00	Included in Refuse cost	N/A	N/A	N/A	\$15.83	Yes
Des Plaines	No	\$10.98	\$3.73	No	\$4.87	N/A	N/A	N/A	\$19.58	Yes
Elk Grove Village	Yes	\$17.22	\$9.33	Yes @ \$2.00	Included in Refuse cost	N/A	N/A	N/A	\$26.55	No
Additional Notes for Elk Grove: Waste Management is the Contractor - they bill the resident directly ever 3 months they do not provide for the collection of appliances										
Hanover Park	No	\$14.70	\$10.00	Yes @ 2.14	\$4.13	N/A	N/A	N/A	\$28.83	No
Highland Park	No	\$23.36	\$9.43	Yes @ 2.02	\$5.47	N/A	N/A	N/A	\$38.26	No
Hoffman Estates	Yes	\$13.64	\$10.97	Yes @ 2.35	\$4.11	N/A	N/A	N/A	\$28.72	Yes
Mt. Prospect	Yes	\$7.16	\$10.50	Yes @ \$2.25	\$3.63	N/A	N/A	N/A	\$21.29	Yes
Niles	Yes	\$6.46	\$9.33	Yes @ \$2.00	\$3.58	N/A	N/A	N/A	\$19.37	No
Park Ridge	No	\$8.56	\$3.11	No	\$3.28	N/A	N/A	N/A	\$14.95	Yes
Roselle	No	\$8.04	\$10.50	Yes @ \$2.25	\$3.57	N/A	N/A	N/A	\$22.11	No
Schaumburg	No	\$8.87	\$3.01	No	\$3.94	N/A	N/A	N/A	\$15.82	Pending
Schaumburg to collect 100% refuse collection fees from property taxes beginning in 2011										
Streamwood	No	\$9.20	\$3.11	No	\$4.08	N/A	N/A	N/A	\$16.39	No
Rolling Meadows	Yes	\$17.31	\$3.83	No	\$3.53	\$1.01	\$1.01	\$0.77	24.67*	No

*Note: Several fixed costs were not included in cost calculations for this survey data in 2010 report. Total rate in 2010 was \$27.46.

Committee of the Whole Agenda Item – November 8, 2011

3) TIF and Marketing.

Attachments: None

Background:

Moved from the October 18th Committee-of-the-Whole meeting.

Following up from the September 20th Committee-of-the-Whole meeting, the proposal before you is to do some marketing out of the TIF Funds.

In the “Proposed FY 2012 Budget:”

Elimination of \$10,000 in the General Fund (01.05.8655.54610 Professional Services under Community Development – Economic Development) which was for a Consultant – New Business.

Insertion of \$50,000 into TIF# 1 (Kirchoff & Meadows) into account 18.05.8655.54610 Professional Services for marketing.

Insertion of \$5,000 into TIF# 2 (Kirchoff & Owl) into account 37.05.8655.54610 Professional Services for marketing.

Insertion of \$10,000 into TIF# 3 (Algonquin & Route 53) into account 18.05.8655.54610 Professional Services for marketing.

[Staff Update: The “note” for the area is out and Staff has had numerous folks talk to us about the TIF in the last two weeks. One developer thinks if he is successful in purchasing the “note” he may quickly try to purchase the property. If he is successful then he would like to utilize TIF money for the environmental clean-up. This all comes down to timing – December 31st will be here soon].

Staff Comments & Recommendation:

Marketing would be completed for the downtown (where TIF# 1 and TIF# 2 are located) and the Algonquin Road & Route 53 area (TIF# 3).

Committee of the Whole Agenda Item – November 8, 2011

4) Municipal Electricity Aggregation

"Municipal electricity aggregation" is a fairly straightforward concept -- buying power improves when pools of people get together to make purchases. The purchase of health insurance through common pools is just one example. Recently in Illinois, a process has become available for entire municipalities to get together, both residents and businesses, into one big buying pool for electricity. The idea is that such a large pool would be attractive to electricity suppliers, and the suppliers would be willing to bid for the business by offering lower rates than individual customers get on their own.

There are two methods for putting together a municipal pool of electricity customers: opt-in and opt-out. Under an opt-in system, people sign up as individuals to be part of the pool of customers. Under the opt-out system, all residents and businesses are automatically put in the pool unless they request to be excluded. As a practical matter, the pools are much larger (and have more buying power) under an opt-out program than under an opt-in program.

The opt-out program requires approval through a public referendum. A municipality cannot just declare that all its residents become part of a collective without asking them directly through a referendum. Placing a referendum on the ballot is an easy procedure, but informing the public about the pros and cons of the referendum is a far larger task. Municipalities that undertake this process typically hire a consultant firm to run the referendum "campaign."

If the Council chooses to pursue the idea of aggregation, the selection of a firm would be one of the first orders of business. Most of the consulting firms do not charge the municipality directly for their services. If the referendum fails (only three of the twenty-four referenda in Illinois this year failed), the consulting firm gets no reimbursement for their expenses. If the referendum passes, the consulting firm gets reimbursed through the fees paid to them by the electric supplier that is eventually chosen later in the process.

If the Council proposes a referendum and the referendum passes, the drafting of a legal document and the bidding process for a supplier take place over the following few months. The consulting firm typically performs these functions and, again, are compensated in the process by the electricity supplier, not the municipality. In addition, the city receives a nominal fee for being the agent that makes the aggregation process possible.

On the other side of the discussion are two main points. First, a competing process does exist for individuals to obtain lower rates by themselves. Numerous firms can obtain lower rates for individual customers without having a big public process that must be followed. If the rates are in the same ballpark as the rates that can be obtained through the aggregation process, then customers can obtain better rates without all the bother of

the aggregation process. Second, as the Citizens Utility Board phrases it, "the jury is still out" on whether or not the rates obtained through aggregation make the process worthwhile.

Does the Council wish to give the staff direction to begin finding a consultant for the process?

If so, would the Council choose the opt-in or opt-out approach?

If not, would the Council choose to take an active role in publicizing the individual approaches for residents to obtain lower electricity rates?

Committee of the Whole Agenda Item – November 8, 2011

5) Economic Development/Resident Refund Program.

Attachments: None

Background:

This was just mentioned at the October 18th meeting.

The proposal is to offer any resident a 25% refund on any building project of at least \$25,000. This rebate would be refunded once the final certificate of occupancy/project is completed. An additional 25% would be refunded for using any Rolling Meadows tradesman/contractor for at least 50% of the project. The idea here is to encourage home and business improvement as we increase assessments on the value of improved property

This program would start on January 1, 2012.

Again, reimbursements would happen after final inspection and certificate of occupancy is provided. (If a certificate of occupancy is not received after two years of work there would be no refund). Money would be paid directly to homeowners.

Example:

<u>Permit Fee:</u>	
Building Permit	\$261.00
Plan Examination	\$ 25.00
Electrical Permit	\$ 60.00
Plumbing Permit	\$ 60.00
<u>Regular Cash Bond Refundable:</u>	<u>\$145.00</u>
TOTAL Permit Fee =	\$551.00

Total to be discussed would be \$406.00 so utilizing this scenario; the resident would receive \$101.50 at 25% or \$203.00 at 50% (individual utilizes a Rolling Meadows tradesman/contractor).

Alderman Cannon hopes that this will start a discussion on the merits of this proposal.

Staff Comments & Recommendation:

None at this time, but we hope that refunds would not be given during the same fiscal year.

Committee of the Whole Agenda Item – November 8, 2011

6) Propose to sell the City's Algonquin Road Property.

Attachments: None

Background:

This item was pulled at the October 18th meeting.

Propose to sell the City's Algonquin Road site that was to be the 3rd fire station, and deposit that money into an account so it can be utilized later for a replacement for Fire Station # 15. This money would not be deposited into any other current Fund.

If approved, the City would still need an appraisal of the property. Then the property would be up for sale.

[PROPERTY: East of 2701 Algonquin Road (aka Fire Station #17 site). Two lots, one is 60' by 300' lot - approximately 18,000 s.f. The second lot is 20' x 300' - approximately 6,000 s.f.]

Alderman Cannon hopes that this will start a discussion on the merits of this proposal.

Staff Comments & Recommendation:

Last discussion was at the January 18th Committee-of-the-Whole meeting. No recommendation at this time, but as stated in the January meeting, this may not be the right time to sell property.