

Village of Carol Stream

SPECIAL WORKSHOP MEETING

TUESDAY, JANUARY 22, 2019

6:00 P.M.

**GREGORY J. BIELAWSKI MUNICIPAL CENTER
500 N. GARY AVENUE
CAROL STREAM, ILLINOIS 60188**

BOARD ROOM

AGENDA

1. CALL TO ORDER
2. ATTENDANCE
3. FY 20 BUDGET WORKSHOP – GENERAL FUND
PRELIMINARY ASSESSMENT
4. OTHER BUSINESS
5. ADJOURNMENT



Village of Carol Stream

FY 20

Budget Workshop #1

**GENERAL FUND
Preliminary Assessment**

January 22, 2019



Agenda

GENERAL FUND PRELIMINARY ASSESSMENT

- **Current Year FY19 Budget Projections**
 - Environmental Assessment
 - FY19 Estimated Year-End Revenues
 - Projected Expenditures and year-end surplus
- **FY20 General Fund Overview**
 - FY20 Revenue Projections
 - Budget Review Status
 - Working Deficit / Discussion of Bridging the Budget Gap
 - Revenue Options



Current Year FY19 Environmental Assessment

- October 2017 – Loss of revenues from largest sales tax producing business confirmed. Impact of state revenue diversions (income tax / sales tax collection fee).
- November 2017 – Identified \$1.4 million expenditure cuts/savings to avert deficit in FY18 budget. Presented updated Carol Stream Financial Profile & Peer Comparison confirming CS's lean posture among peers.
- December 2017 – Reviewed various revenue options available to offset revenue losses combined with expenditure reductions to balance FY19 budget.
 - Increase in HRST of 0.25% (eff. July 1, 2018)
 - Implementation of Local Motor Fuel Tax (Capital Project Fund – eff. June 1, 2018).



Current Year FY19 Environmental Assessment

- April 2018 – Adopted FY19 budget which contained a modest surplus of \$455,000 with compensation plan adjustments to be paid from that surplus.
- NO surplus transfer made to Capital Projects Fund in April 2018 from FY18 expiring budget.

Current Year FY19 Year-End Projection

- FY19 Revenues are projected to end the year \$374,300 or 1.4% above budget projections.

Estimated FY19 Year-End	\$ 28,034,300
Original FY19 Budget	27,660,000
Revenues Above Budget	<u>\$ 374,300</u>

- FY19 projected Expenditures are expected to be below budget by \$890,934 or 3.2%

Estimated FY19 Year-End	\$ 26,769,066
Original FY19 Budget	27,660,000
Expenditures Below Budget	<u>\$ (890,934)</u>

- This results in a projected surplus of \$1,265,234 compared to the budgeted surplus of \$455,000.



Current Year FY19 Observations

- We are not in a position similar to last year where we need to cut the budget mid-year to avoid a deficit.
- Following FY18 with no transfer to capital reserves, we are likely in a position to make a small transfer in April 2019 to fund future capital infrastructure improvements.
- Despite new revenue (local motor fuel tax – June 2018) transfers to capital remain significantly inadequate to sustain capital needs into the future. This was true before the Municipal Center renovation project and remains true today.
- While the overall FY19 GF budget is largely on-plan, the performance of sales taxes is cause for concern.

FY19 Estimated Year-End Revenues

- FY19 projected revenues are above budget by 1.4%.
- Despite being above projections in total for FY19, total sales taxes are projected to end the year \$700,000 below budget.
- Other, better performing revenues that contributed to keeping us on budget target during FY19 include:
 - State Income Tax – Income taxes have recovered more than expected and are \$325,000 or 8.3% above the budget which was set at a slight decrease compared to FY18 actual revenues due to the State’s recent diversion of municipal funds over the past 2 years.
 - Local Use Tax - \$105,000 over budget due to SCOTUS Wayfair decision and more use taxes now paid by internet sellers.
 - Electric and Natural Gas Utility Taxes – \$160,000 over budget. These do not typically swing dramatically. Influenced by weather/temperatures. Absent extreme weather conditions, this year perhaps more the result of good overall economic conditions.
 - Real Estate Transfer Tax - \$85,000 over budget. Continued strength in housing market and conservative budgeting for large commercial sales has kept this revenue performing above expectations.

FY19 Estimated Year-End Revenues

- Sales Tax collections have stagnated and are trending negatively.

- \$700,000 or 5.5% below budget for FY19 (general + HRST).
- For 9 months May 2018 to January 2019 general sales taxes are a decrease of \$65K or 1.2% compared to same period last year.
- Budgeted growth assumption for FY19 (3.0%) has not materialized).

- Actual growth last several years (pre-Office Depot):

FY17	+9.4%
FY16	+9.9%
FY15	+6.6%
FY14	+17.9%

- General 1% sales tax expected to finish FY19 \$156,000 or 2.1% BELOW FY18 actual. **About the same level as FY16, 3 years ago!**
- HRST expected to finish FY19 \$907,000 or 22.4% ABOVE FY18 actual due to July 1, 2018 increase in rate from 0.75% to 1.00%.

FY19 Estimated Year-End Revenues

- Sales Tax collections have stagnated and are trending negatively.
 - Our top 30 businesses produce roughly 2/3 of all sales taxes collected in Carol Stream each year.
 - Comparison of detailed receipts for the most recent 8 month period of data received from the Department of Revenue show average growth of 2% for these 30 businesses.
 - 16 businesses showed net sales growth.
 - 14 businesses showed net sales decline.
 - **NOTE: This is a partial calendar year analysis only. It does not reflect current fiscal year performance. It does however lend some insight into average sales level changes recently experienced by our larger businesses.**
 - Variations in performance of our largest taxpayer can be significant enough to dictate what kind of year we have, good vs. bad.
 - Known loss of two additional top 25 ranked businesses in 2019 will result in projected net revenue decline for FY20.

General Fund Revenues FY19 Year-End Projections

	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY19</u> <u>Estimate</u>	FY19 Est. Over/ (Under) <u>Budget</u>
Sales Tax	\$ 7,688,493	\$ 7,275,930	\$ 7,418,000	\$ 7,120,000	(298,000)
State Income Tax	3,753,675	3,601,069	3,575,000	3,900,000	325,000
Home Rule Sales Tax	4,533,481	4,058,465	5,367,000	4,965,000	(402,000)
Utility Tax - Telecomm.	1,128,321	1,047,637	974,000	980,000	6,000
Utility Tax - Electricity	1,884,848	1,861,477	1,870,000	1,930,000	60,000
Natural Gas Use Tax	536,590	622,901	570,000	670,000	100,000
Real Estate Transfer Tax	679,592	1,179,883	900,000	985,000	85,000
Hotel Tax Receipts	337,907	311,813	355,000	370,000	15,000
Other Taxes	<u>1,520,493</u>	<u>1,607,398</u>	<u>1,626,500</u>	<u>1,703,500</u>	<u>77,000</u>
Total Taxes	22,063,400	21,566,573	22,655,500	22,623,500	(32,000)
Licenses and Permits	1,264,459	1,183,227	1,220,500	1,385,200	164,700
Grants	101,658	116,843	100,000	100,000	-
Charges for Services	1,786,542	1,667,313	1,774,000	1,761,500	(12,500)
Fines and Forfeitures	1,401,056	1,513,928	1,381,000	1,502,000	121,000
Interest Income	39,914	115,018	140,000	175,000	35,000
Miscellaneous Revenue	<u>552,229</u>	<u>423,704</u>	<u>389,000</u>	<u>487,100</u>	<u>98,100</u>
Total Revenues	\$ 27,209,258	\$ 26,586,606	\$ 27,660,000	\$ 28,034,300	\$ 374,300
		-2.3%			1.4%
Budgeted Revenues	<u>\$ 27,900,000</u>	<u>\$ 29,018,000</u>			
Difference	\$ (690,742)	\$ (2,431,394)			



FY20 General Fund Overview



FY20 General Fund Overview

General Information

- Proposed General Fund budget is not fully developed at present, therefore not ready for detailed discussion.
- We have met with most, but not all Village departments for initial budget submittal discussions.
- Revenue estimates/projections consider current year performance through January 15. No new revenues incorporated into working budget model.
- The Illinois Municipal League has not yet published their estimates of state shared revenues.
- Estimates and projections still subject to change based on newer, more current information.



FY20 General Fund Overview

General Information

- No significant changes in Village staffing are proposed for FY20.
- Only minor adjustments have been made to preliminary budget requests thus far. Probable cutbacks and alternatives still need to be reviewed and vetted.
- An allowance has been incorporated for some form of compensation plan adjustments beginning May 1, 2019.
- Labor contracts for SEIU and MAP expire on April 30, 2019.



FY20 General Fund Revenue Forecast

- Total General Fund revenues for FY20 are expected to decline by \$374,300 or 1.3% compared to estimated year-end FY19 revenues.
- FY20 forecast revenues at \$27,660,000 are identical to FY19 budgeted revenues.
- This situation is primarily driven by:
 1. Stagnation and expected decline in sales tax revenues.
 2. Continued erosion / permanent declines in a number of long standing revenues that will not return.

FY20 General Fund Revenue Forecast

Sales Tax

- 46% of FY19 Budgeted GF Revenues
- Anticipated loss of 2 top 25 taxpayers during FY20.
 - Ditch Witch to West Chicago – anticipated move October 2019
 - Aldi (Stark) to Bloomingdale – anticipated move August 2019
 - Combined estimated annualized financial impact (general + HRST) = \$330,000
- Net reduction of 2.25% in general 1% sales taxes for FY20 compared to FY19 estimate. This is offset by increase in HRST due to 7/1/18 rate increase for 100% of FY20 so basically flat in total compared to FY19 projected total sales taxes.

FY20 General Fund Revenue Forecast

Sales Tax

- 1% general growth assumption applied to reduced revenue base after removing departing businesses.
- Estimate included for new Bucky's (anticipated opening Feb, 2019).
- Staff continue to work a number of leads/prospects for new businesses.
- With roughly 1/2 of total GF revenues in decline, this creates an uphill battle to fund increases in operating expenses that we will see in FY20 (Remember, roughly 75% of all GF costs are personnel related).

FY20 General Fund Revenue Forecast

Other Negative Trending Revenues

- Telecommunications Tax – Our 6% telecommunications tax has been in steady decline for more than a decade due to technological change and elimination of land based telecommunications services. In FY06, this was a \$2M revenue source. FY20 budget = \$882,000.
- Cable Franchise Fees – More recently, CATV franchise fees have begun a precipitous decline due to the steady growth in “cable cutting” and consumer preferences for streaming services we are currently unable to tax. AT&T has experienced 13%-14% declines in each of the last 3 years, and now Comcast is beginning to follow suit with a projected 6% decline in FY19. Budgeting a \$120,000 or 20% reduction in FY20 compared to FY19 budget which we will not reach.
- PPRT and Road & Bridge Taxes – The State has made a regular habit of “sweeping” municipal PPRT funds and repurposing for State uses. Additionally Townships over the last several years have been allocating their road & bridge levies away from the portion they are required to share with municipalities. Gradual decrease of \$115,000 between FY15 and FY20.
- **These are essentially permanent reductions which have not been directly addressed through review of other revenue alternatives.**

FY20 General Fund Revenue Forecast

Some Positive Trending Revenues

- Local Use Tax – In recent years large on-line retailers have begun paying state use taxes. We have seen 64% growth (\$415,000) in the 5 year period from FY13 to FY18. The Wayfair South Dakota case should ensure continued growth although many of the largest on-line retailers have been “on-board” already. Projecting \$1,207,000 for FY20.
- Hotel Tax – Collections from the new hotel combined with improvement of other two hotels in town compared to FY18 have shown good recovery heading into FY20. Preliminary performance indicates there is no “cannibalization” effect presented by the new hotel operator.
- Video Gaming Permit Fees – Recent terminal fee adjustment will produce an additional \$39,000 over FY19 budget.
- Interest Income – Newer expansion of our investment program combined with recent increases in available market rates have enhanced the return earned on invested reserve balances. 50% increase or \$70,000 over FY19 budget.

General Fund

FY20 Revenue Projections

	<u>FY19</u> <u>Budget</u>	<u>FY19</u> <u>Estimate</u>	<u>FY20</u> <u>Projected</u>	FY20 Over/ (Under) <u>FY19 Budget</u>	FY20 Over/ (Under) <u>FY19 Est.</u>
Sales Tax	\$ 7,418,000	\$ 7,120,000	\$ 6,960,000	\$ (458,000)	(160,000)
State Income Tax	3,575,000	3,900,000	3,900,000	325,000	-
Home Rule Sales Tax	5,367,000	4,965,000	5,150,000	(217,000)	185,000
Utility Tax - Telecomm.	974,000	980,000	882,000	(92,000)	(98,000)
Utility Tax - Electricity	1,870,000	1,930,000	1,880,000	10,000	(50,000)
Natural Gas Use Tax	570,000	670,000	620,000	50,000	(50,000)
Real Estate Transfer Tax	900,000	985,000	950,000	50,000	(35,000)
Hotel Tax Receipts	355,000	370,000	410,000	55,000	40,000
Other Taxes	<u>1,626,500</u>	<u>1,703,500</u>	<u>1,756,000</u>	<u>129,500</u>	<u>52,500</u>
Total Taxes	22,655,500	22,623,500	22,508,000	(147,500)	(115,500)
Licenses and Permits	1,220,500	1,385,200	1,290,500	70,000	(94,700)
Grants	100,000	100,000	100,000	-	-
Charges for Services	1,774,000	1,761,500	1,625,500	(148,500)	(136,000)
Fines and Forfeitures	1,381,000	1,502,000	1,518,000	137,000	16,000
Interest Income	140,000	175,000	210,000	70,000	35,000
Miscellaneous Revenue	<u>389,000</u>	<u>487,100</u>	<u>408,000</u>	<u>19,000</u>	<u>(79,100)</u>
Total Revenues	\$ 27,660,000	\$ 28,034,300	\$ 27,660,000	\$ - 0.0%	\$ (374,300) -1.3%

FY20 General Fund Budget Overview

- Based on projected revenues and preliminary departmental budget submission, the GF budget presently looks like this:

Projected Revenues **\$ 27,660,000** 1.3% reduction from FY19 est.

Expenditure Requests **28,560,000** 6.7% above FY19 est.

Projected Deficit **\$ (900,000)**

- A few known, nondiscretionary expenditure items for FY20:
 - New FOP contract 3.0% GWA 5-1-19. Est. \$243,000 or 4.6% including steps.
 - Police Pension Fund contribution +7.9% or \$190,000.
- Remember, 75% of all GF expenditures are pay and benefit costs.
- There is no transfer to capital reserves identified.



FY20 General Fund Budget Overview

Staff Regularly Explores and Takes Advantage of Opportunities to Limit the Growth of Operating Expenditures

- Elimination of more costly health insurance option.
- Adjustment in benefit tiers.
- Utilizing PT positions when available to reduce / eliminate benefit costs.
- Restructuring positions through attrition.
- Job share opportunities.
- Wellness initiatives to control adverse health outcomes.
- Use of contract assistance when feasible.
- Freezing/elimination of vacant positions.
- Overall leanness of staffing compared to peer communities.
- Refurbish vehicles to extend life vs costly replacement of heavy equipment.

FY20 - Bridging the Budget Gap

Revenue Options

Items listed below were presented at last year's December 4, 2017 Board Workshop as some of the larger remaining options with respect to possible revenue enhancement.

1. Property Tax
2. Home Rule Sales Tax ✓ Implemented 7-1-18
3. Local Motor Fuel Tax (CPF) ✓ Implemented 6-1-18
4. Food and Beverage Tax
5. Utility Tax – Water
6. Stormwater Utility Fee

FY20 - Bridging the Budget Gap

Revenue Options

Revenue Suggestions for FY20

- **Vehicle Sticker Fee Increase**
 - More than 25 years since last adjustment.
 - Recommend continuing 2 year program (reduces operating costs).
 - \$20 increase on standard passenger vehicle from \$30 to \$50 each.
 - Average 1 year passenger equivalent = \$25 per unit which is in line with other municipalities that still have vehicle stickers.
 - Fees for all other categories to increase pro-rata.
 - Projected revenue increase = \$300,000
 - Reduce to \$250,000 if \$5 on-line discount is still desired.



FY20 - Bridging the Budget Gap Revenue Options

Revenue Suggestions for FY20

- **Development Services Fee Increase**
 - Paid by developers on industrial / commercial developments.
 - Has not been adjusted since 2013.
 - 20% increase in Community Development costs during that time.
 - Low administrative impact to change.
 - Projected revenue increase = **\$40,000**

FY20 - Bridging the Budget Gap

Revenue Options

Revenue Suggestions for FY20

- **Liquor Tax**

- This is a scaled back version of a Food & Beverage tax and applies only to the sale of package liquor and liquor consumed on premise.
- Reflective of the effort our law enforcement professionals expend with respect to alcohol compliance and enforcement in Carol Stream.
- Locally administered – no State involvement.
- Easier to implement than a food & beverage tax
 - Limited to 54 liquor license holders.
 - Robust records for appropriate business contacts.
- Used more frequently by other municipalities.
- Tax rates generally between 1% and 3%.
- Projected revenues at tax rate of 2% = **\$400,000**
- Local tax rate for alcohol sales = 8.0% + 2.0% = 10.0%

FY20 - Bridging the Budget Gap

Revenue Options

Revenue Suggestions for FY20

Working GF Deficit		(\$900,000)
Vehicle Sticker	\$300,000	
Development Services Fee	40,000	
Liquor Tax 2%	<u>400,000</u>	
Subtotal		<u>\$740,000</u>
Revised Working GF Deficit		<u>(\$160,000)</u>

- Staff will identify remaining expenditure cuts needed to balance the budget for FY20. Likely no budgeted surplus for FY20.
- **Feedback / Discussion / Direction ???**



FY20 General Fund Budget Overview FY21 and Beyond

- The Police Department is proposing deployment of tasers and body cameras in the 3 year financial plan. These have no identified funding source and represent a significant on-going structural cost shift in the budget. Additional future revenues will be needed to support this project.
 - In addition to raw equipment/camera costs:
 - IT hardware and software support needs.
 - Video Storage / Archival
 - Staff to collect / manage data



FY20 General Fund Budget Overview FY21 and Beyond

- The Capital Improvement Program (CIP) currently has roughly \$2 million in annual dedicated revenue funding (State and local motor fuel taxes at roughly \$1 million from each).
 - Fund balances in capital funds (CPF + MFT) projected by the end of FY19 are estimated at \$11,800,000. This is a better position than was forecast back in 2016 as the Municipal Center renovation project was in its planning phases (see next slide).
 - Considering current project schedule, capital funds will be completely exhausted before the end of FY21. Absent new revenues, significant project cutbacks will be necessary to preserve reserve balances.
 - Given existing projects on our 5 year time horizon, the CIP requires roughly \$5-\$6M each year in funding to remain viable. This is approximately a \$3-\$4M funding gap that needs further discussion. We cannot expect the General Fund to generate surpluses of this magnitude.

Slide from 10/17/16 VB
Workshop that expanded scope
and cost of proposed Municipal
Center renovation project.

FINANCING CONSIDERATIONS

Current FY16/17 Capital Improvement Plan REVISED

Our FY15/16 end of year transfer of \$10M to the CPF has significantly improved the fund balance outlook for the next 5 years:

		<u>ORIGINAL</u>	<u>REVISED</u>	
Est.	FY15/16	\$27,057,504	\$32,614,299	(Actual)
	FY16/17	\$21,937,004	\$27,493,799	
	FY17/18	\$ 5,181,004	\$10,737,799	\$16,759,562 Actual FY18
	FY18/19	\$ 3,491,904	\$ 9,048,699	\$11,800,000 Projected FY19
	FY19/20	\$ 1,025,404	\$ 6,582,199	
	FY20/21	(\$1,459,096)	\$ 4,097,699	

Combined capital fund balances are higher than projected back when the final scope of the Municipal Building renovation project was determined in October 2016.



?QUESTIONS?