

Village of Carol Stream

Special Meeting of the Village Board

Financial Profile/Peer Comparison Update

Recreational Cannabis Sales

Gregory J. Bielawski Municipal Center
500 N. Gary Avenue, Carol Stream, IL 60188

August 5, 2019

6:00 p.m. – 7:22 p.m.

Meeting Notes

ATTENDANCE:

Mayor Frank Saverino, Sr.
Trustee Matt McCarthy
Trustee Greg Schwarze
Trustee John LaRocca
Trustee John Zalak
Trustee Mary Frusolone

Bob Mellor, Village Manager
Joe Carey, Assistant Village Manager
Marc Talavera, Information Tech. Dir.
Bill Cleveland, Acting Engineering Dir.
Don Bastian, Community Dev. Director
Jon Batek, Finance Director
Ed Sailer, Police Chief
Phil Modaff, Public Works Director
Caryl Rebholz, HR Director
Tia Messino, Assist. to the VM

ABSENT: Trustee Rick Gieser

The meeting was called to order at 6:00 p.m. by Mayor Frank Saverino, Sr. and the roll call read by Village Clerk, Laura Czarnecki. The result of the roll call vote was as follows:

Present: Mayor Saverino, Sr., Trustees Zalak, LaRocca, Frusolone, Schwarze and McCarthy

Absent: Trustee Gieser

FINANCIAL PROFILE/PEER COMPARISON UPDATE

Finance Director Jon Batek presented the current Village Financial Profile and Peer Comparison update as follows:

Introduction:

PURPOSE

- Compare information on demographics, revenues, expenditures, financial results and financial position.
- Framework for understanding Carol Stream's financial performance considering:
 - Historical results
 - Peer performance
- Basis for establishing context for future planning and decision making.
- Communications tool to aid public discussion.
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SCOPE

- Includes activities of all Governmental Fund types
 - i.e. Those functions traditionally funded by general taxation.
 - General Fund, MFT and Capital Projects Fund, TIF Fund
- Excludes enterprise operations
 - i.e. Those functions primarily supported by user fees.
 - Water/Sewer Utilities
 - Golf Courses
 - Parking Systems
- Previous comprehensive reviews performed on a triennial basis using data from:
 - FY2010
 - FY2013
 - FY2016
- The attached is a partial updated analysis given recent revenue declines with a focus on:
 - CS vs peer group revenues and staffing changes.
 - Uses historical revenue data from FY2018 / CY2017.
 - What has changed from prior reviews, what has remained the same?

Peer Communities:

- Selection criteria
 - Population, Footprint, EAV, Demographics
 - Included in labor market comparisons
 - Often considered along with Carol Stream by new home buyers
- Ten peers selected (All are Home Rule communities except Lombard)

Addison	Glendale Heights	Streamwood
Bartlett*	Hanover Park*	Wheaton
Bloomington	Lombard	Woodridge*
Downers Grove		
(* Multi-County)		
- Different sizes
- Different service offerings
 - 5 have Municipal Fire Departments (Hanover Park, Streamwood, Wheaton, Lombard, Downers Grove)
 - Parks & Recreation included in Glendale Heights
 - Varying accounting practices, fund and department structures
- Different mix of residential and commercial property and some multi-county.
- Different fiscal periods
 - 5 report on calendar year (Downers Grove, Hanover Park, Lombard, Streamwood, Woodridge) vs. fiscal year.

Total Governmental Revenues:

Key Revenue Matrix

	Property Tax (2018)	Sales Tax	Income Tax*	Motor Fuel Tax*	Added Sales Tax	Food & Beverage Tax	Hotel Tax	Real Estate Transfer Tax ²	Utility Tax - Telecom	Utility Tax - Electric ³	Utility Tax - Gas	Local Motor Fuel Tax ⁴	Vehicle Sticker ⁵	Video Gaming Term. Fee	Video Gaming ⁶
Addison	0.7769	X	X	X	1.00%		5.0%	\$2.50	6.0%				\$ 25	\$ 500	22/105
Bartlett	0.9539	X	X	X	1.00%			\$3.00	6.0%	elim.	elim.			\$ 500	15/69
Bloomington¹	0.2932	X	X	X	0.50%		6.0%		1.00%			2.0c		\$ 500	6/26
Carol Stream	0	X	X	X	1.00%	Liquor 2.0%	5.0%	\$ 3.00	6.0%	.564c	2.5c	4.0c	\$ 50	\$1,000	16/80
Downers Grove	0.2903	X	X	X	1.00%	1.0%	4.5%		6.0%	.391c	1.5c	1.5c			
Glendale Heights	0.9969	X	X	X	1.25%	1.0%	5.0%	\$3.00	6.0%	.488c	5.0c		\$ 15	\$ 500	13/63
Hanover Park	1.0126	X	X	X	0.75%	3.0%	3.0%	\$3.00	6.0%	.61c	3.0c			\$1,000	8/40
Lombard¹	0.0476	X	X	X	1.00%	2.0%	5.0%		6.0%	.61c	5.0%			implementing	0/0
Streamwood	1.4109	X	X	X	1.00%	2.0%		\$3.00	5.0%	.449c	3.25c			\$ 150	14/69
Wheaton	0.9338	X	X	X	1.00%		5.0%	\$ 2.50	6.0%	.61c	3.0c				
Woodridge	0.2661	X	X	X	0.75%			\$ 2.50	6.0%	.567c	5.0c	4.0c		\$ 250	6/29

* Per capita based State distribution.

¹ In addition to home-rule sales tax, a 1.00% business district tax applies to selected commercial areas.

² Per \$1,000 of contract sales price.

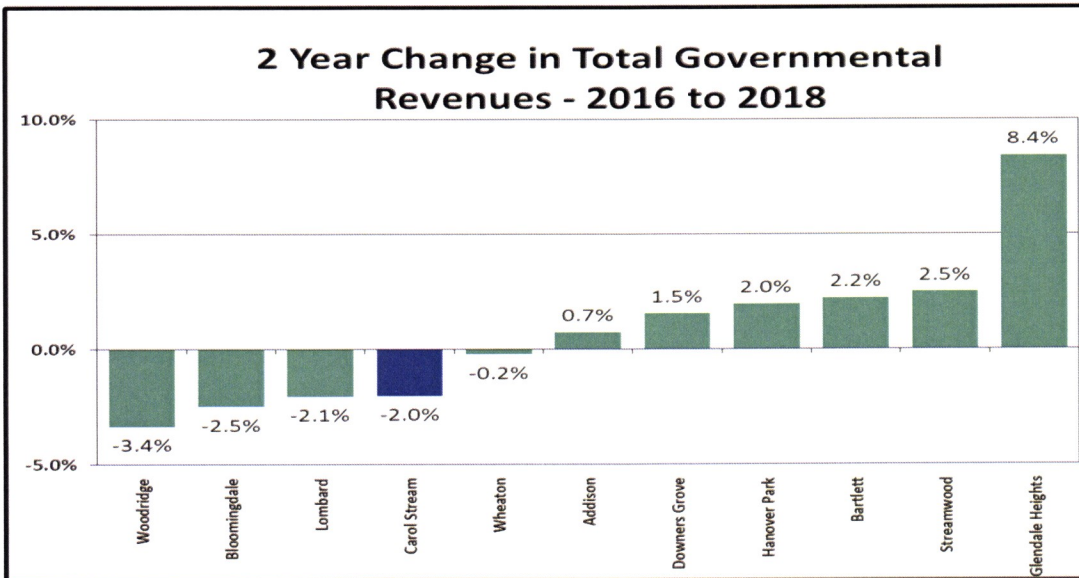
³ Variable - Rate is for the first 2,000 kwh consumption.

⁴ Per gallon.

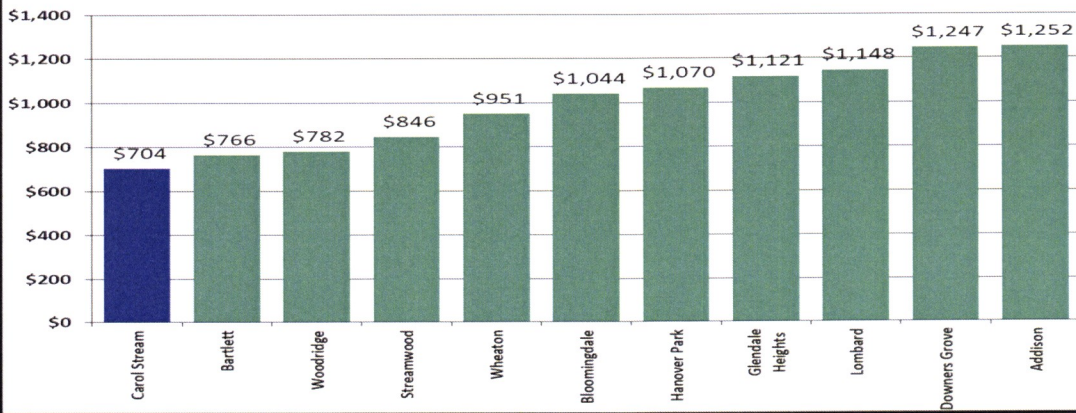
⁵ Carol Stream = 2 year sticker.

⁶ Number of establishments/terminals installed.

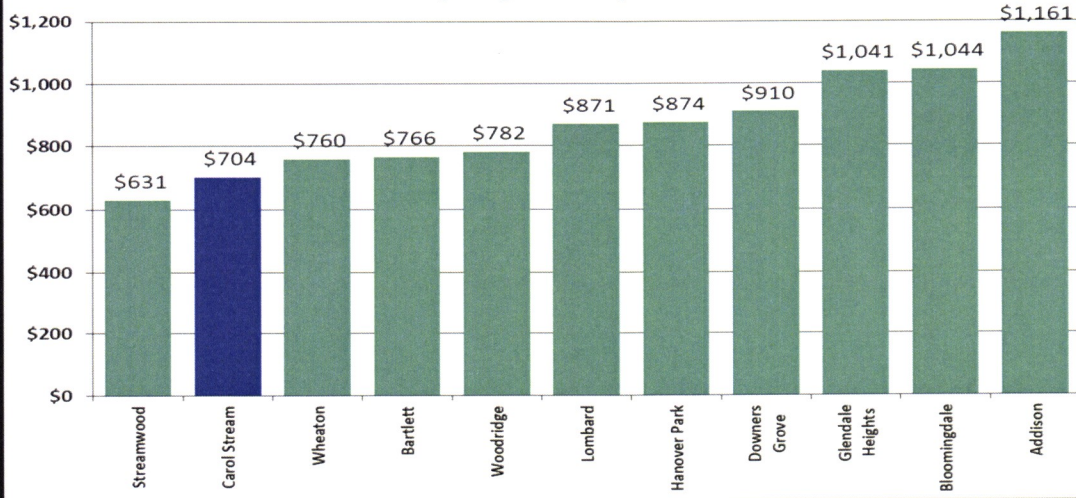
 Represents an increase from 2016.
 Represents a decrease from 2016.



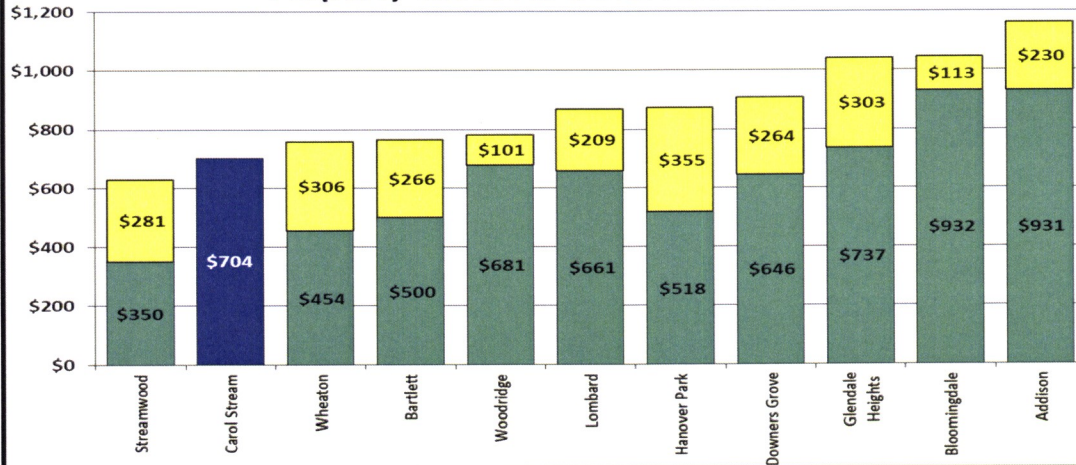
Governmental Fund Revenues per Capita 2018



Governmental Fund Revenues per Capita (Adjusted) - 2018

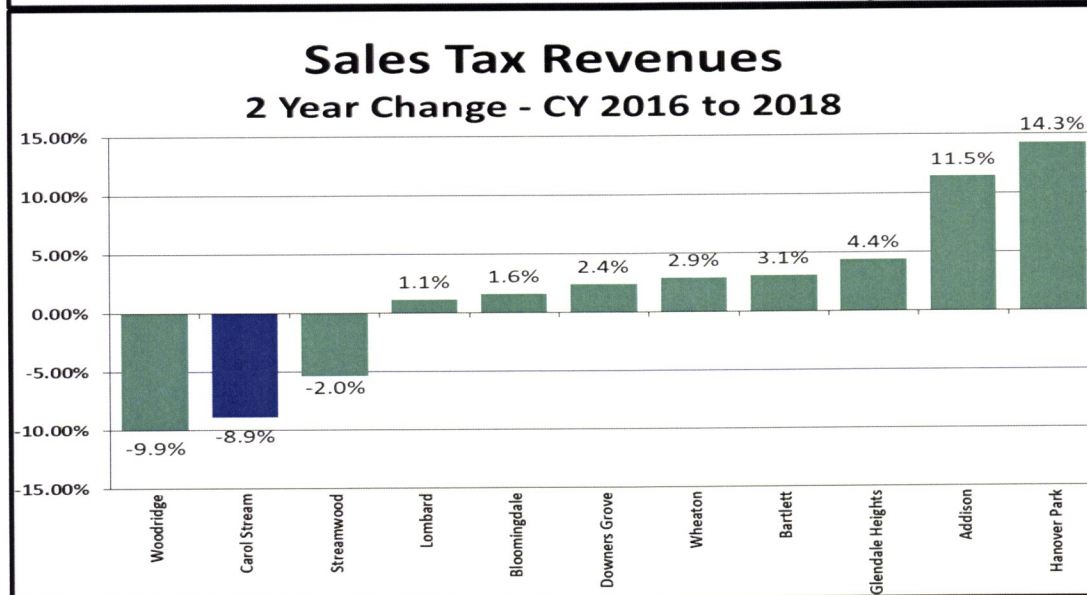
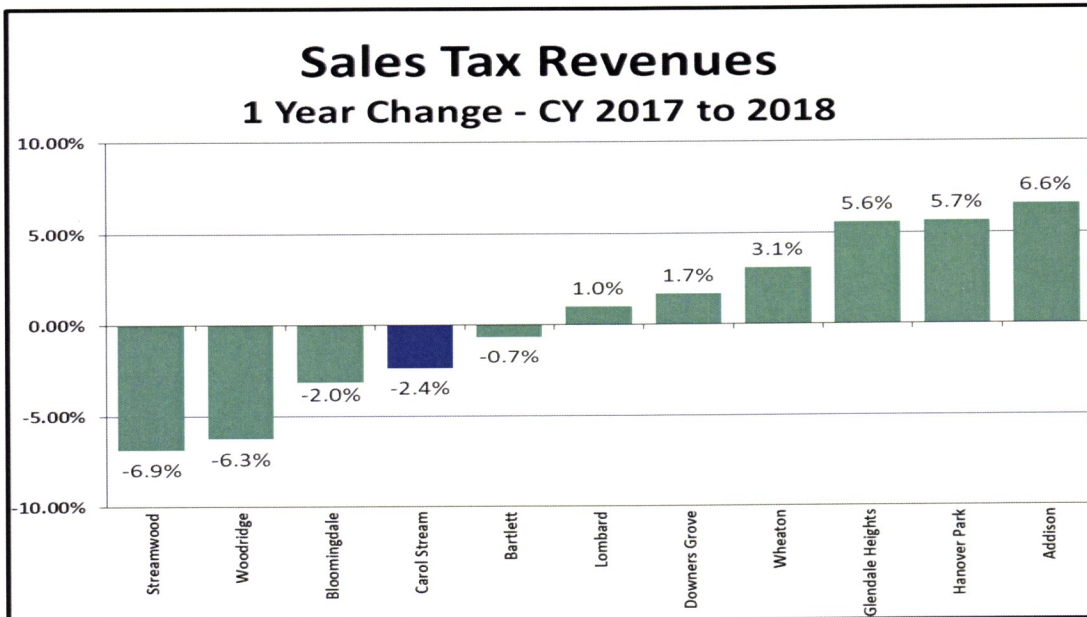


Governmental Fund Revenues per Capita Property Tax vs All Other Revenues - 2018

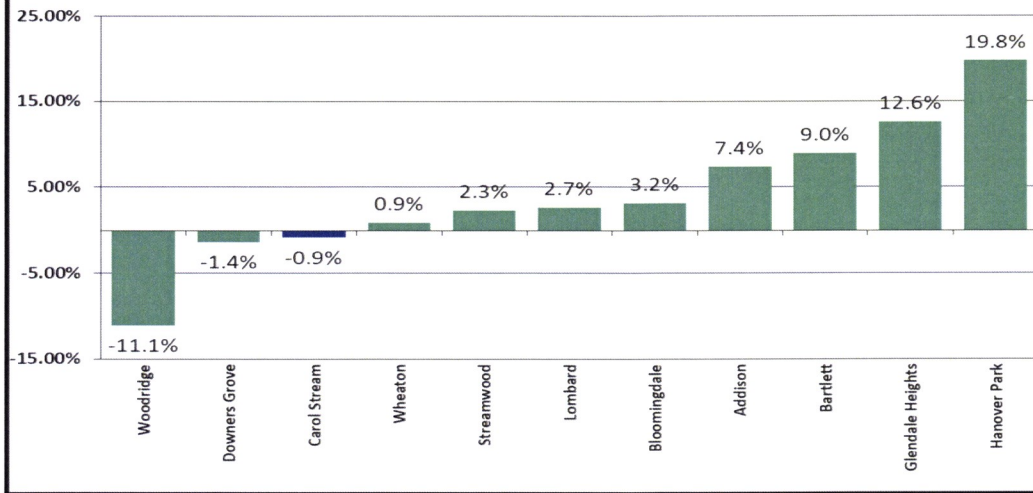


Total Governmental Revenues

- Carol Stream's **governmental revenue growth** over the past 2 years has declined by 2.0% and has been outperformed by 7 of our 10 peer communities. This represents a shift from prior comparison studies and is largely rooted in sales tax losses sustained in 2017 and 2018.
- **Total governmental revenues generated on a per capita basis** is among the **lowest** of our peer communities. Carol Stream's position in this ranking has not changed compared to all 3 editions of this report dating back to FY2010.
- Carol Stream's lack of a property tax has likely kept it at its current ranking among the lowest revenue producers. If the property tax component were removed from peer community revenues, Carol Stream revenues per capita would outperform 7 of 10 of our peers instead of our current position of underperforming 9 of 10 peers.
- Since the last report in November 2017, Carol Stream has made more increases in its principal revenues than all of our peers. The impact of this with respect to our ranking is not yet known (rankings are based on FY18 data, impact of new revenues will affect FY19 and FY20).



Sales Tax Revenues 3 Year Change - CY 2015 to 2018



Annual Change in Sales Tax Collections

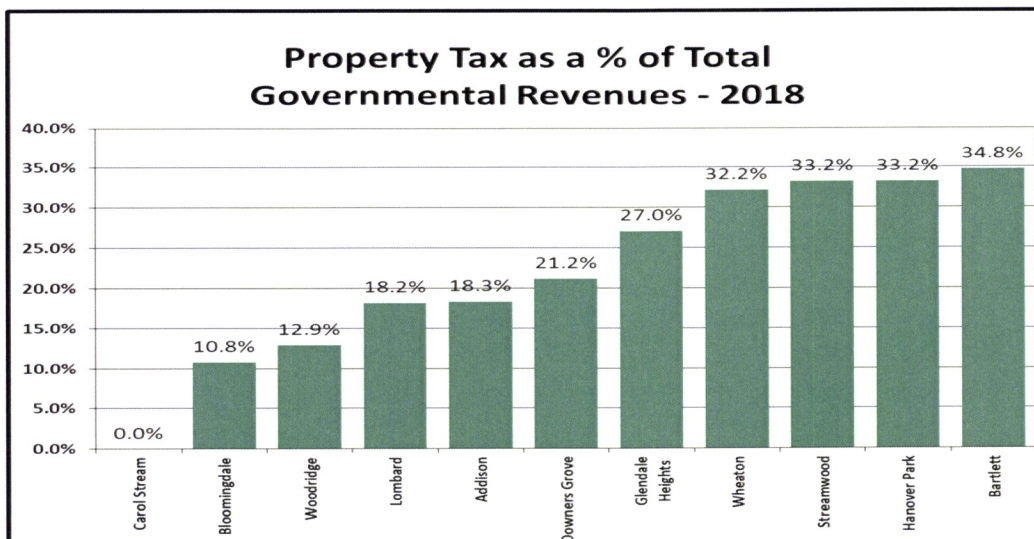
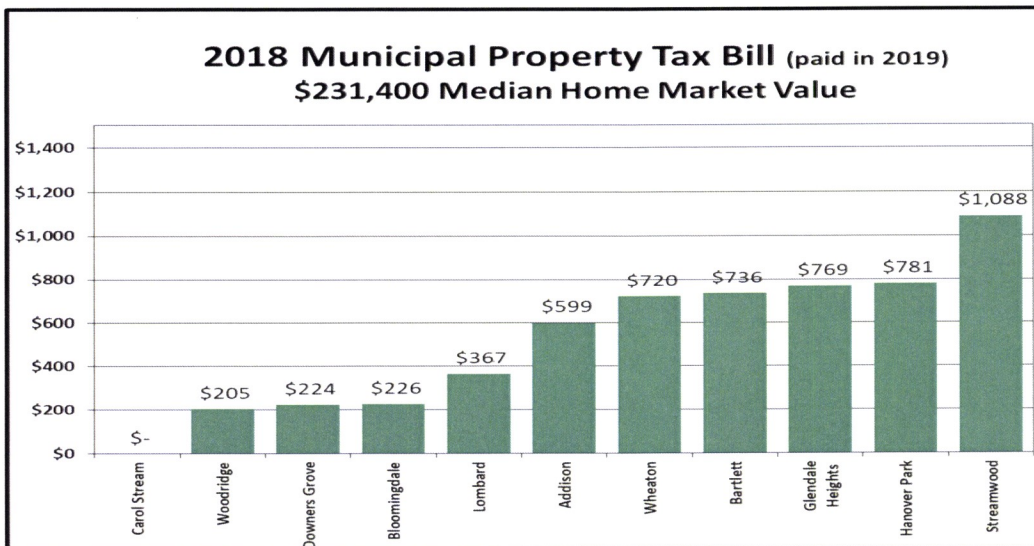
Calendar Year	DuPage County	Peer Group	Carol Stream
2018	2.0%	1.3%	-2.4%
2017	1.5%	1.7%	-6.6%
2016	2.2%	0.8%	8.8%
2015	2.6%	5.4%	11.2%
2014	4.2%	4.4%	6.7%
2013	6.1%	4.8%	17.9%
2012	3.3%	0.6%	3.4%
2011	4.5%	4.2%	1.6%
2010	4.6%	3.5%	2.1%
2009*	-9.9%	-8.1%	-13.7%

* Low point of Great Recession (excludes home rule sales tax)

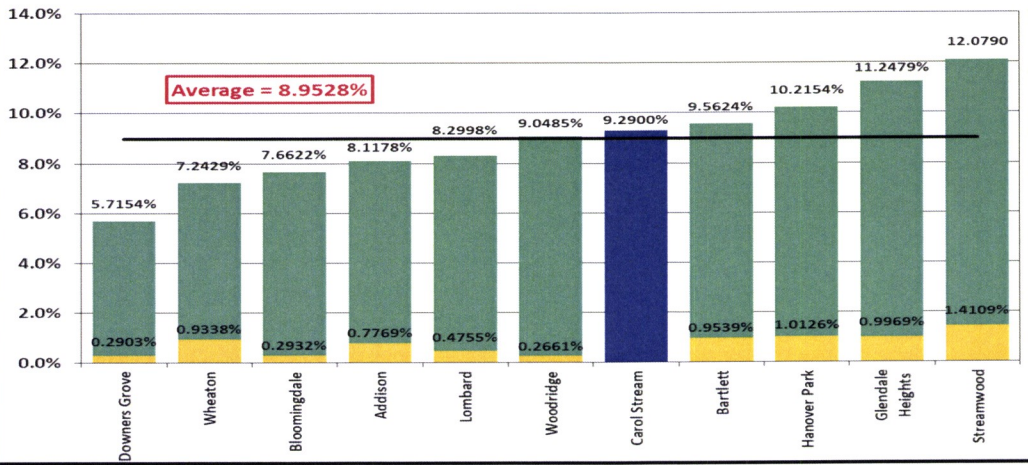
Sales Tax Revenues

- Sales taxes continue to play a critical role in funding Carol Stream's governmental activities. Because Carol Stream has no property tax, our financial performance (positive or negative) is more significantly impacted by what happens with sales tax generation (greater volatility).
- Carol Stream's sales tax performance in each of the last 3 year comparison periods ranks in the lower 1/3 of the peer group. This again is largely influenced by the loss of large taxpayers in 2017 and 2018 and represents a major shift from our performance in prior peer comparisons.

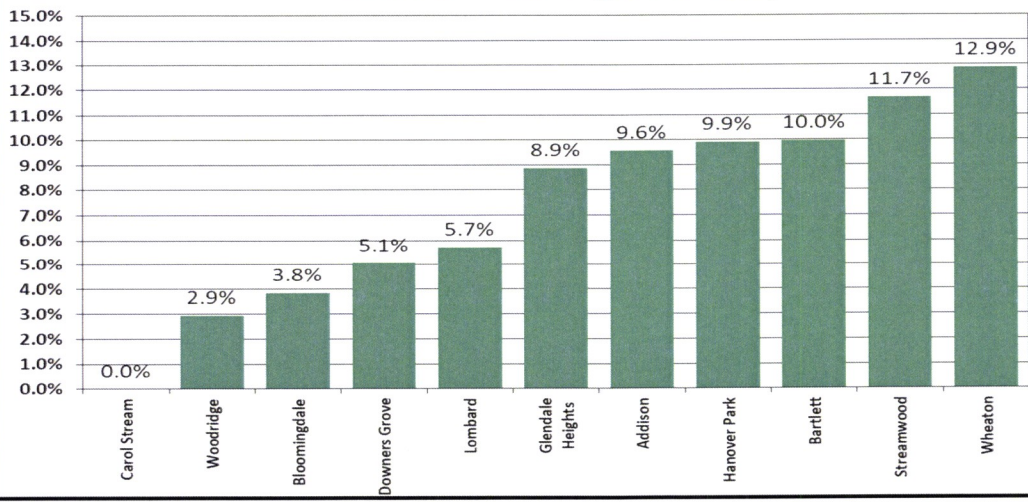
- Carol Stream's sales tax collections in 2018 remain below levels produced 3 years prior in 2015. This has a significant impact on Village operations that are dependent on growth in our largest revenue source to keep pace with increases in operating expenditures.
- Many of our recent revenue increases (HRST 7-1-18, motor fuel tax 6-1-18, vehicle sticker 5-1-19, and liquor tax 7-1-19) were implemented to compensate for losses in sales tax revenues.
- All 10 peer communities now impose some form of **home rule sales tax (HRST)**. Only 1 community imposes a higher tax rate than Carol Stream, 7 have the same rate, and 2 have a lower tax rate. We have increased our rate twice (7/1/10 & 7/1/18) since first implementing HRST on 7/1/03.
- It is still unclear what impact newly enacted legislation ("Leveling the Playing Field for Illinois Retail Act" – 6/28/19) will have on Carol Stream Sales tax collections. Primary benefits of this legislation include collection of all local taxes (HRST included) on goods shipped from out of state retailers to Carol Stream addresses where the seller has no physical nexus in Illinois. This provision of the new act is not effective until 7/1/20 with first collections deposited in October 2020. Since we are allegedly capturing transactions that were not previously taxed or were only subject to Illinois Use Tax, we should anticipate some degree of revenue enhancement, the extent of which is unknown.



Total 2018 Community Property Tax Rate

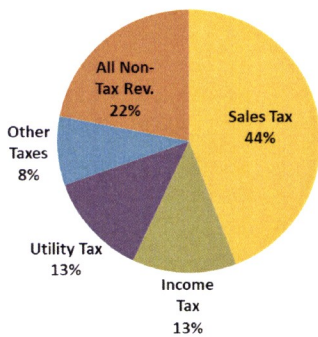


Municipal Share of Total Community Property Tax Bill - 2018 (paid in 2019)

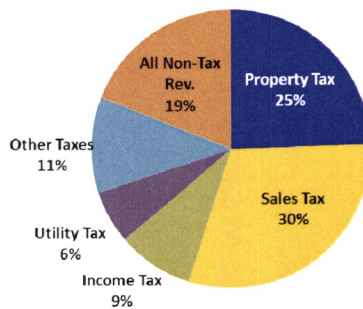


Governmental Fund Revenues by Type - 2018

Carol Stream



Peer Group



Property Tax Revenues

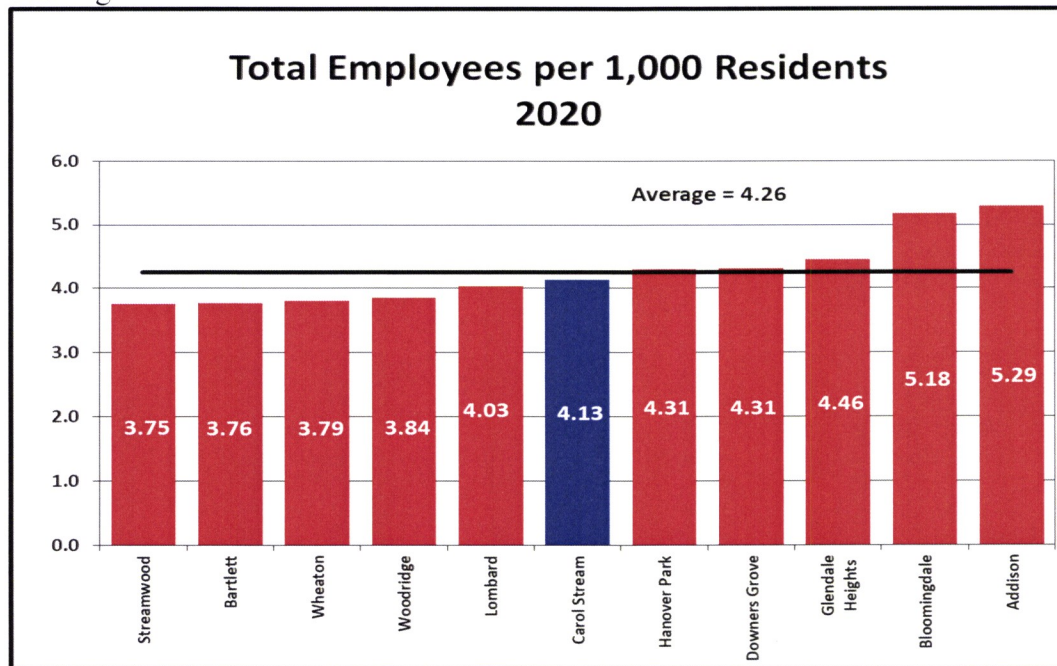
- Carol Stream is singularly unique among the peer group in that it does not impose a local municipal property tax. Property taxes paid to peer group communities in 2019 for the median home valued at \$231,400 ranged from \$205 to \$1,088, with an average of \$572.
- Property taxes are a significant source of income within the peer group, averaging 25% of ALL governmental revenues.
- Considering total community property tax rate, Carol Stream falls in the middle 1/3rd, having a Village-wide rate about 3.8% above the peer average.
- The municipal portion of the total property tax bill ranged from a low of 2.9% to a high of 12.9%, with a peer average of 8.3%.
- Property taxes are arguably the most stable/reliable revenue stream a community can collect. Given 25% of all peer community's revenues come from property taxes, Carol Stream is at a disadvantage with respect to increased volatility of total revenues during periods of economic decline.

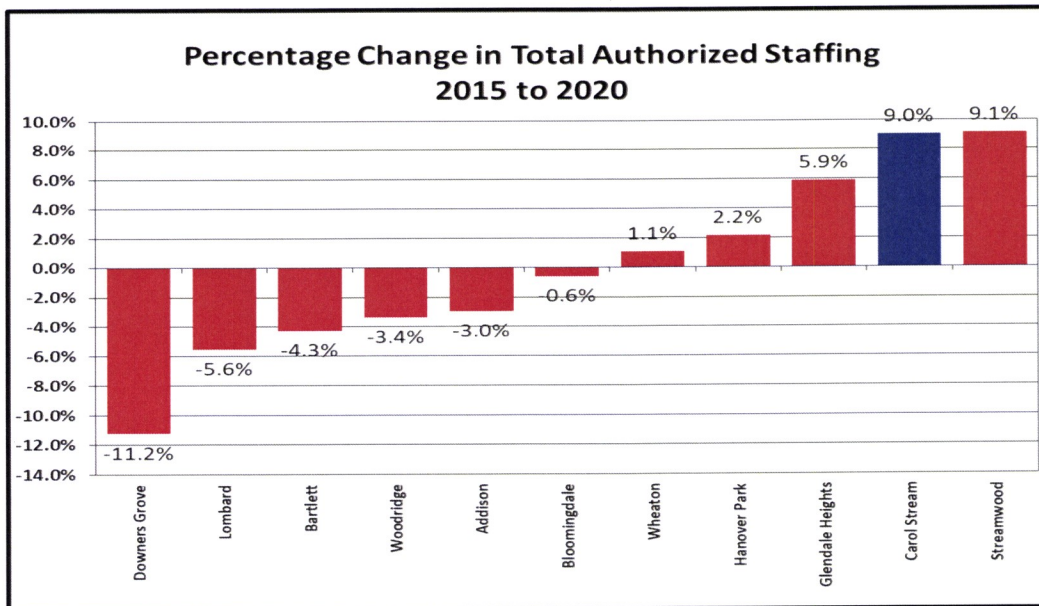
Property Tax "What-Ifs"

Using 2018 EAVs (Equalized Assessed Values) for Carol Stream for property tax bills paid in 2009:

- A Village tax levy of **\$1,000,000** would result in a property tax bill of **\$61.03** to the owner of a median value home having a market value of \$231,400.
- If the Village collected the peer **AVERAGE** of **\$572** from the owner of a median valued home, the Village's corresponding property tax levy would generate **\$9,372,000**.
- The **HIGH** peer local property tax bill of **\$1,088** would support a levy amount of **\$17,827,000**.
- The **LOW** peer local property tax bill of **\$205** would support a levy amount of **\$3,359,000**.
- If the Village levied the **LOW** scenario above (**\$3,359,000**) the Village's total tax rate for 2018 would be 9.5557%. The Village's total property tax rate position on the peer study graph on page 28 would not change. (between Woodridge and Bartlett)

Staffing





Village Staffing

- In terms of number of Village staff per 1,000 residents, Carol Stream is no longer among the leanest, and now falls in the middle of the peer group. The Village consistently ranked in the lower 1/3 among its peers in the FY10 and FY13 studies, however has moved into the middle 1/3 during the FY16 and FY18 peer reviews.
- Growth in Carol Stream staffing over the past 5 years has outpaced all of our peers except for one. During the same period, 6 of our 10 peer communities have experienced contraction in total staffing levels as expressed in terms of total population served.

Summary Recap

1. The Village provides service to the community in an efficient manner and at an excellent value to residents (**no property tax!, no debt!**).
2. The Village's lack of a property tax has contributed to its lagging revenue production on a per capita basis when compared to its peers. It also leaves the Village more susceptible to increased volatility of total revenues in periods of economic decline.
3. Total near-term Village governmental revenues have been in decline. During the last five years, Village staffing has been increasing at a rate faster than most of our peers. This represents a significant shift from prior peer studies and impacts the Village's ability to generate sufficient reserves to fund its Capital Improvement Program (CIP), let alone maintaining balance in its operating funds.
4. The Village will need to continue work to optimize its revenue/expenditure balance so that sufficient funding is available to support both operations and capital investment on a long-term basis.

Next Steps

- A future workshop (likely August 19) will include a review of some operational performance and funding challenges we will continue to face into the future as well as a review of our Capital Improvement Plan.
- This will include discussion of implementation of a property tax and how that would be achieved, including any remaining other possible revenue streams.
- We will present one possible approach on how to use a property tax to add greater stability to the General Fund as well as managing to bolster additional funding for capital investment.

- Staff will need general direction on how the Mayor & Board would like to address some of the identified funding gaps before capital reserves are depleted.

RECREATIONAL CANNABIS

What Law Allows

- ▶ Use and possession of cannabis beginning on January 1, 2020 for adults 21 years of age and older;
- ▶ For Illinois resident who are 21 years or older, possession is limited to:
 - ▶ 30 grams (1 ounce) of raw cannabis (15 grams for non-resident)
 - ▶ Cannabis infused products with no more than 500 mg of THC (250 mg for non-resident)
 - ▶ 5 grams of cannabis product in concentrated form (2.5 g for non-resident)
- ▶ Individuals who are registered in the State's medical cannabis program may grow up to 5 Cannabis plants.
 - ▶ Homegrow is otherwise prohibited.
- ▶ Property owners are allowed to prohibit the use and growing of cannabis on their properties.
- ▶ Use of cannabis is prohibited in the following areas:
 - ▶ Grounds of any preschool, primary, or secondary school
 - ▶ Motor vehicles
 - ▶ In any public place or knowingly in close physical proximity to anyone under 21 years of age
 - ▶ Any location where smoking is prohibited by the Smoke Free Illinois Act
 - ▶ Post-secondary educational institutions can restrict or prohibit cannabis on their property.

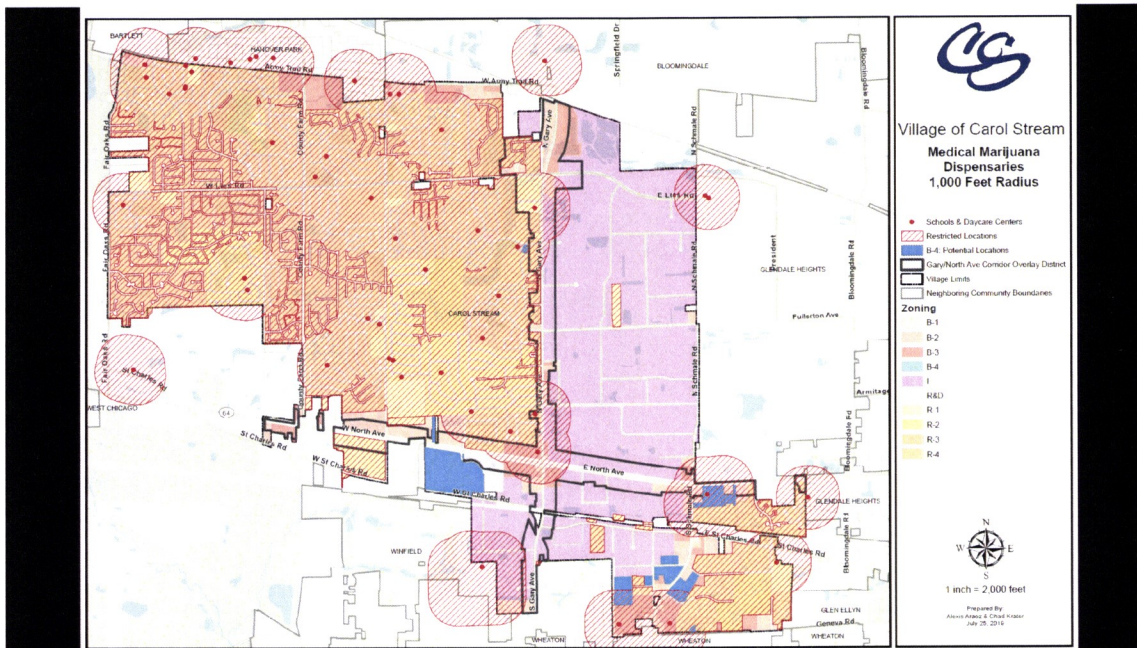
Zoning Laws – Medical v. Recreational

Medical

- ▶ **Medical cultivation centers** prohibited within 2,500 feet from daycares, schools, or residential zoned property.
- ▶ **Medical dispensaries** prohibited within 1,000 feet of a school, daycare, home or residential zoned property.
- ▶ **Carol Stream Currently Allows Dispensaries in the B4 Zoned District as a Special Use (Highlighted in Blue on next slide)**

Recreational

- ▶ No cannabis business establishments are allowed in a residential zoned district
- ▶ No craft grower or dispensary located within 1,500 feet of another
- ▶ No cannabis **advertisements** within 1,000 feet of the perimeter of a school, a playground, a recreation center, daycare, public park or public library, or a game arcade
- ▶ **Reasonable Zoning Restrictions are allowed including prohibiting on-premise use.**



Fiscal Impact

- ▶ Village will receive 8% of the total amount of revenue collected (after State administrative costs) on a per capita basis through LGDF.
 - ▶ Funds will be restricted to crime prevention programs, training, and interdiction efforts related to illegal cannabis and cannabis-based DUI's.
 - ▶ Village will receive this revenue even if Village prohibits cannabis.
- ▶ If a cannabis facility locates within Carol Stream, the Village can impose a County and Municipal Cannabis Retailers Occupation Tax up to 3%.

Exact Revenue numbers are unknown due to the uncertainty as to how the State will administer the program.

Public Safety Impact

- ▶ Crime related to the Physical presence of a dispensary or cultivation center appears to be minimal.
 - ▶ A survey conducted by Lombard regarding existing medical dispensaries in the surrounding Chicago suburbs which found minimal impact on calls for service.
- ▶ Colorado Impact
 - ▶ The quantity of cases filed for serious marijuana-related crimes has remained consistent with pre-legalization levels, however black market (organized crime) cases have generally increased since 2008.
 - ▶ Filings for juveniles under 18 remain at the same level as pre-legalization.
 - ▶ In Denver, a majority of cannabis-establishment related crime involves burglary (59%). Robbery was not prevalent.

Action Requested

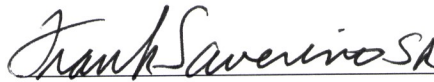
- ▶ Staff is seeking direction from the Village Board on whether to:
 - ▶ Enact an Ordinance to prohibit a cannabis business establishment in Carol Stream; or
 - ▶ Direct staff to prepare restrictive zoning language to allow cannabis business establishments in Carol Stream.

- ▶ Next Steps if Village Board wishes to Allow:
 - ▶ A public hearing before the Plan Commission to hear proposed text amendment changes to the Zoning Code.
 - ▶ Adoption of a Municipal Cannabis Retailers Occupation tax of up to 3%

Village Board directed staff to hold off doing anything to see what other towns decide.

There being no further business, Trustee McCarthy moved and Trustee LaRocca made the second to adjourn the Special Board meeting. The meeting was adjourned unanimously at 7:22 p.m.

FOR THE BOARD OF TRUSTEES



Frank Saverino, Sr., Mayor

ATTEST:


Laura Czárnecki, Village Clerk

Minutes approved by the President and Board of Trustees on the

19th day of August, 2019.


Village Clerk