



VILLAGE OF CAROL STREAM

Financial Profile and Peer Comparison

Partial Interim Update

August 5, 2019

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I. Introduction & Scope



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.

Introduction

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

Introduction

SCOPE

- 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?

II. Peer Communities



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

Bartlett*

Bloomingtondale

Downers Grove

Glendale Heights

Hanover Park*

Lombard

Streamwood

Wheaton

Woodridge*

(* Multi-County)

Peer Comparisons Can Be Tricky

- 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.

III. Revenues



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%			2.0¢		\$ 500	6/26
Carol Stream	0	X	X	X	1.00%	Liquor 2.0%	5.0%	\$ 3.00	6.0%	.564¢	2.5¢	4.0¢	\$ 50	\$1,000	16/80
Downers Grove	0.2903	X	X	X	1.00%	1.0%	4.5%		6.0%	.391¢	1.5¢	1.5¢			
Glendale Heights	0.9969	X	X	X	1.25%	1.0%	5.0%	\$3.00	6.0%	.488¢	5.0¢		\$ 15	\$ 500	13/63
Hanover Park	1.0126	X	X	X	0.75%	3.0%	3.0%	\$3.00	6.0%	.61¢	3.0¢			\$1,000	8/40
Lombard¹	0.0476	X	X	X	1.00%	2.0%	5.0%		6.0%	.61¢	5.0%			implementing	0/0
Streamwood	1.4109	X	X	X	1.00%	2.0%		\$3.00	5.0%	.449¢	3.25¢			\$ 150	14/69
Wheaton	0.9338	X	X	X	1.00%		5.0%	\$ 2.50	6.0%	.61¢	3.0¢				
Woodridge	0.2661	X	X	X	0.75%			\$ 2.50	6.0%	.567¢	5.0¢	4.0¢		\$ 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.

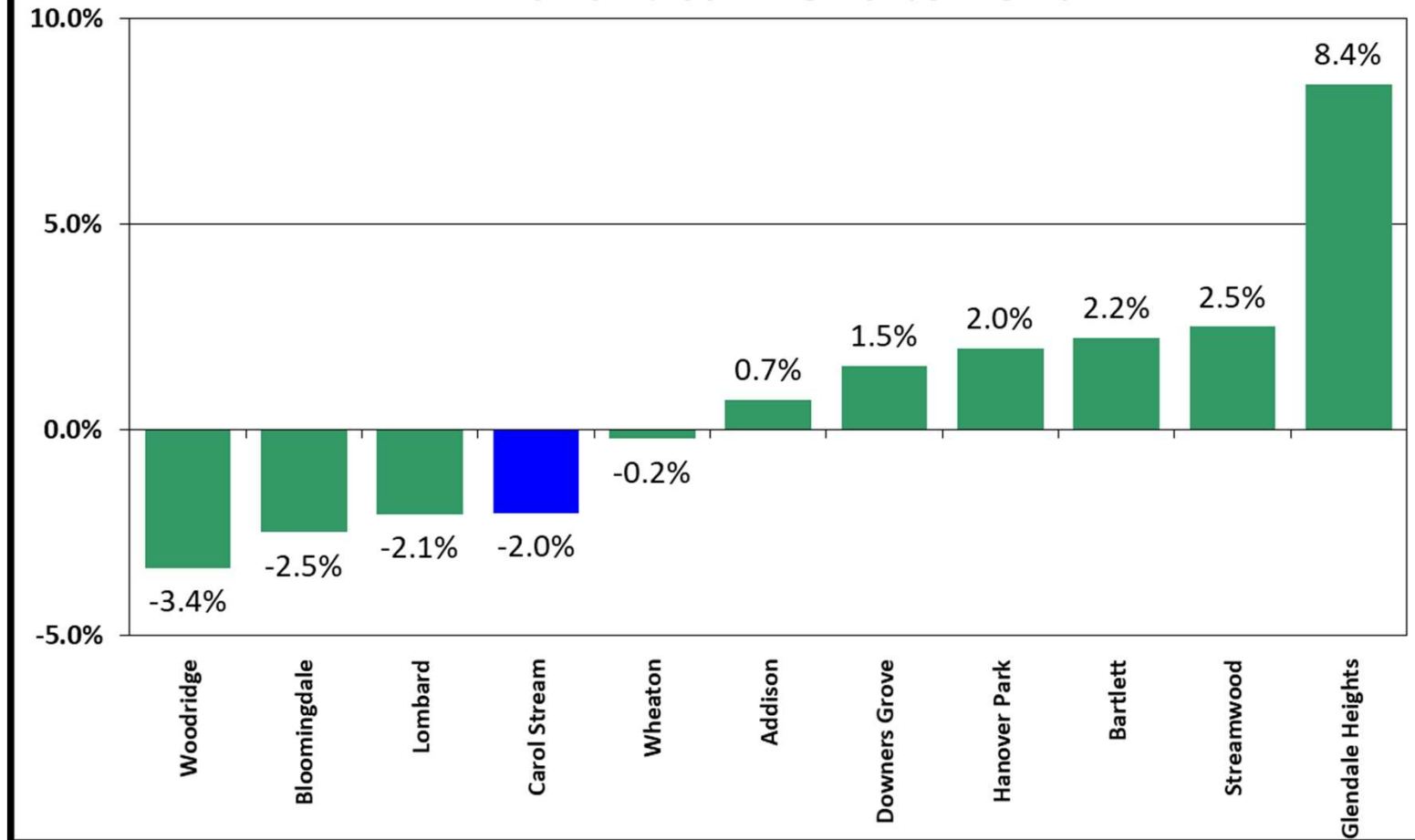
⁴ Per gallon.

⁵ Carol Stream = 2 year sticker.

⁶ Number of establishments/terminals installed.

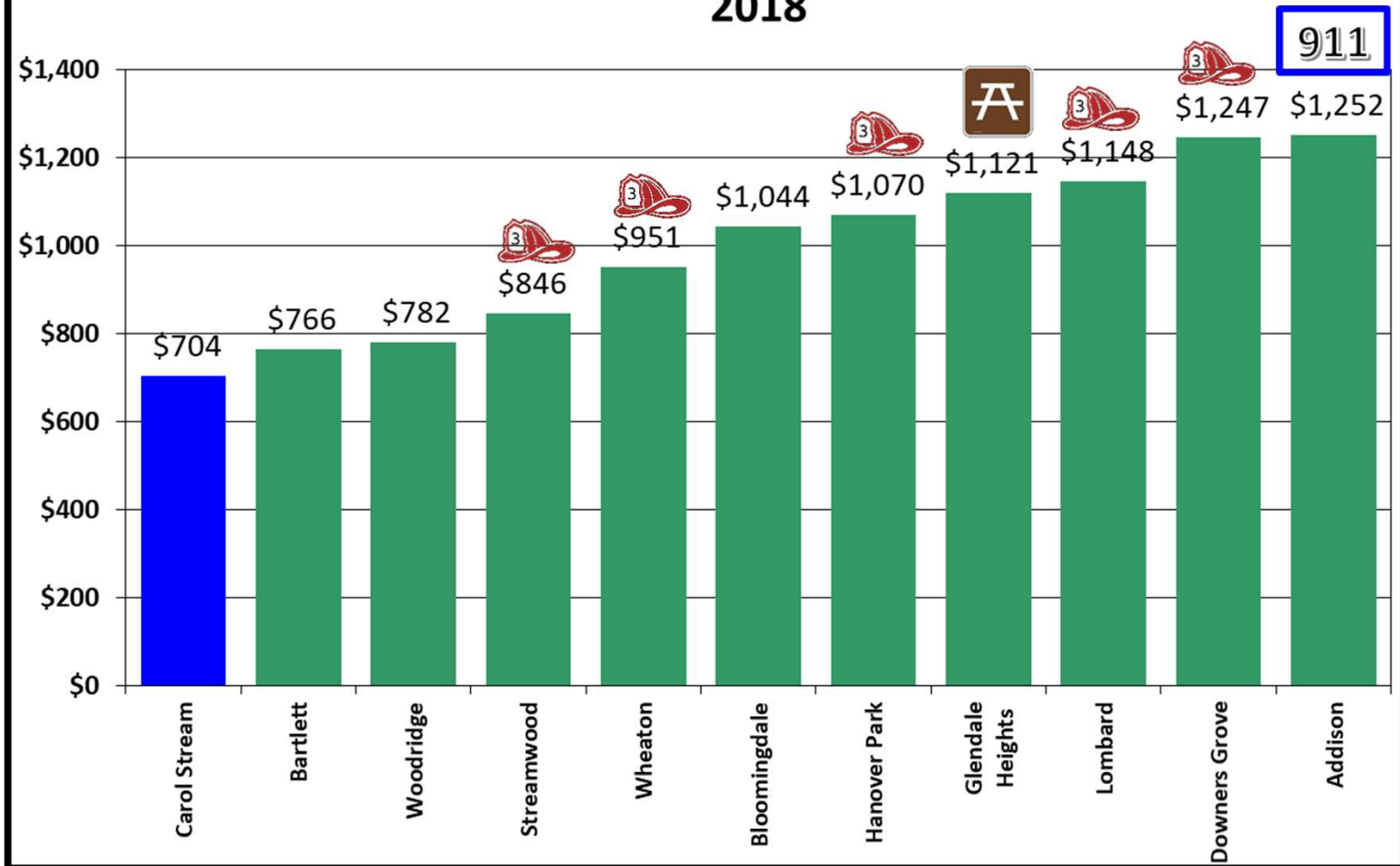
 Represents an increase from 2016.
 Represents a decrease from 2016.

2 Year Change in Total Governmental Revenues - 2016 to 2018



Source: Comprehensive Annual Financial Reports.
All Governmental Funds.

Governmental Fund Revenues per Capita 2018



Source: Comprehensive Annual Financial Reports.



Includes City/Village Fire Services

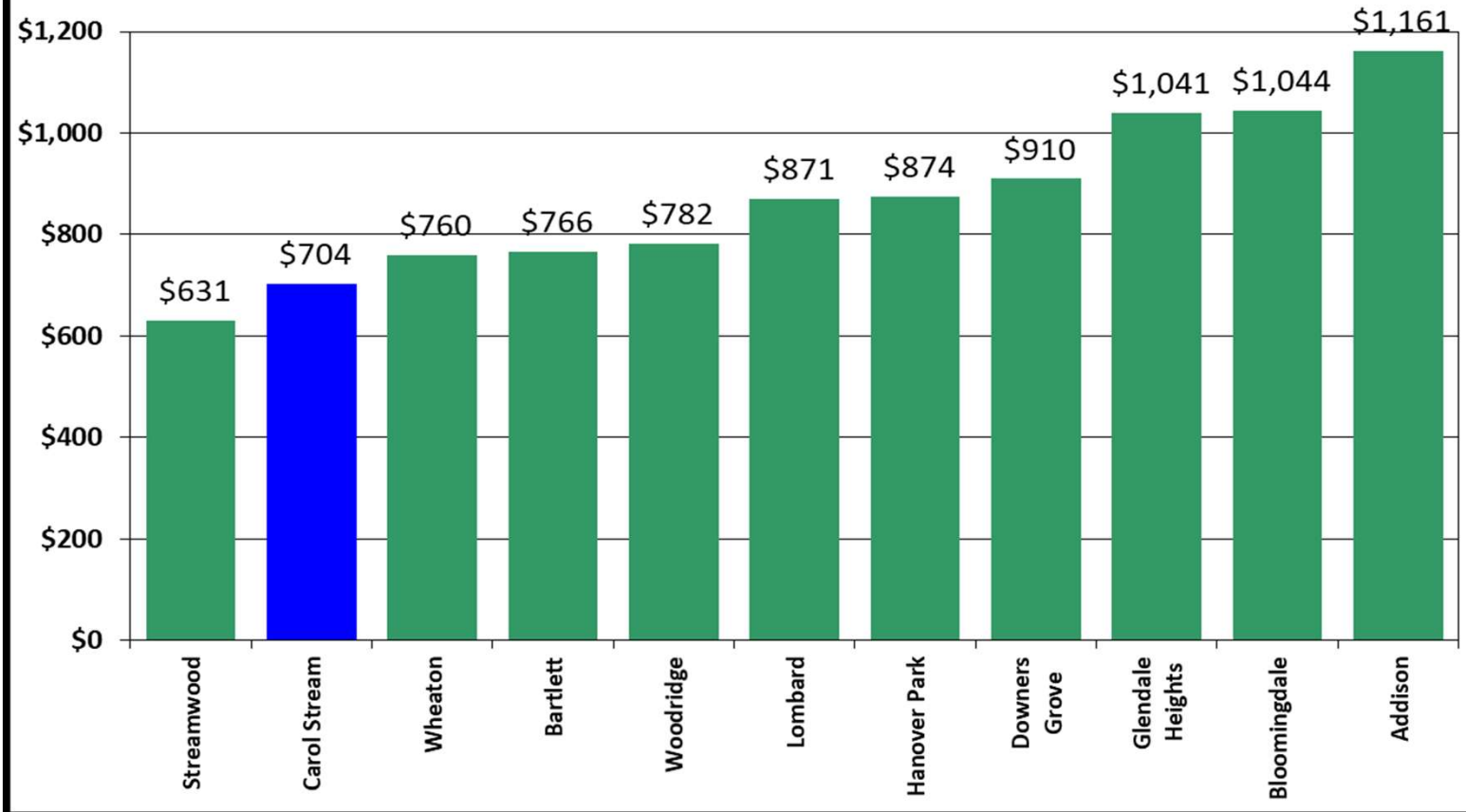


Includes Parks/Recreation



Includes Dispatch Center

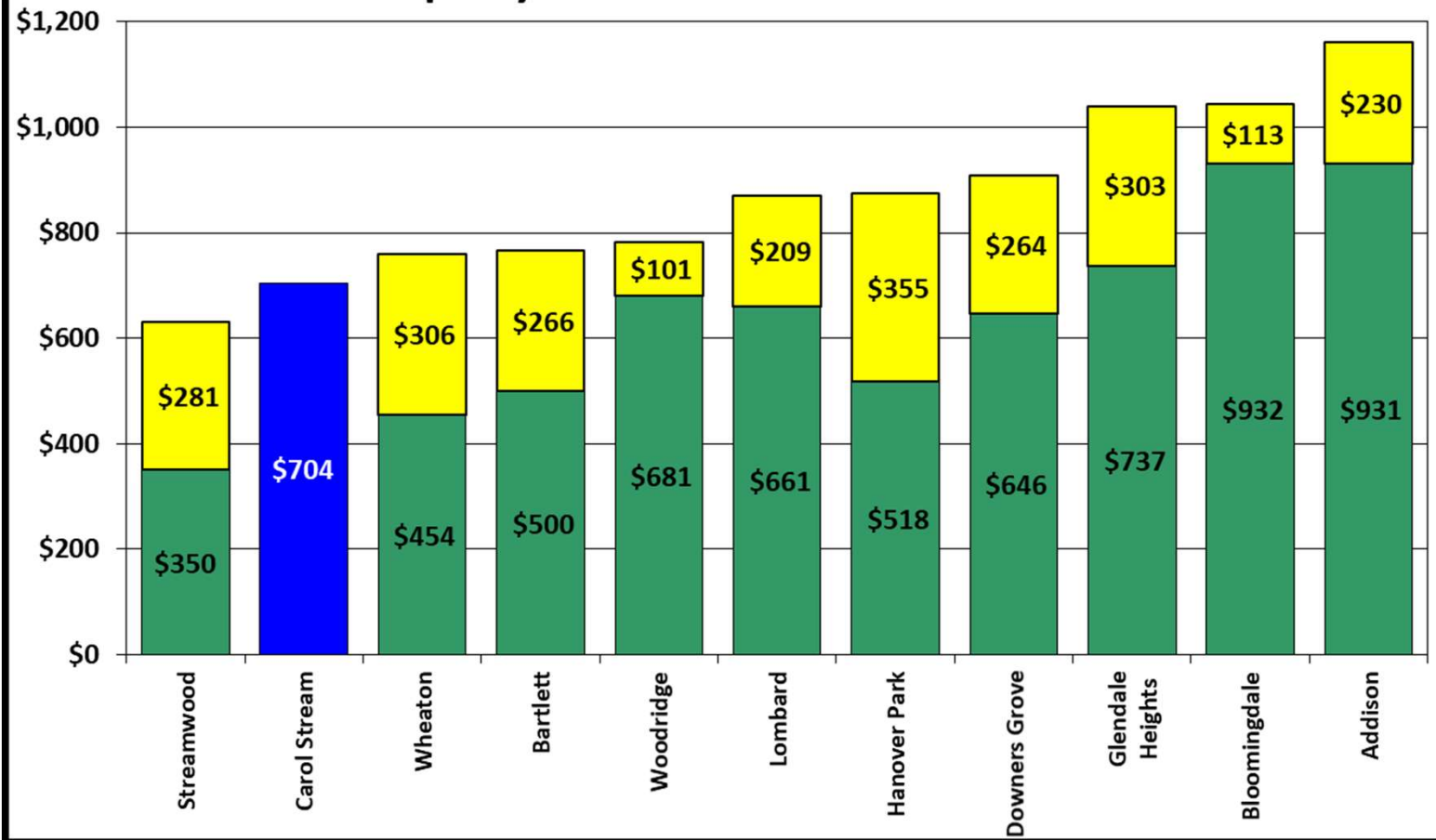
Governmental Fund Revenues per Capita (Adjusted) - 2018



Source: Comprehensive Annual Financial Reports.

Gross revenues have been reduced by total fire service expenditures (Hanover Park, Streamwood, Wheaton, Lombard, Downers Grove), total park/recreation expenditures (Glendale Heights) and central dispatch revenues (Addison).

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



Source: Comprehensive Annual Financial Reports.

Property Tax Component (excl. TIF, SSA, R&B)
 All Other Governmental Revenues

Total Governmental Revenues

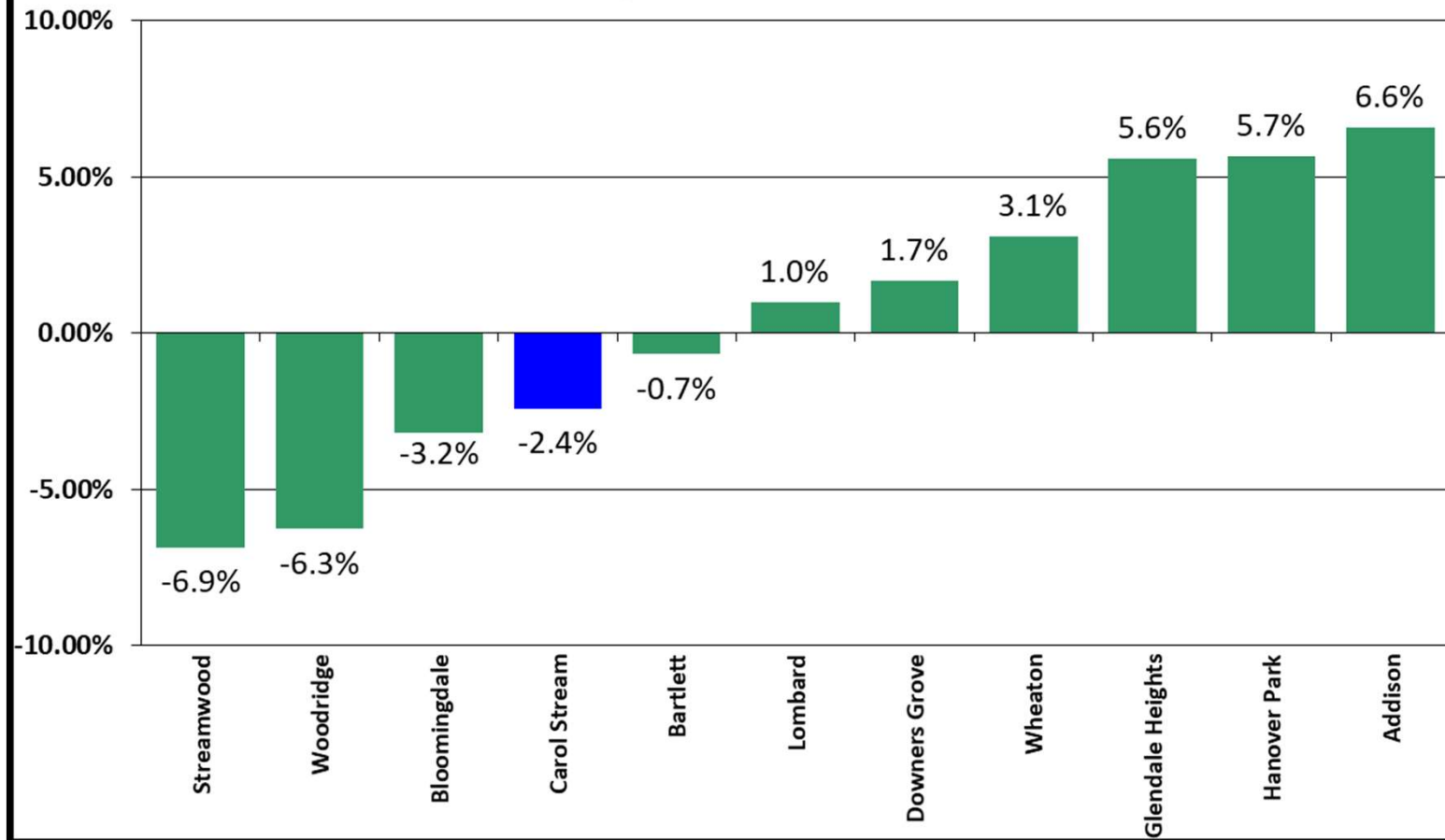
- Carol Stream’s **governmental revenue growth** over the past 2 years has declined by 2.0% and has been outperformed by 7 of our 10 peer communities. This represents a shift from prior comparison studies and is largely rooted in sales tax losses sustained in 2017 and 2018.
- **Total governmental revenues 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 Taxes



Sales Tax Revenues

1 Year Change - CY 2017 to 2018

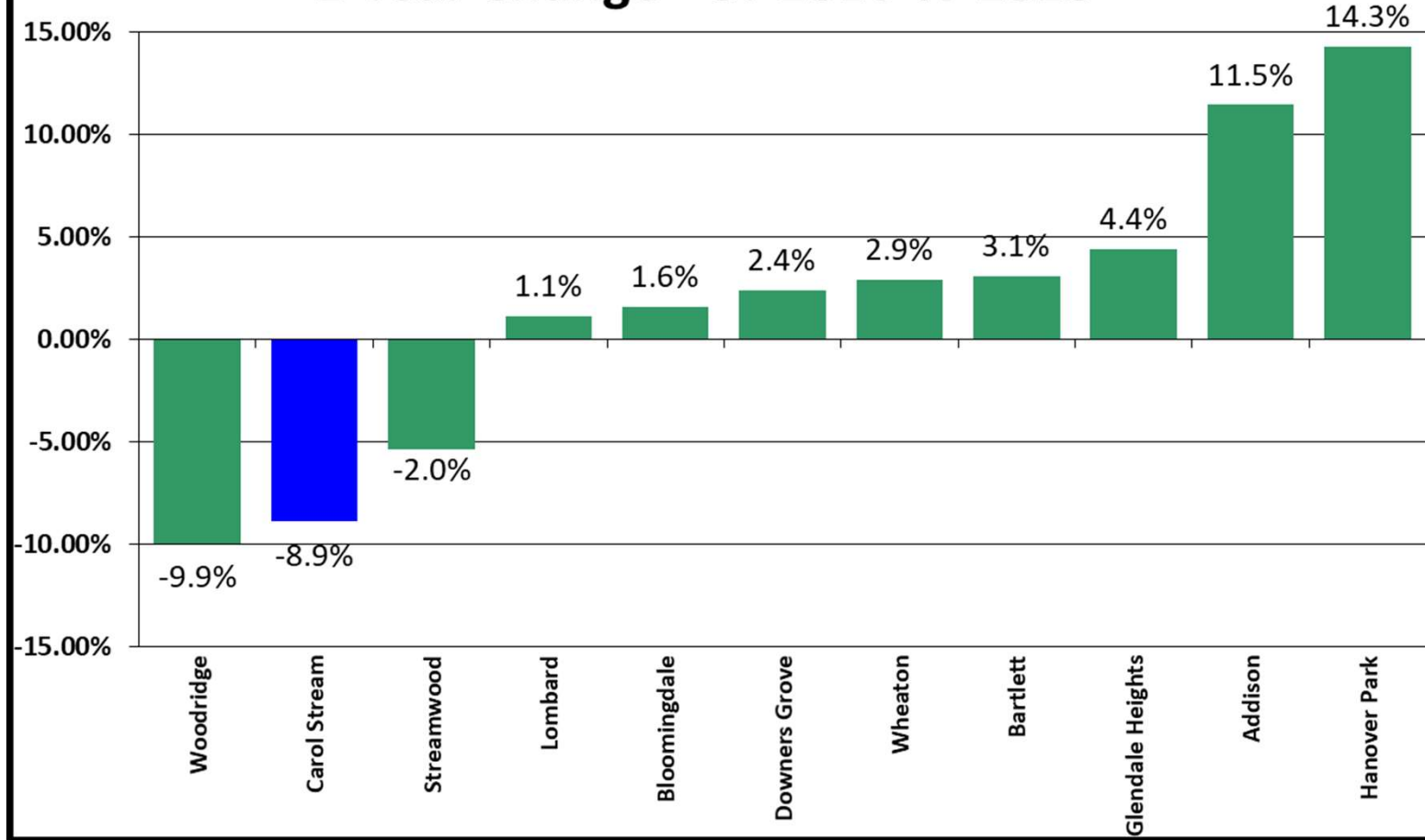


Source: Illinois Department of Revenue

Data presented includes the 1% local government share of the 6.25% State base sales tax rate on general merchandise. Does not include any home rule or other additional sales tax imposed by the municipality.

Sales Tax Revenues

2 Year Change - CY 2016 to 2018

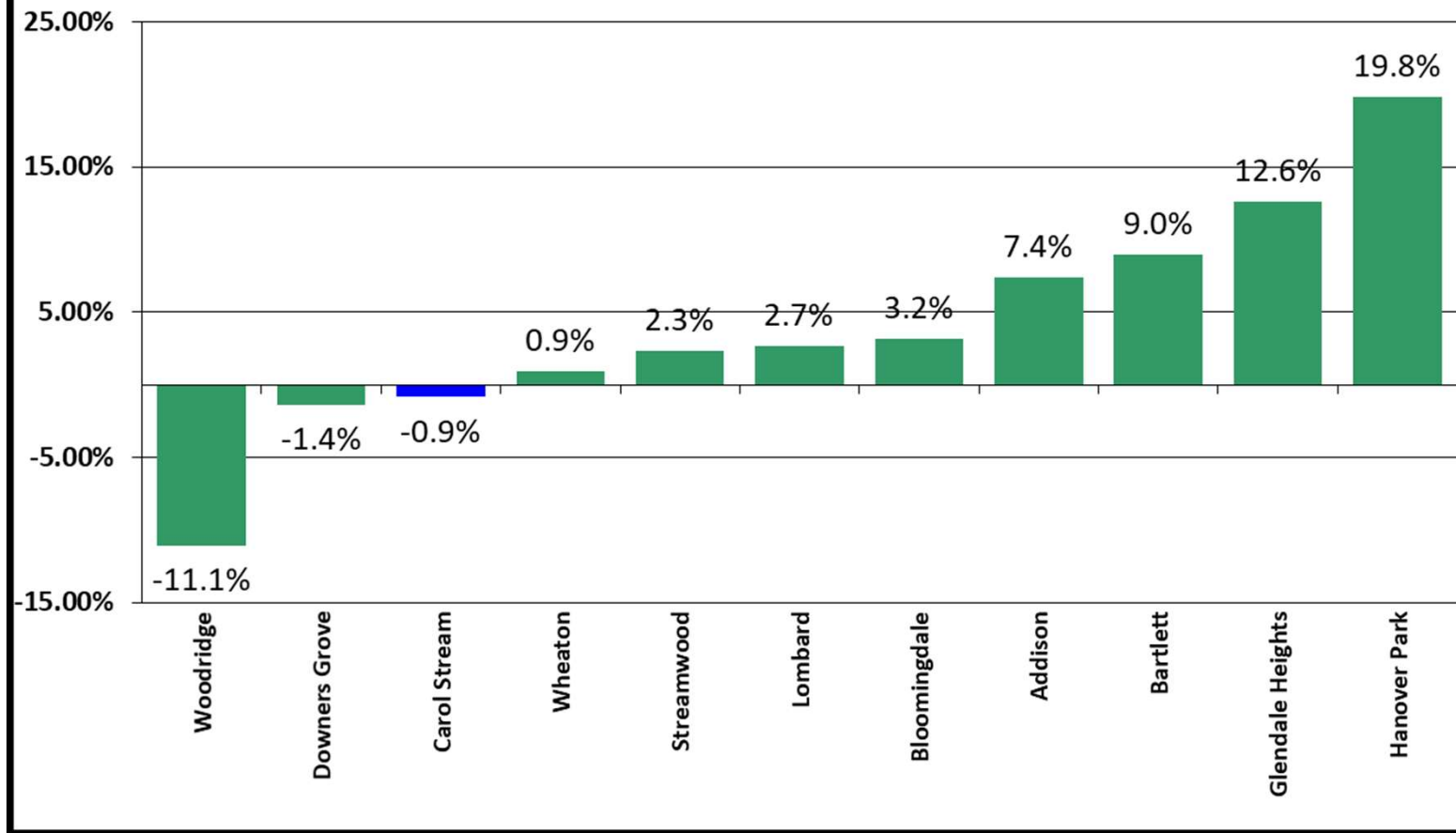


Source: Illinois Department of Revenue

Data presented includes the 1% local government share of the 6.25% State base sales tax rate on general merchandise. Does not include any home rule or other additional sales tax imposed by the municipality.

Sales Tax Revenues

3 Year Change - CY 2015 to 2018



Source: Illinois Department of Revenue

Data presented includes the 1% local government share of the 6.25% State base sales tax rate on general merchandise. Does not include any home rule or other additional sales tax imposed by the municipality.

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.

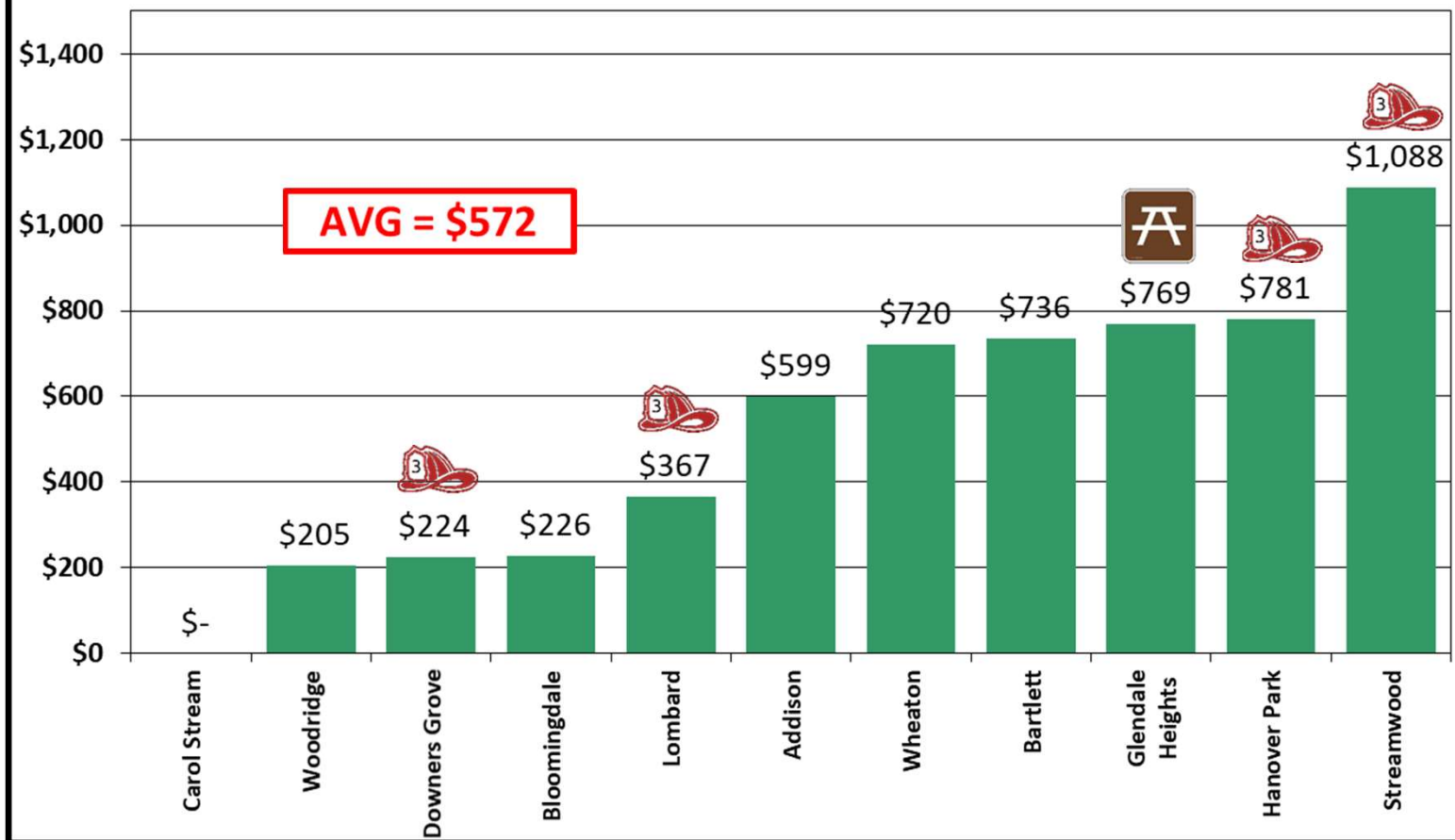
Sales Tax Revenues

- 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.

Property Taxes



2018 Municipal Property Tax Bill (paid in 2019) \$231,400 Median Home Market Value



Source: Comprehensive Annual Financial Reports/County Records.

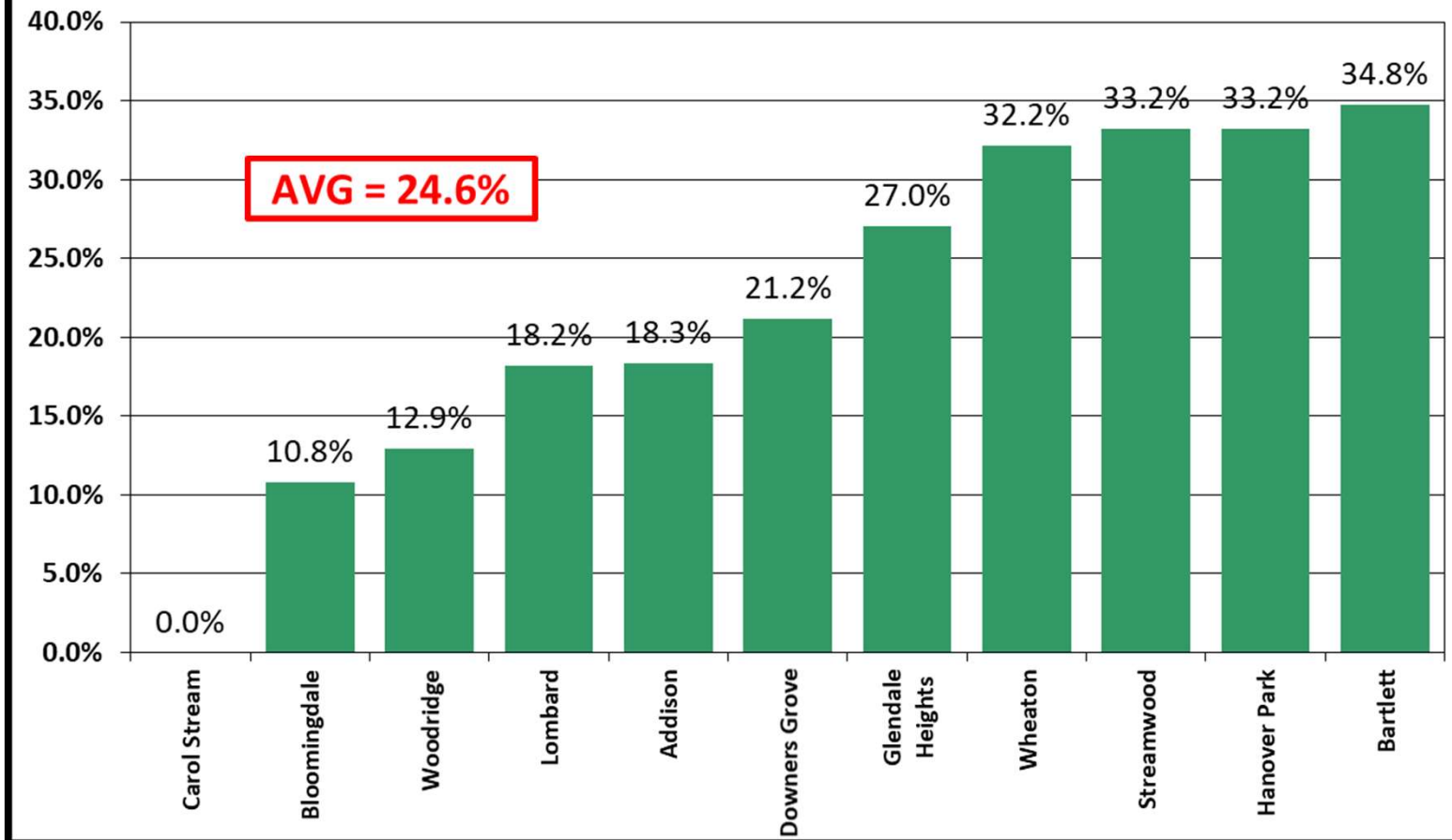


Fire-specific property taxes have been excluded from tax bill amount shown.



Excludes parks/recreation levy.

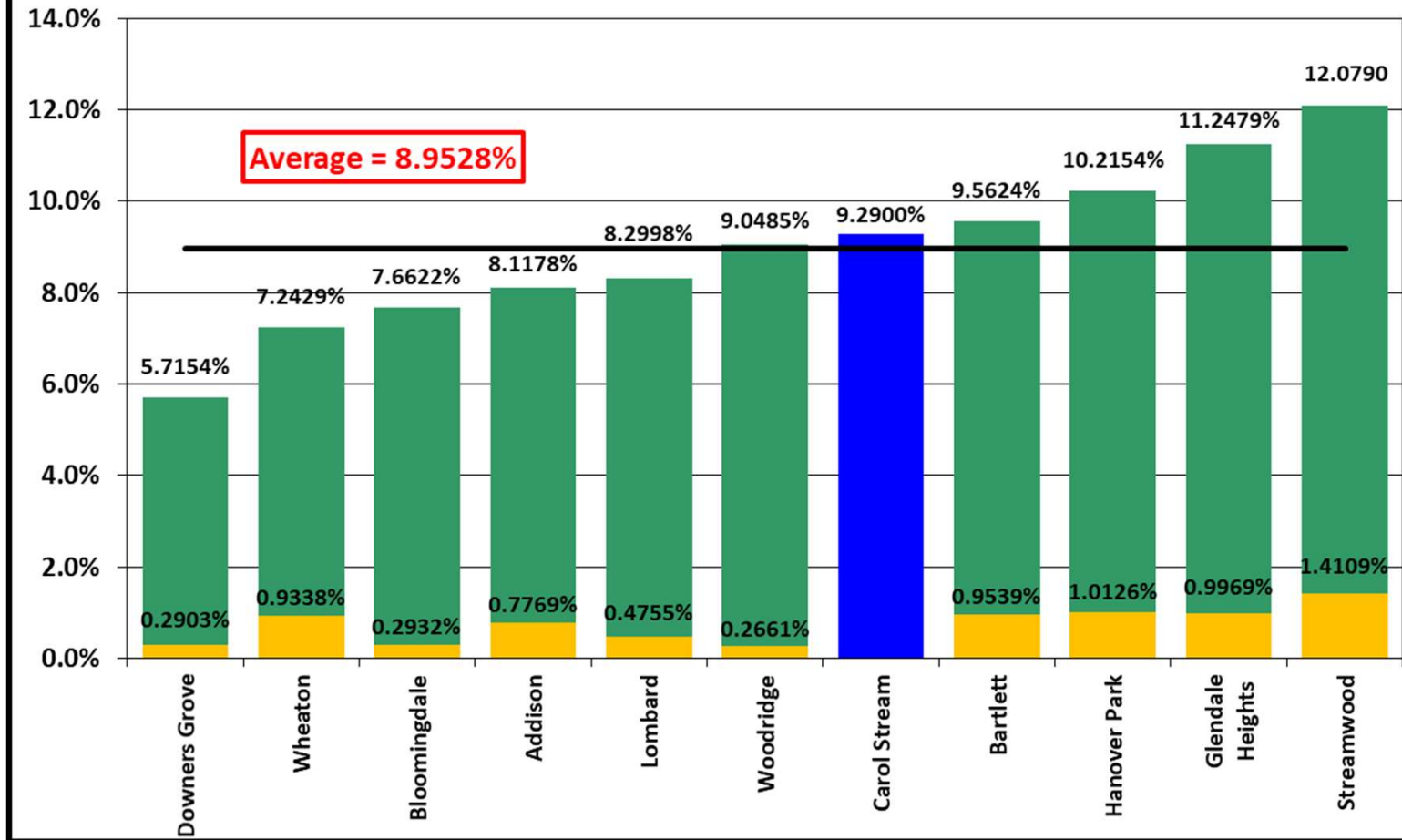
Property Tax as a % of Total Governmental Revenues - 2018



Source: Comprehensive Annual Financial Reports.

Excludes R&B, TIF and SSA Property Taxes.

Total 2018 Community Property Tax Rate

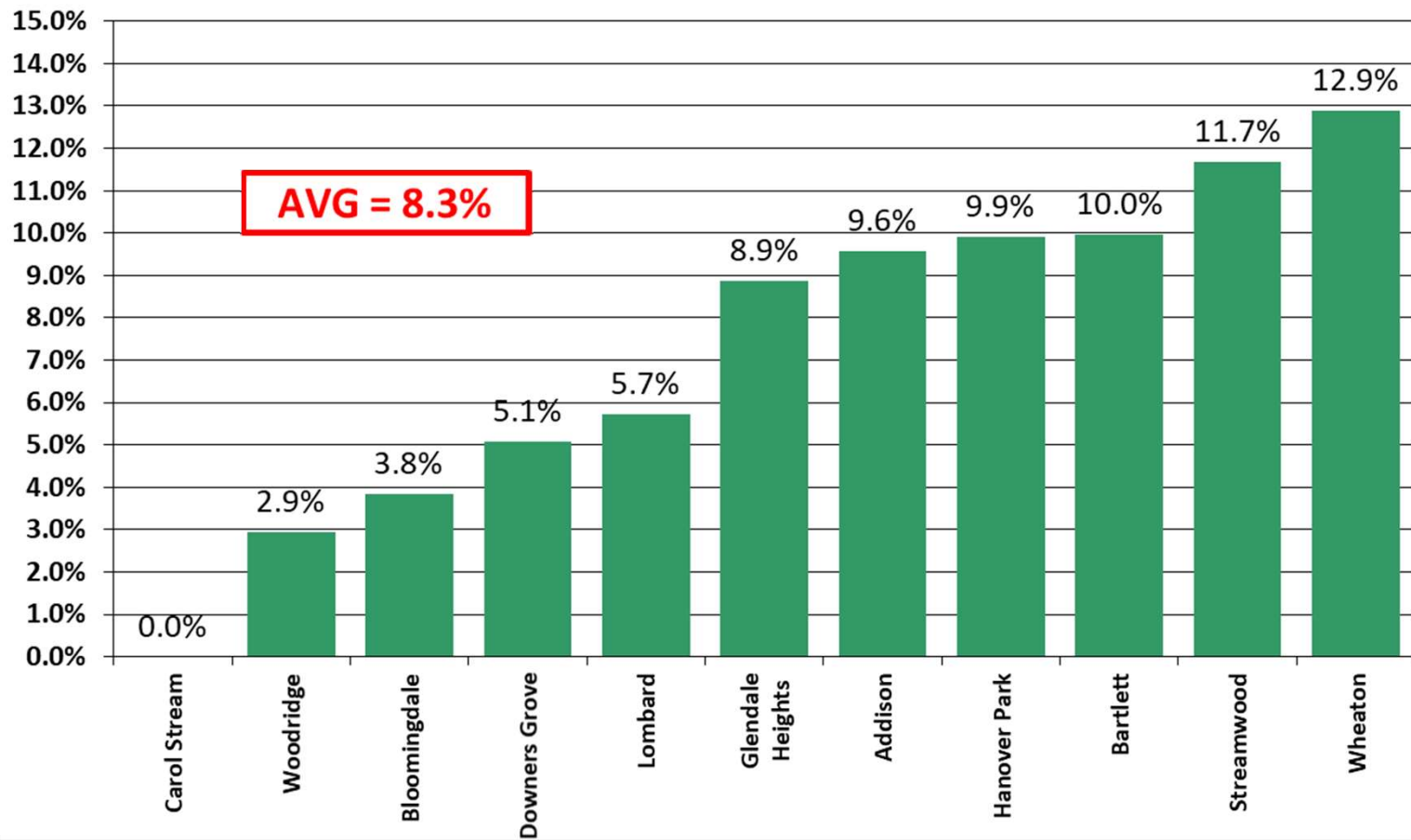


Source: Comprehensive Annual Financial Reports / DuPage County Clerk

Rates used are for portion of municipality within DuPage County (Cook County for Streamwood).

Amounts in yellow indicate municipal tax rate. Amounts in green indicate all other taxing jurisdictions.

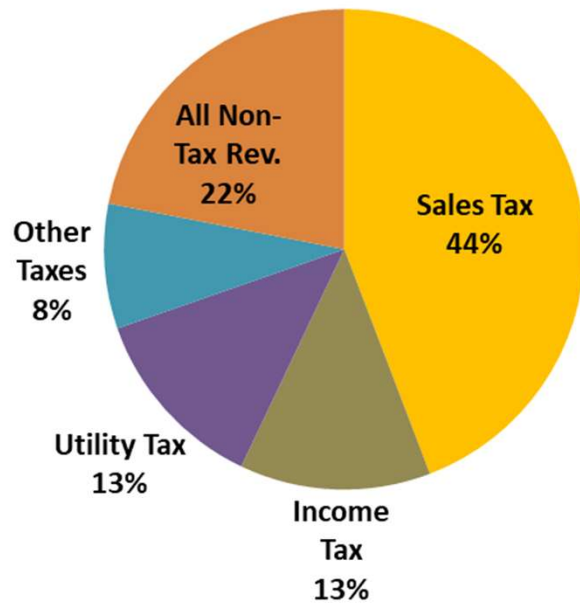
Municipal Share of Total Community Property Tax Bill - 2018 (paid in 2019)



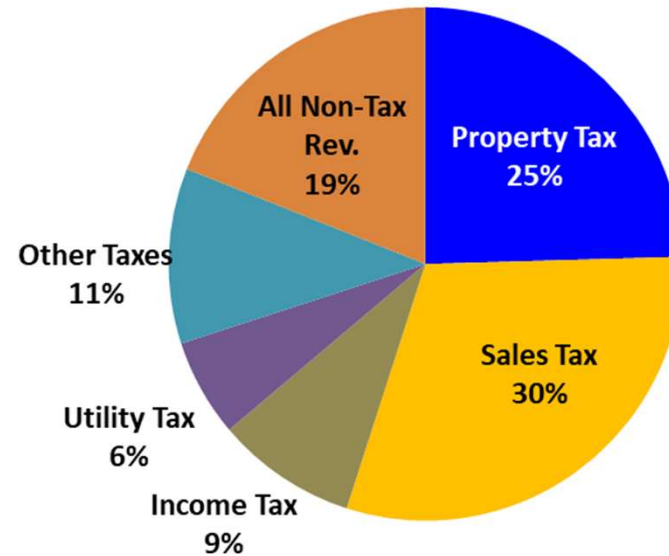
Source: County property tax data.

Governmental Fund Revenues by Type - 2018

Carol Stream



Peer Group



Source: Comprehensive Annual Financial Reports.

Other Taxes include such items as Hotel, Video Gaming, Food & Beverage, TIF, Real Estate Transfer, etc.

All Non-Tax Rev. includes such items as fines, charges for services, grants, licenses, permits, and interest income.

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”

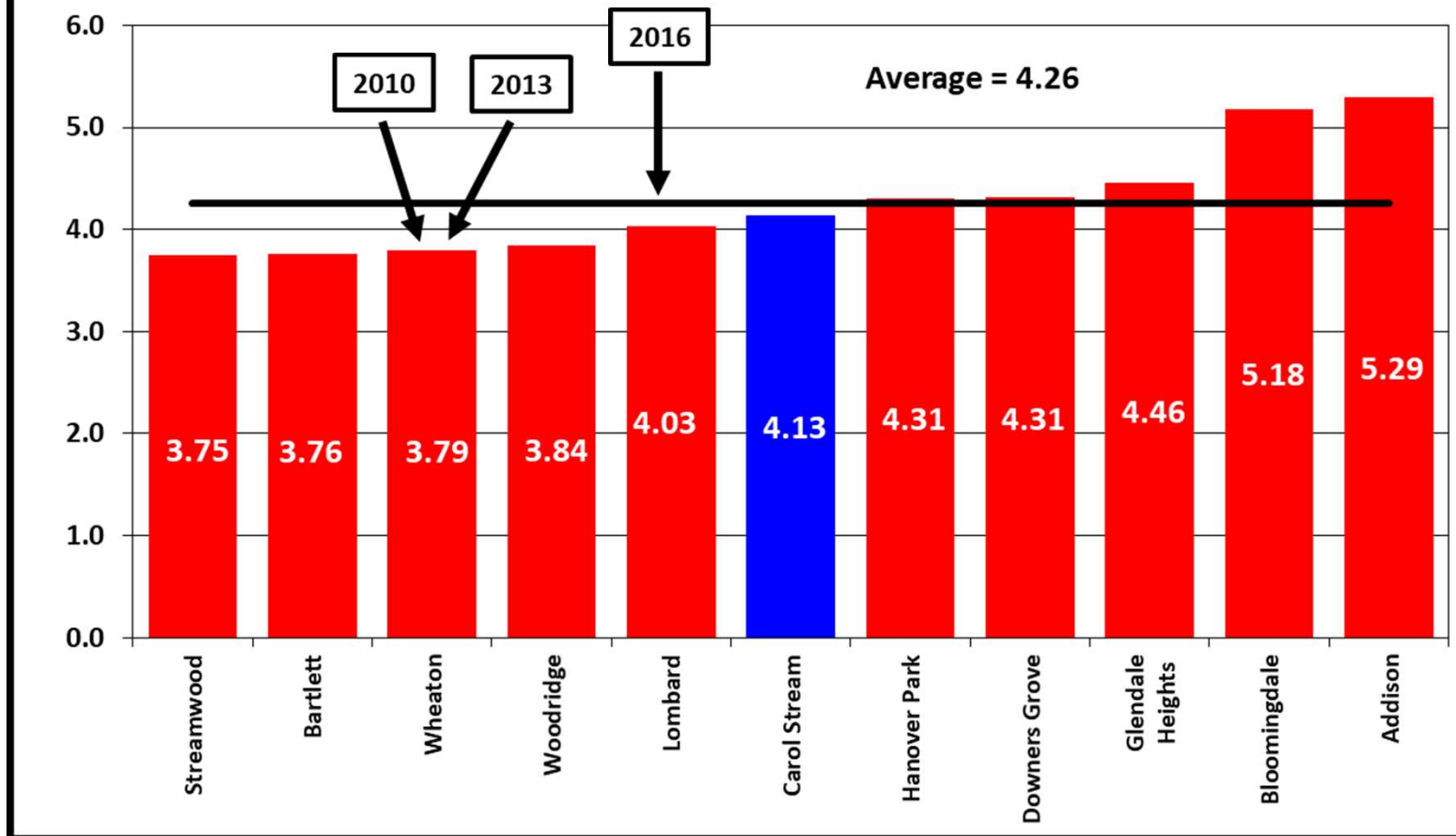
Using 2018 EAVs (Equalized Assessed Values) for Carol Stream for property tax bills paid in 2009:

- 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)

IV. STAFFING



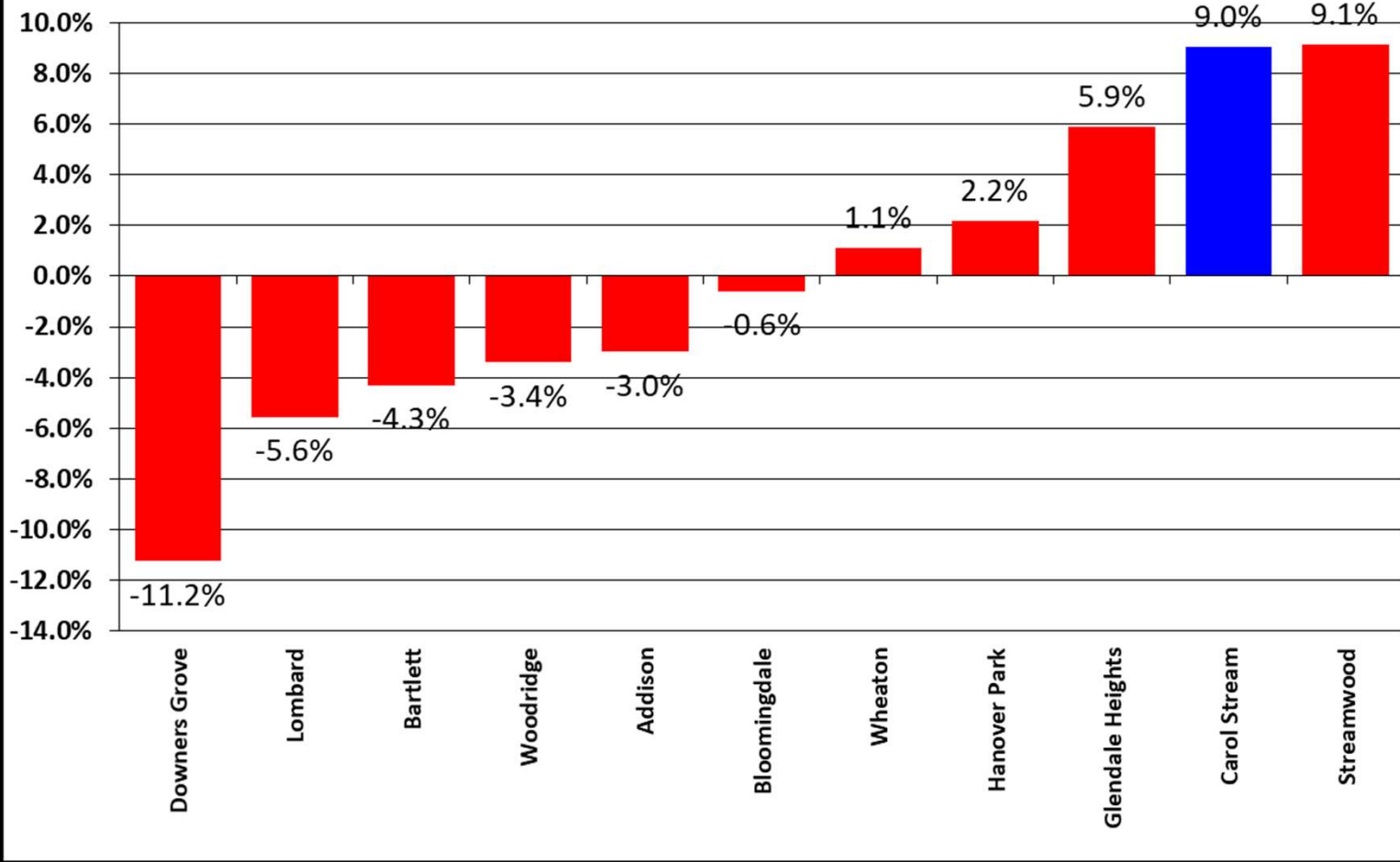
Total Employees per 1,000 Residents 2020



Source: Most current municipal budget.

Note: To support a more accurate comparison, employee counts for certain services that are not typically provided by all members of the peer group have been removed. These include Fire, Recreation/Parks, Golf Course, Wastewater Treatment Plant. Elected officials and seasonal positions have also been excluded from this presentation.

Percentage Change in Total Authorized Staffing 2015 to 2020



Source: Municipal budgets.

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.

V. Summary Recap



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.