

**FINANCE WORKSHOP**  
**BOARD OF TRUSTEES**  
**3/3/2020**



# GENERAL FUND

	2019	2020	2021	2022	2023	2024	2025
		Projected>					
TOTAL GF REV	4,678,066	3,283,700	3,501,376	3,560,915	3,622,598	3,686,511	3,752,745
TOTAL GF EXP	3,668,710	3,916,174	3,940,435	3,994,917	4,155,707	4,283,581	4,415,676
NET GF BEFORE ADJUSTMENTS	1,009,356	-632,474	-439,059	-434,002	-533,109	-597,070	-662,931
Landmark 2nd Payment			35,000				
Village Signs		-175,000					
L&A Additional Expense		-20,000	-20,400	-20,808	-21,224	-21,649	-22,082
Excise Tax correction							
Thornton's Sales Tax			150,000	151,500	153,015	154,545	156,091
<b>ADJUSTED NET GENERAL FUND</b>		<b>-827,474</b>	<b>-274,459</b>	<b>-303,310</b>	<b>-401,318</b>	<b>-464,173</b>	<b>-528,922</b>
Without Campus		380,000					
Without Signs		175,000					
<b>CONTINUING NET GENERAL FUND</b>		<b>-272,474</b>	<b>-274,459</b>	<b>-303,310</b>	<b>-401,318</b>	<b>-464,173</b>	<b>-528,922</b>

- See Worksheet in Appendix for more details
- Initial Revenue and Expense projections built from 2020 Budget
- Assumptions:
  - Current Sales tax anomaly resolved but excise tax remains at reduced level
  - Thornton's operational mid-2021
  - Administration staff expense remains at present levels even after any restructuring
  - There are no external events such as a serious recession that affect all elements of revenue significantly or changes in State distribution policy

## WATER AND SEWER FUNDS

	02/25/20	2019	2020	2021	2022	2023	2024	2025
<b>Water Fund</b>								
Revenue		996,223	1,128,050	1,133,000	1,133,000	1,133,000	1,133,000	1,133,000
Expenditures		883,545	1,251,838	951,453	1,467,780	960,000	1,500,000	970,000
	NET WATER FUND	112,678	-123,788	181,547	-334,780	173,000	-367,000	163,000
	EOY CASH BALANCE	2,372,681	2,248,893	2,430,440	2,095,660	2,268,660	1,901,660	2,064,660
	\$2MM target balance							
	Assumes retail rates are adjusted to offset any future wholesale rate increases.							
	2020 Expenditure includes Thorngate Reservoir projects not in 2020 Budget							
<b>Sewer Fund</b>								
Revenue		519,241	533,000	480,000	480,000	480,000	480,000	480,000
Expenditures		207,590	624,213	448,000	411,000	467,000	345,000	409,000
	NET SEWER FUND	311,651	-91,213	32,000	69,000	13,000	135,000	71,000
	EOY CASH BALANCE	1,336,259	1,245,046	1,277,046	1,346,046	1,359,046	1,494,046	1,565,046
	\$1MM target balance							
	2020 Expenditure includes Timbers Lift Station project not included in 2020 Budget							

### Conclusions:

- No infusions from the General Fund to either the Water Fund or the Sewer Fund to maintain target cash balances are forecasted to be necessary over the planning period.
- The Board might consider alternative actions regarding the slowly building excess in the Sewer Fund.

**GENERAL FUND UPPER/LOWER CASH BALANCE**  
**Before any cost reductions and/or new revenue generation**

GENERAL FUND		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	
	ADJUSTED NET GENERAL FUND		-827,474	-274,459	-303,310	-401,318	-464,173	-528,922	
	EOY CASH BALANCE	9,654,639	8,827,165	8,552,706	8,249,396	7,848,078	7,383,905	6,854,982	
	<u>Possible Cash Sources:</u>								
	TIF Note Repayment				800,000				
	Third Cell Tower Lease						500,000		
	<u>Possible Cash Uses:</u>								
	Complete Campus Implementaton			-386,400					
	Colonial Court Access Road, Easement				-200,000	-200,000	-500,000		Loans to TIF repaid beyond 2025
	Non-Campus Sidewalks/Paths			-220,000					Net of Grants
	Deerfield Rd. Landscaping Program							-250,000	
	Land Acquisitions?							-500,000	Property contiguous to TIF District
	Total Additional Sources/Uses		0	-606,400	600,000	-200,000	0	-750,000	
	EOY HYPOTHETICAL CASH BALANCE		8,827,165	7,946,306	8,849,396	7,648,078	7,383,905	6,104,982	

Depending on which Sources or Uses of Cash occur, or are decided upon, the amount of General Fund cash should be between the EOY Cash Balance plus the additional cash sources (or **\$8,154,982** in 2025) and the EOY Cash Balance minus the possible cash uses (or **\$4,598,582** in 2025)

## OPPORTUNITIES FOR COST REDUCTION

- Personnel costs represent approximately 50% of General Fund expenses. A reduction in personnel means reduced services and, in some cases, an inability to adequately operate.
- The Police Department is about 54% of General Fund expenses. At this point there is no realistic alternative – either the same level of service would be significantly more expensive, or there would be a major reduction in service and safety.
- Of the remaining portion of expenses, the discretionary cost reduction opportunities that would have a “measurable impact” are:
  - Switch to in-house legal: no measurable savings from \$160,000
  - Police Department memberships/subscriptions/meeting expense: \$20,000 – Not Recommended
  - Woodland programs: \$68,000 – Not Recommended
  - Website maintenance: \$10,000 – Not Recommended
  - Village Voice: \$25,000 – Not Recommended
  - Village Parties: \$9,000 – Not Recommended
  - Campus maintenance cost if Campus not implemented: \$30,000
  - NSSRA and Other Donations: \$65,000 and \$7500 - ?
  - Public to Private Streets: \$100,000 - ?
- The Finance Committee believes that most of these reductions would change the quality of life and safety within the Village. With the exception of charitable contributions and street conversion, these should be “emergency” actions.

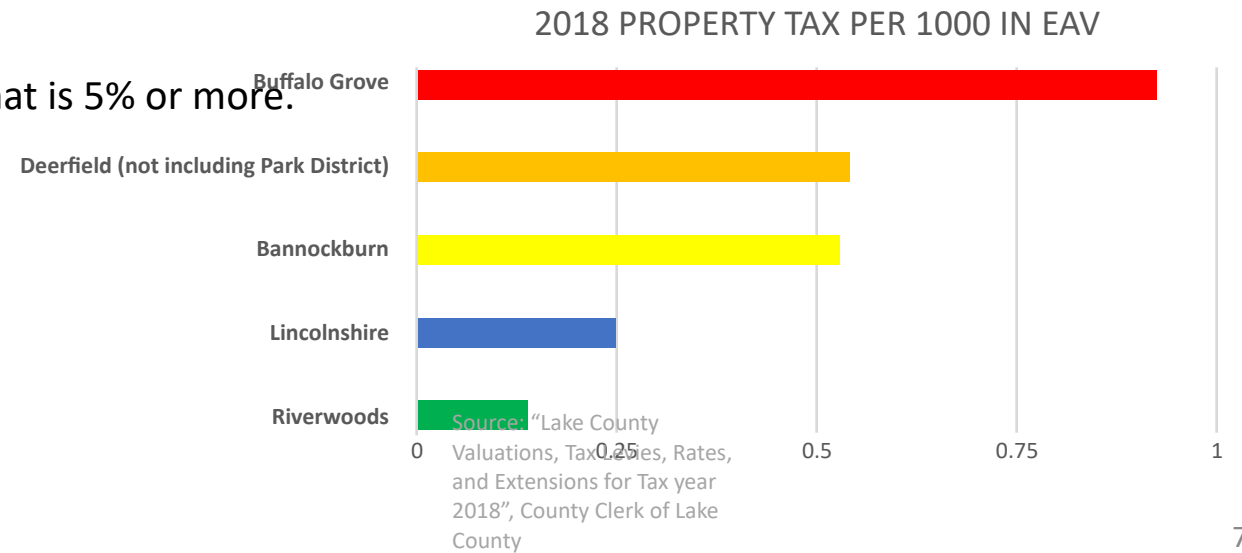
## POSSIBLE ADDITIONAL REVENUE GENERATION SOURCES

- Property Tax Increase
- Fee Increases
- Internet Sales Tax
- Real Estate Transfer Tax
- Vehicle Stickers
- Municipal Retail Fuel Tax
- Hotel Tax
- New Sales Tax Generation

# PROPERTY TAX INCREASE

PROPERTY TAX MARGINAL EFFECTS							
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	
	584,100	613,305	643,970	676,169	709,977	745,476	<b>Current 5.0% Plan</b>
	584,100	627,908	675,001	725,626	780,048	838,551	<b>'7.5%</b>
<b>Proceeds Increase</b>		<b>14,603</b>	<b>31,030</b>	<b>49,457</b>	<b>70,070</b>	<b>93,075</b>	
	584,100	642,510	706,761	777,437	855,181	940,699	<b>'10%</b>
<b>Proceeds Increase</b>		<b>29,205</b>	<b>62,791</b>	<b>101,268</b>	<b>145,204</b>	<b>195,223</b>	

A Truth in Taxation hearing is required for any increase that is 5% or more.



## REAL ESTATE TRANSFER TAX (Source: 12/4/18 Financial Workshop)

Projected Revenues Based on past Sales had Real Estate Transfer Tax Been In Place

Number of Transfers	Year	Rate	<u>\$ 3.00</u> Per \$1,000	<u>\$ 4.00</u> Per \$1,000	<u>\$ 5.00</u> Per \$1,000	<u>\$ 6.00</u> Per \$1,000
72	2014		\$ 82,537.20	\$ 110,049.60	\$ 137,562.01	\$ 165,074.41
97	2015		\$ 119,281.76	\$ 159,042.34	\$ 198,802.93	\$ 238,563.52
101	2016		\$ 112,584.00	\$ 150,112.00	\$ 187,640.00	\$ 225,168.00
94	2017		\$ 97,440.70	\$ 129,920.93	\$ 162,401.16	\$ 194,881.39
81	2018 (Partial)		\$ 83,386.50	\$ 111,182.00	\$ 138,977.50	\$ 166,773.00

Implementation of this tax would require a referendum and would face significant realtor lobby opposition. It would be very difficult to implement. There is also a potential negative impact on property values. The Finance Committee does not recommend this option for the immediate future.



## VEHICLE STICKERS

(Source: 12/4/18 Financial Workshop)

Highland Park	\$65.00
Northfield	\$50.00
Lake Forest	\$42.00
Northbrook	\$38.00
Deerfield	\$30.00
Bannockburn	\$0.00
Buffalo Grove	\$0.00
Lincolnshire	\$0.00
Vernon Hills	\$0.00
Wheeling	\$0.00

<u>Vehicles in Riverwoods</u>	<u>\$30.00</u>	<u>\$35.00</u>	<u>\$40.00</u>	<u>\$45.00</u>	<u>\$50.00</u>
1,000	\$30,000.00	\$35,000.00	\$40,000.00	\$45,000.00	\$50,000.00
2,000	\$60,000.00	\$70,000.00	\$80,000.00	\$90,000.00	\$100,000.00
3,000	\$90,000.00	\$105,000.00	\$120,000.00	\$135,000.00	\$150,000.00
3,700	\$111,000.00	\$129,500.00	\$148,000.00	\$166,500.00	\$185,000.00

This option has significant administrative and enforcement costs so the net benefit would be less than shown above.

## MUNICIPAL MOTOR FUEL TAX

- The average gas station sells 4,000 gallons of gas per day - with two gas stations every 1 cent of tax per gallon raises around \$30,000. However, Thornton's sales tax projections would translate to over three times this amount or 13,700 per day. With this assumption each 1 cent of tax per gallon raises \$50,000 for Thornton's alone.
- Competitiveness is an issue.
- Last November, Buffalo Grove enacted a \$.02 Municipal Motor Fuel Tax. Other communities:

*Table 1- Comparable Community Rates (2018)*

<b>Municipality</b>	<b>Municipal Gas Tax (Per Gallon)</b>	<b>Municipality</b>	<b>Municipal Gas Tax (Per Gallon)</b>
Arlington Heights	NA	Morton Grove	\$0.040
Aurora	\$0.040	Mount Prospect	\$0.040
Batavia	\$0.040	Naperville	\$0.040
Bloomington	\$0.020	Niles	\$0.040
Carpentersville	\$0.020	North Chicago	\$0.050
Countryside	\$0.040	Oak Park	\$0.060
Des Plaines	\$0.040	Palatine	NA
Elgin	\$0.040	Park City	\$0.010
Elmhurst	\$0.015	Park Ridge	\$0.040
Evanston	\$0.040	Rolling Meadows	\$0.040
Glenview	\$0.040	Schaumburg	\$0.030
Highland Park	\$0.020	Skokie	\$0.050
Highwood	\$0.050	Vernon Hills	NA
Hoffman Estates	\$0.025	Warrenville	\$0.040
Lincolnwood	\$0.050	West Dundee	\$0.020
Lincolnshire	NA	Wheeling	NA
Long Grove	NA	Wilmette	\$0.040
		Woodridge	\$0.040

## OTHER OPTIONS

- Hotel Tax
  - Currently at 5%. An increase to 6% would generate \$15,000 per year.
  - There is only 1 hotel in the Village and the increase could impact competitiveness.
- Internet Sales Tax
  - Effective 7/1/2020
  - Impact unknown at this time
  - Hold as a forecast “cushion” until impact is clearer?
- New Sources of Sales Tax
  - May require a marketing program which is an up-front expenditure
    - After the Thornton’s credit, there still could be about \$200,000 available in the TIF as seed money for such a program.
  - Effectiveness given Village affordability?
  - No foundation for an estimated impact

## FINANCE COMMITTEE RECOMMENDATION

## SUMMARY OF FINANCE COMMITTEE RECOMMENDATION

- Implement an annual 7.5% increase in the property tax starting next year (compared to 5% currently)
  - Requires a Truth in Taxation hearing later this year
  - Risk: The State is considering a property tax freeze
- Enact a \$0.02 per gallon Municipal Motor Fuel Tax, comparable to what Buffalo Grove has enacted
- Explore the viability/cost of an active program to attract sales taxpayers
- Continue to develop a public to private street conversion plan.
- Hold off on any other action for now
  - Effect of Internet Sales Tax
  - Actual Thornton's sales tax proceeds

## RECOMMENDATION FORECAST

FINANCE COMMITTEE RECOMMENDATION -IMPACT								
			<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	ADJUSTED NET GENERAL FUND		-827,474	-274,459	-303,310	-401,318	-464,173	-528,922
	Annual 7.5% Property Tax Increase			14,603	31,030	49,457	70,070	93,075
	\$0.02 Municipal Gasoline Tax			15,000	75,000	75,000	75,000	75,000
	Internet Tax Proceeds?							
	Street Conversion?				25,000	50,000	50,000	50,000
	Marketing Progam Net Result?							
	<b>Recommendation Net General Fund</b>			<b>-244,856</b>	<b>-172,280</b>	<b>-226,861</b>	<b>-269,103</b>	<b>-310,847</b>

Assumes Streets are turned over in their present condition in mid-2022. Impact is net of transition costs

In order for the Village to be in a breakeven situation in 2025, and assuming the gasoline tax and street conversion savings and no other effects, property taxes would have to grow at approximately 12.5% per year.

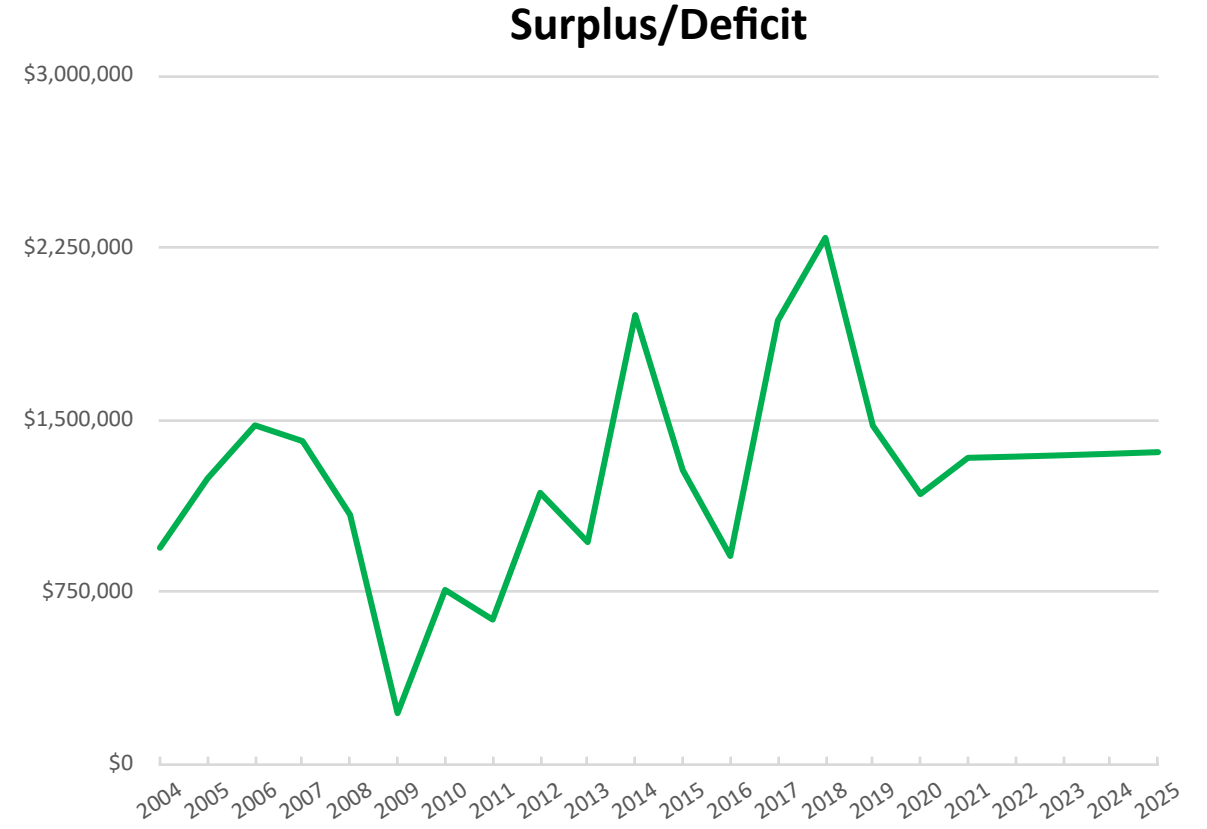
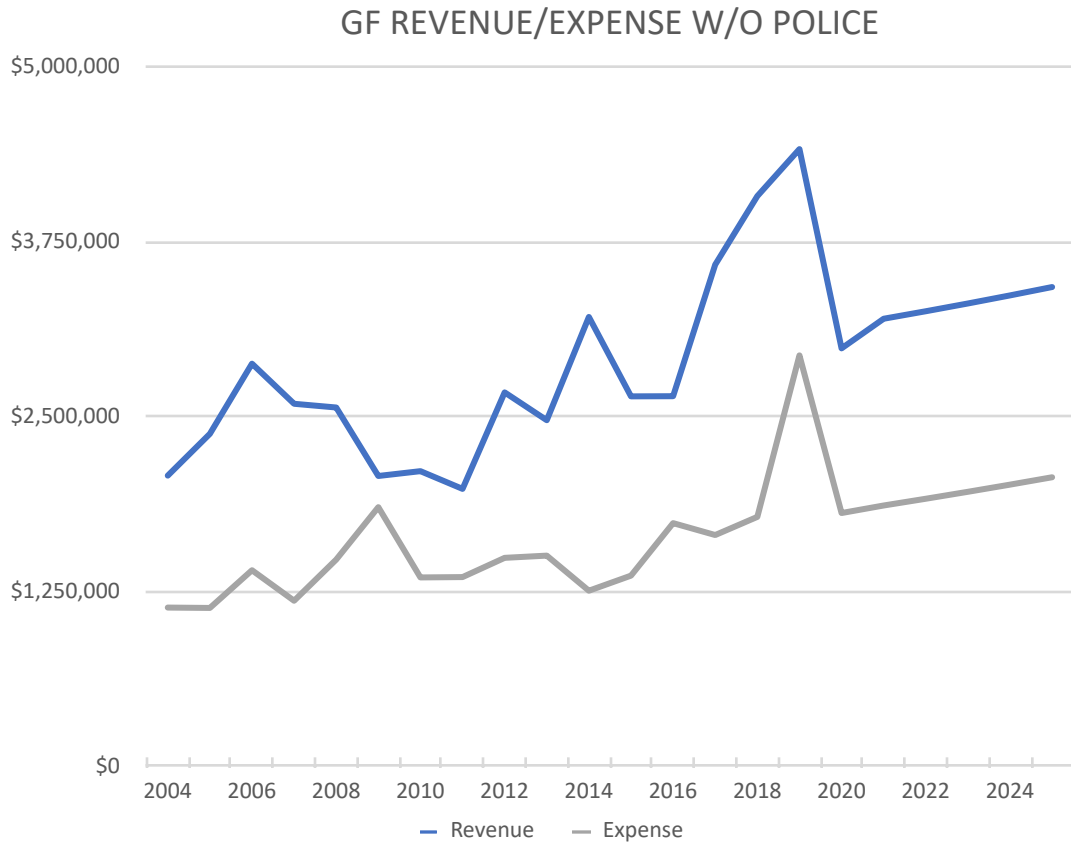
# APPENDIX

GENERAL FUND WORKSHEET

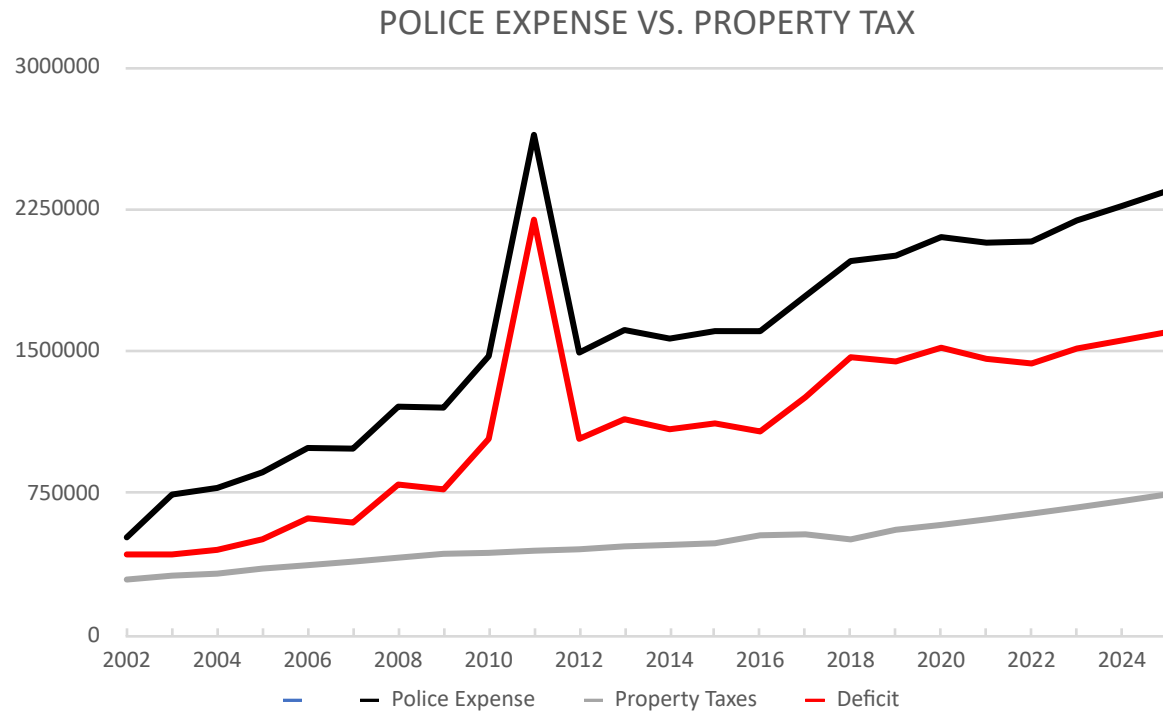
	02/23/20	2019	2020	2021	2022	2023	2024	2025			
General Fund		Estimate									
										Projections:	
	REVENUE										
	Property Tax	558,625	584,100	613,305	643,970	676,169	709,977	745,476	+5.0%		
	Sales Tax	787,316	730,000	737,300	744,673	752,120	759,641	767,237	+1.0%	Assumes positive resolution of current anomaly.	
	State Income Tax	388,796	380,000	387,600	395,352	403,259	411,324	419,551	+2.0%		
	Utility Tax - Gas/Elect	374,155	385,000	385,000	385,000	385,000	385,000	385,000	Flat		
	Telecomm Tax (Excise)	289,480	290,000	292,900	295,829	298,787	301,775	304,793	+1.0%	Assumes present reduced levels continue	
	Franchise Fees	85,852	85,000	85,850	86,709	87,576	88,451	89,336	+1.0%		
	Hotel Tax	136,882	125,000	128,125	131,328	134,611	137,977	141,426	+2.5%		
	Police Revenue	264,761	294,550	300,441	306,450	312,579	318,830	325,207	+2.0%		
	Bldng Dept Fees	197,028	195,250	199,155	203,138	207,201	211,345	215,572	+2.0%		
	Interest Income	180,657	165,000	161,700	158,466	155,297	152,191	149,147	-2.0%		
	Other	1,414,514	49,800	210,000	210,000	210,000	210,000	210,000	Flat		
	TOTAL GF REV	4,678,066	3,283,700	3,501,376	3,560,915	3,622,598	3,686,511	3,752,745			
	EXPENSE										
	Administration	1,239,359	1,346,924	1,387,332	1,428,952	1,471,820	1,515,975	1,561,454	+3.0%		
	Building	191,630	214,041	220,462	227,076	233,888	240,905	248,132	+3.0%		
	Rd & Bridge/Drainage	146,720	183,467	183,467	183,467	183,467	183,467	183,467	Flat		
	Woodland	85,231	68,000	75,000	75,000	75,000	75,000	75,000	Flat		
	Police**	2,005,770	2,103,742	2,074,174	2,080,422	2,191,531	2,268,235	2,347,623	+3.5%		
	TOTAL GF EXP	3,668,710	3,916,174	3,940,435	3,994,917	4,155,707	4,283,581	4,415,676			
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	ONE-TIME										
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# HISTORY/FORECAST WITHOUT POLICE



# POLICE EXPENSE AND PROPERTY TAX COMPARISON - FORECAST



Assumes current 5% per year increase plan

## EFFECT OF RECOMMENDED PROPERTY TAX INCREASE ON AVERAGE HOME

Assuming House with FMV \$750,000 or EAV of \$250,000 and 3% per year EAV inflation						
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Annual Overall Increase		3%	3%	3%	3%	3%
Total Tax	18,420.05	18,972.65	19,541.83	20,128.09	20,731.93	21,353.89
Proposed Percentage Increase		7.50%	7.50%	7.50%	7.50%	7.50%
Riverwoods Tax Rate	1.87%	2.01%	2.16%	2.33%	2.50%	2.69%
Riverwoods Tax	345.00	382.00	422.97	468.33	518.56	574.18
<b>Annual Increase</b>		<b>37.00</b>	<b>40.97</b>	<b>45.36</b>	<b>50.23</b>	<b>55.62</b>
<b>Increase over 5 years</b>	<b>229.18</b>					