

# Long Range Financial Plan

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# Long Range Financial Planning Overview

- Allow for a Dialogue Among Community, Council & Staff
- Create Awareness of Issues
- Create a 3- to 5-Year Plan
- Assist in budget preparation and operational decisions



# 2011 LRFP Overview

## **Meeting 1 – 5/24**

Issue Identification and Solutions

- General Fund
- Transportation Fund
- Downtown Tax Increment Fund

## **Meeting 2 – 6/28**

Issue Identification and Solutions

- Water
- Infrastructure & Facilities, 2012 Bond Issuance

## **Meeting 3 – 7/26**

- Infrastructure & Facilities, 2012 Bond Issuance, continued

## **Meeting 4 – 8/23**

Present draft plan for discussion



**Infrastructure, Facilities  
&  
2012 Bond Issue  
Continued...**  
*July 26, 2011*

# Overview

- Started as Preparation for 2012 Bond Issue
  - LRFP Recommendation
  - 2011 High Priority Action Item



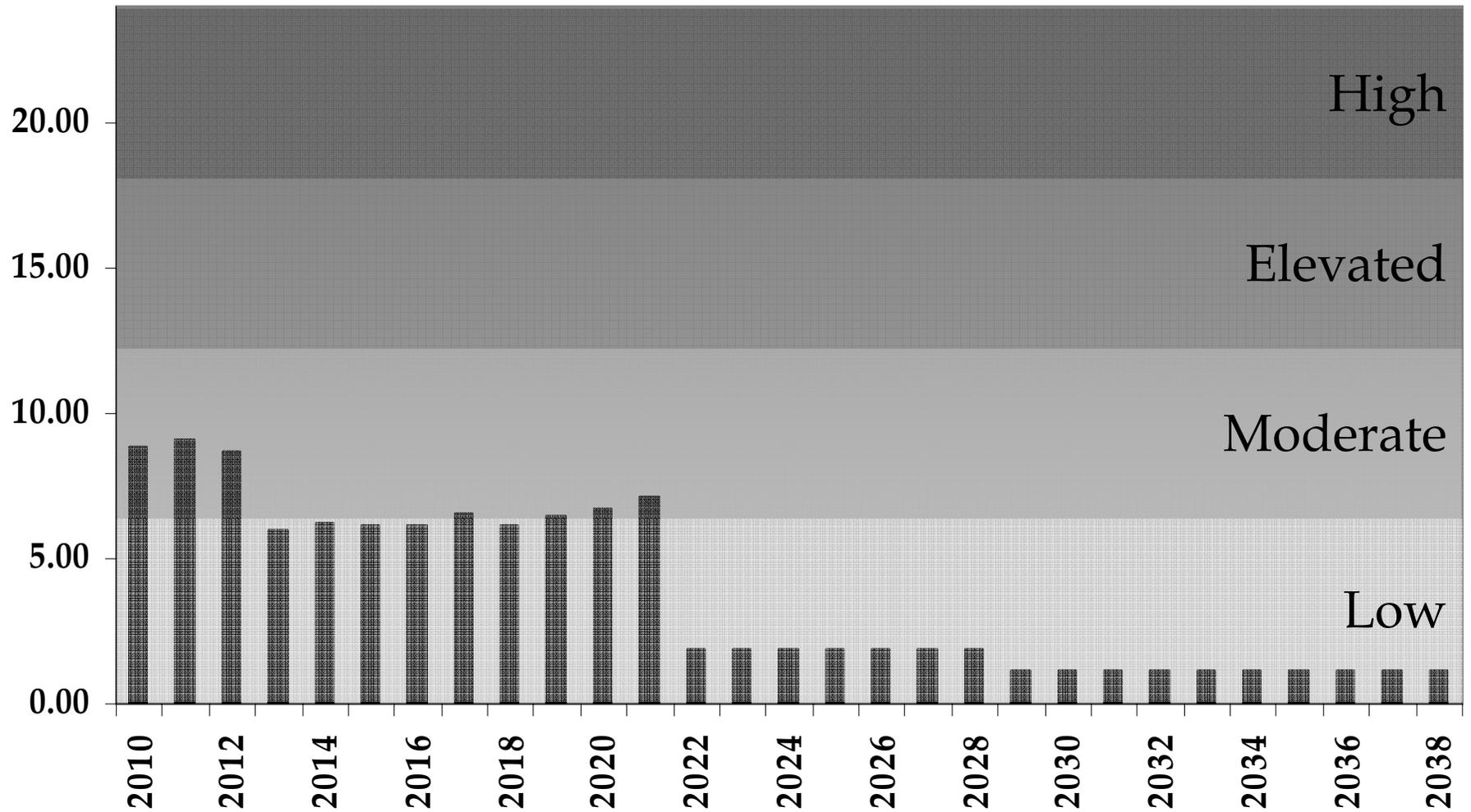
# 2010-2012 LRFP Strategies

- Prioritize Infrastructure & Facility Needs
- Pledge Revenue Sources
  - Existing Revenue Sources
  - Alternative Revenue Sources
- Issue Debt (Pay As You Use)
  - Regular Intervals, 3 Years
  - Maintain Moderate Debt Level
- Implement Beginning in 2012



# Debt Capacity

Debt Service Future Payments (in millions)



# Overview

- Started as Preparation for 2012 Bond Issue
  - LRFP Recommendation
  - 2011 High Priority Action Item
- Now an Infrastructure Sustainability Plan
  - Strategic Plan Goal: Top Quality Infrastructure
  - Strategic Plan Goal: Financial Sustainability
  - Current CIP Includes \$122 Million in Projects Over the Next Five Years



# Overview

- New Approach to Infrastructure
  - Comprehensive
    - All Infrastructure Systems
    - Overall Village Financial Position
    - Not System by System, Fund by Fund
  - Improved Decision Making
  - Long Term Sustainability



# Overview

- June 28<sup>th</sup> Meeting
  - Infrastructure Systems Background
  - Three Types of Expenses
    - Debt Service Payments
    - Maintenance of Existing Infrastructure & Facilities
    - New Construction / Major Reconstruction of Infrastructure
  - Multiple Revenue Sources
  - Discussion of Priorities



# Overview

- July 26<sup>th</sup> Meeting
  - How Will Infrastructure Needs be Funded?
  - 2012 Bond Issue
    - How Much?
    - How Will the Proceeds Be Used?
  - Multiple Options Based on Prioritization Discussion



# Overview

- Review of Infrastructure Priorities
- Options for Funding Infrastructure
- Staff Recommendation
- Alternative Revenues
- Council Direction



# Infrastructure Priorities

A	Existing Debt Service Payments Maintain Existing Systems
B	Reconstruct Identified Roads High Priority Stormwater Projects
C	Expansion of Systems



# Options for Funding Infrastructure



# Options

- Four Options Presented
- Option 1
  - No Bond Issuance
  - No Revenue Enhancements
- Options 2-4:
  - Bond Issuances in Moderate Range
  - Revenue Enhancements of \$3 to \$7 Million
- Options Are Illustrative
- Seeking General Direction



# Staff Recommendation



# Staff Recommendation

- Option 2
  - \$25 million bond issuance in 2012
  - Use 2012 proceeds for street reconstruction
  - Use remaining 2008 proceeds for stormwater projects; re-assess upon completion
  - \$3 million in additional annual revenue
  - Phase in new revenue sources



# Staff Recommendation

- Option 2
  - Create Stormwater Utility in 2012
  - Create Village Vehicle Sticker Program in 2013 or beyond, if necessary



# Staff Recommendation

- Reminder...
  - Water Fund Plan includes \$10 million bond issuance in 2012
  - Supported by Rate Increase to Generate 14% additional revenue
- This means...
  - \$35 million bond issuance in 2012



# Alternative Revenues



# Alternative Revenues

- Natural Gas Use Tax
- Electricity Tax
- Hotel Tax
- Food and Beverage / Liquor Tax
- Vehicle Stickers
- Real Estate Transfer Tax



# Enhanced and Alternative Revenues Options

Available Revenues	Revenue Enhancement	Projected Revenue
Natural Gas Use Tax	\$0.015 to \$0.30 per therm	\$ 450,000
Electricity Tax	3.5% to 5.0%	\$ 822,000
Hotel Tax	4.5% to 5.0%	\$ 81,000
Food and Bev Tax	0% to 1.00%	\$ 1,000,000
Liquor Tax	0% to 1.00%	\$ 300,000
Vehicle Stickers	\$0 to \$30	\$ 1,094,000



# Natural Gas Use Tax

- Current Rate: \$0.015 per therm
  - 100% allocated to General Fund
- Maximum Rate: \$0.05 per therm
- Source: Natural Gas Consumption within Downers Grove
- Revenue Potential:

<b>NGUT Increase</b>	<b>New Rate</b>	<b>Potential Revenue Enhancement</b>
\$ 0.005	\$ 0.020	\$ 150,000
\$ 0.015	\$ 0.030	\$ 450,000
\$ 0.025	\$ 0.040	\$ 750,000



# Natural Gas Use Tax

- Municipal Rate Comparison

Municipality	Natural Gas Use Tax Rate*
Lombard	5.00%
Naperville	\$ 0.040
Wheaton	\$ 0.030
Carol Stream	\$ 0.025
Glen Ellyn	\$ 0.020
<b>Downers Grove</b>	<b>\$ 0.015</b>
Elmhurst	\$ 0.015

\*Lombard Charges on a Percentage Basis,  
All Others Charge on a per Therm Basis



# Electricity Tax

- Current rate: 3.5%
  - 100% allocated to General Fund
- Maximum rate: 5.0%
- Source: Electricity consumption within Downers Grove
- Revenue Potential:

Potential Rate Increase	New Rate	Projected Revenue Enhancement
0.50%	4.00%	\$274,000
1.00%	4.50%	\$548,000
1.50%	5.00%	\$822,000



# Electricity Tax

- Municipal Rate Comparison:

Municipality	Electricity Tax Rate
Carol Stream	5.0%
Elmhurst	5.0%
Glen Ellyn	5.0%
Lombard	5.0%
Wheaton	5.0%
Naperville	4.0%
<b>Downers Grove</b>	<b>3.5%</b>



# Hotel Tax

- Current Rate: 4.5%
  - Collected in General Fund, 50% to EDC
- Maximum Rate: N/A
- Source: Hotel stays within Downers Grove
- Revenue Potential:

Potential Rate Increase	New Rate	Projected Revenue Enhancement
0.50%	5.00%	\$ 81,000
1.00%	5.50%	\$ 162,000



# Hotel Tax

- Municipal Rate Comparison:

Municipality	Hotel Tax Rate
Carol Stream	5.0%
Glen Ellyn	5.0%
Lombard	5.0%
Wheaton	5.0%
<b>Downers Grove</b>	<b>4.5%</b>
Naperville	4.4%
Elmhurst	4.0%



# Food & Beverage / Liquor Tax

- Source: applies to prepared food & drinks purchased at qualifying establishments in the Village
- Revenue Potential:

Potential Tax Rate	Food and Bev Tax Projection	Liquor Tax Projection	Combined Total
0.50%	\$ 500,000	\$ 150,000	\$ 650,000
1.00%	\$ 1,000,000	\$ 300,000	\$ 1,300,000
1.50%	\$ 1,500,000	\$ 450,000	\$ 1,950,000



# Food & Beverage / Liquor Tax

- Municipal Rate Comparison:

Municipality	Food and Beverage Tax Rates*
Naperville	1%, 2.5% in downtown
Elmhurst	1%
Lombard	1%
Carol Stream	0%
<b>Downers Grove</b>	<b>0%</b>
Glen Ellyn	0%
Wheaton	0%

\*Food and Beverage Tax Applies to Liquor



# Vehicle Stickers

- Source: Downers Grove residents that own and operate vehicles principally housed within the Village
- Revenue Potential:

<b>Sticker Price</b>	<b>Annual Sticker Revenue</b>
\$ 20	\$ 729,000
\$ 25	\$ 911,000
\$ 30	\$ 1,094,000
\$ 35	\$ 1,276,000
\$ 40	\$ 1,458,000



# Vehicle Stickers

- Municipal Rate Comparison:

Municipality	Vehicle Sticker Price
Elmhurst	\$ 45
Glen Ellyn	\$ 25
Carol Stream	\$ 15
Lombard	\$ 15
Downers Grove	\$ -
Naperville	\$ -
Wheaton	\$ -



# Real Estate Transfer Tax

- Source: Levied on the sale of residential or commercial property (requires referendum)
- Revenue Potential:

<b>Real Estate Transfer Tax Amount per \$1,000</b>	<b>Projected Revenue Generated from Increase*</b>
\$ 0.50	\$ 92,000
\$ 1.00	\$ 184,000
\$ 1.50	\$ 276,000
\$ 2.00	\$ 368,000
\$ 2.50	\$ 460,000
\$ 3.00	\$ 553,000

\*Based on 2008 sales data



# Real Estate Transfer Tax

- Municipal Rate Comparison

Municipality	Real Estate Transfer Rate*
Carol Stream	\$ 3.00
Glen Ellyn	\$ 3.00
Naperville	\$ 3.00
Wheaton	\$ 2.50
Elmhurst	\$ 1.50
<b>Downers Grove</b>	<b>\$ -</b>
Lombard	\$ -

\*Per \$1,000 of Selling Price



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