

## COUNCIL WORKSHOP ITEM

**ITEM:** Tax Levy / Revenue Discussion  
**DATE:** November 5, 2003  
**PREPARED BY:** David Van Vooren, Deputy Manager of Finance & Administration  
**PURPOSE:** Discussion with Village Council in Preparation for Adoption of the 2003 Tax Levy

### DISCUSSION:

The Village of Downers Grove is required to adopt a tax levy by the end of December of each year. This year's anticipated schedule for adoption is as follows:

Workshop Discussion for Tax Levy	November 11, 2003
Publishing of Truth in taxation Notice	November 20, 2003
Public Hearing for Tax Levy	December 02, 2003
Adoption of Tax Levy	December 16, 2003

I would be remiss if I didn't mention the fact that over the past two plus years the fiscal operation of the Village's general fund has seen its economy based revenues trend downward. As a result of these declining revenues and following lengthy budget discussions, the Council reluctantly enacted several increases to the Village's existing revenue sources. These revenues increases are as follows:

Home Rule Sales Tax	Enacted at 0.5 % (effective 7/1/03)
Gas Use Tax	Enacted a therm tax of \$ .015
Electric Tax	Increased from 2.3% to 3.5% (effective 6/1/03)
Gasoline Tax	Increased from \$.01 to \$.015/ gallon
Telecommunication Tax	Increased from 4.5% to 5% (effective 7/1/03)

There exist a couple of revenue sources we can look at to see how we are performing against our estimates. The first is sales tax/home rule sales tax. Based on current information, we are down about 1.25% in total for sales tax and the projected home rule tax is about 3.0% under our estimate. If these trends continue throughout the year, we will be looking at a deficit of about \$200,000. Staff is reluctant to use this deficit number in light of only having one month of home rule sales tax history, and still firmly believes that we will end the fiscal year at our target or slightly under (\$50,000). The other revenue source worthy of comment is the state shared income tax. This revenue source is tracking about 7-8% under the budget and continues to experience negative results due to the poor performance of the economy in recent years. More information will be prepared for and provided to Council regarding revenue performance in the upcoming weeks as additional information becomes available.

Realizing that the Village Council will still have to proceed with a tax levy as outlined, I will try to provide some guidance based upon the Council's previous action. The levy provides the Council the opportunity to levy taxes against the total equalized value of the real estate within the corporate limits of the Village. In the past, the Council has chosen to levy taxes for the operation of the Village's fire and police protection services and the respective pensions supporting the police and fire personnel. The levy has also included taxes for the library and its debt along with the respective general obligation debt of the Village, a majority of which is associated with the TIF.

Last year, the Village Council attempted to keep the tax rate constant as it relates to the fire and police protection levies. By doing so, we were able to generate approximately \$200,000 in additional revenue based solely on the growth in assessed value throughout the Village. In February, the Council took further steps that included the abatement of certain levies associated with the water bond and the 2001 TIF bond issues, and levied taxes for the remaining bond issues. This was the first time that the Council levied taxes to support the G.O. bond issues for the CBD TIF. By not abating these levies, the Village received approximately \$1,300,000 of additional taxes that substantially reduced the burden on the Capital Projects Fund.

This year, based upon the growth of the CBD TIF, staff anticipates that \$800,000 will be available to abate TIF taxes. There also exist sufficient resources in the water fund and the Fairview Avenue debt service fund to abate the levies associated with those two funds as well. This provides for an abatement that will total approximately \$1,600,000, leaving about \$1,150,000 of debt service levies that will either need to be funded from the capital budget or levied. Should the Council desire to look at the Capital Projects Fund as the funding source by which to abate the remaining levy amount, this would result in an allocation of approximately 80% of the anticipated capital revenues for debt payments, leaving only \$400,000 for the Village wide capital plan.

In analyzing the fire protection and corporate/police levies, staff proposes that the Village Council either maintain or slightly increase the 2002 tax rate of 0.3675/\$100 EAV. This action will help provide a reliable source of additional funding for annual expense increases in the General Fund, due primarily to the rising costs of public safety operations (the attached Analysis of Tax Levy spreadsheet assumes a constant 2003 rate for the fire protection and corporate/police levies). At the workshop meeting of November 11, staff will provide more detailed information regarding the available options.

Once we have the recommended levy for the Fire Pension Fund (the Police Pension Board has already taken action on its 2003 levy) and the Council provides some direction regarding the use of the capital funds for the TIF levies, we can prepare a final worksheet outlining the anticipated levy in preparation for the printing of the Truth in Taxation Notice and the December 2 public hearing.

Additional analysis has been attached to this memorandum that may assist the Council as it determines how to proceed with respect to the 2003 tax levy. As always, if you have any questions, please let me know.

**ATTACHMENT:**

Analysis of Tax Levy Spreadsheet

General Fund Executive Summary including FY2004-05 projections for revenues and expenses

Graphs depicting public safety expenses and property/sales tax revenues over a 19-year period

Comparison of 2002 property tax rates for Downers Grove and neighboring communities

**RECOMMENDATION:**

Discussion among and input from the Village Council regarding the amount to be extended for the 2003 tax levies.

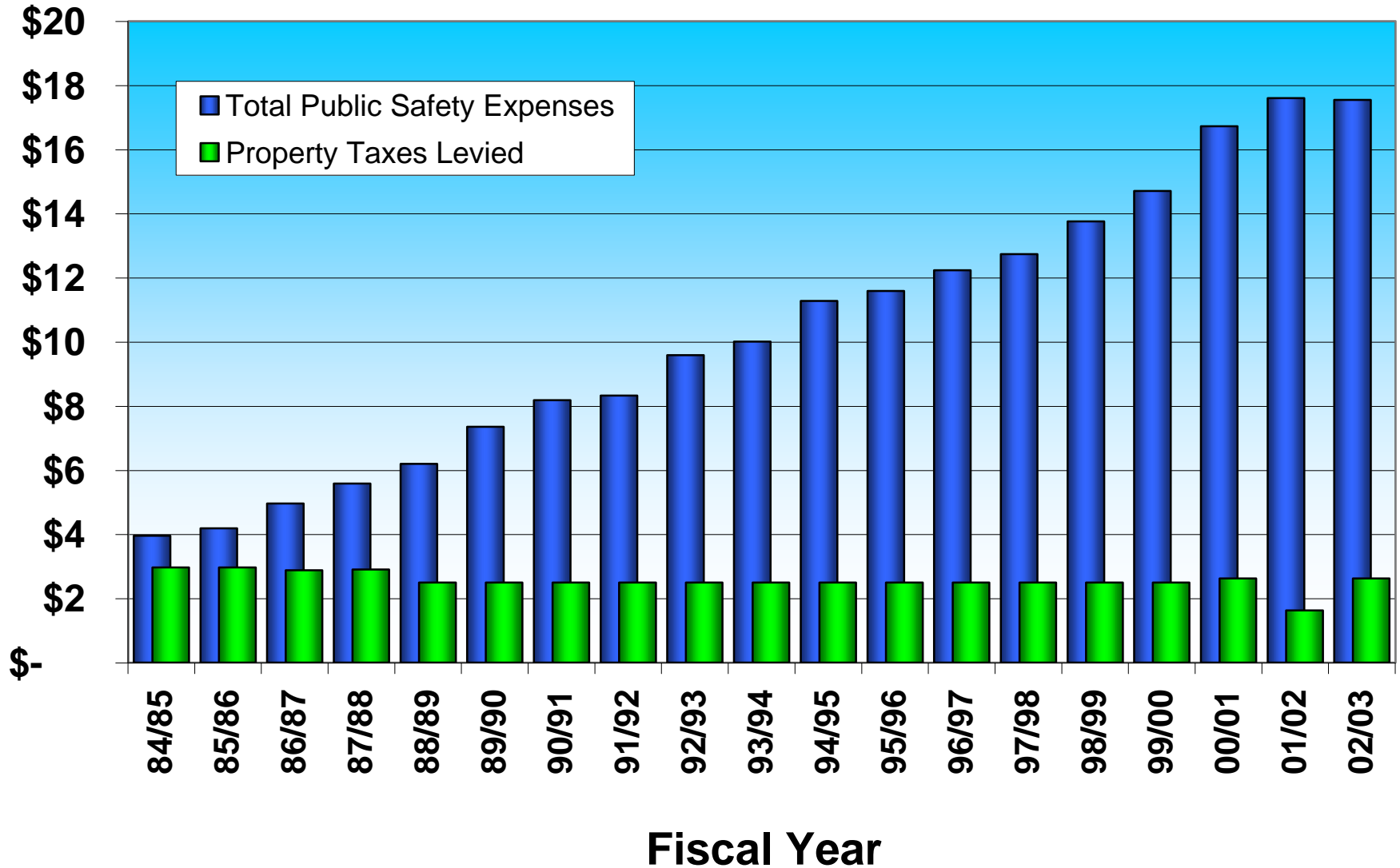
<b>ANALYSIS OF TAX LEVY</b>											
using constant Rate levy for Police and Fire											
	2001 ACTUAL	2001 LEVY	2001 LEVY	2002	2002	2002	2002 LEVY EXT.	2003	2003	2003	2003 LEVY EXT.
	LEVY	NET EXTENSION	RATE	PROPOSED	EXTENSION	RATE	AS A % OF	PROPOSED	PROPOSED	PROPOSED	AS A % OF
				LEVY			2001 LEVY AS	LEVY	EXTENSION	RATE	2002 LEVY AS
							EXTENDED				EXTENDED
<b>VILLAGE</b>											
Corporate/Police	\$ 1,365,000	\$ 1,379,954	0.0916	\$ 1,474,258	\$ 1,489,973	0.0911	7.97%	1,612,279	\$ 1,612,279	0.0911	8.21%
Fire Protection	\$ 1,260,000	\$ 1,273,039	0.0850	\$ 1,368,034	\$ 1,373,822	0.0845	7.92%	1,486,593	\$ 1,486,593	0.0845	8.21%
Police Pension	\$ 604,699	\$ 611,639	0.0406	\$ 632,453	\$ 639,495	0.0391	4.55%	880,000	\$ 880,000	0.0497	37.61%
Fire Pension	\$ 1,066,412	\$ 936,329	0.0715	\$ 1,158,602	\$ 1,171,044	0.0716	25.07%	1,350,000	\$ 1,350,000	0.0763	15.28%
<b>DEBT SERVICE:</b>											
CBD TIF Debt Serv. Series 1999	\$ 403,265	ABATED	0	\$ 379,065				\$ 396,315	ABATED		
CBD TIF Debt Serv. Series 2000	\$ 433,649	ABATED	0	\$ 403,719				\$ 398,319	ABATED		
CBD TIF Debt Serv. Series 2001	\$ 300,763	ABATED	0	\$ 300,763	ABATED			\$ 300,763	\$ 301,063	0.0170	
G.O. WATER Debt service 2001a				\$ 517,455	ABATED			\$ 517,053	ABATED		
CBD TIF Debt Serv. Series 2002				\$ 264,733				\$ 264,733	\$ 264,997	0.0150	
Fairview Ave Debt Service	\$ 268,705	ABATED	0	\$ 268,705				\$ 267,230	ABATED		
CBD TIF Debt Serv. Series 2003								\$ 589,943	\$ 590,532	0.0334	
TOTAL DEBT SERVICE:				\$ 2,134,440	\$ 1,328,055	0.0812		\$ 2,734,354	\$ 1,156,593	0.0654	
				Abatement proposed							
<b>TOTAL VILLAGE</b>	\$ 5,702,493	\$ 4,200,961	0.2887	\$ 6,767,787	\$ 6,002,390	0.3675	42.88%	\$ 8,063,226	\$ 5,328,872	0.3670	-11.22%
<b>LIBRARY</b>											
Operating	\$ 2,709,653	\$ 2,737,311	0.1817	\$ 2,845,136	\$ 2,873,637	0.1757	4.98%	2,987,392.54	3,017,266.47	0.1705	5.00%
Debt Service 1996								384,860.00	388,708.60	0.0220	
Debt Service 2003	\$ 683,113	\$ 689,977	0.0458	\$ 681,251	\$ 690,196	0.0422	0.03%	275,067.50	277,818.18	0.0157	-59.75%
<b>TOTAL LIBRARY</b>	\$ 3,392,766	\$ 3,427,288	0.2275	\$ 3,526,387	\$ 3,563,833	0.2179	3.98%	\$ 3,262,460	\$ 3,295,085	0.2081	-7.54%
<b>TOTAL VILLAGE/LIBRARY</b>	\$ 9,095,259	\$ 7,628,248	0.5162	\$ 10,294,174	\$ 9,566,223	0.5854	25.41%	\$ 11,325,686	\$ 8,623,957	0.5751	-9.85%
Special Service Area #1	\$ 7,424	\$ 7,504	\$ 0.1006	\$ 7,424	\$ 7,504	\$ 0.0940	0.00%	\$ 7,424	7,497.84	\$ 0.0868	-0.0793%
Special Service Area #2	\$ 209,000	\$ 211,097	\$ 1.3275	\$ 221,000	\$ 223,211	\$ 1.4089	5.74%	\$ 240,000	240,000.00	\$ 1.5149	7.5215%
Special Service Area #3	\$ 8,671	\$ 8,759	\$ 0.6212	\$ 8,671	\$ 8,759	\$ 0.5737	0.00%	\$ 8,671	8,757.71	\$ 0.5301	-0.0091%
	<b>ACTUAL</b>				<b>ESTIMATED</b>						
(1) 2002 Village Assessed TIF Valuation	\$ 1,635,536,214			(1) 2003 Village Assessed TIF Valuation	\$ 1,769,790,254				LEVY 2002	LEVY 2001	PERCENTAGE
2002 Fire Assessed TIF Valuation	\$ 1,625,825,234			2003 Fire Assessed TIF Valuation	\$ 1,759,282,142				ASSESSMENT	ASSESSMENT	INCREASE
2002 SSA #1 (Brick Streets) Assessed Valuation	\$ 7,982,756			2003 SSA #1 (Brick Streets) Assessed Valuation	\$ 8,638,026			Residential	\$ 1,102,277,929	\$ 1,018,660,526	8.21%
2002 SSA #2 (Downtown) Assessed TIF Valuation	\$ 15,842,945			2003 SSA #2 (Downtown) Assessed TIF Valuation	\$ 15,842,945			Commercial:	\$ 469,012,670	\$ 421,479,461	11.28%
2002 SSA #3 (Prince Pond) Assessed Valuation	\$ 1,526,670			2003 SSA #3 (Prince Pond) Assessed Valuation	\$ 1,651,988			Industrial:	\$ 63,794,320	\$ 65,942,155	-3.26%
								Other	\$ 451,295	\$ 417,901	7.99%
								Average Increase	\$ 1,635,536,214	\$ 1,506,500,043	8.565%

# General Fund Executive Summary

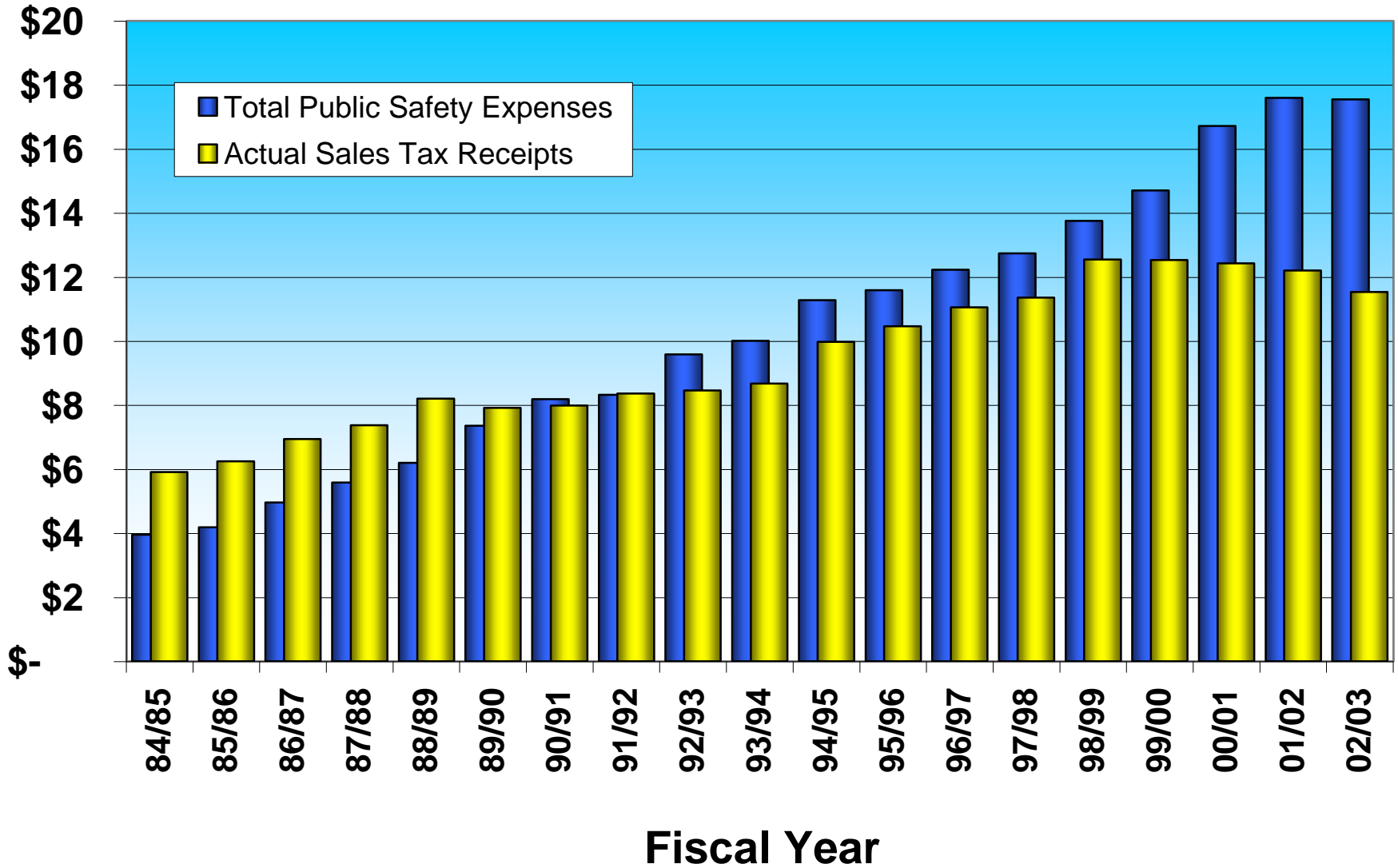
2002/03  Actual	2003/04  Council Adopted	Scenario 1: Less Conservative			Scenario 2: More Conservative			
		2004/05 Preliminary Projection	\$ Chng - Adopted to Prelim. Proj.	% Chng - Adopted to Prelim. Proj.	2004/05 Preliminary Projection	\$ Chng - Adopted to Prelim. Proj.	% Chng - Adopted to Prelim. Proj.	
<b>REVENUE SUMMARY</b>								
Local Taxes - Property	5,103,799	5,433,563	6,122,112	688,548	12.7%	6,122,112	688,548	12.7%
Local Taxes - Non-Property	15,985,061	20,585,500	21,259,000	673,500	3.3%	21,259,000	673,500	3.3%
Licenses & Permits	1,881,984	2,020,350	1,698,000	(322,350)	-16.0%	1,698,000	(322,350)	-16.0%
Intergovernmental Revenues	4,257,778	3,974,482	3,810,500	(163,982)	-4.1%	3,810,500	(163,982)	-4.1%
Sales	38,508	950	19,800	18,850	1984.2%	19,800	18,850	1984.2%
Charges for Services	1,886,705	2,051,950	1,981,070	(70,880)	-3.5%	1,981,070	(70,880)	-3.5%
Fines & Forfeitures	654,907	584,000	752,200	168,200	28.8%	752,200	168,200	28.8%
Interest & Claims	112,317	180,000	84,500	(95,500)	-53.1%	84,500	(95,500)	-53.1%
Miscellaneous Income	308,421	42,800	28,000	(14,800)	-34.6%	28,000	(14,800)	-34.6%
Other Financial Sources	1,524,362	2,145,552	1,958,364	(187,188)	-8.7%	1,958,364	(187,188)	-8.7%
<b>TOTAL REVENUES</b>	<b>31,753,842</b>	<b>37,019,147</b>	<b>37,713,546</b>	<b>694,399</b>	<b>1.9%</b>	<b>37,713,546</b>	<b>694,399</b>	<b>1.9%</b>
NOTE: Fy2004-05 Revenues Projections held constant for both scenarios								
<b>EXPENSE SUMMARY</b>								
Personnel	NA	27,452,848	28,930,973	1,478,126	5.4%	29,290,404	1,837,557	6.7%
Supplies	NA	1,332,493	1,359,143	26,650	2.0%	1,385,793	53,300	4.0%
Professional & Technical Svcs	NA	1,532,006	1,593,286	61,280	4.0%	1,623,926	91,920	6.0%
Other Contractual Services	NA	1,397,487	1,453,386	55,899	4.0%	1,481,336	83,849	6.0%
Claims & Similar Expenses	NA	1,020,410	1,061,226	40,816	4.0%	1,081,635	61,225	6.0%
Controlled Asset Expense	NA	397,319	413,212	15,893	4.0%	421,158	23,839	6.0%
Capital Asset Expense	NA	259,710	275,293	15,583	6.0%	280,487	20,777	8.0%
Other Financial Uses	NA	3,626,874	3,808,218	181,344	5.0%	3,880,755	253,881	7.0%
<b>SUBTOTAL EXPENSES</b>	<b>32,914,689</b>	<b>37,019,147</b>	<b>38,894,738</b>	<b>1,875,591</b>	<b>5.1%</b>	<b>39,445,495</b>	<b>2,426,348</b>	<b>6.6%</b>
<b>ANTICIPATED EXPENSE ADDITIONS/(REDUCTIONS)</b>								
ERI (5+5) Savings			(400,000)			(300,000)		
FY2003-04 One-time CAD Expenses			(250,000)			(200,000)		
Contribution to Fund Balance			250,000			500,000		
Funding of Village/Council Priorities			200,000			400,000		
<b>TOTAL EXPENSES</b>	<b>32,914,689</b>	<b>37,019,147</b>	<b>38,694,738</b>	<b>1,875,591</b>	<b>4.5%</b>	<b>39,845,495</b>	<b>2,426,348</b>	<b>7.6%</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(1,160,847)</b>	<b>0</b>	<b>(981,192)</b>			<b>(2,131,949)</b>		

# Proposed Property Tax Levies for Corporate/Police & Fire Protection and Actual Public Safety Expenses, FY84/85-FY02/03

(in Millions), Actual Dollars, not adjusted for inflation  
(Excludes Pension Related Expenses and Levies)

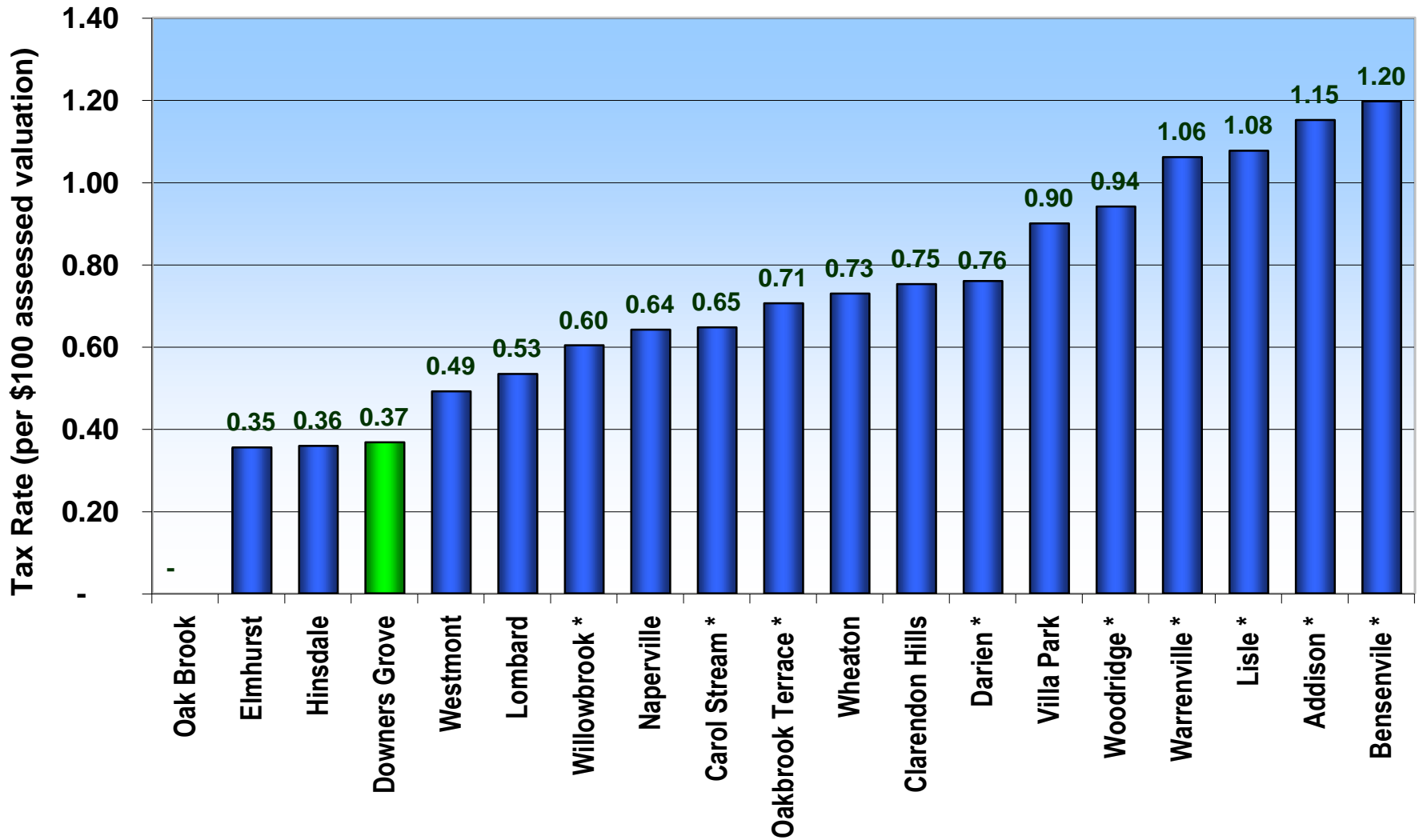


**Actual Sales Tax Revenues and  
Public Safety Expenses, FY84/85-FY02/03**  
(in Millions), Actual Dollars, not adjusted for inflation  
(Excludes Pension Related Expenses)



## 2002 Property Tax Rates for Downers Grove and Neighboring Communities

(Includes Municipal Tax Rate and Fire  
Protection District Tax Rate, if applicable)



\* Municipalities served by a separate Fire Protection District