



MEMORANDUM

TO: Trustee Anthony Puccio, Chairperson
Economic and Community Development Committee

FROM: Jennifer Ganser, AICP, Assistant Director of Community Development

MEETING DATE: September 14, 2020

SUBJECT: **Budget Update**

The Finance Department will provide a budget update to the Economic and Community Development Committee on Fiscal Years 2020 and 2021. This presentation will be given to all standing committees.

COMMITTEE ACTION REQUESTED

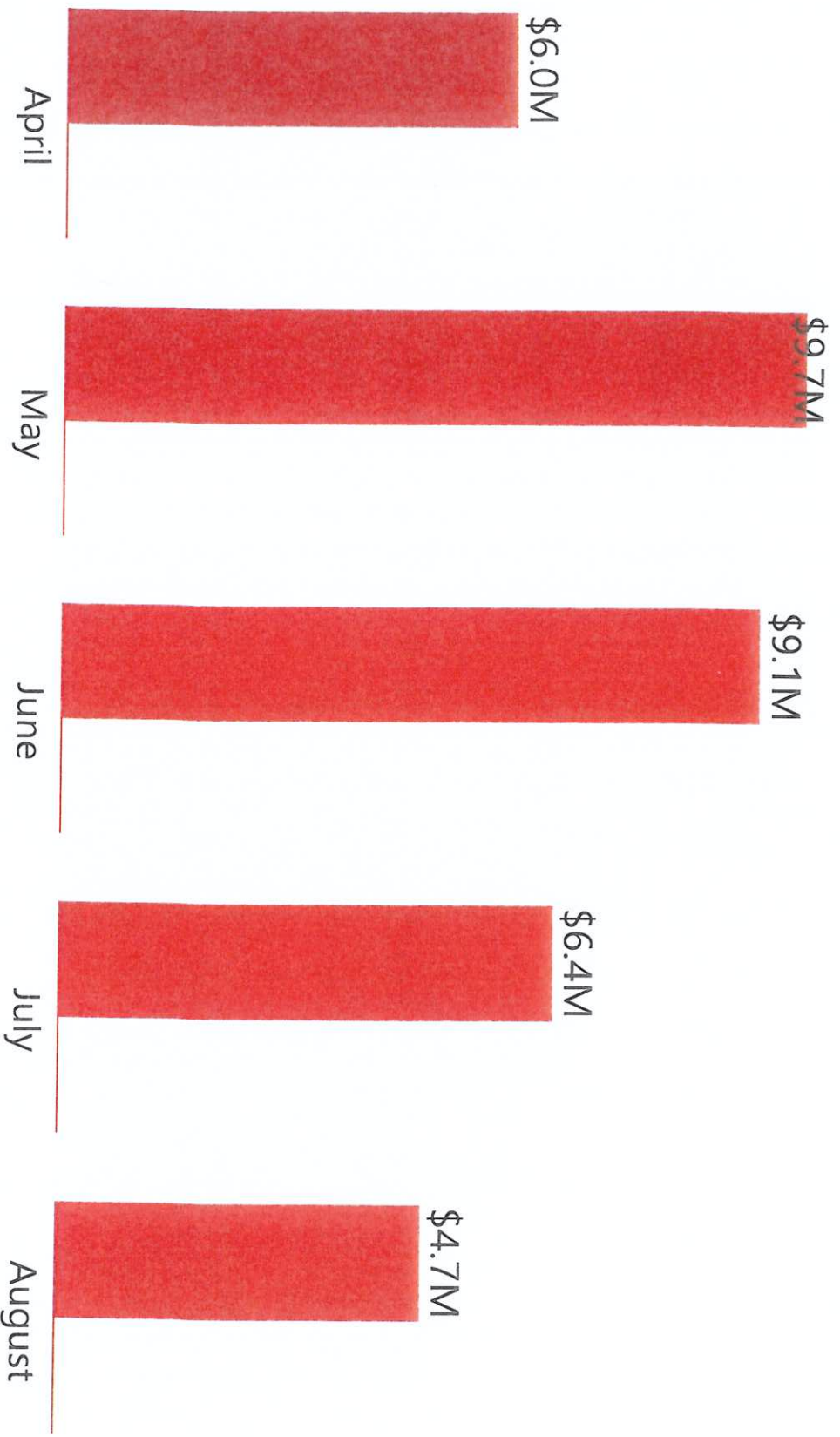
This item is for information only.



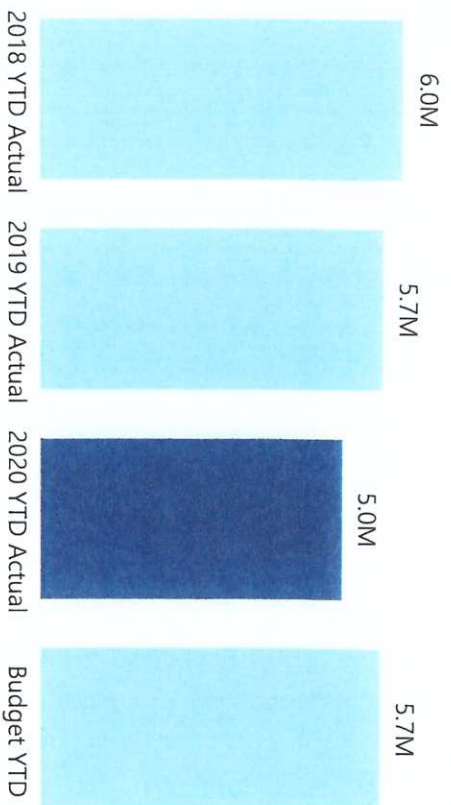
COMMITTEE BUDGET UPDATE
FISCAL YEARS
2020 & 2021

AS OF 8/13/2020
VILLAGE MANAGER SCOTT NIEHAUS
FINANCE DIRECTOR TIM SEXTON

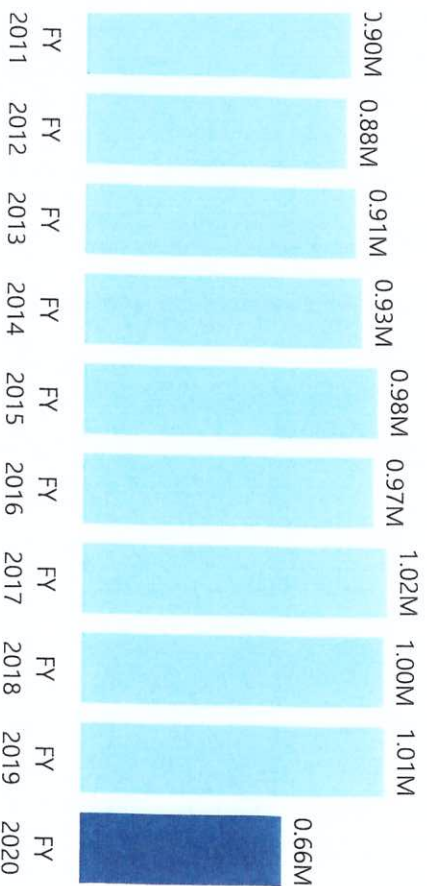
COVID-19: History of Projected Deficit for FY 2020



Sales Tax (Sales thru May)



Sales Tax History

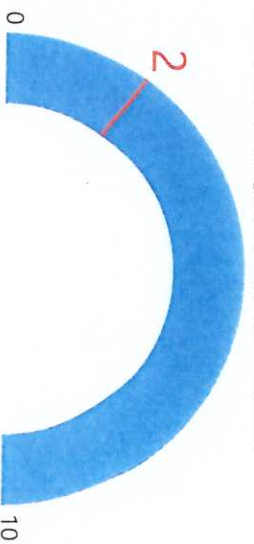


Cumulative **Sales Tax** for FY 2020 is 12.1% less than 2019, and 11.8% under budget. After the shutdown in March, staff had developed estimates through the end of the year, and adjusts them as more information is available. For the May sales received in August, this estimate was 68% of the budget. The actual amount came in at 68.2%. Conservative estimates through the end of the year are 70% of budget for each month, as it is not clear if further shutdowns will be done due to increasing COVID numbers in Illinois. Staff continues to monitor the overall condition of retail and sales tax and will adjust as conditions change.

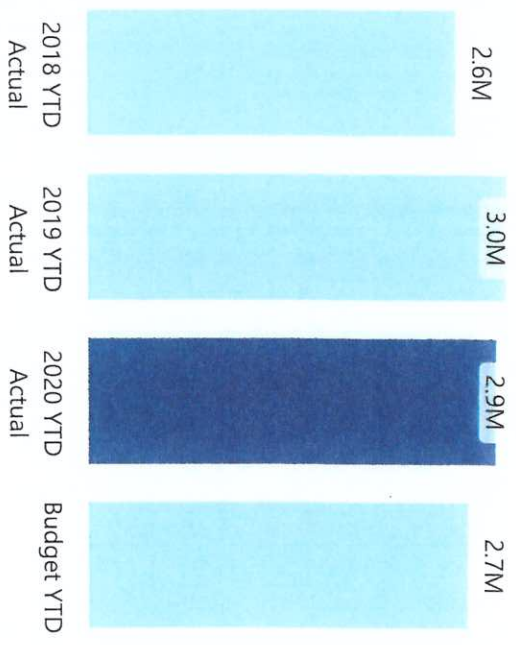
COVID-19 Revenue Projection: 21.0% reduction for 2020 and 10% reduction for 2021

Note: May is the 6th month of revenue recognized for the year for sales tax, local use tax, non-home rule sales tax, and telecommunications/IMF tax.

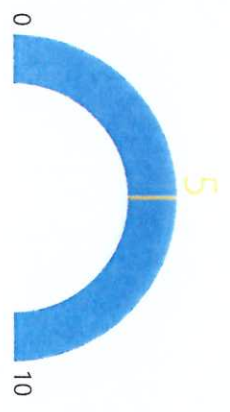
Future Forecast Indicator 0=Negative thru 10=Positive



State Income Tax (thru July)



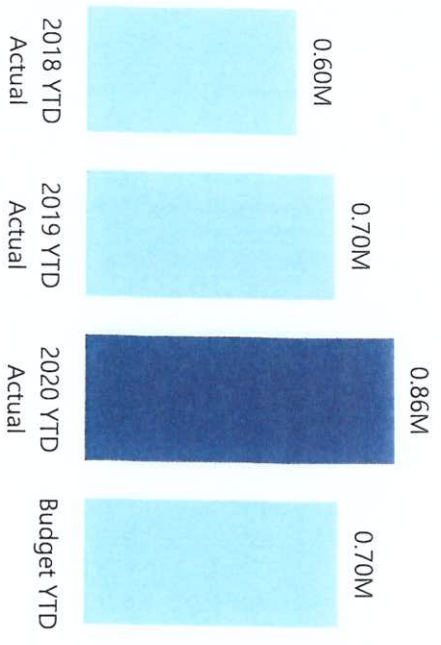
Future Forecast Indicator
0=Negative thru 10=Positive



Cumulative **State Income Tax** revenue thru July 2020 is 2.3% less than last year and 6.8% over budget. The 5-10% reductions in previous years have been eliminated in the state's 2021 fiscal year, so LGDF will be fully funded starting in July. Unemployment is high and while the federal stimulus of an additional \$600 per week has kept income tax strong, as those benefits are taxable, it is undetermined if this will continue through the rest of the year. In addition, the state's budget challenges continue to be a concern for this revenue.

COVID-19 Revenue Projection: 29.5% reduction for 2020 and 10% reduction for 2021

Local Use Tax (thru May)

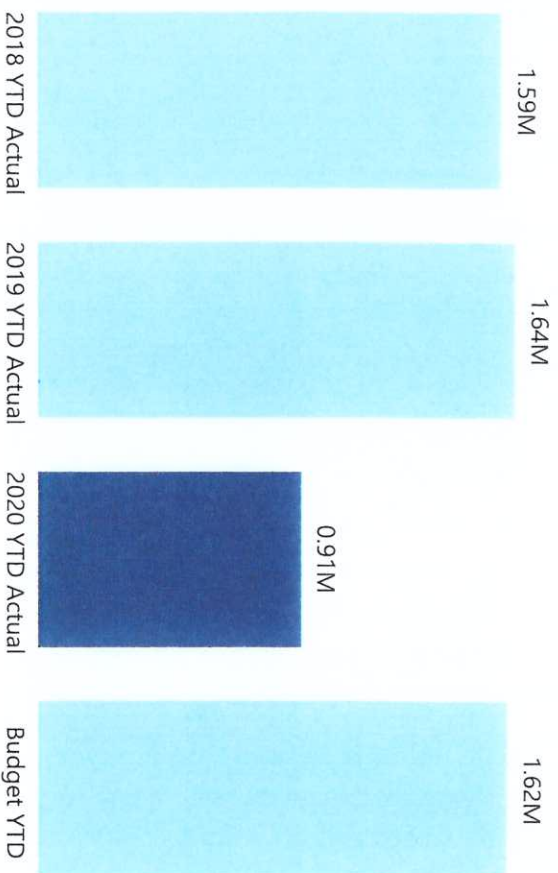


Future Forecast Indicator
0=Negative thru 10=Positive



Cumulative **Local Use Tax** revenue thru May 2020 is 22.6% higher than last year and 21.7% over FY20 budget. We have seen this revenue increase fairly significantly in the last several years, mainly due to taxes collected on increased internet sales. The State started applying Use Tax to online sales in October 2018. Beginning January 1, 2020, online retailers will need to collect Sales Tax including locally imposed taxes.

Places for Eating Tax (thru June)



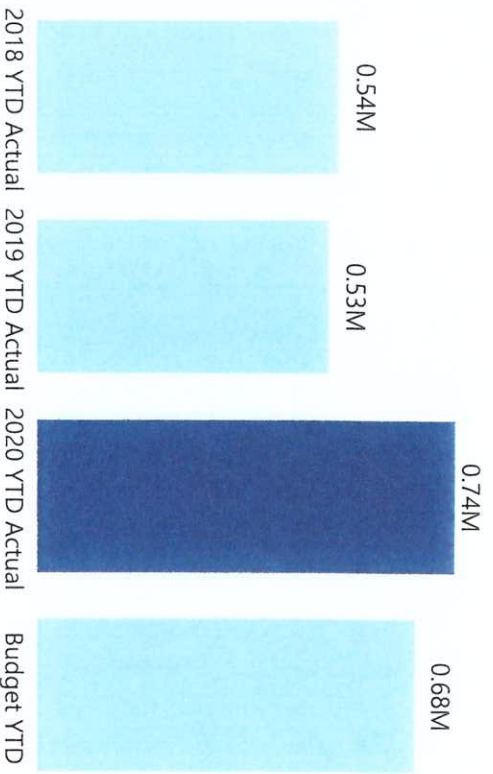
Future Forecast Indicator
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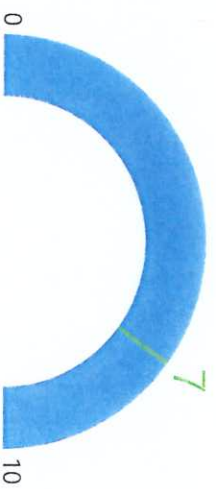
cumulative 2020 **Places for Eating (PFE) Tax** is 44.4% lower than 2019 collections and 43.8% under budget. Legally, this tax is predicated on customers being able to sit in a restaurant and eat. When the Governor ordered all dining rooms closed, Lombard suspended the PFE Tax until customers can dine in a restaurant again. The PFE Tax went back into effect on June 29th. Despite this, there were some businesses that still collected and remitted this tax during the time of the suspension, at about 40% of the normal collections. There will be a better guidance on this revenue in the next financial report after the first full month of collections for July, which are due late in August.

COVID-19 Revenue Projection: 38% reduction for 2020 and 10% reduction for 2021

Motor Fuel Tax (thru May)



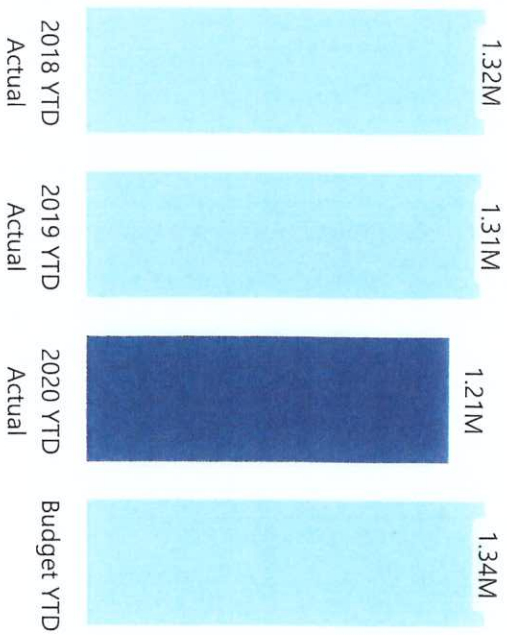
Future Forecast Indicator 0=Negative
thru 10=Positive



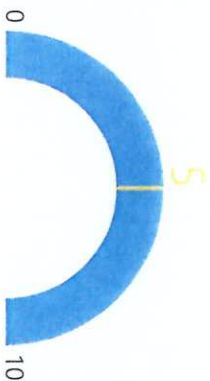
Motor Fuel Tax (MFT) disbursements from IDOT will be negatively impacted by the COVID-19 pandemic, due to the significant reduction in fuel purchases during the Stay at Home order. This revenue will also be impacted by unemployment and more telecommuting for work in the future. However, the tax rate doubled in 2019, which will lead to higher distributions than previous years. Cumulative MFT is 17.0% higher than last year, and 9.9% over budget.

COVID-19 Revenue Projection: No current estimate, we are just figuring out where this revenue would be due to the tax increase and had not built that increase in at this point.

Utility Tax (thru June)

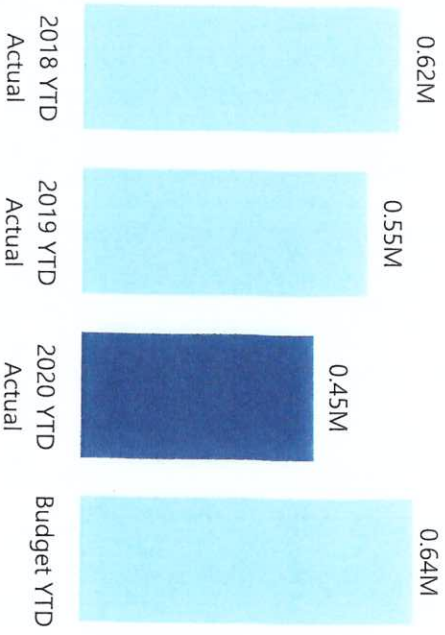


Future Forecast Indicator
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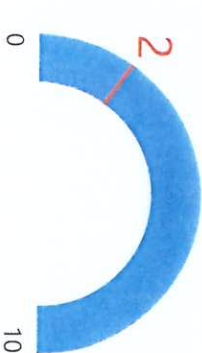


Cumulative electric & gas **Utility Taxes** thru June were 8.0% less than last year's receipts and 9.5% under budget. With the warmer than average summer, electric utility tax will likely rise for the next few months. Also, the era of lower electricity prices is ending, and there will be more significant high single digit increases for the next several years due to the increases in the cost of electricity and capacity charges. Therefore, as electricity becomes more expensive, people will start to conserve more which will negatively impact the revenue.

Telecommunications Tax (thru April)

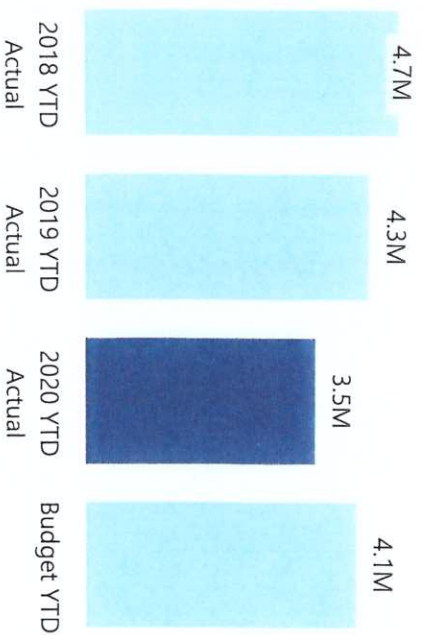


Future Forecast Indicator
0=Negative thru 10=Positive

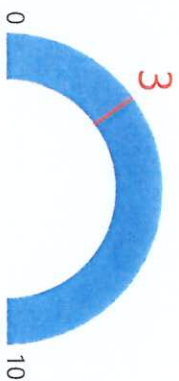


Cumulative 2020 receipts are 18.8% below last year and 29.7% below budget. There continues to be a decline in this revenue, which is down from \$3 million 12 years ago. It is likely to continue to decrease in the near term, although there should be a bottom at some point, probably between \$1M.

-Home Rule Sales Tax (thru May)



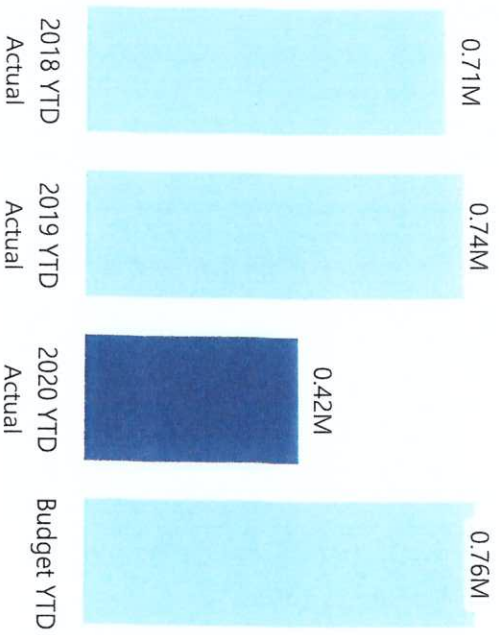
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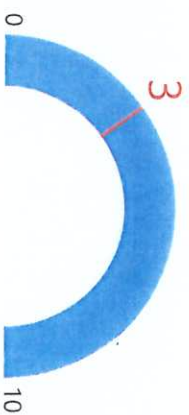
Cumulative Non-Home Rule (NHR) Sales Tax is 18.5% lower compared to last year and 15.3% under budget. NHR Sales Tax is doing worse compared to the regular sales tax. This is because all of the lost sales tax referenced in the sales tax section is all taxable for NHR sales tax. So the same amount comes out for both, but the NHR sales tax has a smaller base.

COVID-19 Revenue Projection: 39.9% reduction for 2020 and 10% reduction for 2021

!Motel Tax (thru June)



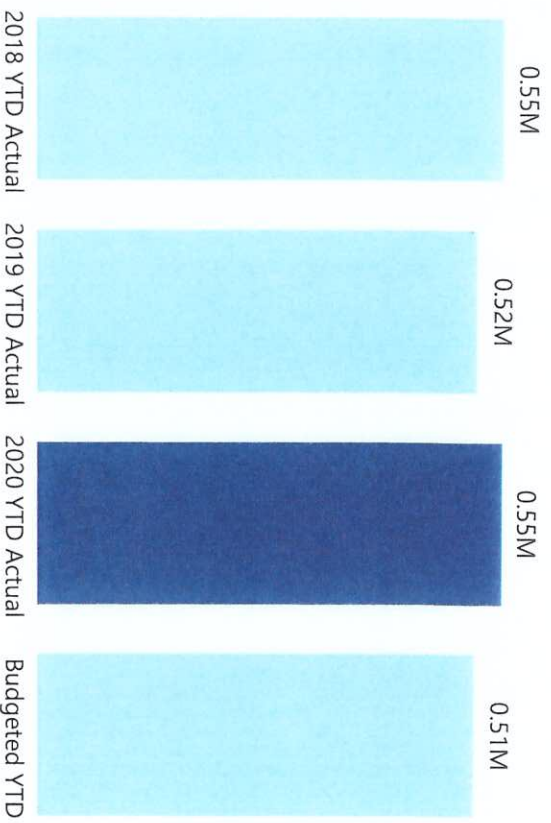
Future Forecast Indicator
0=Negative thru 10=Positive



Cumulative Hotel/Motel decreased 43.6% compared to last year's receipts and 45.0% under budget. Hotels have seen significantly reduced occupancies since late March. The Westin temporarily closed at the end of March, and may be re-opening in September. The Hilton Tru development has received zoning entitlements to proceed with the project but is temporarily on hold. The Holiday Inn Express on North Avenue has rec'd zoning entitlements and will need to submit for permits. Construction for this project is not expected to begin until 2021 at the earliest.

COVID-19 Revenue Projection: 60% reduction for 2020 and the reduction for 2021 has not been determined yet

June Water Sales (Budgeted Gallons in Thousands)

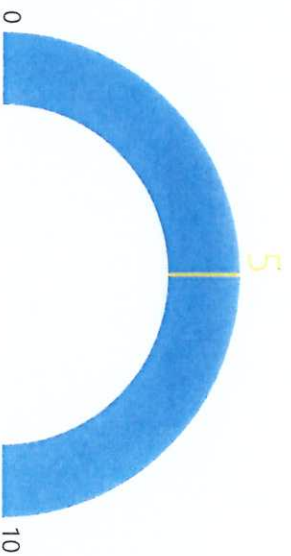


Cumulative sales are up 5.47% compared to last year. Due to the change to monthly billing, this isn't a true apples to apples comparison.

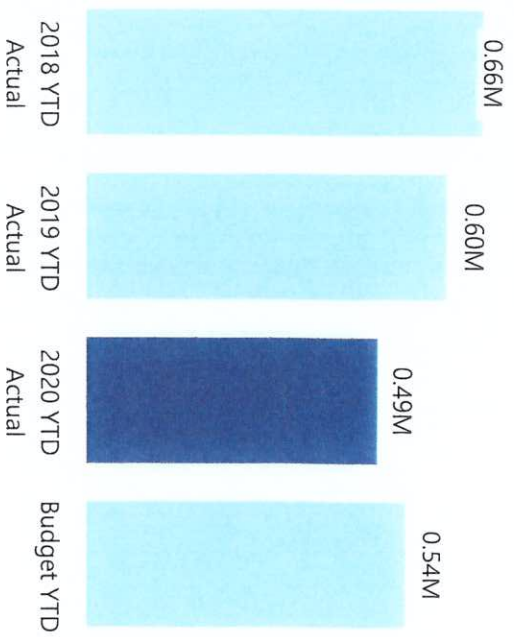
Note: June sales are billed in August.

COVID-19 Revenue: Some payments may be delayed. In conjunction with other utilities in Illinois, the Village is not terminating water service or penalizing customers who fall behind on water bill payments. The Village will work with residents and businesses during this difficult time.

Future Forecast Indicator 0=Negative thru 10=Positive



Building Permits (thru June)

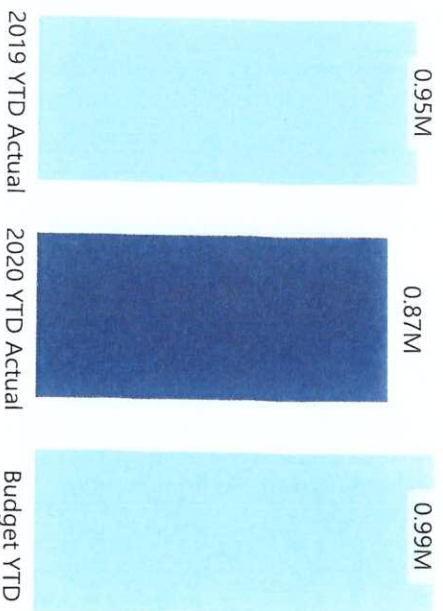


Future Forecast Indicator
0=Negative thru 10=Positive



Building Permits have been fairly strong over the last several years and continue to look strong in the long-term. They were not impacted by COVID as much as anticipated, as many homeowners did home projects during that time. A larger permit that is likely to come in either late this year or next year is for the 101 S. Main St. redevelopment.

Emergency Medical Services (thru June)



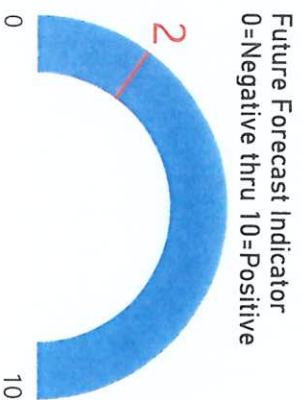
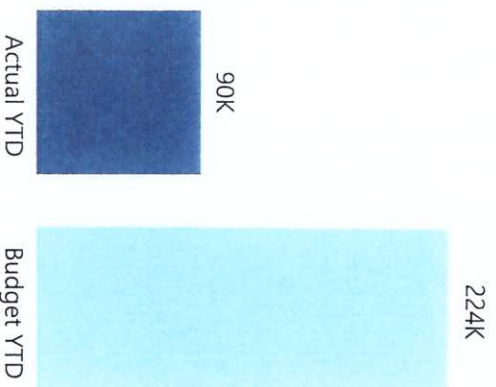
Future Forecast Indicator
0=Negative thru 10=Positive



The Village approved a new rate structure as of 1/1/2018. Cumulative 2020 EMS revenue through June is 4.35% under budget. 2020 YTD Actual revenue includes a \$43,257 federal stimulus payment to assist with COVID-19 related costs. Total EMS calls YTD are down 1.2% from 2019.

Note: 2018 data isn't applicable because write-offs for noncollectable accounts occurred at the end of the year vs. monthly.

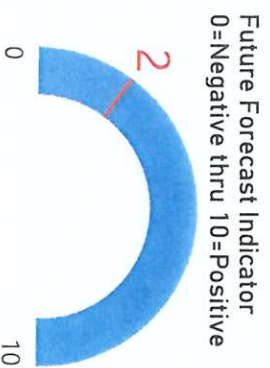
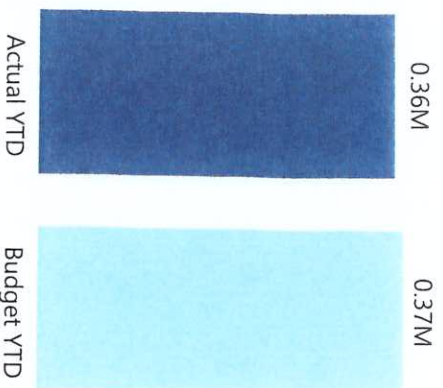
Amusement Tax



Cumulative Amusement Tax is down 54.5% from last year and is 59.7% under budget.

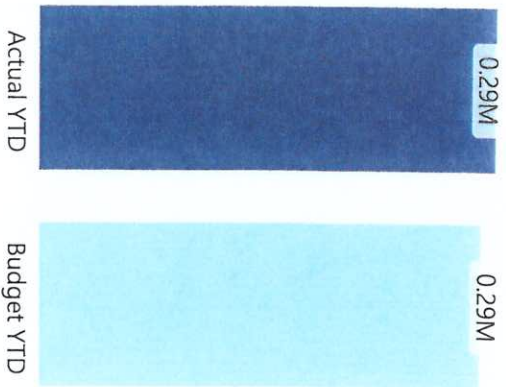
COVID-19 Revenue Projection: 70.8% reduction for 2020 and 10% reduction for 2021

Cable TV Franchise Fee



Cable TV Franchise Fees for the first two quarters are down 4.6% from 2019, and down 10.9% from their high three years ago. Cable companies are switching from Cable TV packages to Streaming TV packages. This decline is starting to accelerate.

Unit Court Fines

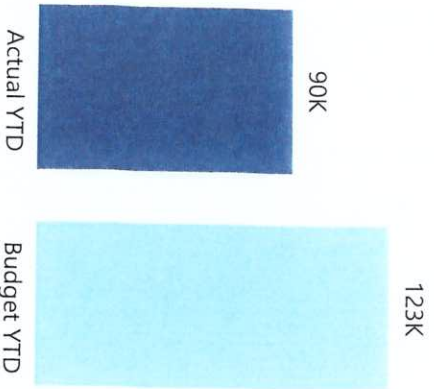


Future Forecast Indicator
0=Negative thru 10=Positive



This revenue fluctuates slightly each year. Revenues vary each month and may decline due to COVID-19.

(1% Telecommunications Tax)



Future Forecast Indicator
0=Negative thru 10=Positive



This revenue faces the same challenges as Telecommunications Tax. Cumulative IMF revenue is down 18.8% compared to last year and 27.0% below budget.

FROZEN POSITIONS 2021 - as of 8/13/20
VACANT POSITIONS WITH 2020 BUDGET AMOUNTS

POSITION				FUND INFORMATION					Total Amount of Savings
Position	FT/PT	Date Vacant	% GF	Amount GF	% WS	Amount WS	Total %		
Finance									
Administrative Coordinator	FT	8/3/2020	100%	37,311		-	100%	37,311	
Finance Subtotal				37,311				37,311	
Community Development									
Building/Electrical Inspector	PT	5/8/2020	100%	37,604			100%	37,604	
Development Services Coop	PT	NA	100%		100%	9,645	100%	9,645	
CD Intern	PT	NA	100%	7,837			100%	7,837	
CD Intern	PT	NA	100%	7,837			100%	7,837	
Community Development Subtotal				53,278		9,645		62,924	
Police Department									
Police Officer	FT	10/4/2019	100%	172,540			100%	172,540	
Police Officer	FT	1/24/2020	100%	167,666			100%	167,666	
Front Desk Clerk	FT	11/3/2019	100%	73,512			100%	73,512	
Front Desk Clerk	PT	10/7/2019	100%	27,640			100%	27,640	
Police Department Subtotal				441,357				441,357	
Fire Department									
Firefighter	FT	4/6/2020	100%	118,675				118,675	
Fire Department Subtotal				118,675				118,675	
Public Works									
W/TW/P Coop	PT	NA	50%	7,218	50%	7,218	100%	14,436	
Seasonal GIS/Asset Mgt Intern	PT	NA	50%	3,230	50%	3,230	100%	6,459	
Public Works Subtotal				10,447		10,447		20,895	
TOTAL				661,069		20,093		681,162	

	<u>As of</u>	
	<u>8/10/2020</u>	
FY 2020 YE Est Deficit	(4,688,011)	
FY 2021 Projected Budget Deficit	<u>(628,387)</u>	
Total Estimated Deficits for Two years	(5,316,398)	
Anticipated CARES Act \$ from County	<u>2,296,668</u>	
Remaining Deficit to Cover (if negative)	(3,019,730)	
Potential Village Funds to Address Deficit in Order of Application:		
2019 Revenues Over Expenditures	1,078,000	
Revenue Stabilization Fund	1,283,000	
Anticipated Proceeds from Sale of 101 S. Main St.	<u>1,500,000</u>	
Remaining Deficit to Cover (if negative)	<u>841,270</u>	
Potential Other Village Funds Available to Address Deficit		
Emergency Expense Reserve Fund	1,833,000	
Building Reserve Fund	3,369,000	
Total Potential Other Village Funds Available to Address	<u>5,202,000</u>	

FY 2020
Monitoring:
Retail and Sales Tax
Economy
Places for Eating Tax

FY 2021 and Beyond
Potential Future Revenue Additions
reducing the amount of reserves needed to cover deficit

Potential Future Expense Cuts
Position Reductions or Delayed Hiring
Level of Service Reductions
Wage Concessions

Overall 2021 Expenditures are \$620,000 less than 2020 budget
FY21 Budget for FT Salaries is \$4,000 less than FY20
Health Insurance is \$230,000 less than FY20
Operating Supplies are down \$100,000
Telephone is down \$110,000
Training & Travel down \$25,000
Repairs & Improvements down \$120,000
Equipment Service Contracts down \$80,000
Misc Contractual Svcs down \$80,000

The items in Orange are items that are anticipated to happen, but still not guaranteed at this point.

The Reserve Funds highlighted in Red had a separate intended purpose; the intent will be to try and maintain these reserve funds for their intended purpose if at all possible; this will be accomplished if revenues come in better than anticipated and we are able to make further reductions to expenditures

The expenditure projections in Green may change based on additional information gathered this fall

FY 2020/2021 BUDGET QUESTIONS & CONCERNS

