

City of Urbana

Update on Financial Condition, 10/09

Last Year Actual (FY08-09)

- Revenues FY08-09 ended -\$818,000 (see next slide)
- Expense Level FY08-09 ended 1% below my estimate, saving \$324,000
- Year ended -\$494,000 below estimate
- \$1.3 million in cash balance to carryover to FY09-10 rather than estimated \$1.8 million (difference is \$494,000 deficit above)

Revenues, Last Yr 08-09

- Sales Tax (30% of Total Rev.) -\$421,299 below budget; for year decrease was -1.1% (-3.7% before new sales by Meijer); Drop in sales tax started in January (1st Qt +6.1%, 2nd Qt +1.7%, 3rd Qt -4.5%, 4th Qt - 5.7%)
- Income Tax (14%) -\$260,468 below budget; for year decrease was -11.5% (-4.6% after add'l \$ from census); Drop in income tax also started in January (1st Qt +8.0%, 2nd Qt +0.4%, 3rd Qt -6.6%, 4th Qt -13.2%)
- Utility Tax (14%) -\$190,701 below budget; for year decrease was -0.9%
- Hotel Tax (2%) -\$41,000 below budget, for year -8%
- Licenses, Fees, & Transfers +86,094 above budget

B The News-Gazette

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Managing Editor Dan Corkery: 217-351-5218, dcorkery@news-gazette.com

Online Editor Michael Howie: 217-351-5211, mhowie@news-gazette.com

Enterprise Editor Tom Kacich: 217-351-5221, kacich@news-gazette.com

ILLINOIS GOVERNMENT

Revenue outlook not getting better

Tax receipts in September drop significantly from a year ago

By TOM KACICH

tkacich@news-gazette.com

SPRINGFIELD — September was another bad month for tax collections for the state.

Personal income tax receipts were down 18 percent from a year earlier. Corporate income tax revenue was down 29.4 percent. Sales tax collections were off by 15 percent. Riverboat gambling revenue was down by nearly 55 percent.

Even with a fresh infusion of federal aid — \$259 million more than last September — overall revenue to state government was down \$144 million, or 5.6 percent, in September, according to the Legislature's Commission on Government Forecasting and Accountability. Overall state-sources revenue was down 18 percent this September compared with last September.

"For those who thought last spring that we could get through this only by cutting and by waiting for things to turn around, it was a poor choice," said state Sen. Mike Frerichs, D-Champaign, a member of the commission and a lawmaker who voted for

an income tax increase last spring. "Things are not turning around quickly."

"Despite the recession's end," wrote Jim Muschinske, the revenue manager for the commission, "personal and corporate income taxes as well as sales taxes continue to feel the bite of high unemployment, struggling corporate profits and lackluster consumer sentiment."

It will be "a number of months," he said, before the state sees any revenue growth.

Through the first quarter of fiscal year 2010, Muschinske wrote, overall base revenue (including federal support) is down \$340 million. With the federal funds excluded, the revenue falloff is \$676 million, or 11.7 percent.

"While declines were expected early in the fiscal year, the magnitude of the falloffs are somewhat unsettling and serve as a reminder that despite being in a recovery phase, revenues should not be expected to abruptly improve," Mus-

Please see REVENUE, B-2

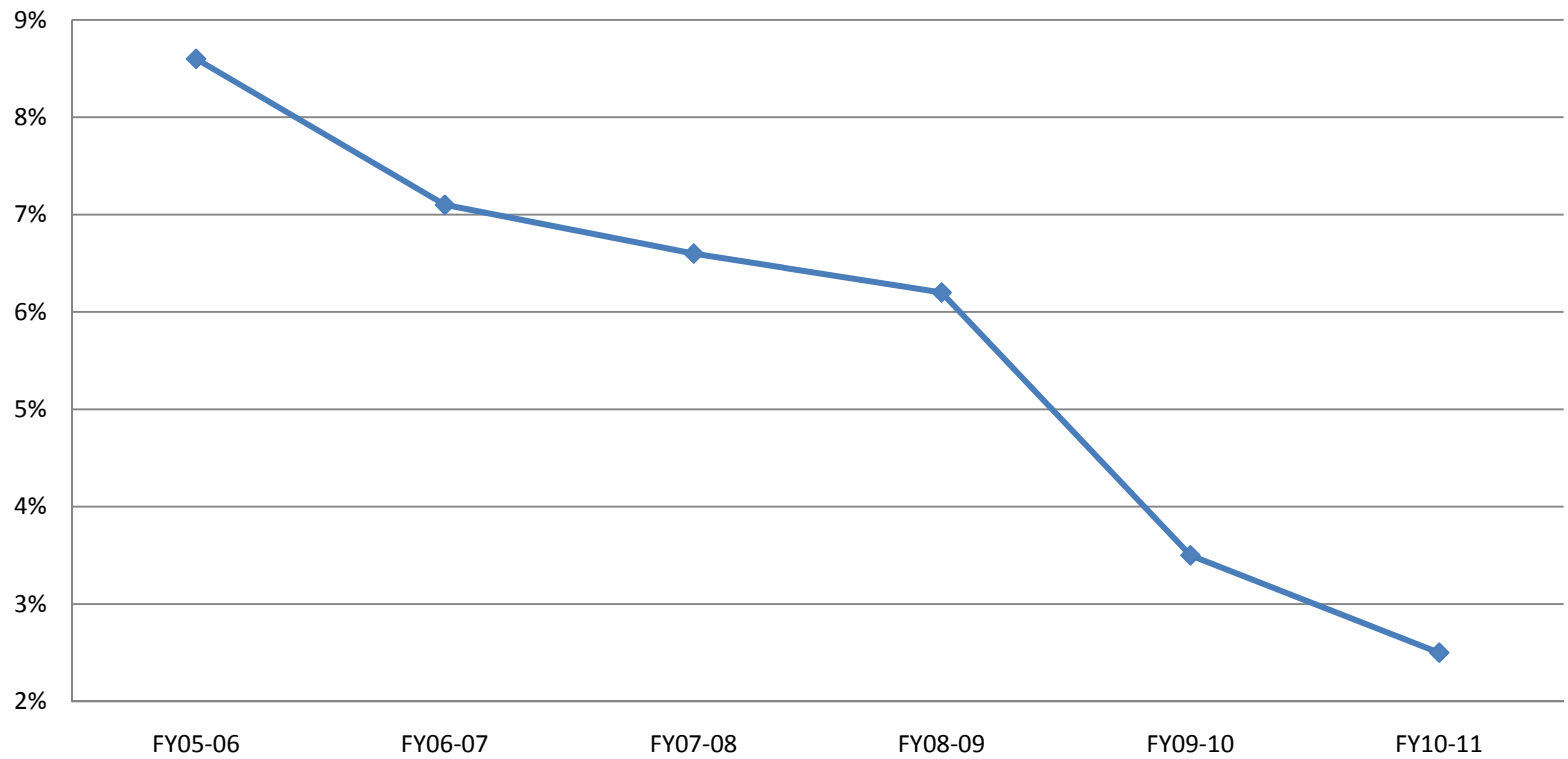
Current Year Projected (FY09-10)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Prop. Tax	\$ 7,434,788	\$ 7,276,175	\$ -158,613
Sales Tax	\$10,171,350	\$ 9,266,225	\$ -905,125
Income Tax	\$ 4,037,820	\$ 3,614,446	\$ -423,374
Utility Tax	\$ 4,098,310	\$ 3,685,595	\$ -412,715
Fees/Trans.	\$ 5,813,000	\$ 5,807,531	\$ -5,469
Total Rev.	\$31,555,268	\$29,649,972	\$-1,905,296
Expenses	\$31,277,721	\$31,016,231	\$ 261,490
Net	\$ 277,547	\$ -1,366,259	\$-1,643,806

Notes on Revenues FY09-10

- Sales Tax estimated at -1.1% (-2.1% before new sales by Meijer end 9/09), **1st Qt -5.5%, 2nd Qt -2.5, 3rd Qt +1.5%, 4th Qt +2.0%** S.C.G.F.A projecting +1.5%, State OMB -4.2%
- Prop. Tax estimated at +3.5% (1% new and 2.5% inflation), levy same rate Assessor estimating +3.1% (see chart)
- Income Tax estimated at -4.1% ; **1st Qt -7.2%, 2nd Qt -8.2, 3rd Qt -3.2%, 4th Qt 0%**. S.C.G.F.A projecting -15%, Illinois Muncipal League estimating -15.5%, State O.M.B. estimating -16%
- Hotel Tax estimated at -7%, 1st 2 months of FY09-10 were -14%
- Utility Tax estimated at 0%; S.C.G.F.A projecting 0%, State O.M.B. estimating -1%

Property Tax (25% of Revenues), Decline in Growth in Assessed Value



Next Year Projected (FY10-11)

Revenues	\$23.1 Mil.	+3.2% (?)
Prop. Tax	7.5 Mil.	+2.5% (?)
Subtotal	\$30.6 Mil.	+3.0%
Expenses	\$31.6 Mil.	
Net	-\$ 1.0 Mil	

- Expense amount includes no amounts for any salary adjustments (each 1% costs \$225,000, all 3 union agreements expire 6/30/10)
- \$1 million deficit is 3% budget
- Current Tax Stabilization Fund = \$40,000 to \$700,000, depending upon how much savings used to fund FY09-10
- Ec. Dev. Fund -\$600,000 (with Build Urbana liabilities)

Breakdown by Dept. (% of Budget)

- Police 28%
- P.W. 23%
- Fire 23%, Total Big 3 Dept's = 74%
- Library 11%
- Others 15%

Breakdown of Expenses by Category

- Salaries \$16.7 Mil. (54% Total Budget)
- Empl. Ins. \$ 2.2 Mil. (7%)
- Empl. Pensions \$ 5.0 Mil. (16%)
- **Subtotal, Pers. \$23.9 Mil. (77%)**
- PW Supplies \$.5 Mil. (1.6%)
- Library Mat'l \$.6 Mil. (1.9%)
- Other Supplies \$.2 Mil. (0.6%)
- Total, Supplies \$ 1.3 Mil. (4.1%)

Expenses by Category, Cont'd

- Contractual \$ 4.5 Mil (14%)
 - However, much of contractual may be difficult to reduce (vehicle service \$750K, utilities \$500K, liability insurance \$500K, metcad \$330K, development agreements \$230K, city computerization \$220K, worker comp. \$220K, EDC/CVB \$120K, gate fees \$100K, Total = \$3 Mil.)
- Contribution to VERF \$800,000 (2.6%)
- Contribution to Cap. Impr. Fund \$700,000 (2.2%)

Possible Options to Fund Current \$1.3 Million Deficit & Projected \$1 Million Deficit Next Yr.

- Identify any possible non-essential services or costs
- Utilizing some of the \$1.4 million federal stimulus \$ and possible project costs coming in under budget (A temporary solution unless plan to do same action in FY10-11).
- Utilize some of the cash carry forward of \$1.3 million (otherwise be transferred to savings; Also a temporary solution unless plan to do same action in FY10-11). \$1.3million = spending of \$25,000/week.

Possible Options, Cont'd

- Enact new or increased fees/taxes:
 - Vehicle Impoundment fee (? Amount, Champaign recently imposed)
 - Vehicle Towing fee (? Amount, Champaign recently imposed)
 - Natural gas wheeling fee (? Amount, Champ. Recently imposed)
 - Parking meter rates and fines (Amount ?, general fund ?)
 - City fines, Other revenues?
 - Storm water drainage tax?
 - Food & Beverage tax (current ½% = \$335,000)
 - Property tax (each 1% = \$73,000; 1% increase would raise rate from current \$1.29 to \$1.31)
 - Home-rule sales tax (each ¼% = \$660,000)

Options, Cont'd

- Ask Departments to identify possible cost reductions up to 10% budget (prioritized)
- Transfer \$ from City controlled special funds (ex. MVPS, Recycling Fund, VERF)