

# CAPITAL PROJECTS FUND

## REVENUE SUMMARY AND FOOTNOTES

The Capital Projects Fund is used primarily for the design, construction, and significant maintenance of streets, storm sewers and sidewalks within the Village. Funding is primarily obtained through taxes on the use of natural gas, electricity and telecommunications services. Additional revenue sources include a real estate transfer tax which is assessed at a rate of \$3 per \$1,000 selling price on the sale of real estate (implemented in December, 2000) and a November 2000 voter approved bond referendum to finance \$18,000,000 in storm sewer system improvements as part of a \$57 million, 20 year street and storm sewer improvement plan. Bonds connected with this referendum were issued in 2001, 2002, and 2003.

Other revenues include a stormwater “fee in lieu” which is collected on developments that add impervious surface area and are unable to provide adequate on-site detention of storm-water runoff. These impact fees are to be used to fund storm sewer system improvements in the Village. The Capital Projects Fund also generates some additional revenues through the periodic sale of unneeded Village-owned land / rights of way and applies these funds toward future Village property purchases, where desirable.

There has been significant activity in this Fund since the approval of the 2000 street and storm sewer referendum. A summary of debt financing activities include:

<u>Fiscal Year</u>	<u>Amount of Bonds</u>	<u>Sale Date / 10 Year Bonds</u>
FY01	\$ 4,000,000	January, 2001 (4.02% avg. interest rate)
FY03	9,000,000	August, 2002 (3.43% avg. interest rate)
FY04	<u>5,000,000</u>	April, 2003 (2.93% avg. interest rate)
Total	<u>\$18,000,000</u>	

Fiscal year 2007/08 represents the final year of the 17 specific storm sewer improvement projects identified in the 2000 referendum which were to be completed over a period of six years. Significant additional capital investment took place during this period to rehabilitate or reconstruct other infrastructure assets such as water and sanitary sewer mains, roadway surfaces, driveway aprons, curbs and gutters.

The principle challenge for the Capital Projects Fund over the long-term is to keep pace with our scheduled 20 year improvement program in the face of recent construction price inflation and revenues which are growing at a slower pace.

## REVENUE FOOTNOTES

1. **Telecommunications Tax: (\$960,000)** This revenue source is derived from a 6% tax on telecommunication services within Glen Ellyn. Monthly payments are received from the Illinois Department of Revenue which, in January, 2003, took over as the centralized collection agent for all municipally-imposed telecommunications taxes. Prior to this, the Village directly received monthly tax returns and payments from some 80 to 100 individual telecommunications companies. This change was one of the results of legislation approved in February, 2002 which adopted the "Simplified Municipal Telecommunications Tax" which, in effect, increased municipalities' authority to increase their maximum tax rate from 5% to 6% while eliminating the 1% infrastructure maintenance fee which was found by the Illinois Supreme Court to be an illegal tax and not a fee. The corrective legislation resulted in no additional revenues for Illinois municipalities.

Glen Ellyn's 6% "simplified" telecommunications tax is allocated as follows:

5%	Capital Projects Fund revenue
1%	General Fund revenue (replacing the prior 1% Infrastructure Maintenance Fee, and the prior telephone franchise fees)

Estimated collections of Capital Projects Fund telecommunications taxes for FY06/07 have declined by more than \$218,000 or 17% from FY05/06 actual revenues. Since the State of Illinois took over as the centralized collection agent for these revenues in 2003, it has not been possible for the Village to specifically identify the source of changes in tax receipts.

The Village is presently conducting a utility tax audit of telecommunications companies to verify the correct application of the tax and to identify possible causes for recent revenue declines. The FY07/08 budget assumes an additional 10% erosion in telecommunications tax receipts over the estimate for FY06/07.

2. **Electricity Use Tax:** Prior to 1998, the Village imposed a utility tax of 5% of gross charges on electrical companies. Changes in State law at that time resulted in the conversion of this tax to a use tax based on the number of kilowatt hours of electrical consumption per month (Village Ordinance VC-4618; 7-27-98). This revenue source is affected by weather and its impact on usage of electricity. Note the "spike" in electricity consumption and related revenues during FY05/06 which had an unusually hot and dry summer.

**(FY07/08 Budget - \$950,000)** The amount budgeted for FY07/08 is an estimate of electricity use tax receipts based on "average" electricity consumption in a given year. It is unknown at this point what impact January 1, 2007 electricity rate increases will have on kilowatt consumption (and related tax revenues) during FY07/08.

3. **Natural Gas Use Tax: (\$320,000)** In December, 2003 the Village converted its 5% utility tax on gross charges for natural gas to a use based tax of 2¢ per therm of natural gas used (effective 2-1-04) in order to:

✓ Provide equity among Glen Ellyn taxpayers. Those who purchased their natural gas

from an out-of-state supplier did not pay tax on the gas they purchased. Under the new form of tax, all Glen Ellyn customers will pay the same tax.

- ✓ Provide some stabilization in the amount of tax collected from residents. The 2¢ per therm use tax is not tied to the market price of natural gas, therefore taxes collected will not change as gas prices fluctuate.

Our revenue projection for FY07/08 is based on 16 million therms of gas consumed in Glen Ellyn at a rate of 2¢ per therm for a total of \$320,000.

4. **Real Estate Transfer Tax: (\$800,000)** Collections of this tax first began on December 1, 2000. This revenue source is solely dedicated to help pay for the 20 year street/storm sewer program as recommended by the Capital Improvements Commission and approved by the Village Board in July, 2000. Specifically, this revenue source is allocated to pay for expenses incurred in the "Street Program" line item as defined in Ordinance 4872, adopted August 28, 2000.

**(FY06/07 Estimate - \$750,000)** A general slowing in the real estate market has resulted in decreased revenues for FY06/07. Real estate transactions generating a transfer tax have declined by 20% in 2006 compared to calendar year 2005.

**(FY07/08 Projection - \$800,000)** Revenues projected for FY07/08 include a slight recovery from the FY06/07 estimate.

5. **Storm Water Ordinance (fee in lieu): (\$57,000)**

Ordinance 4738 adopted in 1999 amended local stormwater and flood plain regulations and established a fee to be paid by the petitioner of certain developments where stormwater drainage requirements could not be satisfied. Proceeds received from this fee are to be used to "enhance existing runoff storage facilities and related components, construct off-site facilities and related components, provide maintenance of stormwater facilities, or undertake other development that provides a watershed benefit."

**(FY07/08 Projection - \$57,000)** Storm water ordinance fees anticipated for FY07/08 include \$57,000 related to the Courtyards of Glen Ellyn project.

6. **Interest Income: (\$100,000)** Based on an average cash balance of \$2 million at a 5.0% rate of investment return.

7. **Loan From Corporate Reserve Fund: (\$2,500,000)** A loan will be made from the Corporate Reserve Fund to bridge a funding gap in our FY07/08 Capital Improvement Plan. This loan will be paid back, with interest (credited to the General Fund) over a 9 year period.

Funds to repay the loan may come from a scheduled property tax reduction resulting from the pay-off of the 1987 referendum bonds in FY09. Otherwise, additional future borrowing will likely become necessary to continue pace with our 20-year street improvement program.

8. **Miscellaneous Revenue: (\$705,000)**

	FY05/06 <u>Actual</u>	FY06/07 <u>Estimate</u>	FY07/08 <u>Budget</u>
Limits Avenue Vacation (at Hawthorne)	\$0	\$0	\$250,000
Ackerman Park/North Side Storm Water Retention Project – Sale of Walgreen’s retention basin lot	0	0	\$350,000
Ada Harmon Wildflower Restoration reimbursement	60,000	0	0
Pershing Avenue Right of Way Vacation	0	18,300	0
Brandon Avenue Right of Way Vacation	160,819	0	0
Harris Bank (undergrounding reimb.)	46,870	0	0
Stacy Woods Recapture refund	16,544	0	0
Crescent Sidewalk Reimb. (DuPage County)	0	0	70,000
Rental Income – 63 S. Park Blvd.	5,400	5,700	6,000
Miscellaneous Other	<u>20,784</u>	<u>11,000</u>	<u>29,000</u>
	<u>\$310,417</u>	<u>35,000</u>	<u>705,000</u>