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. A real estate transfer tax was added in December of 2000 in connection with a 20 year street and storm sewer improvement plan. Beginning in FY09/10, the use of a portion of the Village property tax has been allocated to sustain the need to continue our investment in public infrastructure assets and to provide a stable revenue source into the future.

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.

REVENUE FOOTNOTES

1. **Property Tax: ($935,000)** Beginning in FY09/10, a portion of the Village property tax is now allocated to the Capital Projects Fund as a new permanent revenue source needed to sustain our 20 year street improvement program. In 2000, in conjunction with a voter-approved referendum to issue $18 million in bonds to construct 17 distinct storm sewer improvement projects throughout the Village, the Village Board committed to improving overall roadway surfaces by completing rehabilitations on a 20 year cycle versus the previous 30 year program.

   Declining revenues combined with escalating construction price increases over the past several years have significantly impacted our ability to maintain pace with the 20 year plan. After significant discussion of this problem, our Capital Improvements Commission (CIC) in the fall of 2008 proposed a plan to utilize a scheduled reduction in property taxes (from 1987 series capital bonds which are now paid off) to begin filling the gaps in our street improvement program. Instead of a general property tax reduction, we would maintain property taxes generally at current levels and use the amount previously paid to retire debt for direct financing of future road projects.

   This proposal was communicated to the public through a special edition Village newsletter mailed to all Village residents in August 2008. The CIC hosted two televised special meetings in September 2008 to receive public input on the proposal. Additionally, the proposed property tax levy was reviewed on three separate meetings, including a formal public hearing, prior to adoption in November 2008, allowing maximum opportunity for public input and feedback. The 2008 property tax levy (collected in FY09/10), as approved, will result in an overall increase to Glen Ellyn taxpayers of 2.3% over taxes extended in 2007. This includes the portion of the levy which provides funding for police protection in our General Fund.

Based on the CIC proposal, we will continue to infuse additional property tax dollars into the Capital Projects Fund as other Village bonds are retired. This is expected to continue through 2014 as property tax supported debt for capital improvements are reduced to zero. See Debt Service Fund budget for future debt service on Village issued general obligation bonds.

2. **<u>Telecommunications Tax</u>: ($1,400,000)** 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 May 1, 2008, the Village's 6% telecommunications tax was allocated as follows:

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

   As there is no longer any clear delineation between the former franchise fees / IMF and the Village's 6% telecommunications tax, beginning May 1, 2008, all telecommunications taxes have been received into the Capital Projects Fund, which maintains as its primary revenue source, Village imposed utility taxes (telecommunications, natural gas and electricity), for the ongoing maintenance and improvement of the Village's roadway network and related infrastructure assets.

   This change represents an addition of approximately $200,000 in annual revenue to the Capital Projects Fund. To offset this revenue loss to the General Fund, an annual $200,000 transfer to the Capital Projects Fund, representing a reallocation of MFT funds to assist with street and storm sewer capital projects, has been eliminated.

3. **<u>Electricity Use Tax</u>: ($975,000)** 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.

   The amount budgeted for FY09/10 is an estimate of electricity use tax receipts based on "average" electricity consumption in a given year.

4. **Natural Gas Use Tax: ($325,000)** 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 FY09/10 is based on 16.25 million therms of gas consumed in Glen Ellyn at a rate of 2¢ per therm for a total of $325,000.

5. **Real Estate Transfer Tax: ($425,000)** 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.

   Collections of this tax have dropped off significantly over the past two years due to the fallout from the sub-prime mortgage crisis and general state of the economy.

6. **Community Development Block Grant: ($70,000)** A portion of the Braeside Area / Surrey Drive Improvements project is eligible for reimbursement from a Community Development Block Grant.

7. **Miscellaneous Revenue: ($695,000)**

	FY09/10 Budget
DuPage County Reimb. (Riford Rd.)	$431,000
DuPage County Reimb. (Crescent Ave sidewalk)	230,000
County Grant – Riford Open Channel Stabilization	22,000
Miscellaneous Other	12,000
	$695,000

8. **<u>Operating Transfer – General Fund</u>: (FY08/09 Estimated Actual - $3,000,000)** Available General Fund reserves were used to fill a short-term funding gap in the Capital Projects Fund. Beginning in FY09/10, the introduction of property taxes as a main revenue source to the Capital Projects Fund is included. Property taxes will replace the now completed debt repayments related to the 1987 bond referendum.

9. **<u>Operating Transfer – Corporate Reserve Fund</u>: (FY07/08 Actual - $2,500,000)** This was a one-time transfer of available Corporate Reserve Fund balances to continue pace with our 20 year street improvement program while we searched for a new revenue source to sustain the program on a long-term basis.