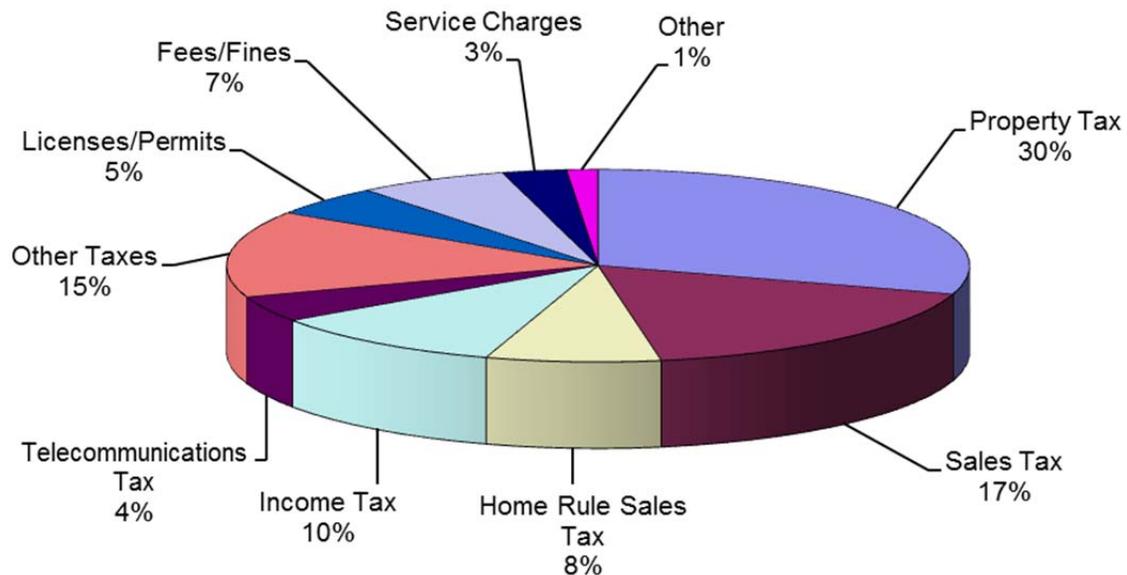


GENERAL FUND REVENUE - Notes



ANALYSIS OF GENERAL FUND REVENUES

Summary

The Village of Arlington Heights has worked to maintain a strong General Fund balance over the years. This has helped the Village preserve a higher credit rating by having monies available to fund extraordinary expenditures or losses. Since sales and income tax receipts represent such a significant portion of the Village's General Fund revenues and can vary significantly depending on the conditions of the economy, maintaining an adequate fund balance level is even more important during these times. The Village's financial policies include a provision to maintain at least a 25% reserve in the General Fund. The fund balance as of the end of FY2016 is projected to be 39% of General Fund expenditures.

There are a couple of other revenue sources which the Village has yet to enact and which could conservatively produce an additional \$4.225 million per year as shown below:

- ▶ The existing Home Rule Sales Tax of 1% could be increased $\frac{1}{4}\%$ to produce approximately \$1,700,000 of additional revenue on an annual basis.
- ▶ A Real Estate Transfer Tax at the rate of \$3.00 for each \$1,000 of value could produce at least \$1,125,000 of additional revenue on an annual basis.
- ▶ The Food & Beverage Tax of 1.25% could be increased to 2% and would produce at least \$1,600,000 of additional revenue on an annual basis.

GENERAL FUND REVENUE - Notes

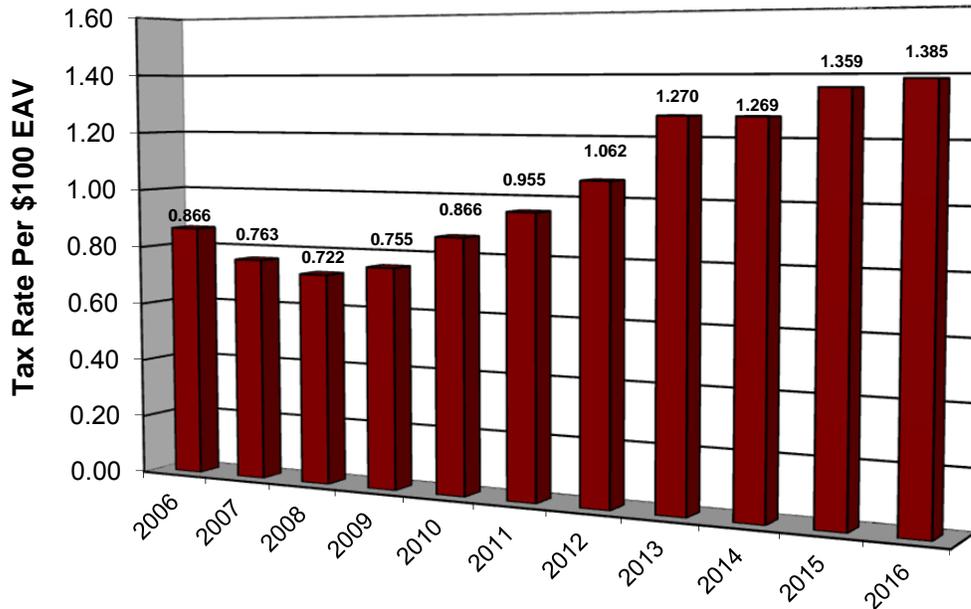
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Annually, fees for Village services are reviewed to insure charges are adequate to offset the cost of providing these services to residents and the general public.

401.03 – 401.11 Real Estate Tax

Property tax receipts represent about 30% of the Village's General Fund income and 17% of the Village's total income from all funds. The Village's levy represents only 12% of a property owner's total property tax bill.

REAL ESTATE PROPERTY TAX RATE

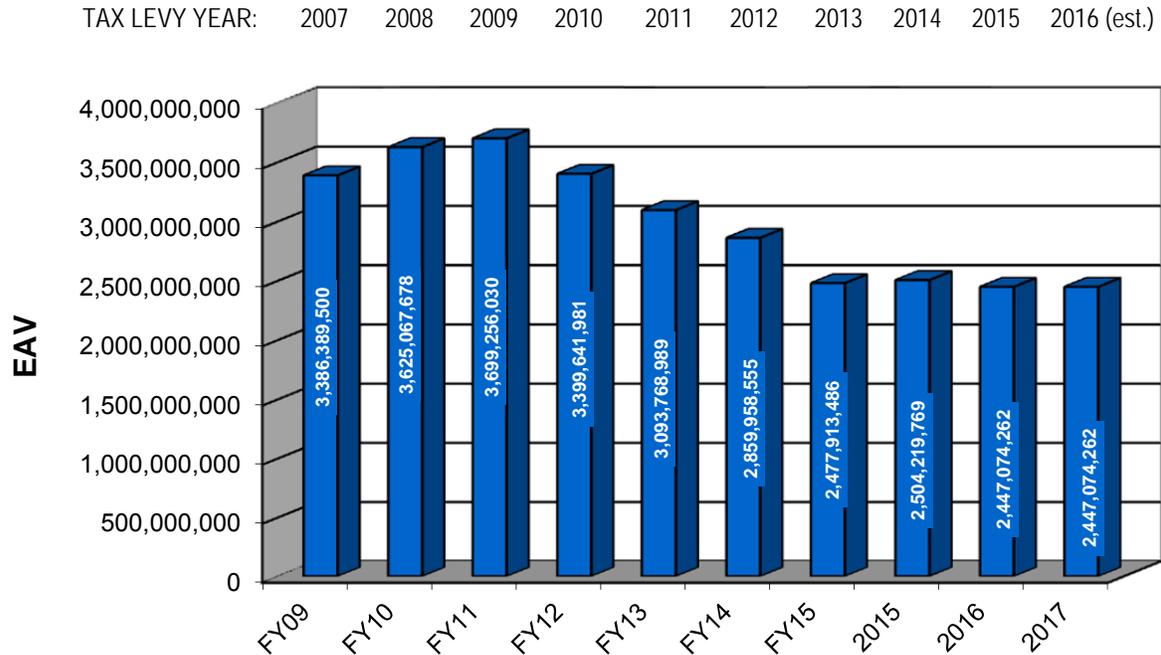


As shown above, the Village's estimated 2016 tax rate payable in 2017 is 1.385 per \$100 of equalized assessed valuation (EAV). The tax rate may fluctuate due to assessed value changes by Cook County.

GENERAL FUND REVENUE - Notes

(Continued)

EQUALIZED ASSESSED VALUE



The levy, which corresponds to this 2017 budget, will be levied in December 2016. Property owners will pay this tax in two installments in March and September 2017. A breakdown of the Village's total tax levy is as follows:

	Extended 2015 Levy for 2016	Proposed 2016 Levy for 2017	Change
Village			
Police Protection	4,557,625	4,961,300	8.86%
Fire Protection	4,557,625	4,961,300	8.86%
IMRF	1,690,033	1,737,100	2.78%
FICA	1,329,867	1,351,300	1.61%
Police Pension	4,545,000	3,994,000	(12.12%)
Fire Pension	5,151,000	4,889,000	(5.09%)
Capital Improvemer	4,500,000	5,200,000	15.56%
Public Building	308,913	0	N/A
Debt Service	6,608,105	6,803,950	2.96%
Total	33,248,168	33,897,950	1.95%
Library	13,830,091	13,830,091	0.00%
Total Tax Levy	47,078,259	47,728,041	1.38%

The Village and Library's total 2016 property tax levy that will be accounted for in 2017 reflects a 1.38% percent increase. The Village's annual tax levy is comprised of discretionary and non-discretionary components. The pension levies including IMRF, Social Security, Police Pension and Fire Pension are

GENERAL FUND REVENUE - Notes

(Continued)

mandated by the State or required by federal law. The IMRF and Police and Fire Pension levies are calculated by outside actuaries to determine annual required payments to cover current and unfunded pension obligations. The debt service levy is another non-discretionary levy that reflects the annual principal and interest the Village is obligated to pay on its outstanding bonds.

The only discretionary levies that the Village can realistically control on an annual basis are the Police and Fire Protection levies in the General Fund and the Capital Improvement levy. The Capital Improvement levy is a revenue source for the Village's capital program, and about 78% of the 2017 Capital Projects Fund budget is proposed to be used for street and signal projects.

402.10 Hotel Tax

This tax is administered by the Village of Arlington Heights through its Home Rule powers. From FY1997 through FY2009, 10% of all prior year hotel tax collections were invested in the Meet Chicago Northwest regional convention bureau to facilitate future hotel bookings. Due to the Village's financial constraints this amount was reduced in FY2010 to 6%. This percentage was increased to 7% in FY2013 and increased to 8% in FY2014. Currently the percentage is 8% and the 2017 budget is at 8%.

402.15 Admissions Tax

This tax was granted by the State of Illinois, which governs thoroughbred horse racing and is applicable to Arlington Park Race Track only. This tax is a flat \$.10 tax per paid admission. This tax was enacted in the 1970's and is not subject to Village review or increase.

402.25 Food & Beverage Tax

Retail sale of prepared food and liquor, which includes all liquor sold at retail either for consumption on premises or sold in its original packaging for consumption off premises, and all food including alcoholic and non-alcoholic beverages which is prepared for immediate consumption and which may be consumed either on and/or off the premises is subject to a 1.25% tax in addition to general sales taxes. This tax was created by the Village's Home Rule powers and 25% of this tax rate is accounted for in the Arts, Entertainment & Events Fund as a dedicated funding source.

402.35 Road & Bridge Tax

This tax is levied through the Township and by State Statute. Half of the levy is distributed to municipalities within the township based on assessed values.

402.45 Telecommunications Tax

As of January 2003, all telecommunication providers were required to charge a 1% to 6% telecommunications tax based on the individual municipalities local ordinances and the fee was renamed the Simplified Municipal Telecommunications Tax. This fee is then remitted to the State, which distributes the funds to the municipalities after subtracting an administrative charge. The Village Board chose to increase this tax to 6% effective January 2003.

GENERAL FUND REVENUE - Notes

(Continued)

402.50 Electric Utility Tax and 402.55 Natural Gas Utility Tax

The Village's electric and natural gas utility taxes are imposed upon the privilege of using or consuming electricity or natural gas acquired in a purchase at retail and used or consumed within the corporate limits of the Village. The utility taxes are calculated based on kilowatt hours or therms used.

403.05 Sales Tax and 402.30 Home Rule Sales Tax

<u>Sales Tax</u>	<u>Amount</u>	<u>% Inc (Dec)</u>
FY2012 (Actual)	10,519,988	1.4%
FY2013 (Actual)	10,333,345	(1.8%)
FY2014 (Actual)	11,488,156	11.2%
FY2015 (Actual)	12,060,996	5.0%
8-Mo. Dec. 2015 (Actual)	8,423,387	(30.2%)
2016 (Est Actual)	12,568,000	4.2%
2017 (Budget)	12,820,000	2.0%

Home Rule Sales Tax

<u>(General Fund Portion)</u>	<u>Amount</u>	<u>% Inc (Dec)</u>
FY2012 (Actual)	5,172,893	4.9%
FY2013 (Actual)	4,935,567	(4.6%)
FY2014 (Actual)	5,276,167	6.9%
FY2015 (Actual)	5,482,969	3.9%
8-Mo. Dec. 2015 (Actual)	3,829,608	(30.2%)
2016 (Est Actual)	5,426,000	(1.0%)
2017 (Budget)	5,559,000	2.5%

Sales Tax and Home Rule Sales Tax revenues represent the second largest revenue source or about 25% of the Village's General Fund income. Items, except food and drugs, in Arlington Heights are subjected to a 10.00% sales tax. In April 2008 the RTA increased their share of the sales tax rate .25% to a total of 1.00%. In July 2008 Cook County increased their share of the sales tax rate by 1% to a total of 1.75% and then reduced that rate by .50% in July 2010, by .25% in January 2012, and by .25% in January 2013 for a total of .75%. Then in January 2016 Cook County increased their share of the sales tax rate by 1% to a total of 1.75%. In January 2010 the Village's Home Rule Sales Tax was increased from .75% to 1%. Sales taxes are imposed upon all retail sales and upon all persons engaged in the business of making sales of services within the Village's corporate limits. These taxes are collected by the State and divided among the taxing districts as follows:

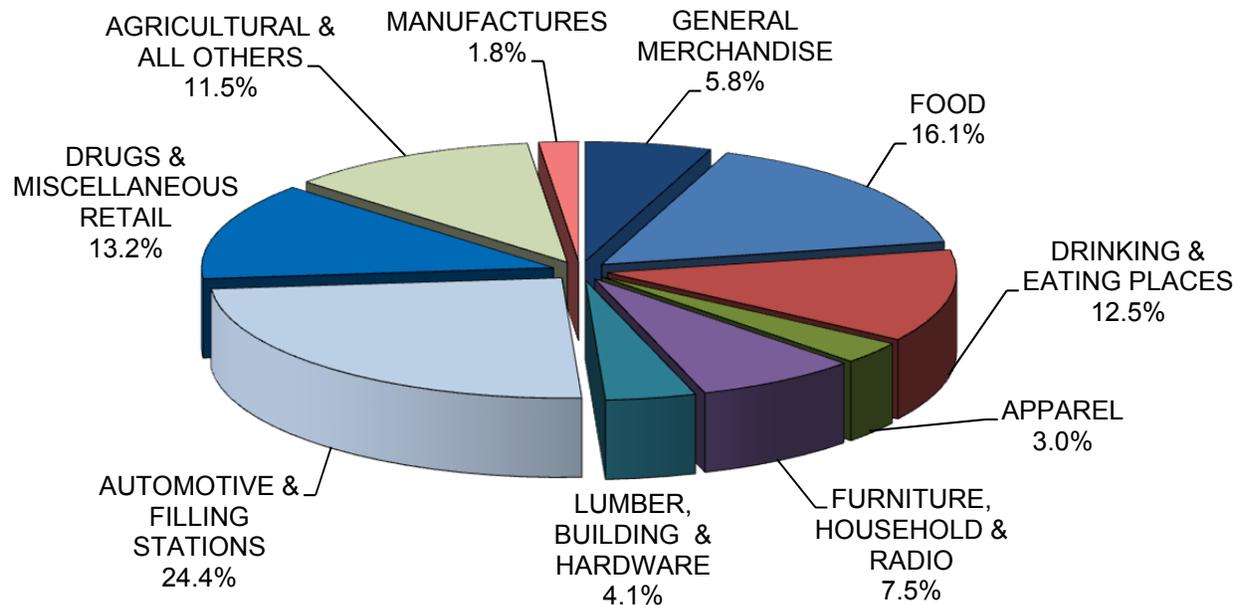
GENERAL FUND REVENUE - Notes

(Continued)

State Tax	5.25%
Village Tax*	
Municipal	1.00%
Home Rule	1.00%
Cook County Tax	1.75%
RTA Tax	<u>1.00%</u>
Total	<u><u>10.00%</u></u>

*Note: The municipal tax is credited to the General Fund. 75% of the home rule tax is credited to the General Fund and 25% of the home rule tax is credited to the Capital Projects Fund.

Sales Tax by Source Calendar Year 2015



Budget Assumptions – 2016 sales tax receipts (excluding home rule sales tax) are coming in better than the prior year's receipts. The 2017 budget projects a general annualized increase in sales tax receipts of 3% due to the opening of a new Lexus dealership.

403.06 Local Use Tax

The Village receives a share of the total collections of the State use tax that is extended to items purchased outside of Illinois. The State distributes this tax on a per capita basis and projects no change for this revenue source.

GENERAL FUND REVENUE - Notes

(Continued)

403.15 State Income Tax

	<u>Amount</u>	<u>% Inc (Dec)</u>
FY2012 (Actual)	6,135,155	2.3%
FY2013 (Actual)	6,768,141	10.3%
FY2014 (Actual)	7,318,303	8.1%
FY2015 (Actual)	7,354,986	0.5%
8-Mo. Dec. 2015 (Actual)	5,254,518	(28.6%)
2016 (Est Actual)	7,471,600	1.6%
2017 (Budget)	7,670,400	2.7%

Income tax receipts represent approximately 10% of the Village's General Fund income. Local governments in Illinois receive a 1/10 share of all State income tax receipts. This amount is allocated on a per capita basis to all municipalities. Before any distributions to municipalities, a reserve is set aside by the State of Illinois for income tax refunds.

Budget Assumptions – To prepare the 2017 budget for income tax receipts, three key elements were assumed:

Population – Income tax receipts are distributed based on the Village's population. Arlington Heights' most recent population used by the State is 75,101 (2010 Census).

Municipality's share of income tax receipts – Under current law, municipalities are entitled to 1/10 of income tax receipts. It is assumed that this ratio will remain unchanged.

Inflation – A 1% annualized improvement over the 2016 projected actual amount is assumed for 2017. This assumes the current unemployment rate will continue to stabilize this fiscal year.

403.25 Replacement Tax

The Personal Property Replacement Tax (PPRT) is received directly from the State. It is derived from corporate income and as such is directly related to the economy.

421.05 Vehicle License

The State of Illinois is somewhat unique in that it granted all municipalities the ability to license or tax vehicles regardless of Home Rule authority. The Village license for a passenger car is \$30. Various other license categories exist depending on the type of vehicle and the status of its operator.

421.10 Business License

All businesses, with the exception of those professions licensed by the State (doctors, lawyers, real estate agents) are required to be licensed. The license fee is based on a sliding scale according to the square footage of the business site.

GENERAL FUND REVENUE - Notes

(Continued)

421.30 Multiple Dwelling License

This fee is for the Village's multiple family dwelling license and inspection program. An annual license fee consisting of \$13 per unit or a minimum of \$60 per building is assessed.

422.05 Building Permits, 422.10 Electrical & 422.15 Plumbing Permits

These permits are activity-based and as such, are subject to economic conditions. The Village has taken a conservative approach to budgeting for these revenues. Historically, additions and renovations generate a fairly flat but consistent revenue stream.

422.25 Elevator Permits

In addition to the new construction of elevators, the Village or its contractor annually inspect all elevators in the Village for safety and compliance purposes. The annual permit fee is \$100 per elevator.

422.30 Occupancy Permits

At the conclusion of new construction, before individuals may use a new structure, a final inspection must be completed by the Building Department. Approval by the Building Department to "occupy" a structure for its intended use generates an occupancy permit at a cost of \$60 for single-family homes and \$120 for multi-family, commercial and industrial structures.

431.34 Cable Franchise Fees

Arlington Heights is fortunate to have three cable TV providers for its residents to choose from. Currently, Wide Open West, Comcast and AT&T are the service providers. A 5% fee on gross revenues of the provider allows that provider to use Village right-of-way for installation of cable wire to provide service.

432.08 Plan Examination Fees

Before building permits can be issued for construction, plans or drawings must be reviewed by the Building Department or its contractor. These fees are based on the complexity of the structure and have a minimum fee of \$30.

432.12 Engineering Service Fees

In addition to the Building Department overseeing construction activities, the Engineering Department assists on matters concerning elevation, drainage, water detention and sewer transmission. These fees are calculated at the permit issuance stage and collected in advance. Inspections are completed as needed until construction is finished.

433.14 Ambulance Service Fees

Arlington Heights maintains four ambulance companies on a 24-hour, seven-day-a-week basis. Fees for this service help offset the cost of providing the equipment and personnel necessary. A flat rate of \$400 for residents and \$600 for non-residents per Basic Life Support (BLS) call is billed to the recipient. Advanced medical service calls are billed at a slightly higher rate at \$450 for residents and \$650 for non-residents. Medicare assignments are accepted from service recipients.

GENERAL FUND REVENUE - Notes

(Continued)

433.16 Special Police Detail Fee

Private institutions may request special police services at their expense. These instances are usually for traffic or crowd control. The cost of providing the service is reimbursed to the Village.

433.18 Police Counselor Fees

In conjunction with School District 214, two and one half police officers are assigned to a high school or alternative learning center within Village boundaries. The Northwest Suburban Special Education Organization (NSSEO) also has one Police Officer assigned to Timber Ridge School. Both of these organizations reimburse the Village based on the average salary of police officers in the surrounding areas.

433.22 False Alarm Fees

Malfunctioning commercial and residential alarm systems cause public safety personnel delayed response times to emergencies. Fines from \$25 to \$500 are assessed against repeat offenders in an effort to have alarms maintained in good working order.

433.26 DUI Administrative Fee

The added requirements to complete the administrative process on these types of violations will incur a \$500 fee per occurrence.

441.05 Traffic Court Fines

The fines are collected by the Circuit Court of Cook County and distributed to the municipality issuing the citation. On a monthly basis, fines are distributed to municipalities after the County deducts a service charge.

441.15 Parking Fines

Citations issued for illegal parking that are not contested in court are recorded in this account. Handicap parking space violations are currently \$250 per State Statute. Time violation and commuter pay box violation fines are recorded in the Parking Fund. Typical parking fines begin at \$25.

441.22 Compliance Ticket Fines

Citations issued for vehicular equipment failure are recorded in this account. No fine is assessed if the equipment is repaired in a timely manner. Only after non-compliance does the fee take effect.

441.25 Ordinance Ticket Fines

Violations of Village ordinances, other than of a vehicle nature, are recorded here. Local ordinances regulate activities ranging from trash pickup to animal nuisance complaints.

GENERAL FUND REVENUE - Notes

(Continued)

451.05 Service Charge – Escrow Deposits

Escrow funds are collected from developers to insure the successful completion of construction projects and public improvements (streets, sidewalks, sewers). Interest on these deposits is recorded in this account, as the Village is not required to pay interest to the owner while holding the deposit.

451.10 Service Charge – Guaranty Deposits

Guaranty Deposits are similar to escrow deposits above except they are generally for single-family home improvements. Again, interest on deposits is credited to the Village and the initial deposit is returned to the homeowner after successful completion of the project.

451.15 – 451.45 Service Charge – Parking, Water, SWANCC

These service charges cover an allocation for administrative and operating expenditures paid out of the General Fund. Staff completely dedicated to a specific operation are charged directly to that fund/operation.

461.02 Interest on Investments

The Village participates in a number of investment pools and owns a number of Certificates of Deposit to safeguard funds for reserve and daily operations. All funds not needed for operations are invested on a “prudent man” concept.

472.82 Rents & Concessions

Village owned property not immediately needed for Village operations is leased to private parties at market rates. Charges for apparatus affixed to public buildings are recorded here. Businesses operating in Village owned facilities are assessed a rental fee.

483.10 NWCH in Lieu of RE Tax

Per an agreement with the non-profit Northwest Community Hospital, the hospital contributes an amount based on what its property tax payment would have been to the Village of Arlington Heights had the hospital been a “for profit” operation. By agreement the amount is increased 5% each year.

484.48 Wellness Programs

An endowment of \$25,000 was received from the Moelhing Family for the perpetuation of health related tests, screenings and equipment. Interest on the principal and minor service charges to recipients are recorded in this account and used for ongoing programs.

489.85 Bad Debt Recovery

Any unpaid invoice or citation issued by the Village is referred to a collection agency after 90 days for further collection efforts.