

CITY OF WARRENVILLE

MEMO

To: Public Works and Infrastructure Committee  
 From: Kevin Dahlstrand, Finance Director *Kevin Dahlstrand*  
 Subject: Revenue and Funding Recommendations  
 Date: August 2, 2021

The Capital Maintenance and Replacement Plan (CMRP) workgroup has been meeting to focus on the overall CMRP document, and the funding sources for the long-term maintenance and replacement of existing City capital assets. The workgroup has quantified a funding gap in the long-term plan of approximately \$800,000. The CMRP workgroup has proposed some recommendations to address this shortfall, albeit not fully at this point in time.

The Long Range Financial Planning (LRFP) workgroup, reviewed and discussed the CMRP workgroup recommendations, and provided input in the resulting recommendations, in light of the larger overall financial planning for the City. The following table was developed as a plan of action to begin addressing this funding shortfall:

Source	Description	Current Funding	Recommendation/Notes	Increase in Funding
Hotel Tax Fund	Annual transfer	\$300,000	\$350,000 for FY 23 \$400,000 for FY 24 & beyond	\$100,000
Local Motor Fuel Tax	4¢ per gallon tax – effective as of 05/01/2013	\$400,000	Increase tax from 4¢/gallon to 6¢/gallon	\$200,000
Utility Tax revenue	Electric Utility and Natural Gas Utility and Use Taxes	\$241,500	Estimated additional revenue from new developments	\$33,500
			<b>Increase in existing funding sources</b>	<b>\$333,500</b>
State shared Motor Fuel Tax	State shared on a per capita basis – currently at \$39.35/capita	Not applicable	To partially fund road projects – <u>Not a transfer to the CMRP, due to restrictions</u>	\$200,000
Video Gaming	City share	Not applicable	Estimated revenue from gaming revenue <u>and</u> video gaming specific licenses	\$80,000

**TOTAL CMRP FUNDING SOURCES AND SUPPORT                      \$613,500**

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It should be noted, that any cannabis revenue, currently unquantifiable, which would result from the opening of a recreational cannabis business in the City has not been incorporated in the calculations for closing the funding gap in the CMRP.

Additionally, as of January 2020, the City began receiving a per-capita allocation of funding from the State Cannabis Regulation Fund, which through July 2021, has totaled almost \$17,700, which has been accounted for as General Fund miscellaneous revenue.

The CMRP workgroup initially made a recommendation that state shared per-capita cannabis funds received to- date, be transferred from the General Fund to the Capital Maintenance and Replacement Fund, and that future allocations be directed to the Capital Maintenance and Replacement Fund as well.

The LRFP workgroup, again, as a part of the larger financial discussion, have recommended that the current and future state shared per –capita cannabis revenue allocations continue to be accounted for in the General Fund.

However, if in the future, a recreational cannabis business should open up within the City limits, any cannabis revenue from that site be allocated 100% to the Capital Maintenance and Replacement Fund, and beginning at that time, the state shared cannabis per-capita allocations would be redirected to the Capital Maintenance and Replacement Fund as well. So in essence all cannabis revenue would be funding the CMRP.

Additionally, the Long-Range Financial Planning workgroup, has been meeting, to discuss the overall financial outlook for the City, including the various City taxes currently in place, and how those given revenue are utilized. The LRFP workgroup prepared the attached table which summarizes the current taxation sources, current and maximum rates, and adjustment recommendations where applicable. The aforementioned CMRP related recommendations have been incorporated into this table.

As a result of these recommendations, the following Committee actions are requested:

- 1) Accept the recommendation from the Long Range Financial Planning and Capital Maintenance and Replacement Plan workgroups, and recommend the City Council authorize staff to include in future budgets, increases in the annual transfers from the Hotel Tax Fund to the Capital Maintenance and Replacement Fund to \$350,000 for FY 2023 and \$400,000 for FY 2024 and beyond.

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- 2) Accept the recommendation from the Long Range Financial Planning and Capital Maintenance and Replacement Plan workgroups, and recommend the City Council direct staff to work with the City Attorney to prepare an ordinance to increase the City's Local Motor Fuel Tax from 4¢ per gallon to 6¢ per gallon
  
- 3) Accept the Long Range Financial Planning workgroup recommendation and direct staff to continue accounting for the allocations of state shared per-capita cannabis revenue in the General Fund, and further direct staff to bring forward a recommendation on the potential redirection of state shared per-capita cannabis allocations to the Capital Maintenance and Replacement fund, if a recreational cannabis business opens within the City.

## Long-Range Financial Planning Workgroup

### Summary of City Taxation – 08/04/2021

#### Workgroup Adjustment Recommendations

<b>Tax</b>	<b>Current Rate</b>	<b>Maximum Rate</b>	<b>Current Fund Allocation</b>	<b>LRFP Workgroup Recommendation</b>
Amusement	5%	No Limit	Capital Maintenance and Replacement	Future adjustment possible
Auto Rental Tax	1%	1%	General Fund	No increase adjustment possible – at statutory limit
Cannabis	N/A	TBD	Not applicable	Capital Maintenance and Replacement
<b>Cannabis – State Shared</b>	<b>Est.</b>	<b>N/A</b>	<b>General Fund</b>	<b>Move future allocations to Capital Maintenance and Replacement, If Cannabis location opens in City</b>
Electric Utility	Approx 1%	TBD	Capital Maintenance and Replacement	No Adjustment, Future adjustment possible
Food and Beverage	1.5%	No limit	General	No adjustment, Future adjustment possible
Home Rule	1.25%	No limit	General	No adjustment-Future adjustment possible
Hotel Tax	5%	Additional Discussion Needed	Hotel Tax	<i>To Be Determined – Will be discussed 08/13/21</i>
<b>Local Motor Fuel Tax</b>	<b>4¢ Gallon</b>	<b>No limit</b>	<b>Capital Maintenance and Replacement</b>	<b>Increase from 4¢ to 6¢/gallon</b>
Natural Gas Use Tax	2.36¢ Per Therm	Additional Research Needed	Capital Maintenance and Replacement	No adjustment, Future adjustment possible
Natural Gas Distribution (Utility) Tax	3%	5%	Capital Maintenance and Replacement	No adjustment, Future adjustment possible
Simplified Telecommunication Tax	6%	6%	Capital Maintenance and Replacement	No increase adjustment possible – at maximum
<b>Video Gaming</b>	<b>TBD</b>	<b>TBD</b>	<b>Capital Maintenance and Replacement</b>	<b>TBD</b>