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To: Rolanda Russell, Interim City Manager  
CC: Budget Team  
From: Martin Lyons, Finance Director  
Subject: Clarifications to Budget Memo on January 10 Budget Workshop  
Date: January 22, 2009

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In response to Council member requests for clarification on a variety of budget issues, we have provided the information below. We have also attached the original memo for reference.

1. **Explanation of the Personal Property Replacement Tax Formula:** The State of Illinois provides a formula/history of how the Personal Property Replacement Tax (PPRT) is formulated. Staff uses the projections provided by the Illinois Municipal League (IML) as published in the Illinois Municipal Review as a guide to forming our own projections. We do modify our projections to account for the difference in fiscal years between the state and the City. The excerpt from the Review is provided below, as well as a table on our calculation for 2009-10. Attachment 1 provides details on the history of the PPRT. Historically, the City had decided to allocate an amount of PPRT above and beyond the required percentage based on the 1978 allocation and based on the proposed PPRT for FY10, the Police and Firefighters' Pensions are estimated to receive approximately 25.6% and 21.95%, respectively, of the total City's PPRT State distribution. While this allocation to the pension funds is well above the legal requirement, if this additional amount of allocated pension PPRT was diverted back to the General Fund then additional property tax would need to be reallocated in the pension funds to meet the actuarial required contribution (ARC). Regardless of which combination of funding (property tax vs. PPRT) is used to fund the ARC, the overall affect to the City would remain the same.

## **CORPORATE PERSONAL PROPERTY REPLACEMENT TAX ESTIMATE**

Actual receipts in FY 2008 are \$1.526 billion or 14.1% higher than in FY 2007. Replacement Corporate Income Tax receipts will drop in a recession. We estimate corporate income tax receipts will fall by 15 to 25 percent. Since Replacement Corporate Income Tax is now about 75% of total receipts (25% comes from the additional taxes on electric, gas, water and telecommunications companies), we expect total Replacement Tax receipts to fall by 11.25% to 18.75%. Actual Replacement Tax receipts distributed to local governments in the first half of FY 2009 (May through October 2008) were 2.6% higher than the first half of the previous year. We estimate distributions in the last half of FY 2009 will drop by 14.6% and therefore our Replacement Tax estimate is 6.3% lower than FY 2008 receipts. We estimate distributions in FY 2010 will drop by another 12.6%.

City of Evanston		
Personal Property Replacement Tax		
	Adopted	Proposed
	FY09	FY10
General Fund- general operations	879,000	622,500
General Fund- recreation operations	46,300	46,300
General Fund- library operations	50,200	50,200
Firefighters' Pension	301,000	301,000
Police Pension	351,000	351,000
<b>Total</b>	<b>1,627,500</b>	<b>1,371,000</b>
Estimated Actual for FY09	1,467,000	
IML estimated decrease for FY10	-11.03%	
Total Budgeted FY10 using IML %	1,305,263	
COE 5% upward adjustment to above calc	1,370,526	

2. **Fines and Forfeitures Revised Table:** We have included the requested additional data regarding Fines and Forfeitures in the table below:

CITY OF EVANSTON FINES AND FORFEITURES SUMMARY					
Description	BU	FY09 Adopted	YTD as of 1/20/09	FY09 Est. Full Yr.	FY10 Proposed
52570 ADMIN ADJUDICATION	1935	120,000	172,820	198,000	150,000
52555 HOUSING CODE VIOL FIN*	2115	-	30,529	33,000	5,000
52560 PERMIT PENALTY FEES	2130	15,000	5,277	6,000	15,000
52510 REGULAR FINES	2270	200,000	180,964	306,000	250,000
52540 POLICE & FIRE FALSE A**	2305	155,000	28,140	155,000	155,000
52505 TICKET FINES-PARKING	2645	3,547,500	2,812,499	3,415,400	3,400,000
52530 BOOT RELEASE FEE	2645	95,900	33,726	38,000	87,500
52610 LIBRARY FINES & FEES	2820	208,000	145,045	190,000	194,000
		4,341,400	3,409,000	4,341,400	4,256,500

\* The majority of housing code violation fines have been credited to the administration adjudication account since most of these fines go through the adjudication hearing process.

\*\*Police & Fire False Alarm revenues are billed once a year. We anticipate meeting budget.

3. **Overtime Revised Table:** We have included a revised table on overtime.

<b>OVERTIME SUMMARY - LARGEST USERS BY BUSINESS UNIT</b>					
<b>Description</b>	<b>Dept</b>	<b>BU NAME</b>	<b>2008-09</b>	<b>2008-09</b>	<b>2009-10</b>
			<b>Adopted Budget</b>	<b>YTD Actuals as of 1/12/09</b>	<b>Proposed Budget</b>
61111 HIREBACK OT	Fire	Fire suppression	\$359,800	\$246,589	\$356,000
61111 HIREBACK OT	Police	Patrol operations	\$91,000	\$177,554	\$97,000
61110 OVERTIME PAY	DPW	Snow and Ice	\$175,000	\$161,707	\$250,000
61112 SPECIAL DETAIL OT	Police	Patrol operations	\$60,000	\$104,476	\$147,000
61110 OVERTIME PAY	Fire	Fire suppression	\$99,500	\$87,368	\$138,500
61110 OVERTIME PAY	DPW	Refuse Collection	\$60,000	\$50,552	\$60,000
61110 OVERTIME PAY	Police	Criminal Investigations	\$20,000	\$34,816	\$21,000
61111 HIREBACK OT	Police	Communications Bureau	\$25,000	\$33,199	\$27,000
61110 OVERTIME PAY	DPW	Traffic Signals & St. Lt. Maint.	\$35,000	\$32,090	\$35,000
61110 OVERTIME PAY	DPW	Street and Alley Mtce.	\$45,000	\$30,044	\$35,000
61110 OVERTIME PAY	DPW	Streets and Sanitation	\$20,000	\$28,650	\$18,000
61113 TRAINING OT	Fire	Fire suppression	\$42,300	\$28,077	\$41,000
61111 HIREBACK OT	Police	Service Desk	\$17,000	\$27,077	\$16,500
61110 OVERTIME PAY	DPW	Parking Enforcement	\$41,000	\$24,731	\$39,600
61110 OVERTIME PAY	Police	Patrol operations	\$69,000	\$24,074	\$45,000
61110 OVERTIME PAY	Parks	Recreation Facility Maint.	\$21,600	\$22,465	\$24,300
61110 OVERTIME PAY	Fleet	Major Maint.	\$0	\$22,073	\$21,800
61110 OVERTIME PAY	DPW	Traffic Signs	\$18,000	\$20,617	\$18,000
61110 OVERTIME PAY	DPW	Yard Waste Collection	\$0	\$20,197	
61110 OVERTIME PAY	Water	Water Distribution	\$63,200	\$20,053	\$63,200
61110 OVERTIME PAY	Water	Pumping	\$22,600	\$19,501	\$25,000
61110 OVERTIME PAY	Fire	Fire Prevention	\$20,500	\$17,080	\$18,000
61110 OVERTIME PAY	CD	Planning and Support	\$15,500	\$16,651	\$15,500
61110 OVERTIME PAY	Police	Neighborhood Enforcement	\$6,000	\$16,364	\$16,500
61110 OVERTIME PAY	CD	Building and Zoning	\$10,000	\$16,205	\$10,500
61110 OVERTIME PAY	Water	Filtration	\$18,700	\$15,965	\$23,000
61112 SPECIAL DETAIL OT	Police	Neighborhood Enforcement	\$9,000	\$15,714	\$10,000
61110 OVERTIME PAY	Sewer	Operations and Maint.	\$27,600	\$15,353	\$27,600
61110 OVERTIME PAY	Parks	Robert Crown Center	\$5,300	\$14,227	\$5,300
61112 SPECIAL DETAIL OT	Police	Juvenile Bureau	\$5,000	\$13,060	\$4,600
61110 OVERTIME PAY	Forestry	Dutch Elm Disease	\$14,800	\$12,426	\$14,800
61110 OVERTIME PAY	Police	Social Services	\$10,000	\$12,203	\$12,000
61110 OVERTIME PAY	Finance	Collections Division	\$7,500	\$10,883	\$7,500
61112 SPECIAL DETAIL OT	Police	Problem Solving	\$0	\$10,772	
61110 OVERTIME PAY	Police	Juvenile Bureau	\$8,000	\$10,092	\$8,000
		<b>TOTAL</b>	<b>\$1,442,900</b>	<b>\$1,412,905</b>	<b>\$1,652,200</b>

4. **Other Taxes:** The table below provides the requested comparison of FY 08-09 budgeted amounts with the FY 09-10 proposed budget.

<b>OTHER TAXES</b>				
<b>ACCOUNT</b>	<b>DESCRIPTION</b>	<b>FY 08-09 ADOPTED BUDGET</b>	<b>FY 09-10 PROPOSED BUDGET</b>	<b>% VARIANCE</b>
51515	STATE USE TAX	\$956,100	\$1,142,000	19%
51525	SALES TAX - BASIC	\$9,100,000	\$9,176,000	1%
51530	SALES TAX - HOME RULE	\$6,070,500	\$5,776,000	-5%
51535	AUTO RENTAL TAX	\$35,000	\$35,000	0%
51540	ATHLETIC CONTEST TAX	\$550,000	\$575,000	5%
51545	STATE INCOME TAX	\$6,600,000	\$7,050,000	7%
51555	FIRE INSURANCE TAX	\$0	\$90,000	-
51565	ELECTRIC UTILITY TAX	\$3,015,000	\$2,798,900	-7%
51570	NATURAL GAS UTILITY TAX	\$1,537,700	\$1,845,000	20%
51575	NAT GAS USE TAX HOME RULE	\$829,100	\$858,700	4%
51585	CIGARETTE TAX	\$405,000	\$405,000	0%
51590	EVANSTON MOTOR FUEL TAX	\$401,000	\$401,000	0%
51595	LIQUOR TAX	\$1,927,000	\$2,040,000	6%
51600	PARKING TAX	\$1,700,000	\$1,800,000	6%
51605	PERS. PROP. RPL. TAX	\$879,000	\$622,500	-29%
51610	PERS. PROP. RPL. TAX REC	\$46,300	\$46,300	0%
51615	PERS. PROP. RPL. TAX LIB	\$50,200	\$50,200	0%
51620	REAL ESTATE TRANSFER TAX	\$3,700,000	\$3,000,000	-19%
51625	TELECOMMUNICATIONS TAX	\$3,200,000	\$3,655,400	14%
51630	AMUSEMENT TAX	\$5,500	\$0	-100%
<b>51500</b>	<b>OTHER TAXES TOTAL</b>	<b>\$41,007,400</b>	<b>\$41,367,000</b>	<b>0.88%</b>

5. **Athletic Taxes:** The City receives Athletic taxes under two sources as noted in the previous budget memo. The only tax we can adjust is the tax that is already at 8.0%. In reviewing receipts from Athletic tax, we estimate that each 1.0% of tax is worth \$50,000 in annual revenues. Attachment 2 provides a history of this tax by source and year.



# Illinois Department of Commerce and Community Affairs

Rod R. Blagojevich  
Governor

Jack Lavin  
Acting Director

## PERSONAL PROPERTY REPLACEMENT TAX

### INTRODUCTION

Personal Property Replacement Tax payments are received from the State, to replace lost revenues resulting from the abolishment of the corporate personal property tax. The procedures which taxing districts must follow in allocating the Personal Property Replacement Tax are found at 30 ILCS 115/12 85. Various amendments have been added since the original enactment of the law. This publication has been prepared to answer the most commonly asked questions about the payments.

### DISTRIBUTION OF FUNDS TO LOCAL GOVERNMENTS

Downstate taxing units receive a share of the replacement tax, based upon the amount of corporate personal property tax they collected in 1977 in proportion to the total amount of corporate personal property tax collected in the state outside of Cook County. Cook County taxing units receive a share based upon the amount of corporate personal property tax they collected for 1976 in proportion to the total amount collected in Cook County.

The personal property replacement tax receipts are distributed to individual governmental units in eight installments throughout the calendar year. Distributions are made in January, March, April, May, July, August, October and December.

### USE OF PERSONAL PROPERTY REPLACEMENT TAX

The personal property replacement tax provisions require:

1. Municipalities and townships must pay a portion of each personal property replacement tax check received to their respective libraries, if a library tax was levied on or before December 31, 1978. (See page 2 for calculations.) Libraries that have converted into library districts must continue to receive their allocation from the municipality or township.

Townships must also allocate a portion of the replacement tax to the cemetery fund if a cemetery tax was levied on or before December 31, 1978 under the provisions of 50 ILCS 610/1c.

2. Each road district must pay a portion of each personal property replacement tax check to the municipalities within the road district boundaries, if the municipalities previously received a portion of the road district road and bridge levy. (See page 2 for calculation.)

Internet Address <http://www.commerce.state.il.us>

620 East Adams Street  
Springfield, Illinois 62701

James R. Thompson Center  
100 West Randolph Street, Suite 3-400  
Chicago, Illinois 60601

607 East Adams Street  
Springfield, Illinois 62701

2309 West Main, Suite 118  
Marion, Illinois 62959

217/782-7500  
Fax: 217/524-1627 xTDD: 800/785-6055

312/814-7179  
Fax: 312/814-6732 xTDD: 800/419-0667

217/785-2800  
Fax: 217/785-2618 xTDD: 217/785-6055

618/997-4394  
Fax: 618/997-1825 x TDD Relay: 800/526-0844

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After allocations have been made, the personal property replacement tax provisions require two liens:

1. The first lien on personal property replacement tax funds each calendar year is for bonded indebtedness incurred on or before December 31, 1978. Payments must be made to the Bond and Interest Fund until the entire lien is satisfied. (See page 3 for calculation.)

The county clerk has the authority to reduce the tax levy for bonded indebtedness.

2. The second lien on personal property replacement tax funds each calendar year is for pension obligations of the local governmental unit (Illinois Municipal Retirement Fund (IMRF) - social security - police pension - firemen's pension). All pension obligations must be satisfied before the funds can be used for other purposes. (See page 3 for calculation.) The local governmental unit must reduce its own tax levy for pensions.

Any personal property replacement tax funds, remaining after satisfying the two liens, should be used for the same purpose as real estate taxes.

### LEVY PROCESS

Personal property replacement tax funds should be considered when preparing the annual property tax levy. The basic intent of the law is to prevent excessive taxation of real estate. Sound fiscal planning requires that all revenues including personal property replacement tax receipts be considered in the levy process. It is recommended that local governments make a determination on the use of the funds at tax levy time.

### CALCULATION OF ROAD DISTRICT ALLOCATION TO MUNICIPALITIES

1. Multiply the total 1978 personal property equalized assessed valuation of the road district times the levy rate (rate from all road district levies) times the collection rate of personal property.
2. Multiply the personal property equalized assessed valuation of that portion of the municipality that is located in the road district's boundaries times the road and bridge levy rates times the municipal personal property collection rate. Divide this figure by two.
3. Divide the total in Step 2 by the total for Step 1. This will give a percentage to be used as the municipality's portion.
4. Multiply this percentage by each PPRT check from the State of Illinois (municipal share).

Note: The county clerk and/or treasurer can provide the above information.

### CALCULATION OF LIBRARY ALLOCATION

1. Divide the total 1978 library taxes collected (real and personal) by the total 1978 taxes collected (real and personal) for the municipality or township.
2. Multiply this percentage by each PPRT check received from the State of Illinois (library share).

Follow this procedure in allocating PPRT to the Cemetery Fund in township levying a property tax under 50 ILCS 610/1c.

Note: The county clerk and/or treasurer can provide the above information.

### CALCULATION OF BOND AND PENSION LIENS

Assume that in the 1978 tax levy year, the county treasurer collected 90 percent of the taxes on real estate and 10 percent on personal property.

#### BOND FUND

Current bond needs (principal and interest)	\$80,000
First lien on replacement tax money	$\frac{X}{\$8,000} 10\%$

#### PENSIONS

(Social security, IMRF, fire pension, police pension, etc. paid from any levy fund.)

Current pension needs	\$10,000
Second lien on replacement tax money	$\frac{X}{\$1,000} 10\%$

For information about your government's allocation, call the Department of Revenue at (217) 782-3254.

For more information about the use of Personal Property Replacement Tax, contact the Department of Commerce and Community Affairs at 217/558-2860.

## NORTHWESTERN ATHLETIC CONTEST TAX AND PARKING TAX STUDY

### FY 2003

Men's Basketball Tickets	Paid Jun 2002	\$ 70,790.46
Other Tickets	Paid Jun 2002	\$ 18,429.59
		\$ 89,220.05

Football Athletic Contest Tax	Paid Dec 2002	\$ 402,074.68
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### FY 2004

Men's Basketball Tickets	Paid Jun 2003	\$ 75,833.38
Other Tickets	Paid Jun 2003	\$ 14,129.64
		\$ 89,963.02

Football Athletic Contest Tax	Paid Dec 2003	\$ 429,543.14
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### FY 2005

Men's Basketball Tickets	Paid Jun 2004	\$ 77,676.12
Other Tickets	Paid Jun 2004	\$ 11,378.51
		\$ 89,054.63

Football Athletic Contest Tax	Paid Dec 2004	\$ 416,928.70
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### FY 2006

Men's Basketball Tickets	Paid Jun 2005	\$ 88,029.86
Other Tickets	Paid Jun 2005	\$ 12,904.84
		\$ 100,934.70

Football Athletic Contest Tax	Paid Dec 2005	\$ 562,901.75
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### FY 2007

Men's Basketball Tickets	Paid Jun 2006	\$ 83,934.04
Other Tickets	Paid Jun 2006	\$ 13,636.63
		\$ 97,570.67

Football Athletic Contest Tax	Paid Feb 2007	\$ 481,300.29
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### FY2008

Men's Basketball Tickets	Paid Jun 2007	\$ 103,657.25
Other Tickets	Paid Jun 2007	\$ 14,120.23
		\$ 117,777.48

Football Athletic Contest Tax	Paid Feb 2008	\$ 478,998.80
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### FY2009

Men's Basketball Tickets	Paid Jun 2008	\$ 103,744.53
Other Tickets	Paid Jun 2008	\$ 16,561.06
		\$ 120,305.59

Football Athletic Contest Tax	Paid XXX 2009	
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