

FY 24 BUDGET
PRESENTATION

CITY COUNCIL

2-28-23

United City of Yorkville

Budget Schedule

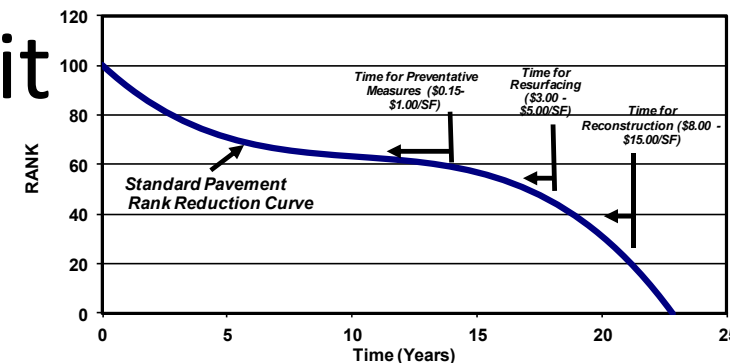
- Policy Discussion
 - Road Infrastructure Fees vs. Bonding
 - Food and Beverage Tax vs. Water Rate Increase
 - February 28, 2023
- Full FY 24 Budget Presentation
 - March 14, 2023
- One mandated public hearing
 - March 28, 2023
- City Council must approve budget before April 30, 2023

Tonight's outline

- Policy Discussion Needed
 - Road to Better Roads plan forecasts a cluster of subdivisions needing to be paved in next few years
 - How much of this project should be bonded?
 - Should the RINF be increased to reduce the need for bonding?
- Funding the Lake Michigan Water Source Project
 - Places of eating tax vs. water rate increases

Road to Better Roads

- Plan with funding created in 2012
- \$2m annual funding target to keep pavement inventory “maintainable”
- Catch road deterioration at specific points where repairs and rehab can be done at minimal cost and high benefit



Road to Better Roads

- Funding groups
 - Pavement only
 - Usually between \$500,000 and \$1,500,000 annually
 - Water plus pavement
 - Usually between \$500,000 and \$2,000,000
- One-off projects as they come up
 - Baseline Rd
 - Mill Rd
 - Kennedy Rd
 - Entire Countryside subdivision

Road to Better Roads

- Cluster of subdivisions
 - Yorkville saw nation-leading residential growth in the mid-2000s
 - Most of those newer subdivisions have not been repaved since they were first installed:

• Bristol Bay	4 miles of pavement
• Kylyn's Ridge	1.64 miles
• Prairie Meadows	1.76 miles
• Autumn Creek	4.21 miles
• Heartland	2 miles
• Heartland Circle	3.13 miles
• Rivers Edge	2.07 miles
• Raintree Village & <u>Fox Highlands</u>	4.42 miles
	23.23 miles of pavement & \$11,000,000 of estimated cost

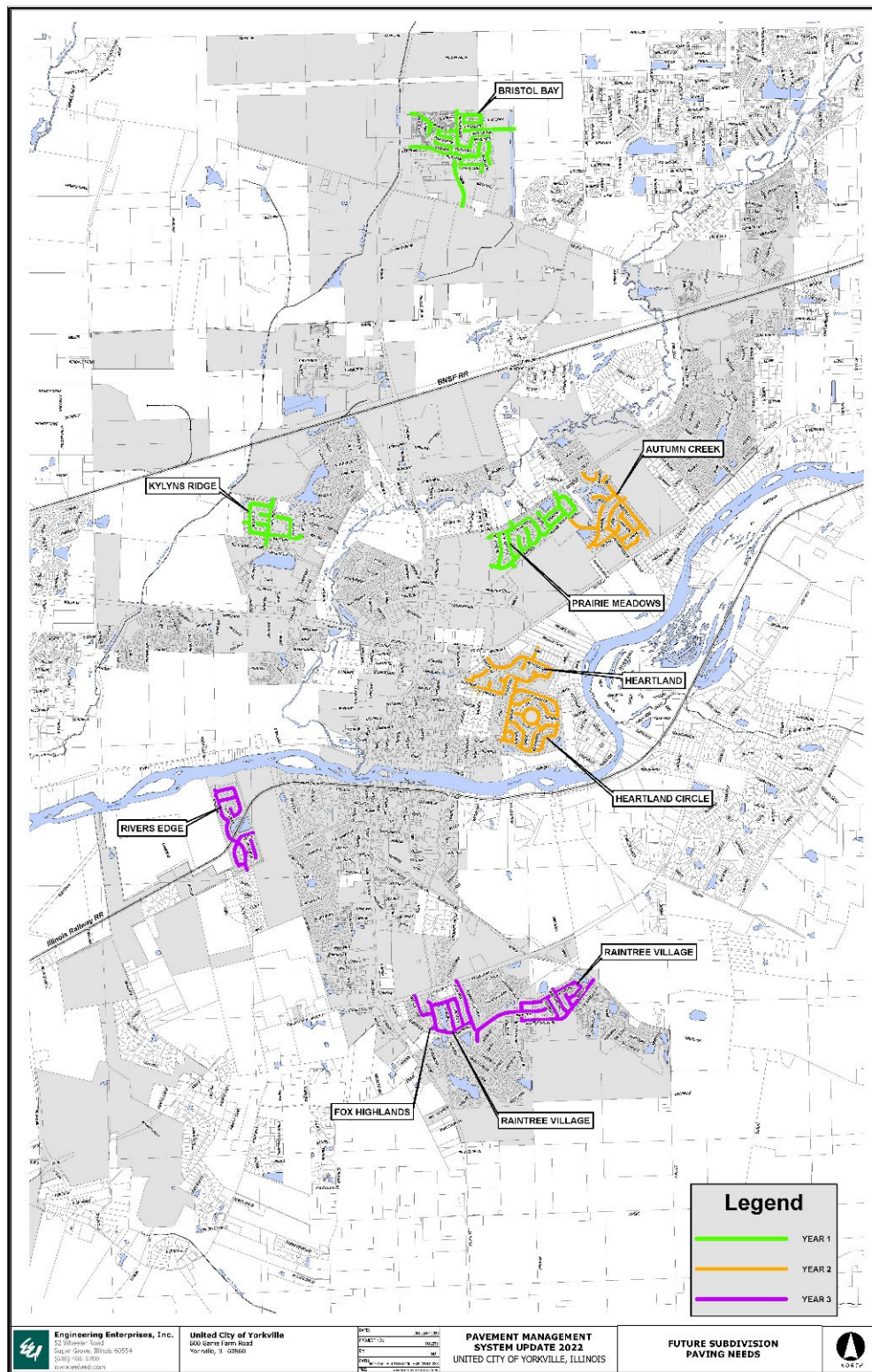
RTBR PROGRAM UPDATE
United City of Yorkville
JANUARY 2023

PROPOSED FUTURE SUBDIVISION PAVING NEEDS

YEAR 1 STREET REHABILITATION OPTIONS								
SUBDIVISION	STRATEGY	LENGTH	AREA	WEIGHTED AVERAGE DEFLECTION CONDITION	WEIGHTED AVERAGE DYNAMIC CONDITION	WEIGHTED AVERAGE SURFACE CONDITION	WEIGHTED AVERAGE RANK	TOTAL COST
BRISTOL BAY	VARIABLE DEPTH MILL, OVERLAY 3"	4.02	61,840	100	82.9	71.0	82.1	\$ 1,732,084
PRAIRIE MEADOWS	VARIABLE DEPTH MILL, OVERLAY 3"	1.76	27,400	100	87.4	67.3	82.9	\$ 819,846
KYLYN'S	VARIABLE DEPTH MILL, OVERLAY 3"	1.64	25,230	100	89.6	72.6	84.7	\$ 754,916
TOTAL:								\$ 3,306,846

YEAR 2 STREET REHABILITATION OPTIONS								
SUBDIVISION	STRATEGY	LENGTH	AREA	WEIGHTED AVERAGE DEFLECTION CONDITION	WEIGHTED AVERAGE DYNAMIC CONDITION	WEIGHTED AVERAGE SURFACE CONDITION	WEIGHTED AVERAGE RANK	TOTAL COST
AUTUMN CREEK UNITS 1, 1A, 2, 2A, & 2B	VARIABLE DEPTH MILL, OVERLAY 3"	4.21	66810.4	100	89.1	75.3	85.4	\$ 1,946,152
HEARTLAND CIRCLE	VARIABLE DEPTH MILL, OVERLAY 3"	3.13	49,120.00	100.00	85.3	74.3	83.9	\$ 1,469,738
HEARTLAND	VARIABLE DEPTH MILL, OVERLAY 3"	2.02	33,945.00	100.00	88.6	70.0	84.1	\$ 1,015,681
TOTAL:								\$ 4,431,572

YEAR 3 STREET REHABILITATION OPTIONS								
SUBDIVISION	STRATEGY	LENGTH	AREA	WEIGHTED AVERAGE DEFLECTION CONDITION	WEIGHTED AVERAGE DYNAMIC CONDITION	WEIGHTED AVERAGE SURFACE CONDITION	WEIGHTED AVERAGE RANK	TOTAL COST
RIVERS EDGE	VARIABLE DEPTH MILL, OVERLAY 3"	2.07	33,235.00	100.0	88.5	71.4	84.5	\$ 1,034,214.63
FOX HIGHLANDS/RAINTREE UNITS 1, 2 & 3	VARIABLE DEPTH MILL, OVERLAY 3"	4.42	73,010.00	100.0	91.5	70.4	84.6	\$ 2,271,942.53
TOTAL:								\$ 3,306,157



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Piquette, Illinois 60554
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www.eeinc.com

United City of Yorkville
600 Garret Farm Road
Yorkville, IL 60550

DATE: 06/27/22
PROJECT: PAVEMENT MANAGEMENT SYSTEM UPDATE 2022
BY: [Signature]
CHECKED: [Signature]
APPROVED: [Signature]

PAVEMENT MANAGEMENT
SYSTEM UPDATE 2022
UNITED CITY OF YORKVILLE, ILLINOIS

FUTURE SUBDIVISION
PAVING NEEDS



Road to Better Roads

- These 23 miles of roadway across 9 subdivisions are all due to be rehabbed in the 2026-2028 timeline at an average of \$3.6m needing to be spent per year
- City RTBR funding amounts in current budget are between \$1.5m and \$2.5m per year
 - The cluster of subdivisions is *likely* on top of the normal RTBR program

Road to Better Roads

- RTBR normal program
 - ~\$1,500,000 annually
- RTBR subdivision cluster
 - \$11,00,000 over a three year period
- RINF at \$8 per month per household generates ~\$850,000 per year
 - RINF created in May 2013, hasn't been changed
 - Inflationary increases from May 2013 forward would leave RINF at ~\$10.30 per month per household and generate just shy of \$1,100,000 annually

Road to Better Roads

- Scenarios – no change in RINF
 - (1) No change in RINF, complete roads when due
 - Subdivision cluster would need around \$10m in bonds with a ~\$900,000 debt service payment on a 15 year term
 - (2) No change in RINF, complete roads on a delayed basis
 - Would push back other roads by 6-10 years, pavement inventory would deteriorate

Road to Better Roads

- Scenarios – change RINF
 - (3) One time increase in RINF (moving from \$8 per month to \$9.60 per month) followed by inflationary increases would reduce bonding amount to \$7m-\$8m (~\$675,000 annual debt service)
 - (4) Inflationary only (4%) increases (moving from \$8 per month to \$8.32 per month in the first year) would reduce bonding amount to \$8m-\$9m (\$775,000 annual debt service)

Road to Better Roads

- Illustration, pay-as-you-go
 - Not recommended by staff, shown for informational purposes only
- Fully funding the RTBR program plus the subdivision cluster without bonding would take increases of the monthly fee of between \$10 to \$14 dollars per month per household every year
 - IE –
 - FY 24 - \$16 per month
 - FY 25 - \$26 per month
 - FY 26 - \$40 per month
 - FY 27 - \$54 per month
 - FY 28 - \$68 per month

Road to Better Roads

- Policy Decision:

Subdivision cluster in 2026-2028 can not be funded with current cash flow

Does the City Council want to increase the current funding levels (RINF and others) or delay the pavement projects?

Every \$1 per month per household increase generates \$100,000 annually

Lake Michigan Water Source Funding

- Current project costs estimated in the \$120,000,000 range
- City has previously communicated that water rates would have to more than double to fund the project
 - (i.e. \$45 per month current to north of \$90 per month in the future)

Lake Michigan Water Source Funding

- City Council has asked to have alternate revenue streams discussed
 - Oswego
 - Real estate transfer tax, currently generating \$500,000 annually
 - Not available to Yorkville until home rule status achieved, and then requires voter referendum
 - Has a food and beverage tax already
 - Generates around \$1m annually on their \$8m regular, local sales tax
 - Mayor Purcell floated places of eating tax at 2/14 CC meeting

Lake Michigan Water Source Funding

- City Council has asked to have alternate revenue streams discussed
- Remember, the water utility operates as its own enterprise, so the fund and the operation should be self-sustaining with water revenues

Lake Michigan Water Source Funding

- Comprehensive revenue and cost-cutting ideas discussed in the past 15 years by Yorkville's City Council:
 - Non-home rule sales tax
 - Authorized by referendum in 2012 to offset long-term sewer and water bonds
 - Property tax increases
 - Non-abatements authorized by the City Council in 2012 before non-home rule sales tax referendum, then non-abatements ceased the next year
 - City Council historically takes new construction levy increases only, leaving money uncollected under PTELL
 - City has PTELL until home rule status achieved

Lake Michigan Water Source Funding

- Comprehensive revenue and cost-cutting ideas discussed in the past 15 years by Yorkville's City Council:
 - Cut staff/hiring freeze/wage reductions
 - Entire City organization still operating under boom-years employee counts (2008 @98FTE; 2022 @87FTE); water department only has 6.5 direct employees
 - City still experiencing top-5 growth rates in the entire state; Kendall County is the fastest growing county in the entire state by a percentage basis
 - Savings from cutting staff in other departments shouldn't be used to subsidize the water fund
 - Increase building permit fees, impact fees, and water connection fees
 - Can be done at the expense of development, but with limited applicability to current subdivisions that have fee locks

Lake Michigan Water Source Funding

- Comprehensive revenue and cost-cutting ideas discussed in the past 15 years by Yorkville's City Council:
 - Increase amusement taxes
 - Sitting at 3%, could go to 5% but must be spent on tourism
 - Increase telecommunications tax
 - Sitting at 5%, could go to 6% but has limited total value
 - Sell assets
 - Old Post Office, Van Emmon Activity Center, other properties for a one-time revenue stream (TIF deficits need to be offset)
 - Defer projects
 - Non-water projects shouldn't be deferred to fund water projects
 - Non-water projects are great in need and scope (subdivision cluster at RTBR, PW facility)
 - Water projects can't be deferred due to long-term deep water aquifer source issues

Lake Michigan Water Source Funding

- Water Fund Basics
 - Annual water sales are around \$4m
 - Last year's staggered rate increases are expected to generate \$350,000 in year one and \$650,000 each year thereafter
 - Base rate went from \$17 bi-monthly to \$24 bi-monthly on Sept 1, 2022
 - Volumetric rate went from \$4.30 per 100 cubic feet to \$4.80 per 100 cubic feet on Jan 1, 2023
 - 78% of customers saw increases of \$10.25 per billing cycle or less

Lake Michigan Water Source Funding

- Water Fund Basics
 - City has ~\$1m in existing annual debt obligations
 - City has a robust Capital Improvement Plan unrelated to Lake Michigan that totals \$1m to \$2m per year
 - Annual Total Expenditures prior to any Lake Michigan costs are between \$4m and \$6.5m
- Lake Michigan project in the \$120m debt service range is going to require millions of dollars in annual debt service, even with low interest loans and grants
 - Lake Michigan related projects will result in capital plans in FY 24 north of \$8m and in FY 25 north of \$12m. Expectation for FY 26 is capital costs will exceed \$23m.

Lake Michigan Water Source Funding

Exact Lake Michigan funding plan and detailed cost estimates expected by end of Q2 2023

City needs a few hundred thousand dollars in new revenue in FY 24 and needs millions of dollars in new revenue in FY 25 and beyond in order to balance the water fund budget

Lake Michigan Water Source Funding

• Scenarios

- (1) Implement a places of eating tax in the amount of 1%, effective November 1, 2023 with no change in water rates
 - Would generate ~\$300,000 in FY 24
 - Would generate ~\$700,000 annually thereafter
- (2) Implement another phased water rate increase in FY 24, similar to FY 23 with no places of eating tax
 - \$24 bi-monthly base rate to \$31 bi-monthly base rate on September 1, 2023 plus a change in the volumetric rate from \$4.80 per 100 gallons to \$5.30 per 100 gallons on Jan 1, 2024 would generate ~\$300,000 in FY 24
 - Would generate ~\$700,000 annually thereafter

Lake Michigan Water Source Funding

- Scenarios

- (3) Do nothing
 - Water fund would be in deficit in FY 24, bond rating agencies may notice and downgrade the City's bond rating, thereby harming our interest rates for a future bond issuance
 - Future rate increases for Lake Michigan water source project would be higher and over a shorter timeframe

Lake Michigan Water Source Funding

- Policy Decision:

Lake Michigan water source project will require millions of dollars in annual debt service payments and millions of dollars in capital projects in the next 3-4 fiscal years

More precise cost estimates and rate increase proposals will not be discussed by the City Council until this Summer

The Water Fund will have a deficit budget in FY 24 without a rate increase, new alternative revenue stream, or a large increase in customer water usage

Does the City Council want to implement a places of eating tax or a water rate increase in FY 24?

Every 1% increase in places of eating tax generates ~\$700,000 annually, which is the equivalent to 15%-18% of the City's entire water sales annually

Places of Eating Taxes and Sales Taxes

<u>Neighbors</u>	<u>Places of eating</u>	<u>Sales Tax</u>	<u>Effective Rate</u>
Aurora (DuPage)	1.75%	8.25%	10.00%
Aurora (Kane)	1.75%	8.25%	10.00%
Aurora (Kendall)	1.75%	8.50%	10.25%
Aurora (Will)	1.75%	8.25%	10.00%
Batavia	2.00%	8.00%	10.00%
Elburn	0.00%	8.00%	8.00%
Geneva	0.00%	8.00%	8.00%
Minooka (Will)	0.00%	7.00%	7.00%
Minooka (Kendall)	0.00%	7.25%	7.25%
Minooka (Grundy)	0.00%	6.25%	6.25%
Montgomery (Kane)	0.00%	8.00%	8.00%
Montgomery (Kendall)	0.00%	8.25%	8.25%
Naperville, downtown	1.75%	7.75%	9.50%
Naperville, non downtown	1.00%	7.75%	8.75%
North Aurora	0.00%	7.50%	7.50%
Oswego (Kendall)	1.00%	8.50%	9.50%
Oswego (Will)	1.00%	8.25%	9.25%
Plainfield (Kendall)	0.00%	8.75%	8.75%
Plainfield (Will)	0.00%	8.50%	8.50%
Plano	0.00%	7.25%	7.25%
Sandwich (Kendall)	0.00%	8.25%	8.25%
Sandwich (DeKalb)	0.00%	7.25%	7.25%
Shorewood	0.00%	8.75%	8.75%
St Charles	0.00%	8.00%	8.00%
Sugar Grove	0.00%	8.00%	8.00%
Yorkville	0.00%	8.25%	8.25%

Places of Eating Taxes and Sales Taxes

<u>Rest of Illinois</u>	<u>Places of eating</u>	<u>Sales Tax</u>	
Addison	0.00%	8.25%	8.25%
Arlington Heights (Cook)	1.25%	10.00%	11.25%
Arlington Heights (Lake)	1.25%	8.00%	9.25%
Barrington (Cook)	0.00%	9.00%	9.00%
Barrington (Lake)	0.00%	7.00%	7.00%
Bartlett (Cook)	0.00%	10.00%	10.00%
Bartlett (DuPage)	0.00%	8.00%	8.00%
Bartlett (Kane)	0.00%	8.00%	8.00%
Bensenville (Cook)	0.00%	10.00%	10.00%
Bensenville (DuPage)	0.00%	8.00%	8.00%
Bloomington	2.00%	8.75%	10.75%
Bolingbrook	1.50%	8.50%	10.00%
Brookfield	1.00%	10.00%	11.00%
Buffalo Grove (Cook)	1.00%	10.00%	11.00%
Buffalo Grove (Lake)	1.00%	8.00%	9.00%
Burr Ridge (Cook)	1.00%	9.25%	10.25%
Burr Ridge (DuPage)	1.00%	7.25%	8.25%
Carol Stream	0.00%	8.00%	8.00%
Carpentersville	0.00%	9.00%	9.00%
Chicago	0.50%	10.25%	10.75%
Clarendon Hills	1.00%	7.00%	8.00%
Countryside	1.00%	9.75%	10.75%
Darien	1.25%	8.00%	9.25%
Decatur	2.00%	9.25%	11.25%
Deerfield (Cook)	1.00%	10.00%	11.00%
Deerfield (Lake)	1.00%	8.00%	9.00%
Downers Grove	1.50%	8.00%	9.50%
Elk Grove (Cook)	1.00%	10.00%	11.00%
Elk Grove (DuPage)	1.00%	8.00%	9.00%
Elmhurst (Cook)	1.00%	10.00%	11.00%
Elmhurst (DuPage)	1.00%	8.00%	9.00%
Forest Park	0.00%	10.00%	10.00%
Glen Ellyn	1.50%	8.25%	9.75%
Glencoe	1.00%	9.00%	10.00%
Glendale Heights	1.00%	8.25%	9.25%
Gurnee	1.00%	8.00%	9.00%
Hampshire	2.00%	7.00%	9.00%
Hillside	0.00%	10.00%	10.00%
Hinsdale (Cook)	1.00%	10.00%	11.00%
Hinsdale (DuPage)	1.00%	8.00%	9.00%
Hoffman Estates (Cook)	2.00%	10.00%	12.00%
Hoffman Estates (Kane)	2.00%	8.00%	10.00%
Itasca	1.00%	7.50%	8.50%
Lemont (Cook)	0.00%	10.00%	10.00%
Lemont (DuPage)	0.00%	8.00%	8.00%

<u>Rest of Illinois</u>	<u>Places of eating</u>	<u>Sales Tax</u>	<u>#VALUE!</u>
Lemont (Will)	0.00%	8.00%	8.00%
Lombard	2.00%	8.00%	10.00%
Lynwood	1.00%	9.00%	10.00%
Matteson (Cook)	1.00%	10.00%	11.00%
Matteson (Will)	1.00%	8.00%	9.00%
Morton Grove	1.00%	10.25%	11.25%
Mount Prospect	1.00%	10.00%	11.00%
Niles	1.00%	10.25%	11.25%
Oak Brook (Cook)	0.00%	9.50%	9.50%
Oak Brook (DuPage)	0.00%	7.50%	7.50%
Oakbrook Terrace	1.50%	8.00%	9.50%
Palos Hills	1.00%	9.00%	10.00%
Palos Park	2.00%	9.50%	11.50%
Park Ridge	1.00%	10.00%	11.00%
Prospect Heights	1.50%	9.50%	11.00%
Quincy	1.00%	8.00%	9.00%
River Forest	1.00%	10.00%	11.00%
Rolling Meadows	2.00%	10.00%	12.00%
Romeoville	0.00%	8.50%	8.50%
Roselle (Cook)	1.25%	9.00%	10.25%
Roselle (DuPage)	1.25%	7.00%	8.25%
Schaumburg (Cook)	2.00%	10.00%	12.00%
Schaumburg (DuPage)	2.00%	8.00%	10.00%
Stickney	1.75%	10.25%	12.00%
Villa Park	1.50%	8.00%	9.50%
West Chicago	0.00%	8.00%	8.00%
West Dundee	1.00%	8.50%	9.50%
Westmont	2.00%	7.50%	9.50%
Wheeling	1.00%	10.00%	11.00%
Willowbrook	1.00%	8.00%	9.00%
Winfield	0.00%	7.50%	7.50%
Zion	0.00%	7.00%	7.00%

Lake Michigan Water Source Funding

	<u>Base Rate*</u>	<u>Volumetric**</u>	<u>WINF Fee***</u>	<u>YBSD Fees^</u>
FY 11	\$ 12.54	\$ 2.28	\$ -	\$ -
FY 12	\$ 12.73	\$ 2.31	\$ -	\$ -
FY 13	\$ 12.92	\$ 2.35	\$ 16.50	\$ 76.11
FY 14	\$ 13.11	\$ 2.38	\$ 8.00	\$ 76.11
FY 15	\$ 14.00	\$ 2.97	\$ 8.00	\$ 76.11
FY 16	\$ 16.00	\$ 3.65	\$ 16.50	\$ 76.11
FY 17	\$ 17.00	\$ 4.30	\$ 16.50	\$ 76.11
FY 18	\$ 17.00	\$ 4.30	\$ 16.50	\$ 76.11
FY 19	\$ 17.00	\$ 4.30	\$ 16.50	\$ 76.11
FY 20	\$ 17.00	\$ 4.30	\$ 16.50	\$ 76.11
FY 21	\$ 17.00	\$ 4.30	\$ 16.50	\$ 76.11
FY 22	\$ 17.00	\$ 4.30	\$ 16.50	\$ 76.11
FY 23****	\$ 24.00	\$ 4.80	\$ 16.50	\$ 76.11
FY 24	TBD	TBD	TBD	\$ 76.11

*Base rate is bi-monthly, for the first 350 cubic feet of water used

**Volumetric rate is per 100 cubic feet

***Fees listed are bi-monthly

****FY 23 base rate was changed Sept 2022, volumetric changed Jan 2023

^Bi-monthly fee for first 6,919 cubic feet

Budget Schedule

- March 14 City Council presentation
- March 28 City Council public hearing
- City Council discussion and debate
 - March 28 Discussion
 - April 11 Discussion and approval
 - April 25 Discussion and approval, if needed