

Property Tax Proposal FAQ

- 1. Does the Convention Center and Hotel have a negative impact on the Village's general services paid for from the General fund?** No. The hotel and convention center get no financial support from the Village's General fund. The convention center and hotel are not competing for General fund revenue. The convention center and hotel's financing was designed to be paid for by revenues from its operations and a portion of the hotel tax, amusement tax and telecommunications tax. Most of these taxes are paid by users of the hotel or visitors to Schaumburg. In return the convention center and hotel generate at least \$43 million per year of economic activity for the local economy and much more when the multiplier effect of this activity is considered. The total economic benefit to the area is positive even though the Village can only capture a portion of the economic activity in the form of taxes and revenue from operations.
- 2. Would selling the convention center and hotel eliminate the deficit in the Village's General fund?** No. The hotel and convention center was 100% financed using bonds. If the property was sold these bonds would need to be paid off. Due to the recession and associated decline in property values it is unlikely a buyer could be found that would be willing to pay the entire amount of the outstanding bonds. It would benefit the Village to hold this asset until such time as the market rebounds. If the property was sold taxes in place to support it could be reassigned to the General fund, but they amount to \$6 million per year and the deficit is \$17.6 million. Without a property tax the Village could not capture any property tax generated by privatizing the facility.
- 3. Does the airport lose money or rely on taxes to support it?** No. The airport operating costs are paid for by revenues derived from airport operations. No General fund money is used to support the airport currently.
- 4. Would selling the airport reduce the deficit?** No. Ninety percent of the airport purchase was funded by the federal government, five percent from the state and five percent from Schaumburg. If the airport was sold the grant money would need to be paid back to the federal and state governments. In addition, it is likely that the federal government would want to keep it as an airport and would turn it over to DuPage County Airport Authority to operate. The assets the Village owns like the terminal building and the hangars would only be useful if the property were operated as an airport.
- 5. If the new property tax is technically for 2009 why do the offsets of garbage and vehicle sticker fee elimination start later?** The recommendation to the Village Board was to implement a property tax for 2009, payable in 2010, eliminate the vehicle sticker for 2011 and start paying for garbage January 1, 2011. The Village has a projected deficit for 2009-2010 of \$12 million. The vehicle sticker for 2010 is included as revenue for 2009-2010. If the sticker was eliminated in 2010 the deficit would be that much bigger and without adequate reserves to cover the loss in revenue the Village would be that much closer to running out of money prior to the receipt of property tax revenue in December 2010. The same timing problems hold true for starting to pay garbage service but in that case it isn't a revenue loss but additional expenses created by taking over the fee. In short the offset is not meant to be one for one and is dictated by the timing of financial needs.

continued on back

6. **Would selling the baseball stadium help reduce the deficit?** The baseball stadium is owned by the Village and Park District. The first hurdle would be to get the Park District to agree to sell the stadium. Any sale would result in a one time payment that would need to be split with the Park District and would not generate any significant amount of money. Based on the lease revenue stream the value of the stadium is probably in the \$1-2 million range for investment purposes.
7. **Could the money spent on improvements in the Village's Tax Increment Financing districts be used to fund services instead and help reduce the deficit?** No. TIF laws require that any money collected in the TIF district be used to improve the district and it can not be used to provide local government services.
8. **Why can't the Village hold off on the decision to levy a property tax?** In order for money to be collected and disbursed to the Village in November or December of 2010 the tax levy needs to be filed by December 27, 2009. Based on current estimates the Village's General fund cash reserves will be exhausted sometime in the fall of 2010. If money is not received from the property tax vital services like fire, police and public works will be cut dramatically.
9. **How does the Village expect to meet expenses if its cash reserves will be exhausted sometime in the fall 2010?** In addition to delaying expenses and cutting as much as possible prior to that point the Village will either have to issue tax anticipation notes (basically a loan) or borrow cash from other funds temporarily.
10. **How much has the Village General fund budget grown since 1987?** The Village's FAV increased from \$1,163,722,833 in 1987 to \$4,724,117,989 in 2008. If you factor in compounding, the average increase is 6.9% per year. The budget for 1986/87 was \$26,865,350. The budget for 2009/10 is \$81,502,780. With compounding that is an increase of 4.95% per year. The Village General fund budget which is made up of services to the community has grown at a much slower rate than the property value of the community.
11. **What has the Village cut already to reduce manage expenses?** The Village always works to reduce expenses and has taken a significant number of actions over the last several years to decrease expenses. Almost \$26 million in expense reductions have been achieved since 2001.