

2020

Preliminary Revenue Estimates for the IRFC

April 29, 2020



Toni Preckwinkle
President, Cook County Board of Commissioners



Agenda

- Opening Remarks and Introductions
- Approval of the Minutes
- Review of Recommendations
- High Level Review of Model
- COVID-19 Considerations
- Meeting Schedule
 - Proposed Content
 - Proposed Dates
- Public Comment

Introductions



Review of Recommendations



Review of Recommendations



1) The Commission recommends consistently and transparently documenting the basic economic models and processes driving the County's revenues, which depend on numerous distinct factors...

- Implementation of Moody's Analytics©
- Codified position of selecting projections that yield both reasonable and conservative results.
 - For FY 2020, and FY 2021 we have relied more heavily on department estimates due to the uncertainty surrounding the COVID-19 pandemic.

Review of Recommendations



2) The Commission recommends that the County's models be improved by striving for consistency around source economic indicators and data.

- Developed a hierarchy of preferred data sets
- Posted data sets on the web with plans to update on a quarterly basis
- Began documenting the change in rates and fee schedules over time, focusing on Major Revenue Categories first.
- All of the above can be found on the IRFC Website
 - <https://www.cookcountyil.gov/service/independent-revenue-forecasting-commission>



Review of Recommendations

3) The Commission recommends the County continues to systematically take advantage of monthly revenues data and other operational details to improve its revenue forecasts

- All forecasts in the current model use Monthly data.
- Working with departments to collect more operational data.

Review of Recommendations



4) The Commission recommends that the County prepare clear and thorough documentation of current and historical County tax rates and other policies that drive County revenues.

- In progress. See Tax history on website.

Review of Recommendations



5) The Commission recommends that the County develop a process by which alternative forecasts are prepared and reviewed.

- Internally developed a long term financial stress test that provides an outlook on how major and minor recession might impact future revenue streams by reviewing the impact in previous years.
- In the development of the current model assumptions surrounding the end of the stay at place order were internally discussed before settling on the end of May forecast.



Review of Recommendations

6) The Commission recommends that the practice of forecasting new revenues based on a systematic comparison of County to other jurisdictions, in terms of population, income, tax policies and other relevant factors, be strengthened.

- Cannabis, Sports wagering, and Online sales tax have been informed by this process but further considerations and recommendations would be welcome.

Review of Recommendations



7) The Commission wishes to clarify that its scope of review includes all County revenue sources.

- The Office of the CFO continues to stress this point with the other separately elected as we strive gather more financial and operational data to help inform our forecasting methods.

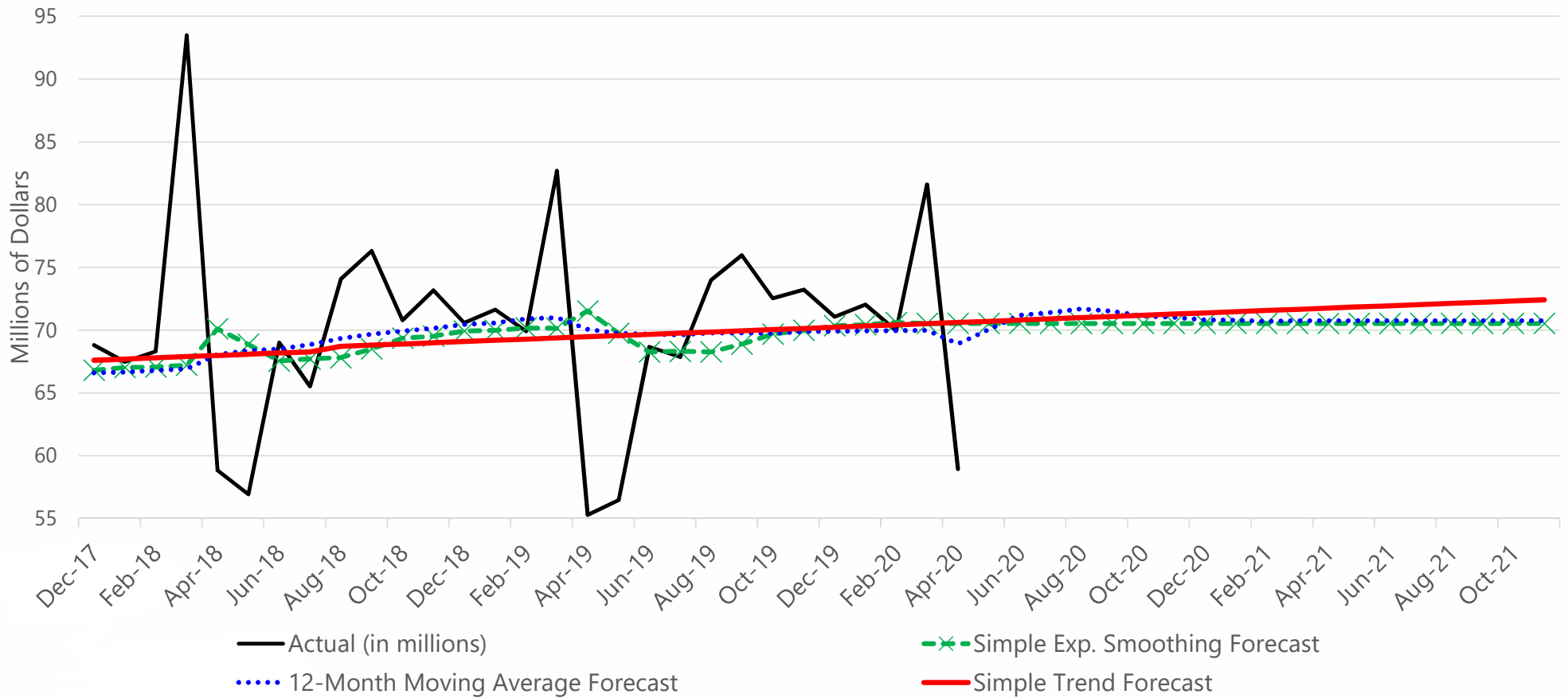
High Level Review of Model



Methodologies – Sales tax



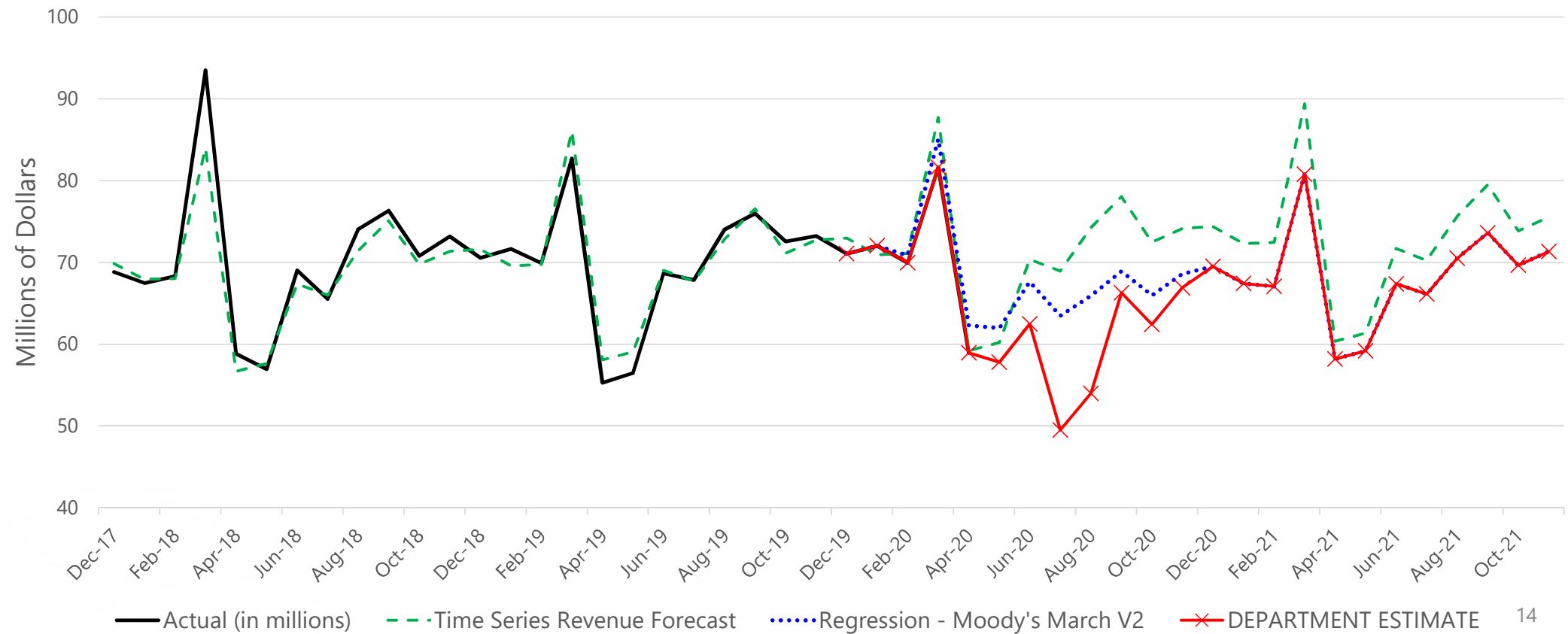
Sales Tax – Short-Term (non-seasonal)



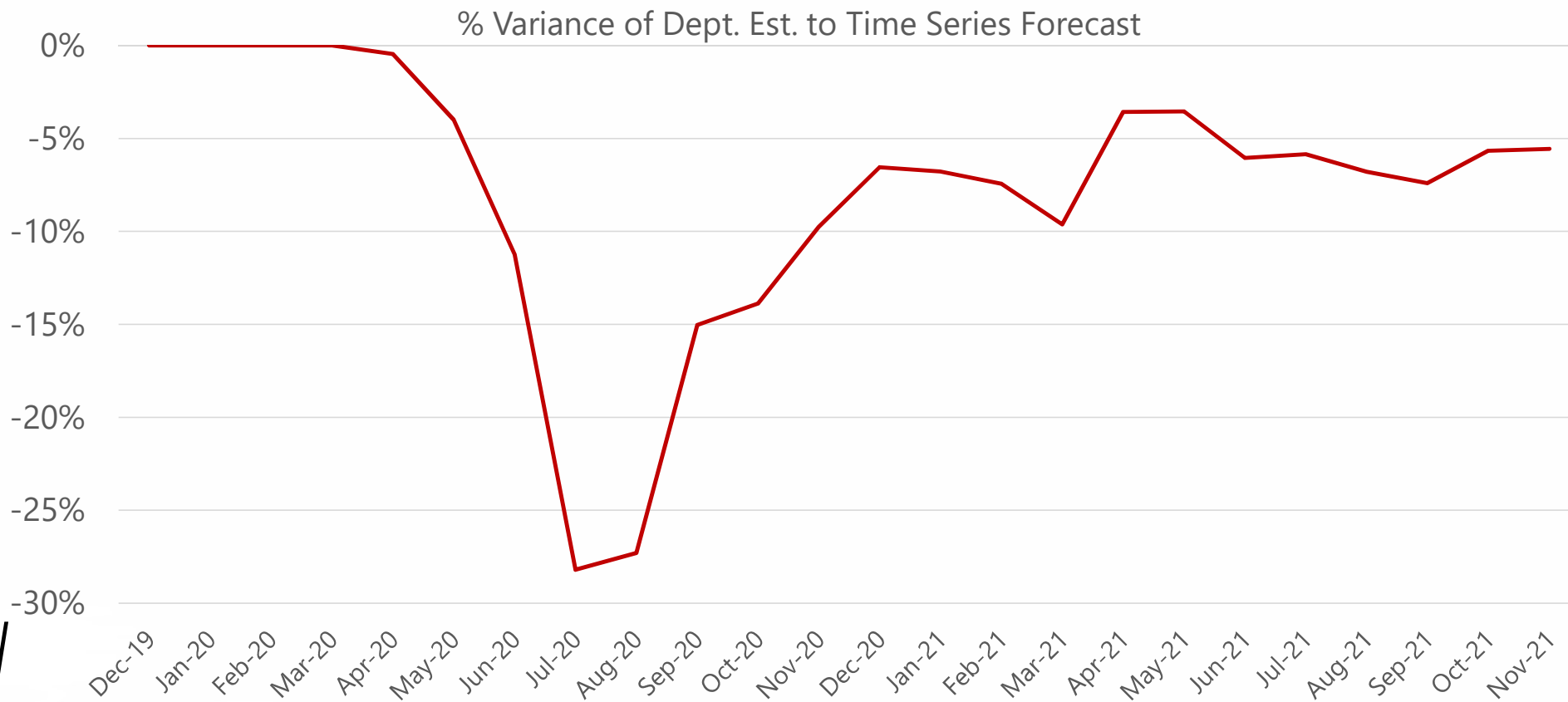
Methodologies – Sales tax



Sales Tax- Short Term (Seasonal)



Shape of Recovery for Sales tax





Economic Pressures on Sales tax

Annual % Change in GMP vs Tax Rate Adjusted Sales



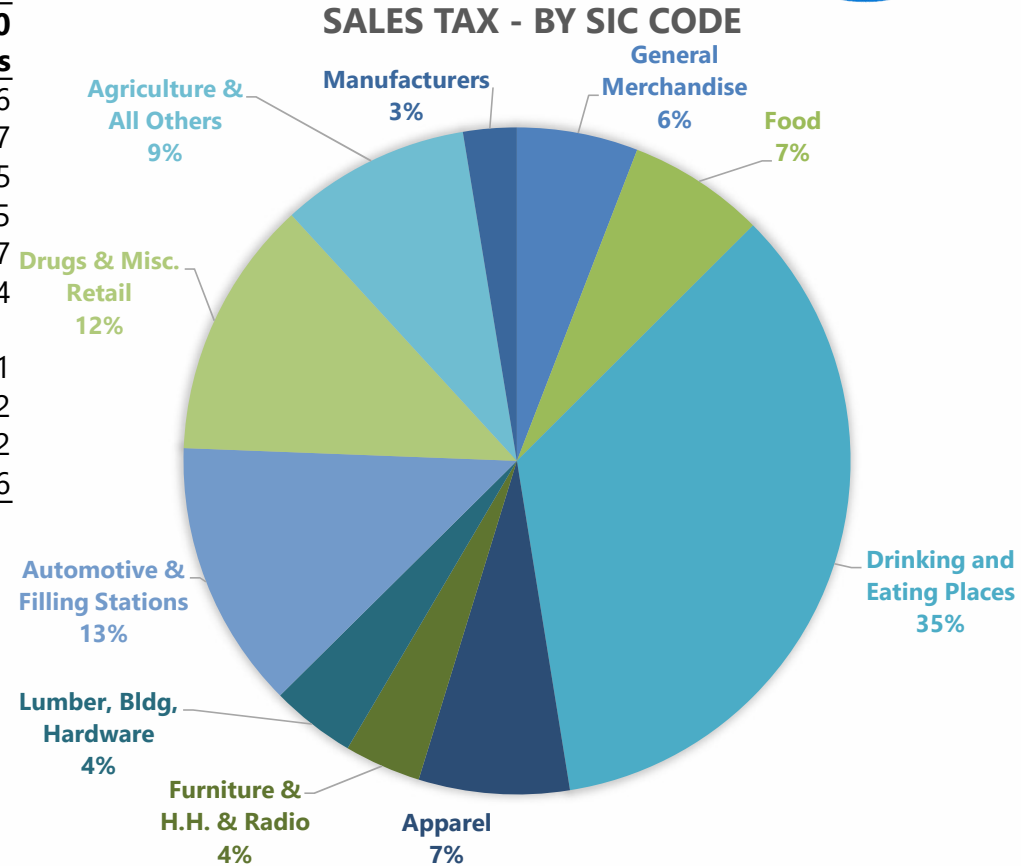
Economic Pressures on Sales Tax



	April 2019 Actuals*	Percent Decline	April 2020 Estimates
General Merchandise	\$4,027,696	0%	\$4,027,696
Food	\$4,567,367	0%	\$4,567,367
Drinking and Eating Places	\$23,989,175	-40%	\$14,393,505
Apparel	\$5,016,210	-50%	\$2,508,105
Furniture & H.H. & Radio	\$2,544,686	-80%	\$508,937
Lumber, Bldg, Hardware	\$2,821,767	-20%	\$2,257,414
Automotive & Filling Stations	\$8,951,126	-20%	\$7,160,901
Drugs & Misc. Retail	\$8,630,682	0%	\$8,630,682
Agriculture & All Others	\$6,323,382	0%	\$6,323,382
Manufacturers	\$1,784,596	0%	\$1,784,596

* 2019 April revenue is allocated based on the distribution in the pie chart

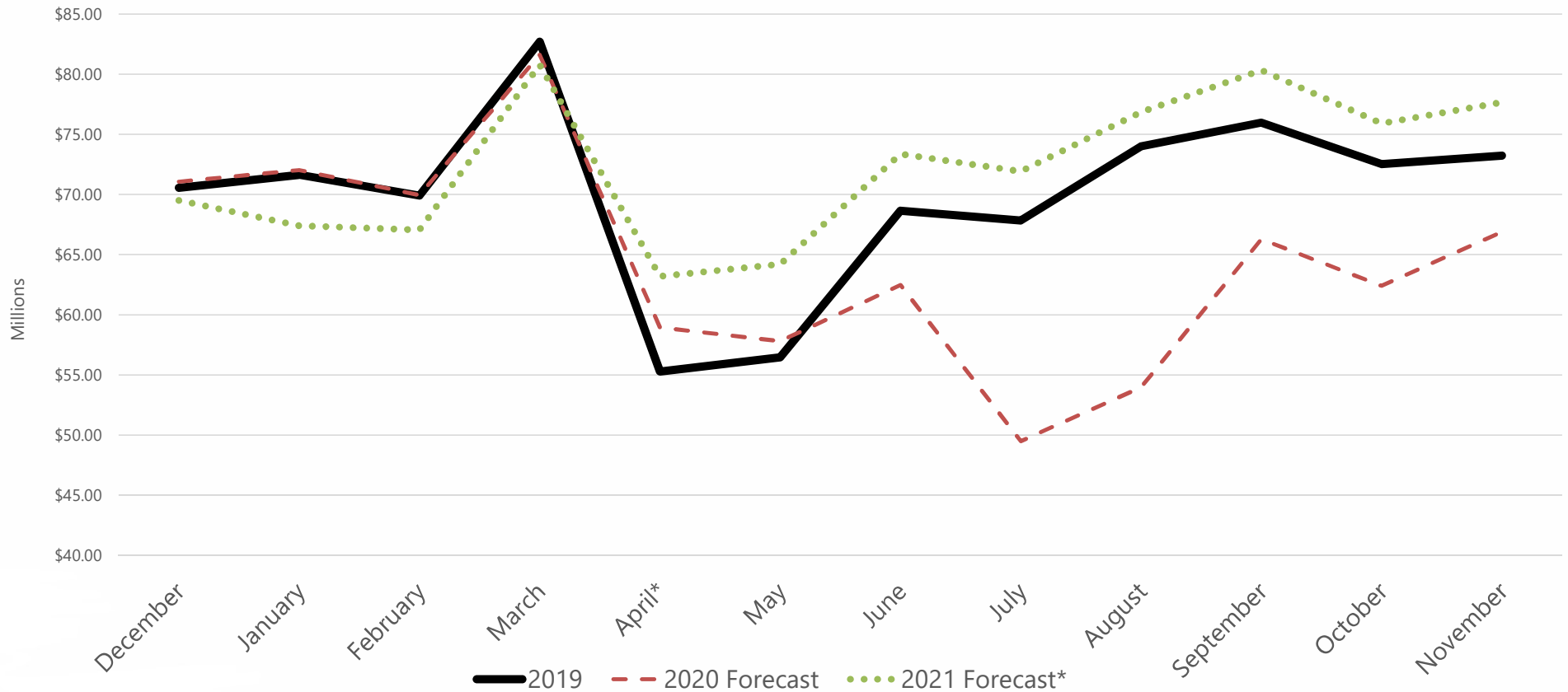
April 2019 Total	\$68,656,689
April 2020 Estimate	\$52,162,586
Dollars Lost	-\$16,494,103
Percent Lost	-24%



Sales Tax Forecast 2020 and 2021



Sales Tax with Online Sales tax collections



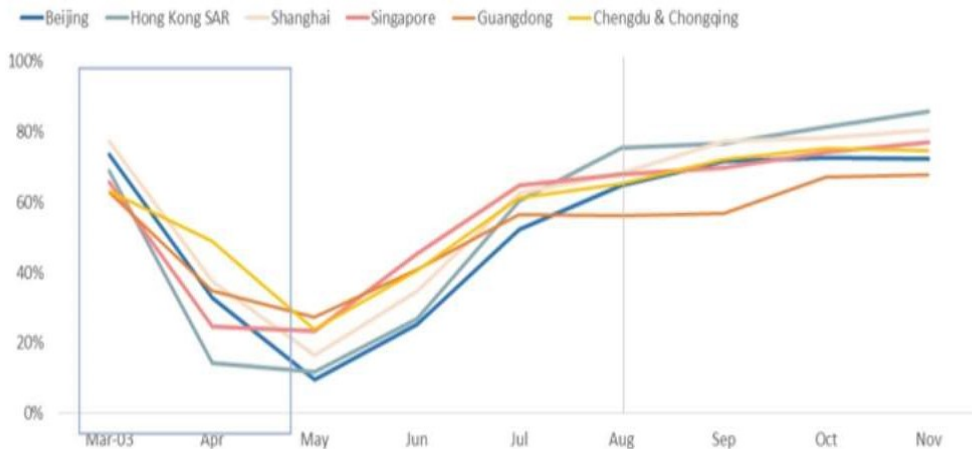
*On April 2021 The County is projected to receive online sales tax revenue for the first time.

Economic Pressures on Home-Rule Taxes/Fees

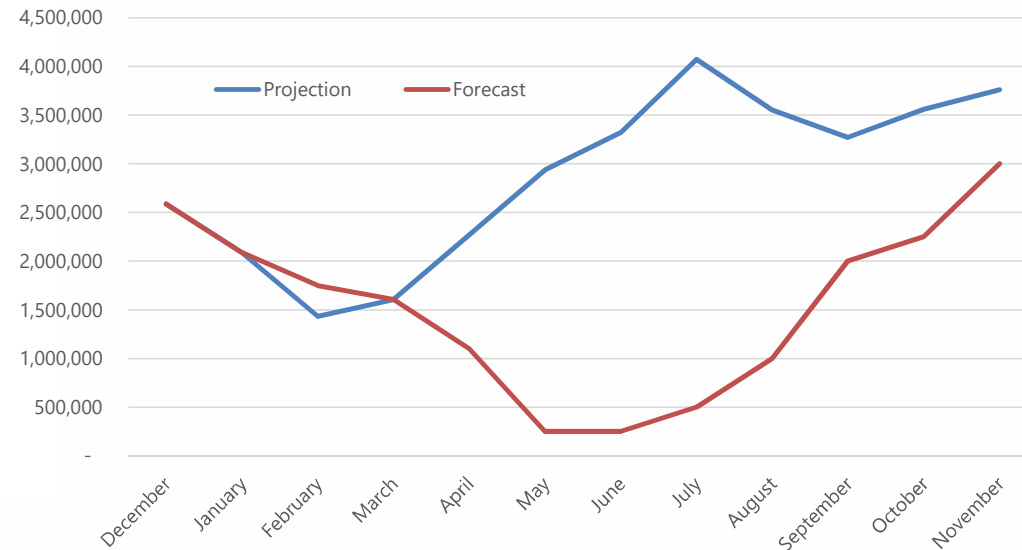


Market-level occupancy during SARS outbreak

March-November 2003



401550 - Hotel Accommodations Tax

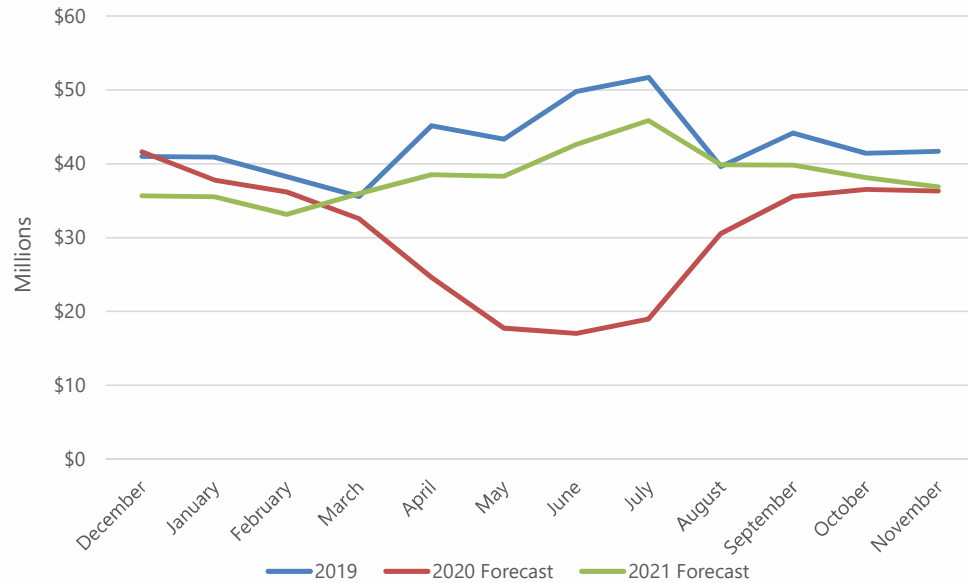


As the COVID-19 situation in France has worsened, the country's daily hotel occupancy plummeted to as low as 3.3% in March

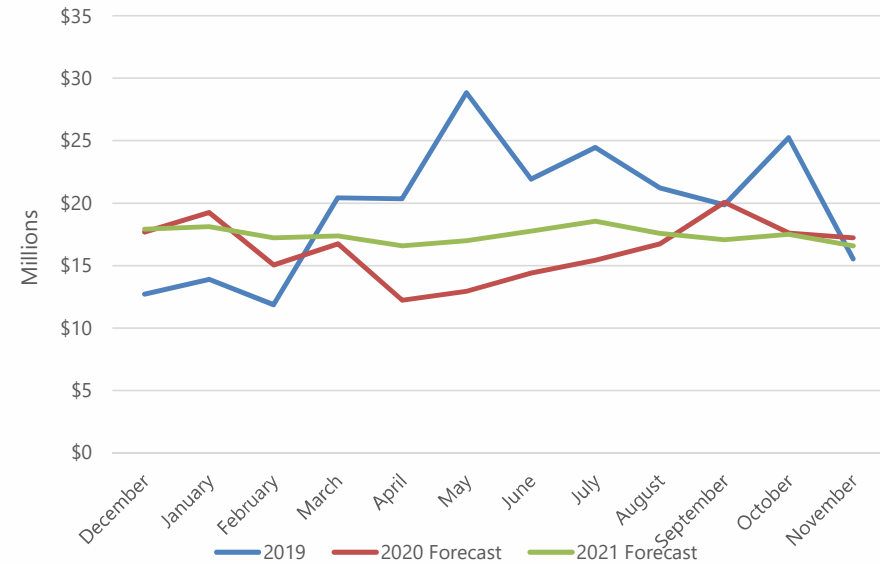
Economic Pressures on Home-Rule Taxes/Fees



Home Rule Taxes



Fees



	Sales Tax	Home Rule	Fees
2019	\$838,744,833	\$512,489,640	\$236,266,434
2020 Forecast	\$772,829,166	\$365,365,995	\$195,322,592
2021 Forecast	\$868,089,277	\$460,237,603	\$209,200,767

Available April Revenue Data



Taxes/Fees	Budget	Actual	Variance	% Variance
Cigarette	\$7,611,167	\$7,317,885	\$(293,282)	-3.85%
Use	7,332,999	4,127,096	(3,205,903)	-43.72%
Alcoholic Beverage	2,941,505	2,992,996	51,491	1.75%
Gasoline / Diesel Fuel	7,747,977	5,156,085	(2,591,892)	-33.45%
Retail Sale of Motor Vehicles	245,139	168,192	(76,947)	-31.39%
Wheel	33,938	2,510	(31,428)	-92.60%
Amusement	5,115,029	581,697	(4,533,332)	-88.63%
Parking Lot & Garage Operations	4,125,377	717,695	(3,407,682)	-82.60%
Other Tobacco Products	552,375	508,392	(43,983)	-7.96%
Non Retailer Title Transfer Use	1,427,035	1,024,000	(403,035)	-28.24%
Hotel	2,267,876	437,022	(1,830,854)	-80.73%
Gambling Devices	20,000	700	(19,300)	-96.50%
Firearm Tax	125,442	316,471	191,029	152.28%
OTB	90,000	77,855	(12,145)	-13.49%
Ill Gaming	823,329	324,868	(498,461)	-60.54%
Unincorp Gaming	37,000	69,903	32,903	88.93%
Cable Franchise Fees	287,500	-	(287,500)	-100.00%
Recorder's Audits	2,000	-	(2,000)	-100.00%
Liquor Licensing Unincorp	297,500	-	(297,500)	-100.00%
TOTAL	\$41,083,188.00	\$23,823,367.00	\$(17,259,821.00)	-42.01%

COVID-19 Considerations



COVID-19 Considerations



- When will people start returning to work?
- What will the shape of the recovery be once we return to work?
- How will the pandemic influence consumer behavior in the short term? Long term?
- What impact will federal stimulus via the SBA, and for individual households have on the recovery?
- Will Covid-19 return in the Fall!? Next Summer!?
- Will the Federal Government provide funding for lost revenue Under the CARES ACT?

Next Steps





Preparation for Preliminary Forecast

- Consider the use of statistical extrapolation methods to validate the current forecasts against March and April results as soon as they are available and adjust accordingly.
- Continue to review results of other Country's as they begin their recovery.
- Analyze New Moody's forecast.
- Seek out and validate other data sets against available County data to determine if they can be used for predictive analytics.
- Incorporate Recommendations from the IRFC. Recommendations by May 8th .



Recommendations for Quarterly Meeting

- Develop a schedule that evaluates the chosen forecast in the current model against the next set of available data.
 - Providing total variance, % variance, SE (Standard Error) and MAPE (Mean Absolute Percent Error).
- Document methodological changes between the forecast used today against model presented at next quarterly meeting.
- Continued Progress on Recommendations.
- Summary of updates to online materials.
- Work with IRFC members to incorporate recommended improvements ahead of the next meeting.
- Other action items corresponding to the development of the County Budget.

Proposed Schedule



- July 1, 2020 - Provision of current estimates and methods – Statutory Requirement
- July 30, 2020 – Quarterly Meeting and Approval of Methods – Statutory Requirement
- August 2020 – Additional meeting as required
- August 31, 2020 – Issuance of Recommendations – Statutory Requirements
- October 30, 2020 – Quarterly Meeting
- January 29, 2021 – Quarterly Meeting
- April 30, 2021 – Quarterly Meeting

Vote/Discussion?



Public Comment



Discussion?



Adjournment

