

# 2020

## Preliminary Revenue Estimates for the IRFC

July 1, 2020



**Toni Preckwinkle**  
President, Cook County Board of Commissioners

# Roll Call



# Opening Remarks



# Agenda



- Opening Remarks
- Approval of the Minutes
- Preliminary Estimates 2020 and 2021
  - High level Review
  - Scenarios
  - Sales Tax
    - Online Sales tax impact
  - Home Rule taxes
  - Fees
  - New Revenues
- Preliminary Long Term Forecast Methodologies and Results
  - Moody's Method
  - Split CAGRS
- Next Steps
- Public Comment

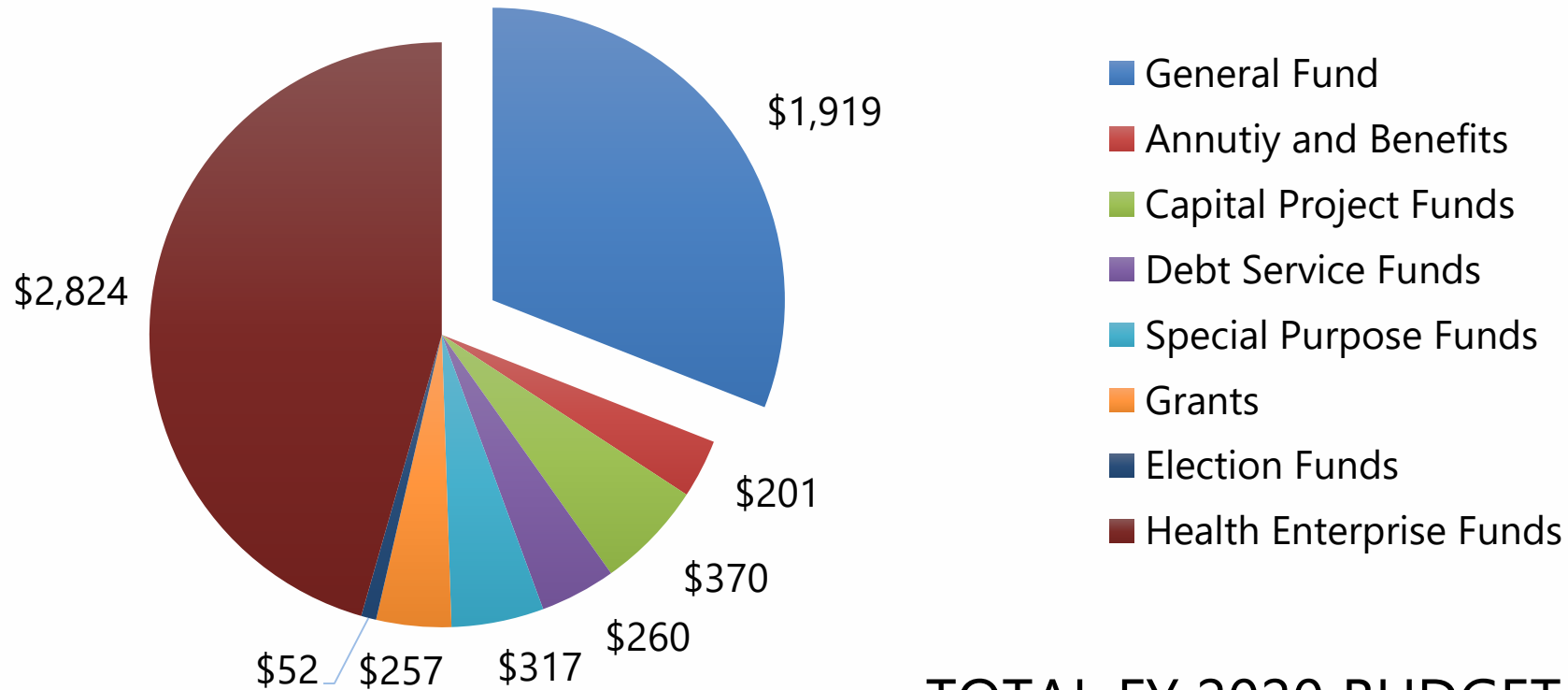
# Approval of the Minutes from April 29th



# Review of Preliminary Estimate

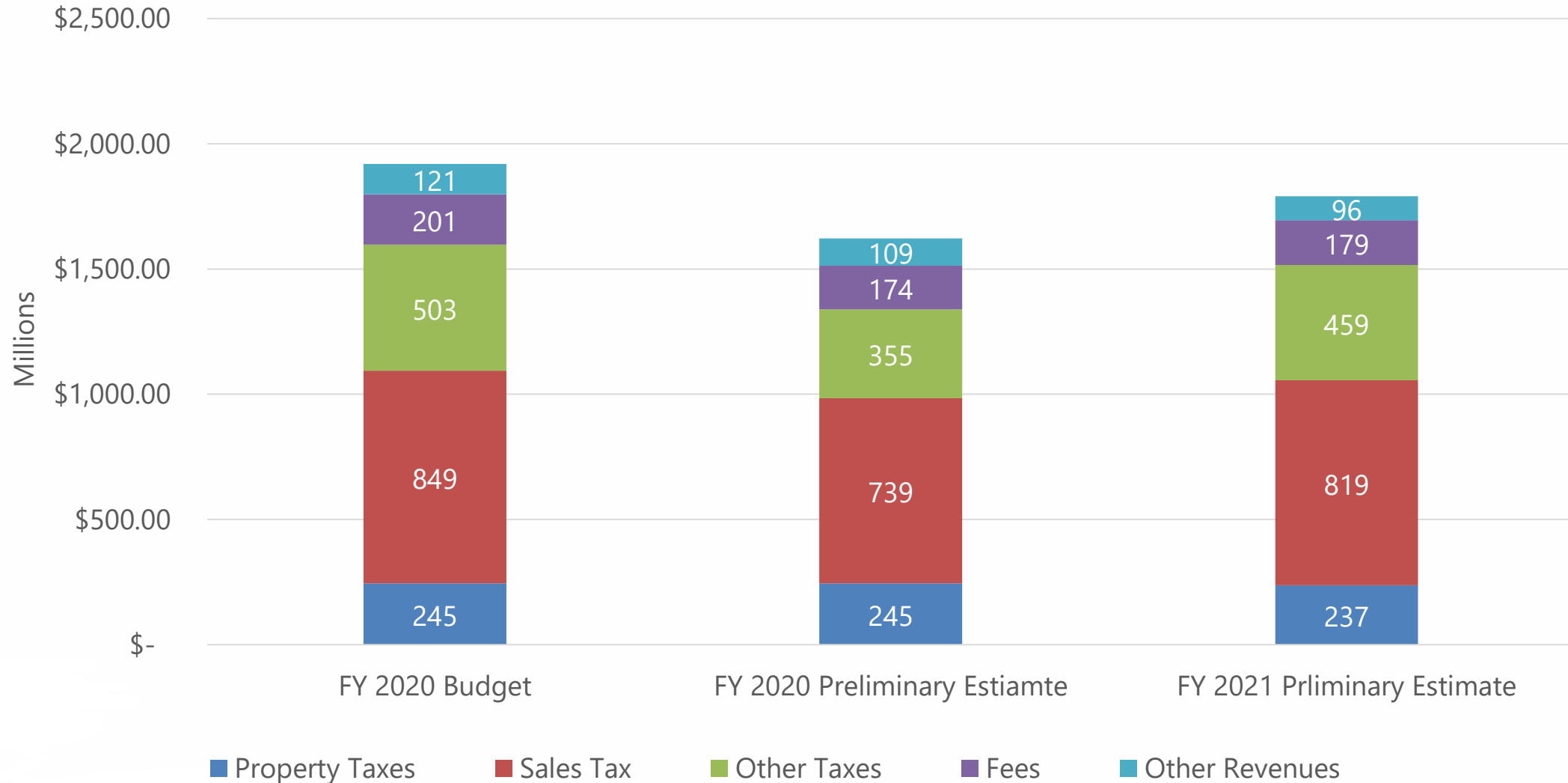


# FY 2020 Total Budget by Fund



TOTAL FY 2020 BUDGET = \$6.2 Billion

# Change in Revenues by Type





# Assumptions in the FY20-FY21 Estimates



The County's revenue will be largely impacted by the policies set forth in the Governors "Restore Illinois Plan"

Phase assumption in the Preliminary Estimate:

**Phase 2 – March to May 2020**

**Phase 3 – June to July 2020**

**Phase 4 - Aug 2020 to May 2021**

**Phase 5 – Start June 2021**

Phase 1 Rapid Spread	Phase 2 Flattening	Phase 3 Recovery	Phase 4 Revitalization	Phase 5 Illinois Restored
<p>Strict stay at home and social distancing guidelines are put in place, and only essential businesses remain open.</p> <p>Every region has experienced this phase once already and could return to it if mitigation efforts are unsuccessful.</p>	<p>Non-essential retail stores reopen for curb-side pickup and delivery.</p> <p>Illinoisans are directed to wear a face covering when outside the home and can begin enjoying additional outdoor activities like golf, boating &amp; fishing while practicing social distancing.</p>	<p>Manufacturing, offices, retail, barbershops and salons can reopen to the public with capacity and other limits and safety precautions.</p> <p>Gatherings of 10 people or fewer are allowed.</p> <p>Face coverings and social distancing are the norm.</p>	<p>Gatherings of 50 people or fewer are allowed, restaurants and bars reopen, travel resumes, child care and schools reopen under guidance from the Illinois Department of Public Health.</p> <p>Face coverings and social distancing are the norm.</p>	<p>The economy fully reopens with safety precautions continuing.</p> <p>Conventions, festivals and large events are permitted, and all businesses, schools and places of recreation can open with new safety guidance and procedures.</p>

# Possible Scenarios For FY 2021

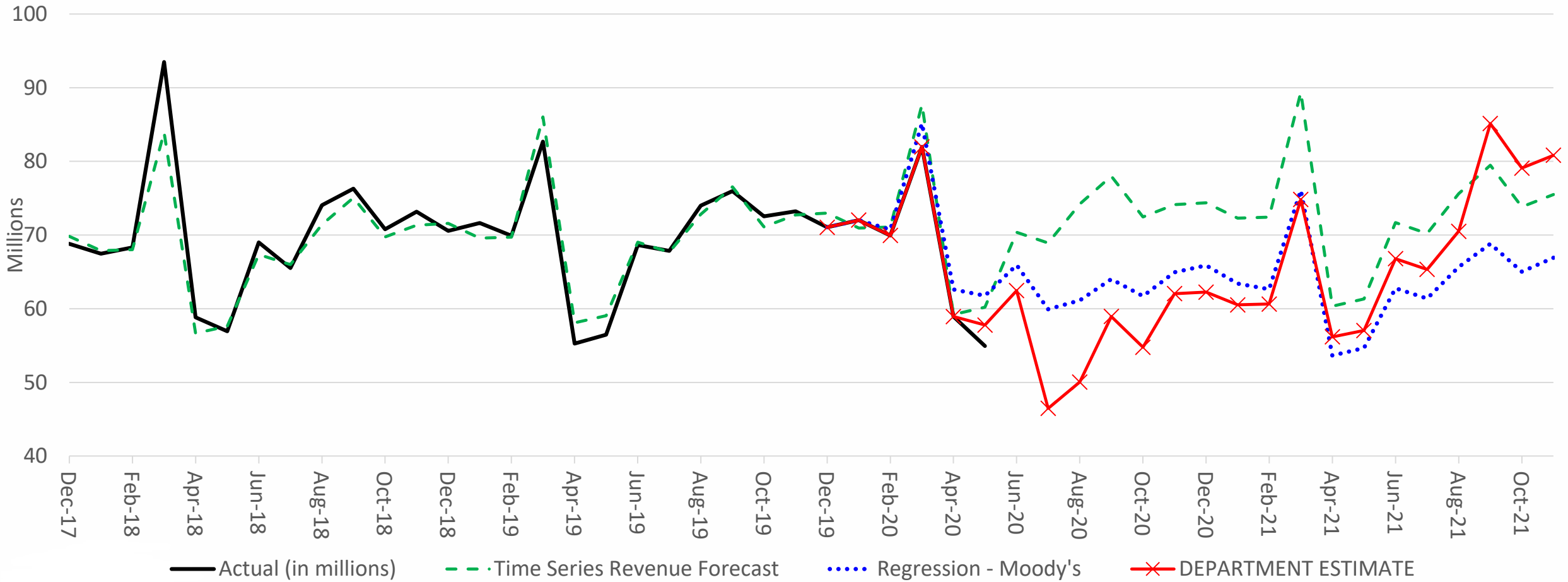


## Phase Assumptions in Scenarios

<b>Prelim</b>	<b>Best Case</b>	<b>Worst Case</b>
Phase 4 - Dec 2020 - May 2021	Phase 4 - Dec. 2020 - Mar. 2021	Phase 2 - Dec 2020
Phase 5 - June 2021 - Nov. 2021	Phase 5 – Apr. 2021 - Dec 2022	Phase 3 - Feb. 2020 - May. 2021
		Phase 4 - June 2021- July. 2021

	<b>Prelim</b>	<b>Best Case Scenario</b>	<b>Worst Case Scenario</b>
<b>TOTAL</b>	\$1,790.0	\$1,837.6	\$1,588.0
<b>SALES TAX</b>	\$819.2	\$849.3	\$727.6
<b>USE TAX</b>	\$67.1	\$67.8	\$54.6
<b>AMUSMENT TAX</b>	\$24.3	\$28.4	\$5.7
<b>PARKING</b>	\$43.0	\$43.0	\$20.4
<b>FEES</b>	\$178.8	\$182.6	\$160.6

# Methodologies – Sales Tax Forecasts



# Methodology – Sales tax



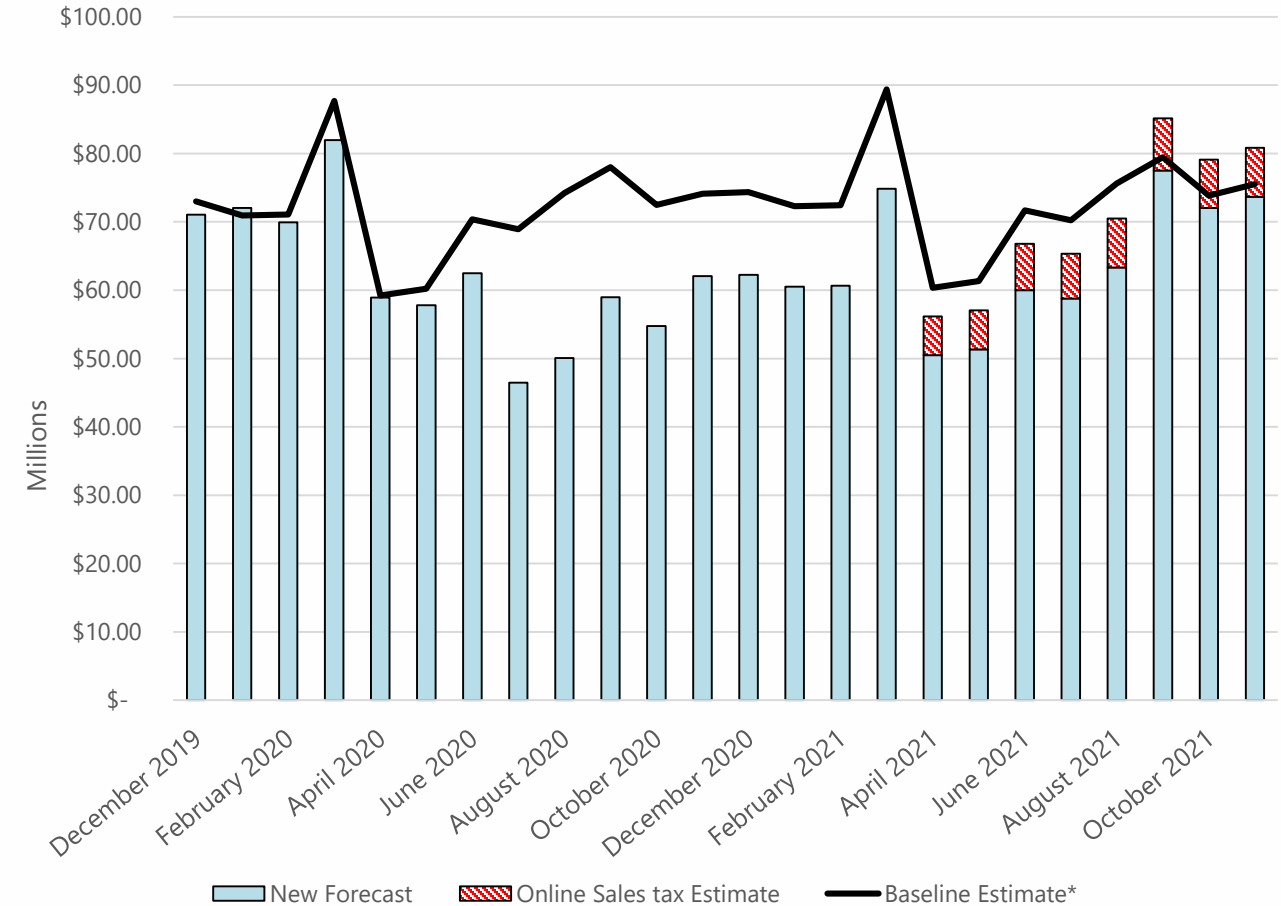
## Assumptions In SIC Analysis

	Phase 2	Phase 3	Phase 4	Phase 5
Start*	April 2020	June 2020	August 2020	June 2021
End*	May 2020	July 2020	May 2021	November 2021
General Merchandise	-47%	-35%	-24%	-4%
Food	13%	10%	7%	1%
Drinking and Eating Places	-49%	-37%	-24%	-4%
Apparel	-89%	-67%	-45%	-7%
Furniture & H.H. & Radio	-65%	-49%	-32%	-5%
Lumber, Bldg, Hardware	0%	0%	0%	0%
Automotive & Filling Stations	-43%	-32%	-21%	-3%
Drugs & Misc. Retail	-10%	-8%	-5%	-1%
Agriculture & All Others	0%	0%	0%	0%
Manufacturers	0%	0%	0%	0%
<b>TOTAL</b>	<b>-33%</b>	<b>-24%</b>	<b>-16%</b>	<b>-2%</b>

\* Reflects Date of Sale

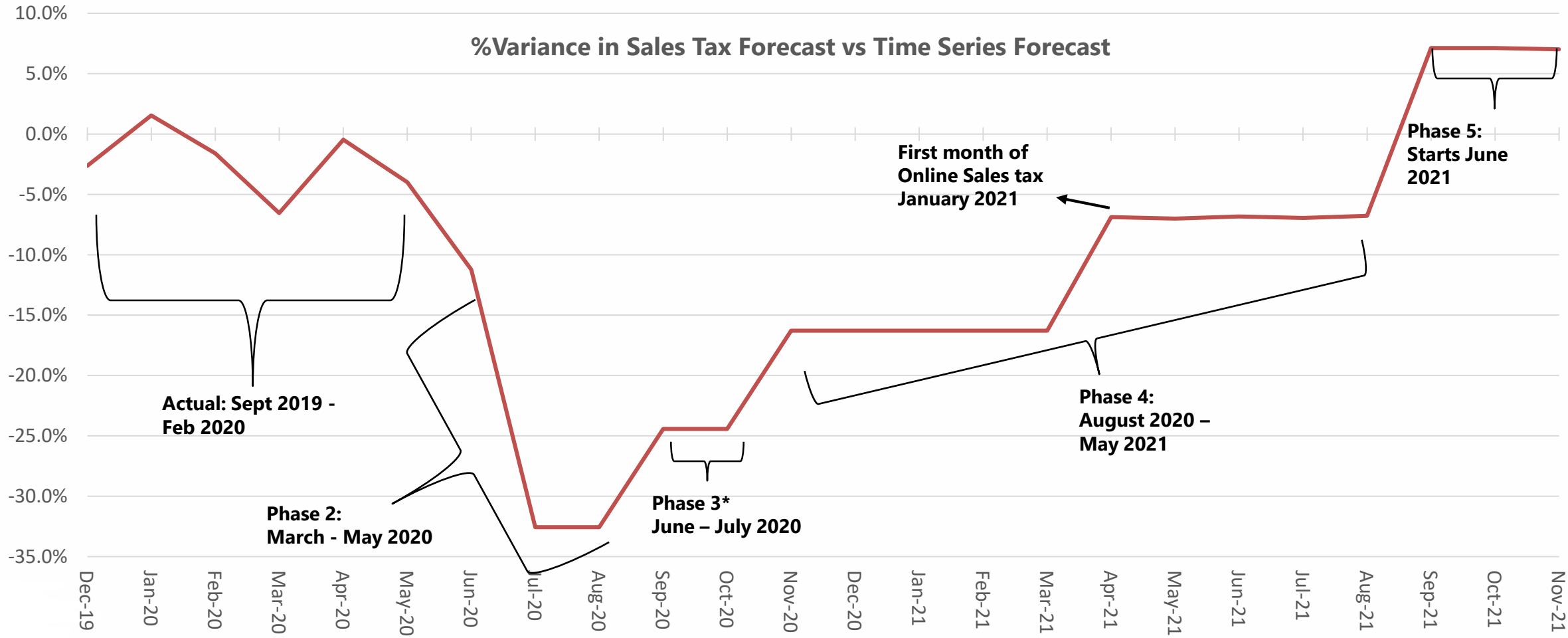
<https://www.census.gov/retail/index.html>

## Sales Tax Forecast for Prelim\*\*



\*\* Reflects Collection Date at Cook County after three month lag.

# Shape of Recovery for Sales tax



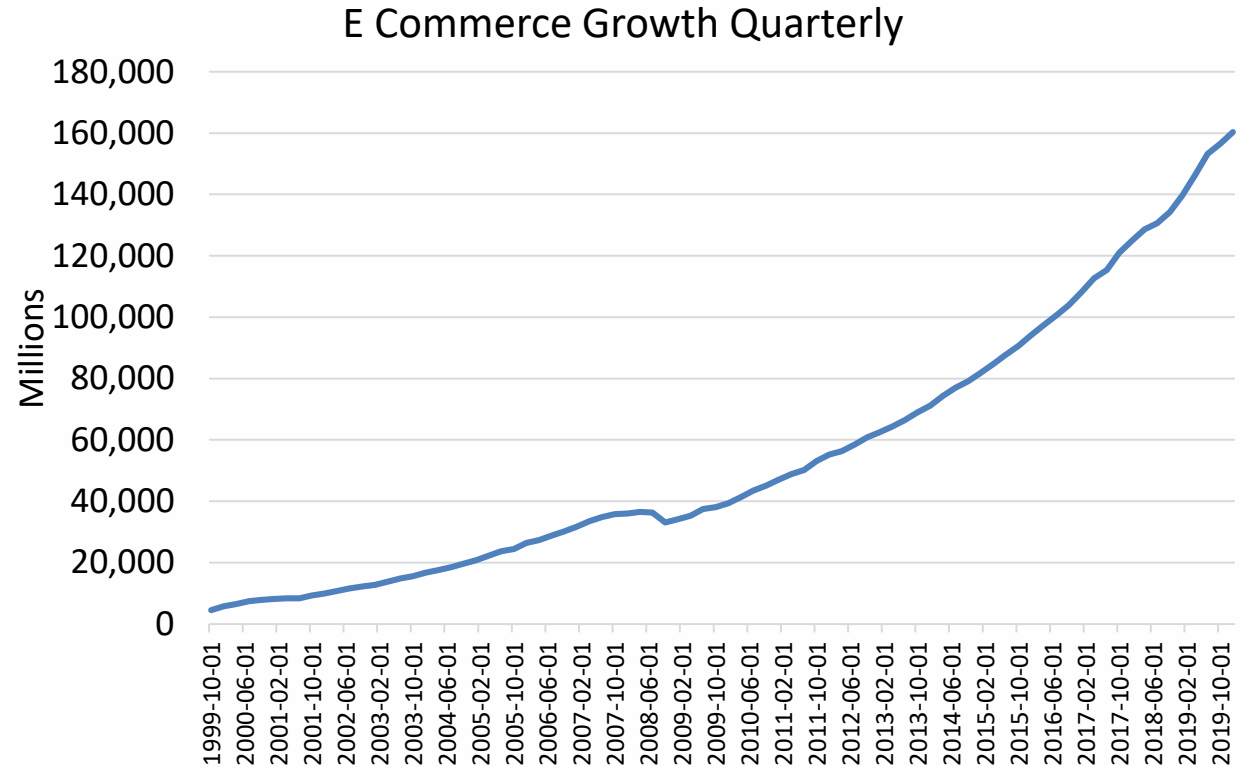
Axis Reflects Cook County Collection Date a 3 month lag from the transaction date

\* Phase 3 was actually shorter than expected

# Online Sales Tax Method



Base Assumptions	CY 2021
E-Commerce Growth	13%
Total US E Commerce sales	589,301
County share of US population	1.60%
Share Subject to Tax	85.56%
Potential sales	8067
Compliance	60%
Sales tax Rate	1.75%
Revenue before admin fee	84.70
Admin fee	(1.27)
<b>TOTAL</b>	<b>83.43</b>



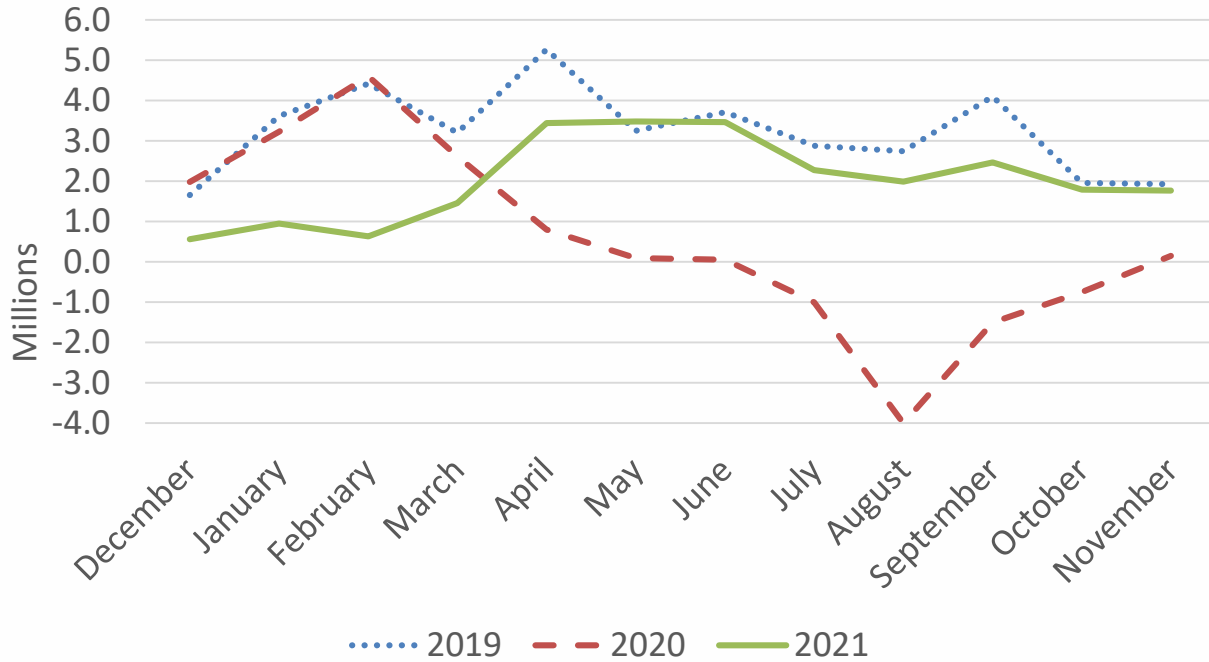
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	TOTAL
<b>FY2021*</b>	-	-	-	-	5.67	5.69	6.77	6.55	7.19	7.60	7.06	7.15	<b>53.70</b>

\* Dollars in Millions

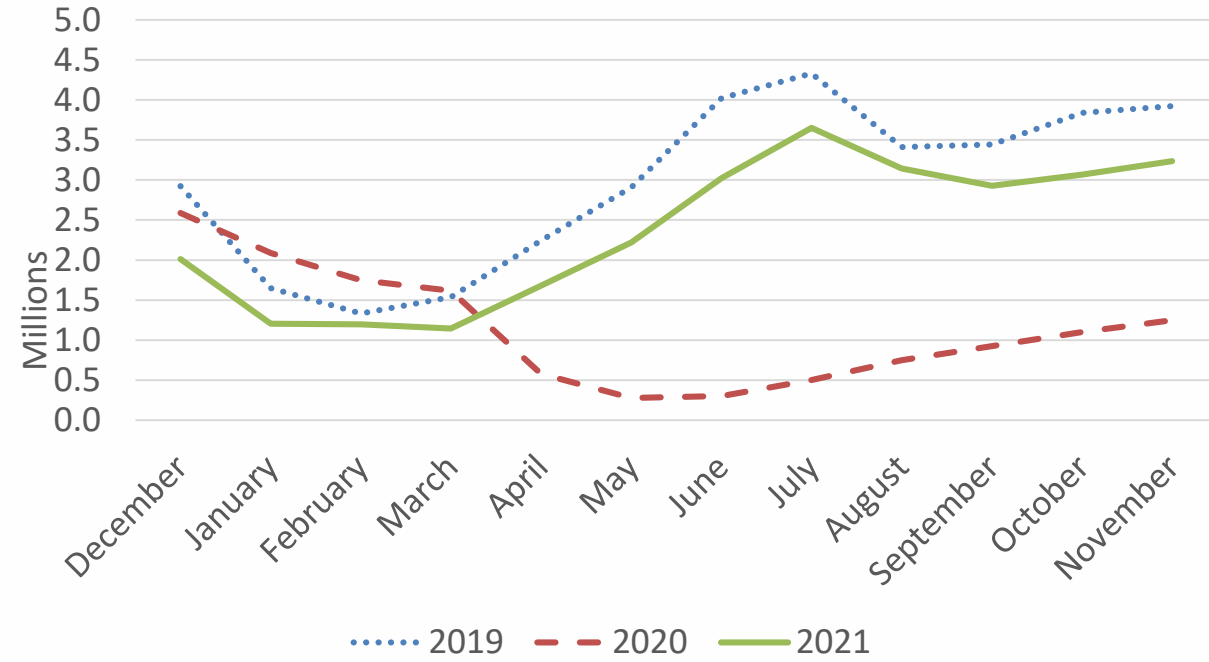
# Economic Pressures on Amusement/Hotel Taxes



Amusement Tax



Hotel Tax

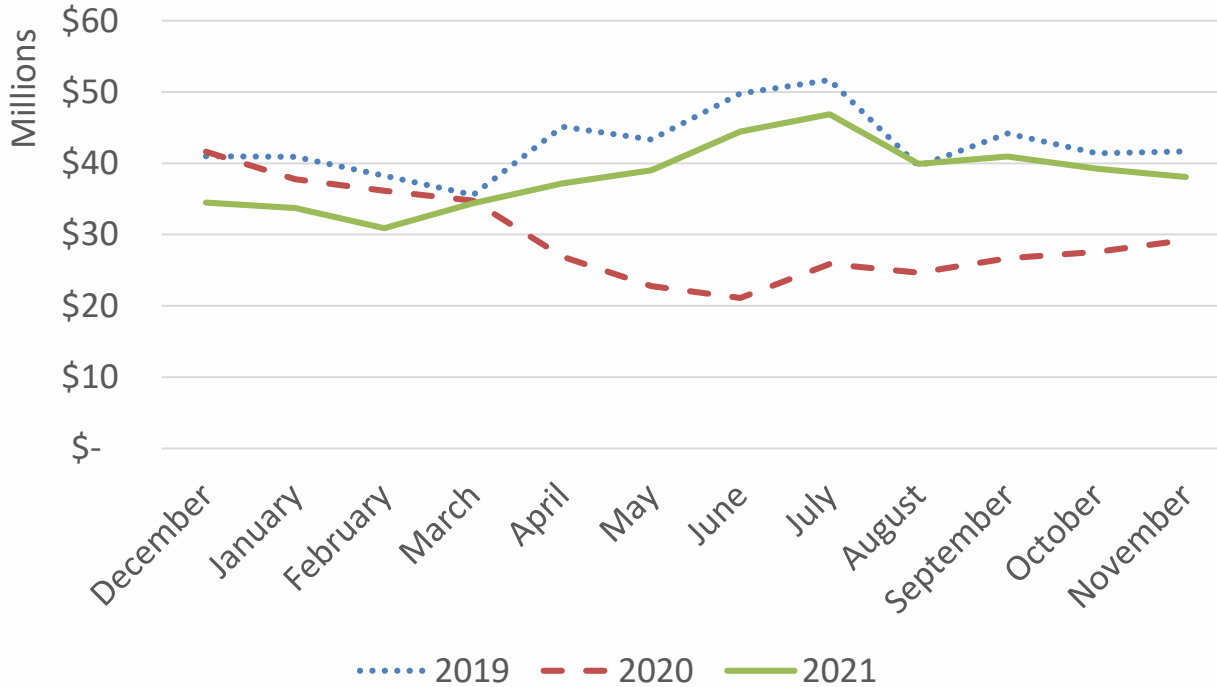


	Amusement Tax	Hotel Tax
<b>2019</b>	\$38,690,207	\$35,556,064
<b>2020 Forecast</b>	\$6,254,716	\$12,719,794
<b>2021 Forecast</b>	\$24,265,000	\$28,500,000

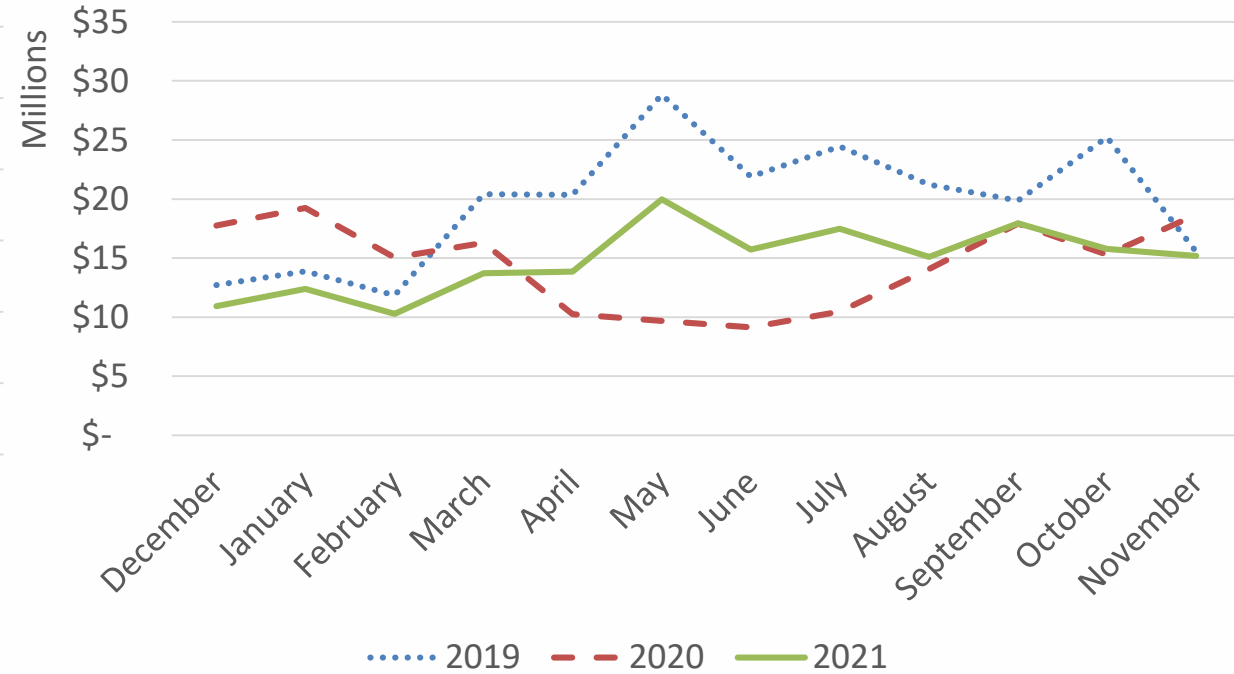
# Economic Pressures on Home-Rule Taxes/Fees



Home Rule Taxes



Fees



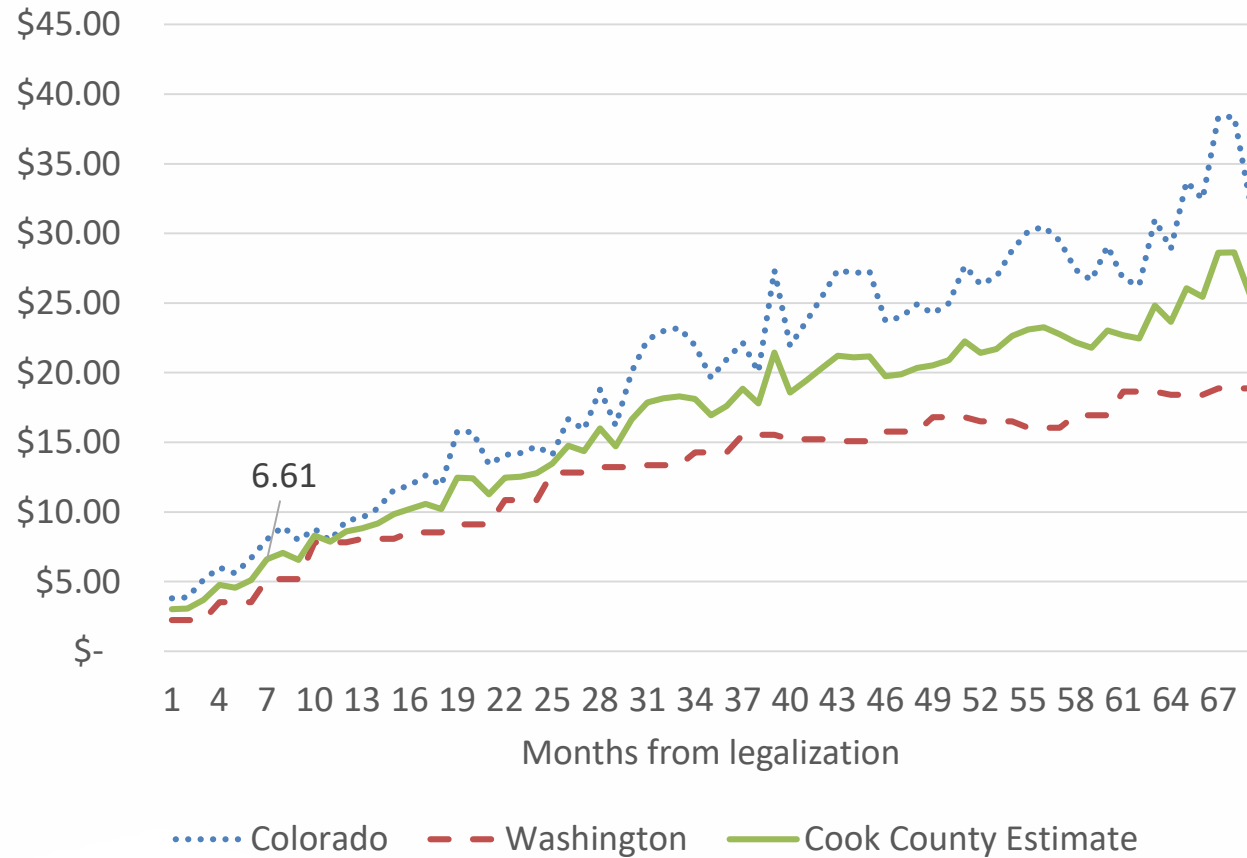
	Sales Tax	Home Rule Taxes	Fees
<b>2019</b>	\$838,744,833	\$512,489,640	\$236,266,434
<b>2020 Forecast</b>	\$739,119,856	\$355,109,716	\$173,817,059
<b>2021 Forecast</b>	\$819,150,699	\$459,220,108	\$178,370,523



# Cannabis

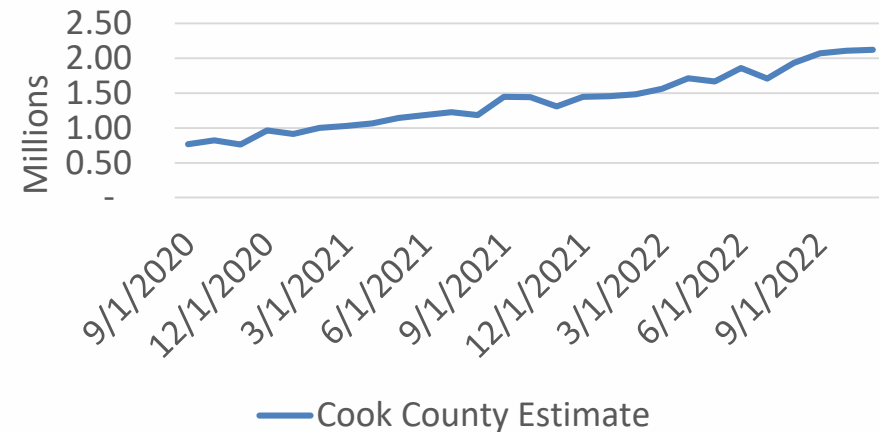


Average Sales per person over Age of 21



- Effective Tax Rate in Illinois is about 17.9%
- For April and May Illinois averaged about \$6.03 per person over the age of 21
- Model is largely on track with comparative results
- Cook County Expects about a two month lag from Sale date to Collection with the first month of Sales (July being Collected in September)

Cook County Estimated Cannabis Revenues



	December	January	February	March	April	May	June	July	August	September	October	November	Total	
<b>2020</b>	-	-	-	-	-	-	-	-	-	-	766,887	819,796	762,201	<b>2,348,883</b>
<b>2021</b>	963,366	914,627	999,184	1,026,498	1,064,858	1,141,819	1,184,844	1,227,795	1,185,502	1,446,550	1,442,390	1,307,634	<b>13,905,067</b>	

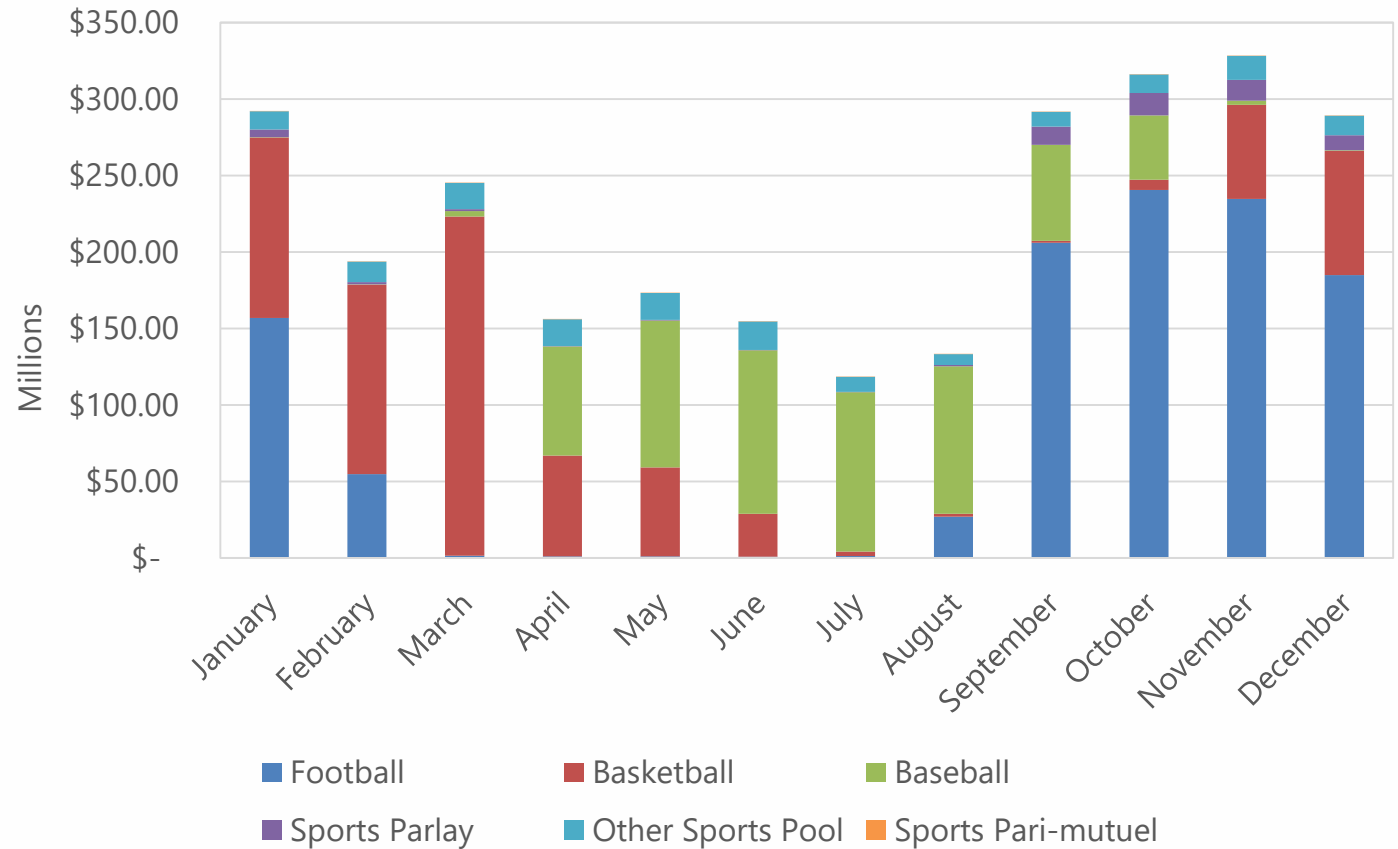
# Notes on Sports Wagering



Sports Wagering	
FY 2020	FY 2021
\$250,000	\$3,575,000

- County Collects 2% of Casino Revenue
- Deplanes River casino constitutes about 32% of all State Gambling Revenues
- Governor Recently announced that Casinos can start remote betting earlier than thought due to COVID-19
  - Rivers just released their application
- 2 Big Remote players still barred for 18 months from first remote license

Average Nevada Bets by Month



# Available June Revenue Data – for May sales



Description	June Expected	June Actuals	Variance	% Change
Cigarette*	\$9,455,450	\$10,135,349	\$679,899	7%
Use	\$7,330,885	\$6,437,520	\$(893,365)	-12%
Alcoholic Beverage	\$3,610,720	\$2,669,400	\$(941,320)	-26%
Gasoline / Diesel Fuel	\$7,975,734	\$5,480,196	\$(2,495,537)	-31%
Retail Sale of Motor Vehicles	\$250,142	\$209,174	\$(40,968)	-16%
Wheel	\$2,372,393	\$70,680	\$(2,301,713)	-97%
Amusement	\$3,274,490	\$150,212	\$(3,124,278)	-95%
Parking Lot & Garage Operations	\$3,991,434	\$972,884	\$(3,018,550)	-76%
Other Tobacco Products	\$623,332	\$610,546	\$(12,786)	-2%
Hotel	\$3,319,295	\$241,411	\$(3,077,884)	-93%
Gambling Devices	\$20,000	\$1,800	\$(18,200)	-91%
Firearm Tax	\$83,436	\$133,425	\$49,989	60%
Unincorp Gaming	\$38,000	\$21,652	\$(16,348)	-43%
IL Gaming	\$814,600	\$-	\$(814,600)	-100%

\* Reflects June Sales

Approx. \$1.7M of Amusement Collections are being held by a taxpayer per temp agreement with DOR

Approx. \$550K of Parking Collections are delinquent at this time from 2 taxpayers

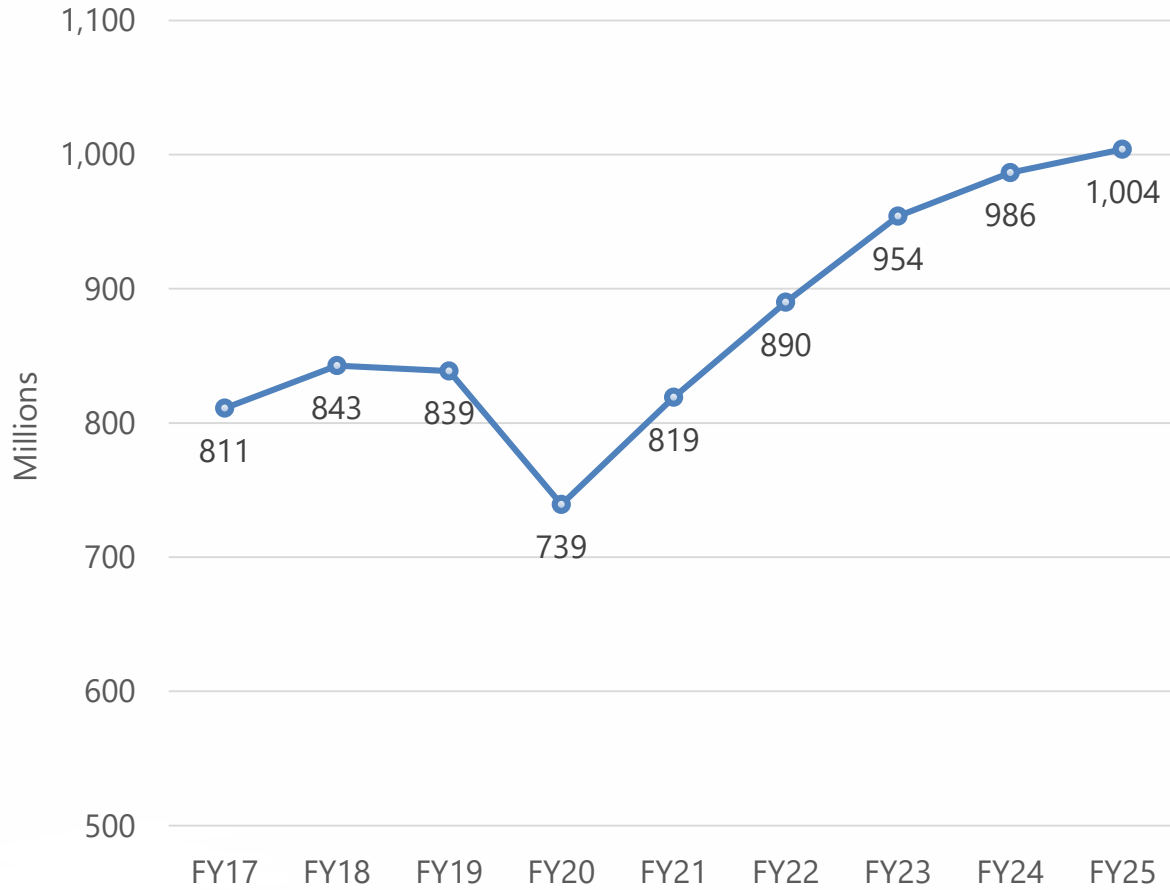
# Long Term Forecasts



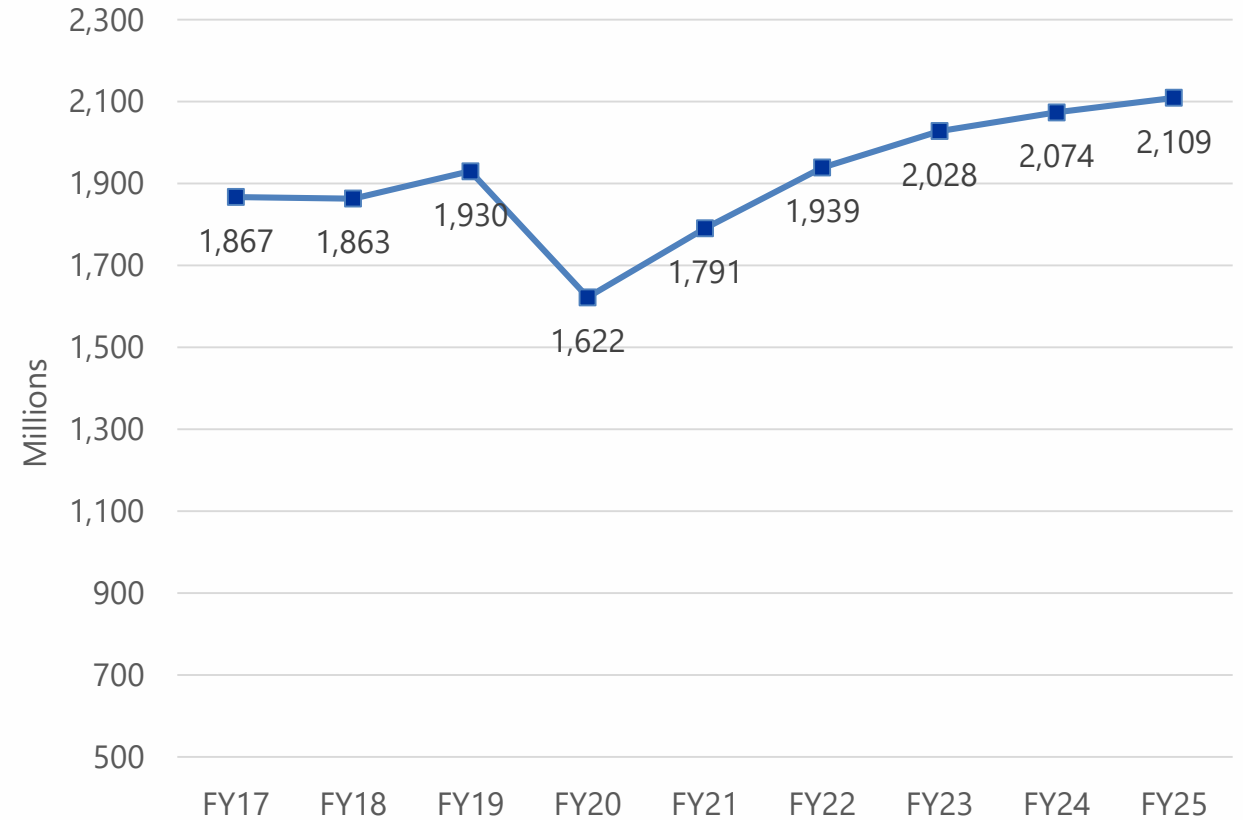
# Long Term Revenue Forecasts – General Fund



### 401150-County Sales Tax



### General Fund Revenues



# Long Term – Moody’s Analytics Regressions



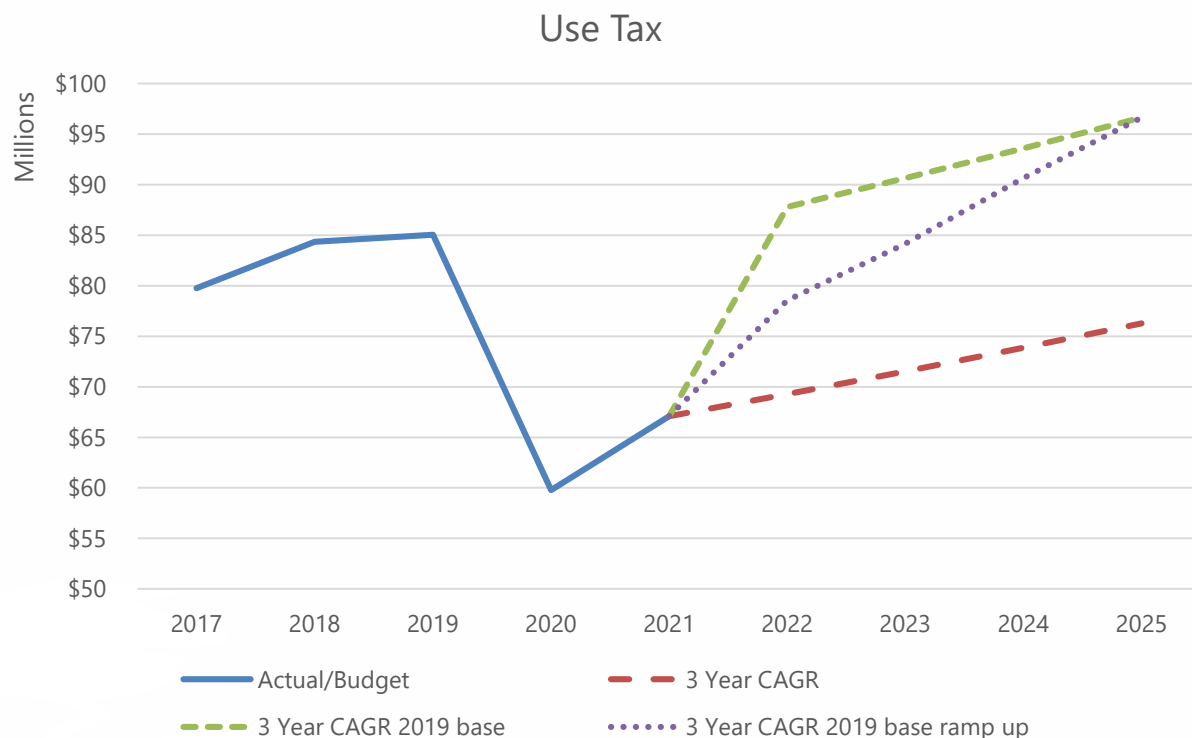
Revenues Forecasted  
Using Regressions:

- Sales Tax
    - Expected online sales tax revenues were added to the regression prediction
  - Gasoline/Diesel Tax
  - Amusement Tax
  - Parking Lot and Garage Operation
- Using statistical software (R), we fit multiple linear regression models of our major tax revenues
  - These models estimate the effects of time, month, and at least one economic indicator
    - Preference is given to simple, explainable models, so an additional economic indicator is only added if it provides significant improvement
  - Economic indicators are provided by Moody’s Analytics for the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area
    - Series used include Gross Metro Product, Unemployment Rate, and Median Household Income
    - Current forecasts are using their May 2020 Baseline, which takes into account the current economic downturn



# Split CAGR – Use Tax Example

- All 3 year compound annual growth rates are computing using actuals from 2017-2019
  - For Use Tax, this was 3.25%.



- “3 Year CAGR” assumes a permanent shift down in demand.
  - The 3.25% growth rate is applied to the 2021 budget value
- “3 Year CAGR 2019 base” assumes a full bounce back in 2022.
  - The 2022 estimate is 3.25% greater than the 2019 actual as if 2020/21 did not happen
- “3 Year CAGR 2019 base ramp up” estimates a more gradual recovery.
  - It is halfway between the two previous projections in 2022, 66% of the way in 2023, 85% in 2024, and 100% in 2025.

# Next Steps





# FY2021 Proposed Budget Calendar



June 26	Release Preliminary Forecast
July 1	Provision of current estimates and methods
July 8	Public hearing on 2020/2021 Preliminary Forecast
July 20-24	Mid-Year Budget Hearings
July 30	Approval of Methods and Quarterly Meeting
Aug	Additional meeting as required -Optional
Aug 31	Issuance of Recommendations
July - Sept	Finalize FY2021 budget requests with Departments
October 8	Present President's Executive Budget Recommendation
October 26	Department and Public Hearings Start
October 30	Quarterly Meeting
November 6	Commissioner Amendments Due
November 19	Board of Commissioners Vote on Appropriation Bill

# Public Comment



# Discussion?



# Adjournment



# Appendix: Cash to Accrual Basis Lags



Cook County utilizes a cash basis accounting system. For analysis purposes, we adjust to an accrual basis. For most revenues, there is a 1-3 month lag between the collection date and the remittance date. For example, Sales Tax revenues received in June 2020 represent sales made in March 2020.

3 Month Lag	2 Month Lag	1 Month Lag	No Lag
Sales Tax	Non Retailer Title Transfer Use Cannabis	Use Alcoholic Beverage Gasoline/Diesel Fuel Retail Sale of Motor Vehicles Wheel Amusement Parking Lot & Garage Operations Other Tobacco Products Hotel Sweetened Beverage Gambling Devices Firearm Tax Un-incorp Gaming IL Gaming Sports Wagering	Cigarette All Fees