

2020

Review of the Recommendations of the IRFC

August 31, 2020



Toni Preckwinkle
President, Cook County Board of Commissioners

Agenda



- Opening Remarks
- Approval of the Minutes
- Current Estimates 2020 to 2025
 - High level Review
- Review and Consideration of the Recommendations of the IRFC
- Public Comment
- Adjournment

Roll Call



Opening Remarks



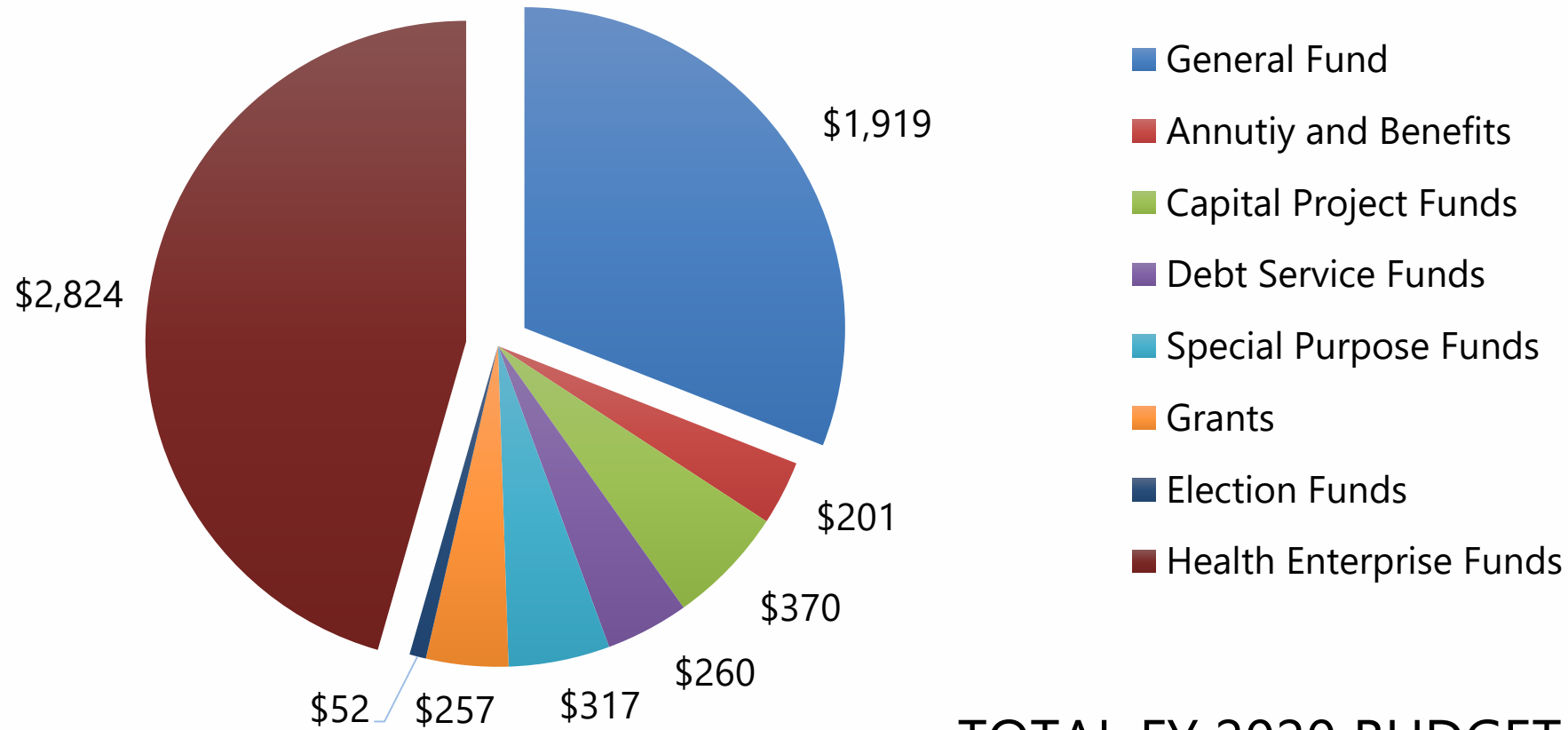
Approval of the Minutes from July 30th



Review of Current Estimates

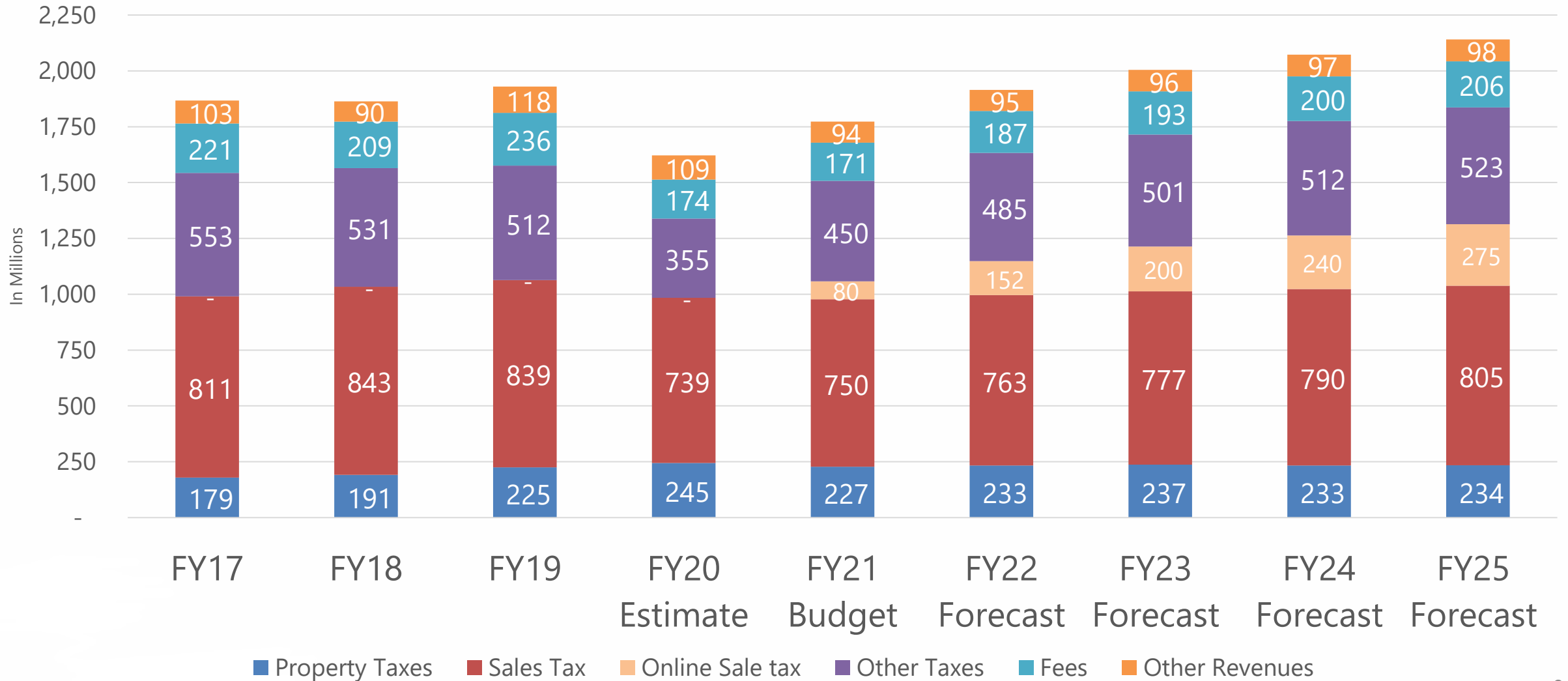


FY 2020 Total Budget by Fund

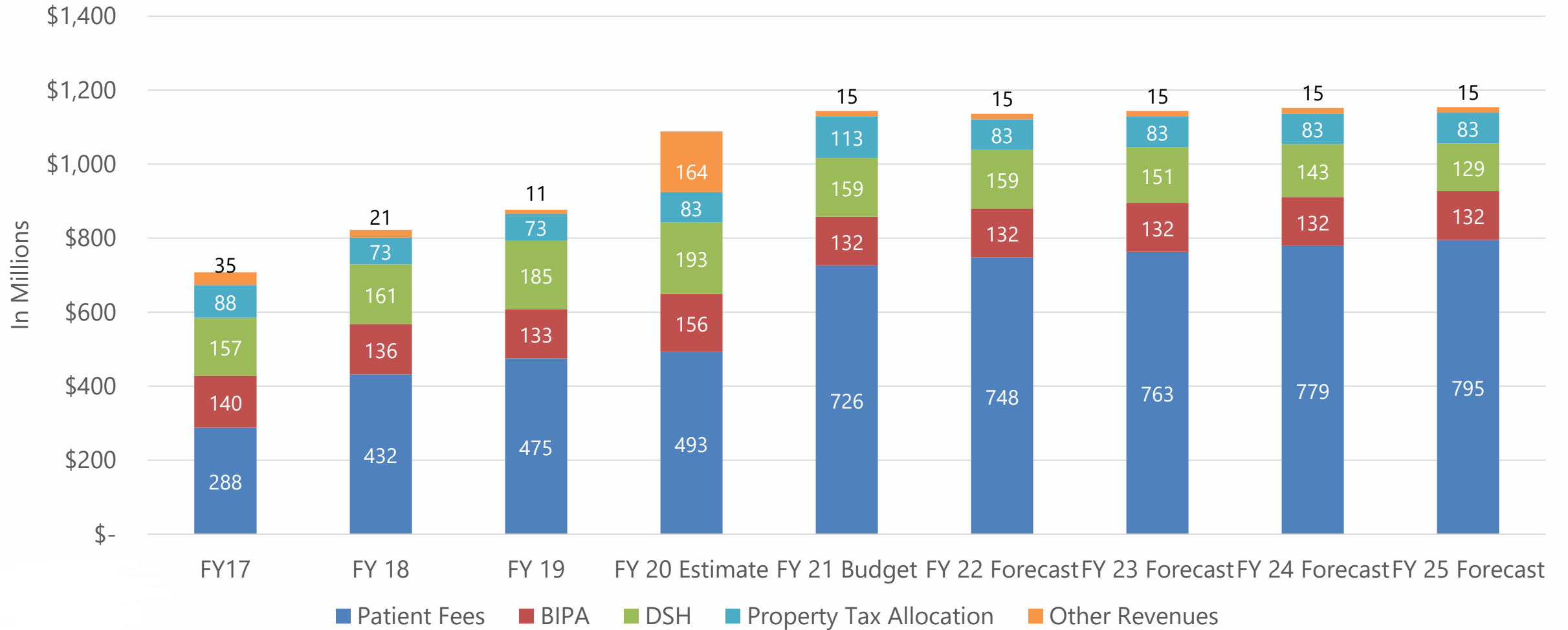


TOTAL FY 2020 BUDGET = \$6.2 Billion

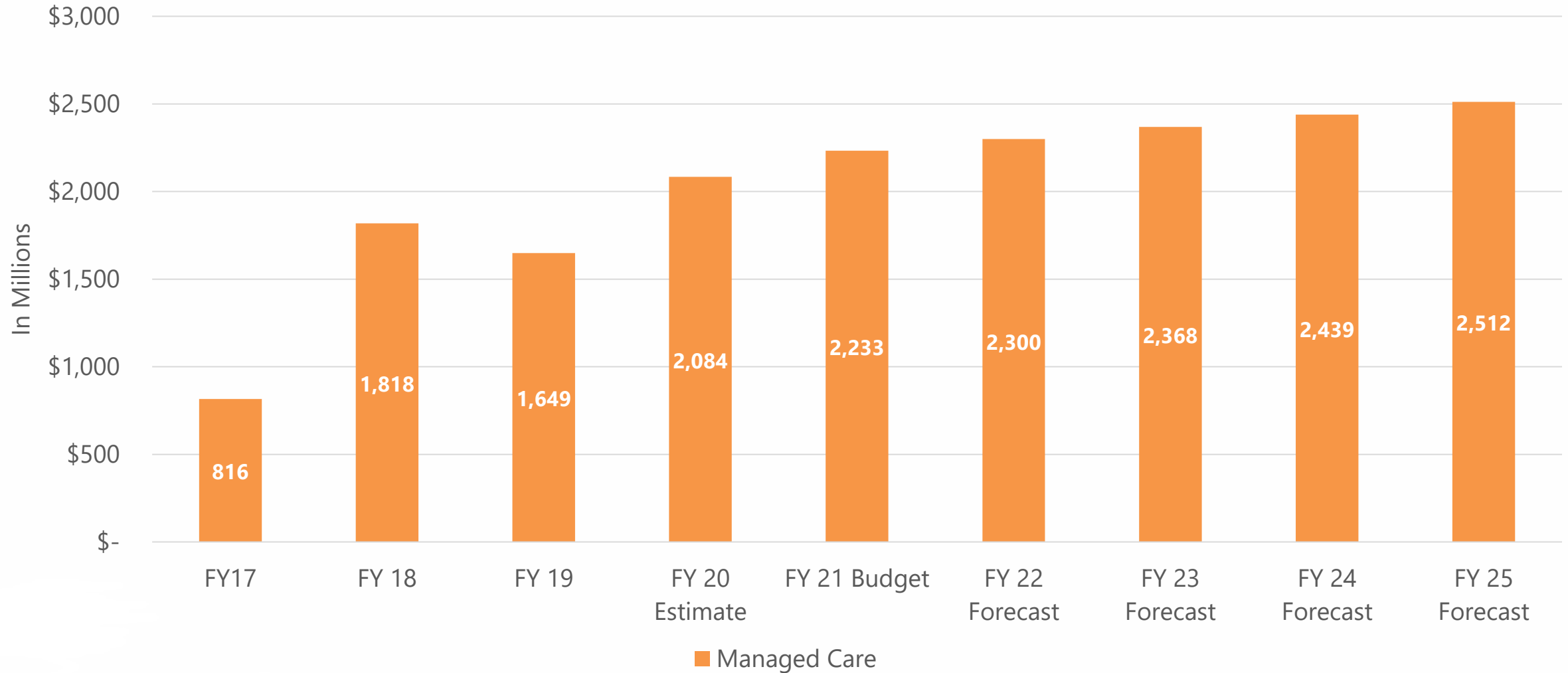
General Fund Revenues by Type – Long Term



Health Fund CCH Revenues—Long Term



County Care Revenues - Long Term



Recommended Methodological Improvements



1. Develop alternative budget scenarios, stress test major revenues, maintain internal consistency across modeling efforts, and increase transparency by communicating results with all relevant stakeholders, including the public.
2. For major, incorporate the most recent data from national, state, and local sources when preparing short-term forecasts, where possible.
3. For new revenue sources, continue to explore options that take advantage of what other jurisdictions have experienced; how local regulatory constraints might affect the County; and/or what national data and trends, appropriately scaled, suggest for County-level values (e.g., online sales tax revenues).
4. For longer-term forecasts, continue model development and potentially add forecasts based on Gross Metropolitan Product (GMP) and Gross Domestic Product (GDP) into the menu of Long-Term Financial Plan (LTFP) methodologies.

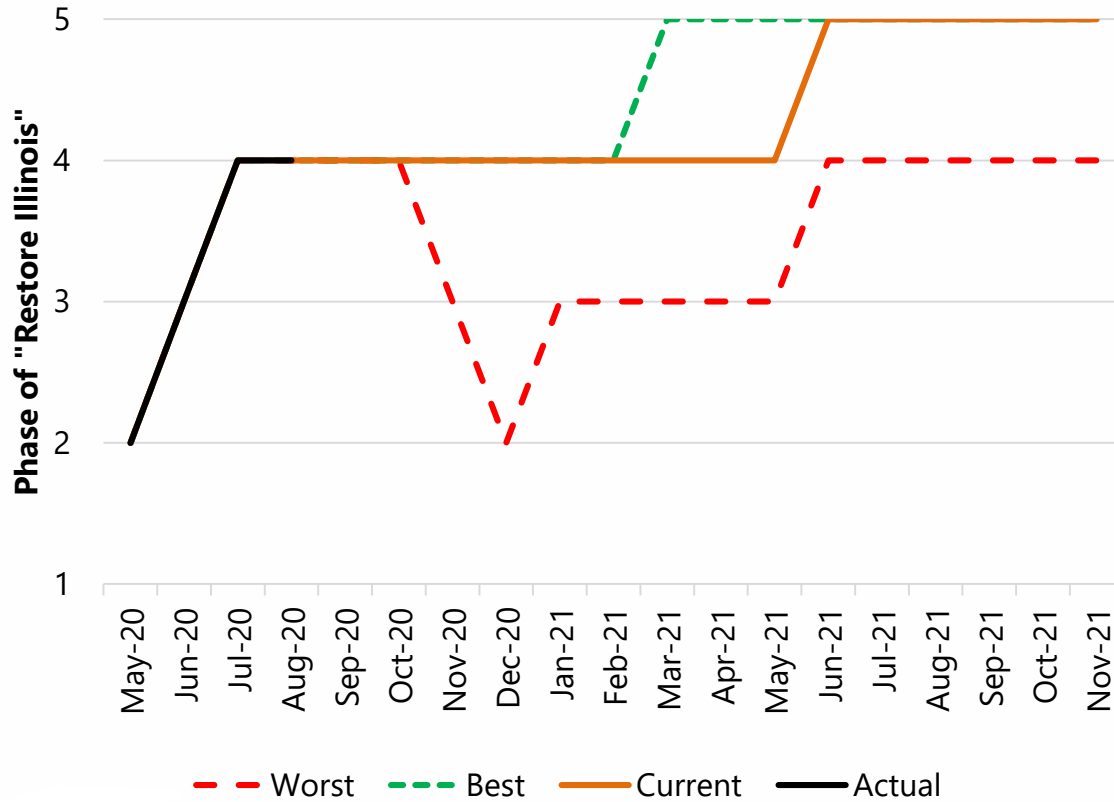
Recommendation #1: Develop and Analyze Alternative Scenarios



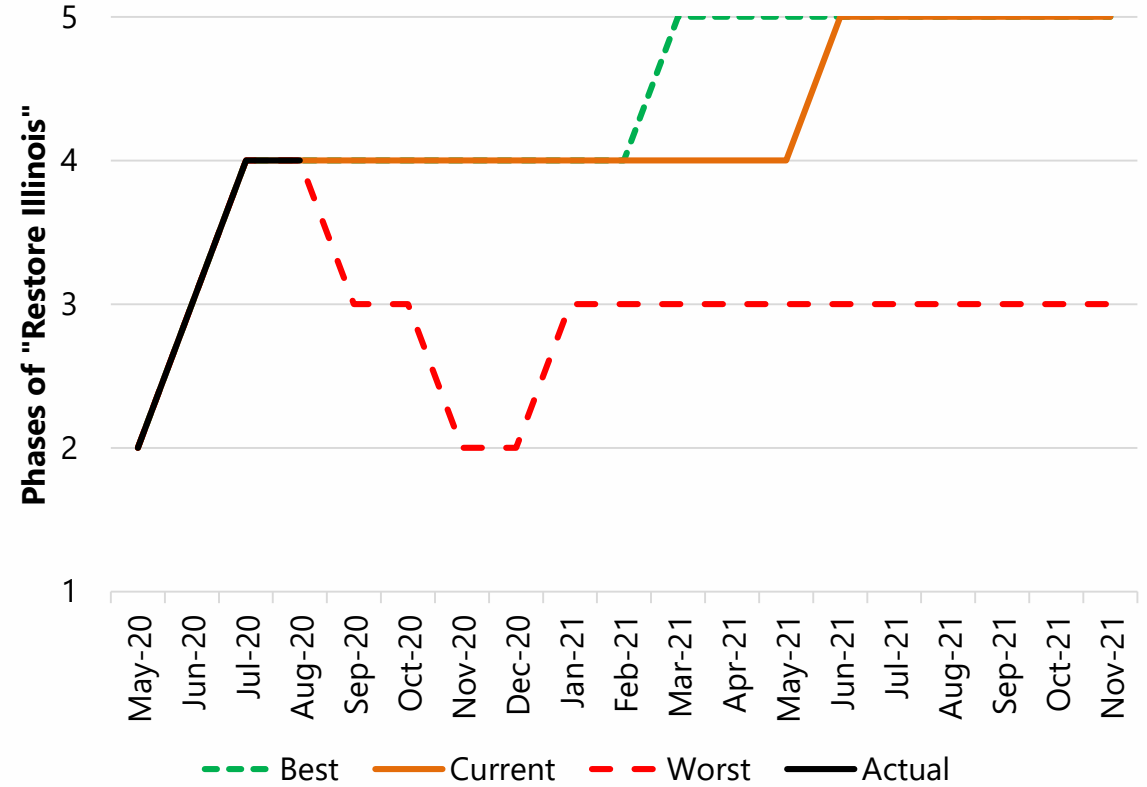
Alternative Scenarios



Original Scenarios



Final Scenarios

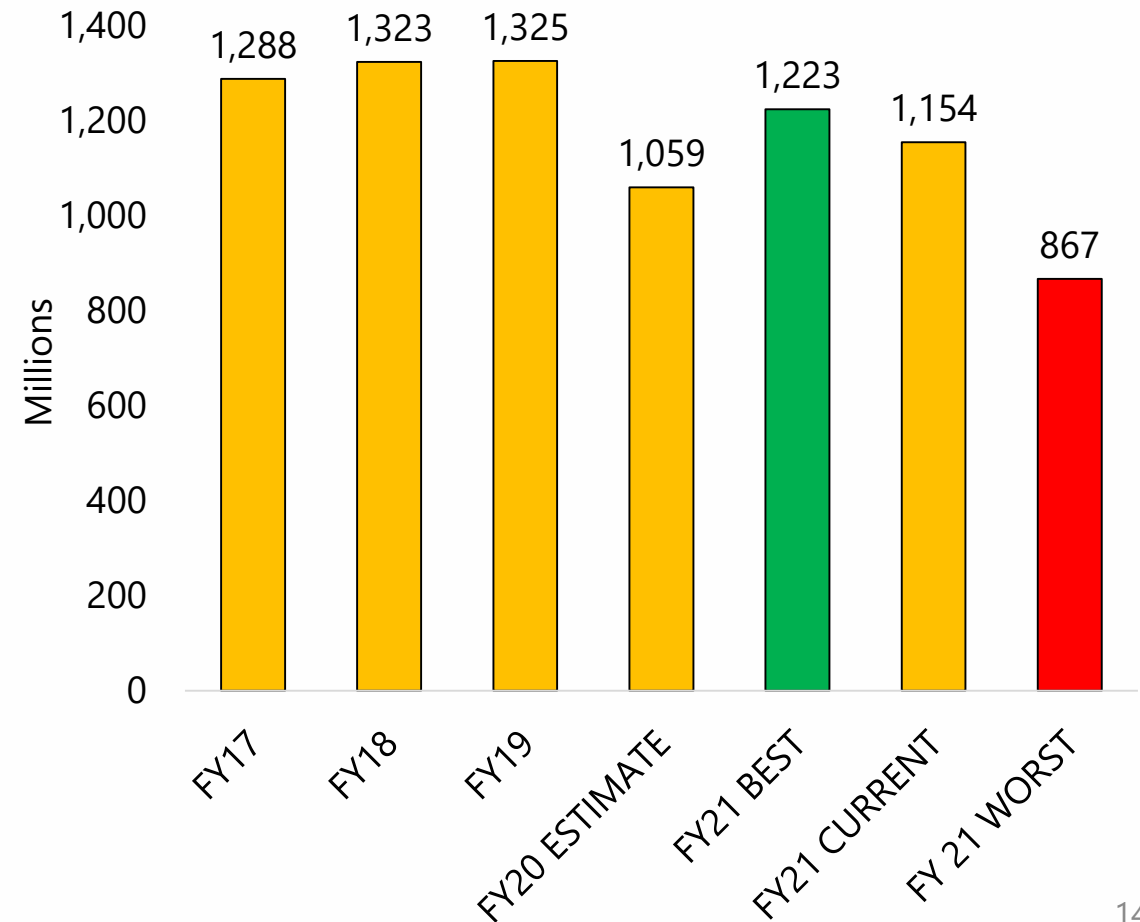


Alternative Scenarios cont...



	Best Case Scenario	Current Scenario	Worst Case Scenario
401150-County Sales Tax	\$791.4	\$749.9	\$636.2
401130-Non Retailer Trans Use Tax	\$15.9	\$15.3	\$10.8
401170-County Use Tax	\$69.4	\$67.1	\$47.8
401190-Gasoline / Diesel Tax	\$88.0	\$86.0	\$64.6
401210-Alcoholic Beverage Tax	\$38.2	\$36.3	\$35.8
401230-New Motor Vehicle Tax	\$2.4	\$2.3	\$1.7
401330-II Gaming Des Plaines Casino	\$7.4	\$6.6	\$-
401350-Amusement Tax	\$31.9	\$24.3	\$1.9
401370-Parking Lot and Garage Operation	\$44.6	\$43.0	\$10.1
401390-State Income Tax	\$16.5	\$15.2	\$10.7
401470-General Sales Tax	\$3.3	\$3.1	\$2.4
401490-Firearms Tax	\$1.1	\$1.2	\$1.2
401530-Gambling Machine Tax	\$5.2	\$3.5	\$0.2
401550-Hotel Accommodations Tax	\$22.7	\$19.5	\$5.8
402548-Clerk of the Circuit Court Fees	\$69.3	\$64.8	\$27.3
402950-Sheriff General Fees	\$16.0	\$15.8	\$10.1
Sum of Impacted Revenues	\$1,223.3	\$1,153.7	\$866.7

COVID -19 Impacted Revenues Overtime and in Each scenario



*Dollars in millions

Recommendation #2: Leverage recent and high frequency data to improve forecasts of existing revenue sources



Sales Tax Estimate



Assumptions In SIC Analysis

	Phase 2	Phase 3	Phase 4	Phase 5
Start*	April 2020	June 2020	July 2020	June 2021
End*	May 2020	June 2020	May 2021	November 2021
General Merchandise	-55%	-28%	-14%	-4%
Food	13%	13%	13%	1%
Drinking and Eating Places	-65%	-50%	-40%	-4%
Apparel	-55%	-28%	-14%	-7%
Furniture & H.H. & Radio	-65%	-32%	-16%	-5%
Automotive & Filling Stations	-43%	-21%	-11%	-3%
Drugs & Misc. Retail	-10%	-5%	-3%	-1%
TOTAL	-35.3%	-22.0%	-14.7%	-2.4%

* Reflects Date of Sale, and

NOTE: The SIC Assumptions table excludes the following categories: Lumber bldg. Hardware, Agriculture & all Others, and Manufacturers. These SIC Categories are assumed to have no change.

Incorporated most recent data into sales tax estimate and updated forecast accordingly.

- Review Phase 2 results for April/May and adjust SIC Categories accordingly.
- Adjusted differences between SIC categories in each phase based on tracktherecovery.org
- Examined national sales trends in E-commerce and adjusted results further.
- Incorporate result into alternative scenario analysis.

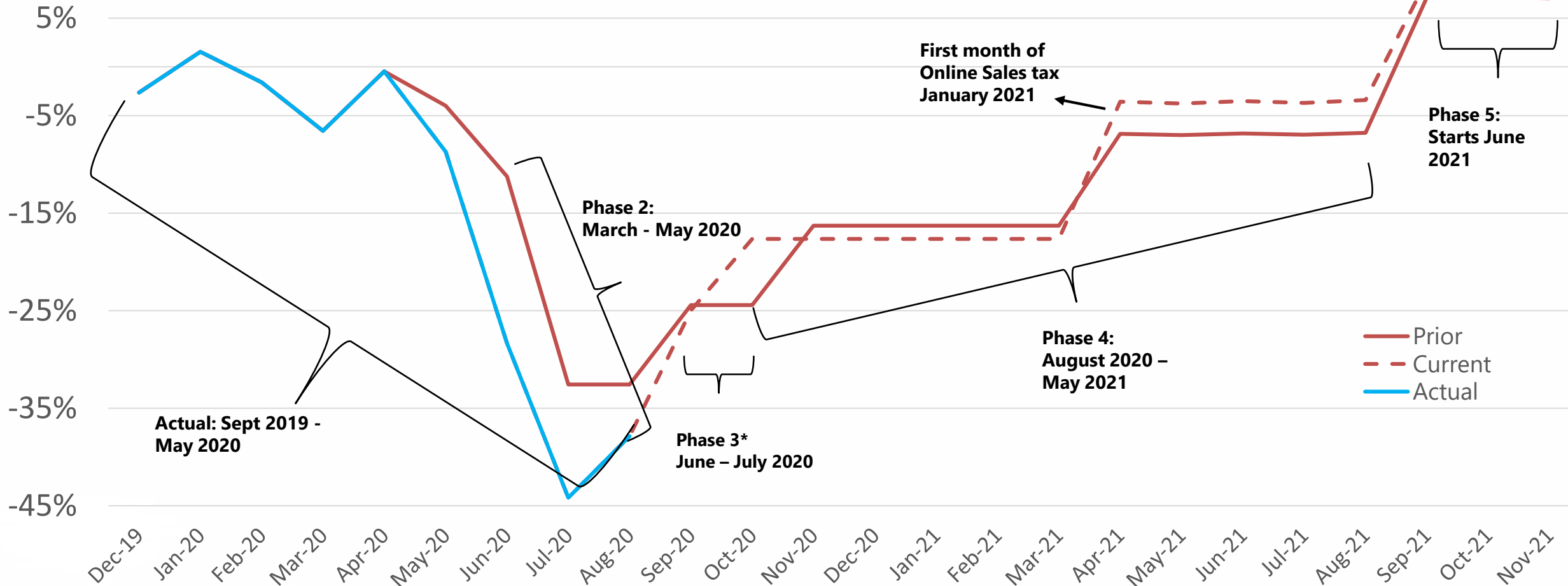
2021 Sales Tax Estimate (in millions)

	Original	New	Variance
B&M Component	\$765.5	\$775.8	\$10.4
Online	\$-	\$(26.0)	\$(26.0)
New Estimate for B&M	\$765.5	\$749.9	\$(15.6)

Sales Tax Estimate



% Variance From Time Series Forecast for Prior and Current Sales tax Estimate



Actual: Sept 2019 - May 2020

Phase 2: March - May 2020

Phase 3* June - July 2020

Phase 4: August 2020 - May 2021

Phase 5: Starts June 2021

First month of Online Sales tax January 2021

- Prior
- - Current
- Actual

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

* Phase 3 was actually shorter than expected

Recommendation #3: Continue to improve forecasts of new revenues by working with national data as well as other jurisdictions and by considering how local regulatory environment may affect these forecasts



Online Sales Tax (Dollars in Millions)



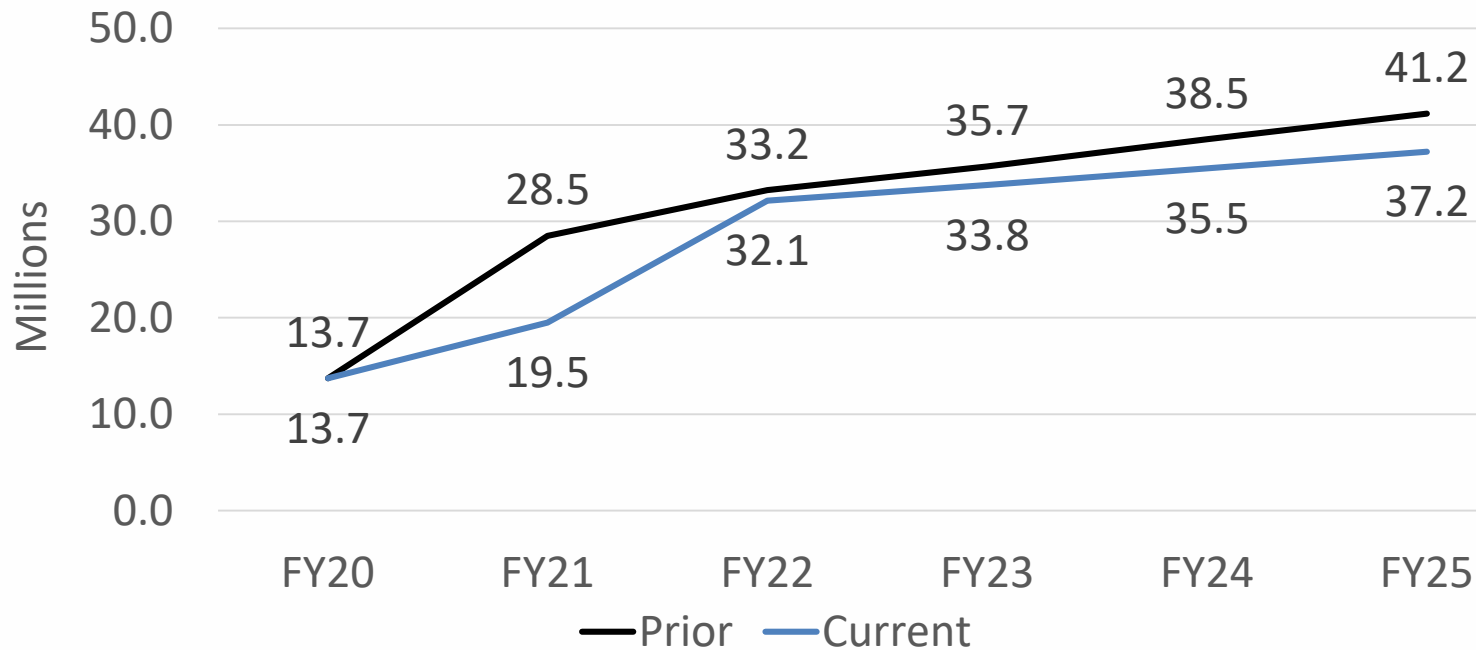
Base Assumptions	CY 2021
Total Retail Sales	6,705,238
Growth of total sales	3.8%
Percent online	11.7%
growth of online share	10.4%
Total E-Commerce Sales	783,817
County share of US Personal Income	1.8%
Share Subject to Tax	85.6%
Potential sales	12,071
Compliance	60%
Sales tax Rate	1.75%
Revenue before admin fee	126.75
Admin fee	(1.90)
TOTAL	124.85

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	TOTAL
FY2021	-	-	-	-	8.49	8.52	10.14	9.80	10.76	11.37	10.57	10.70	80.35

Hotel Accommodation Tax



Hotel Accommodations Tax Revenue



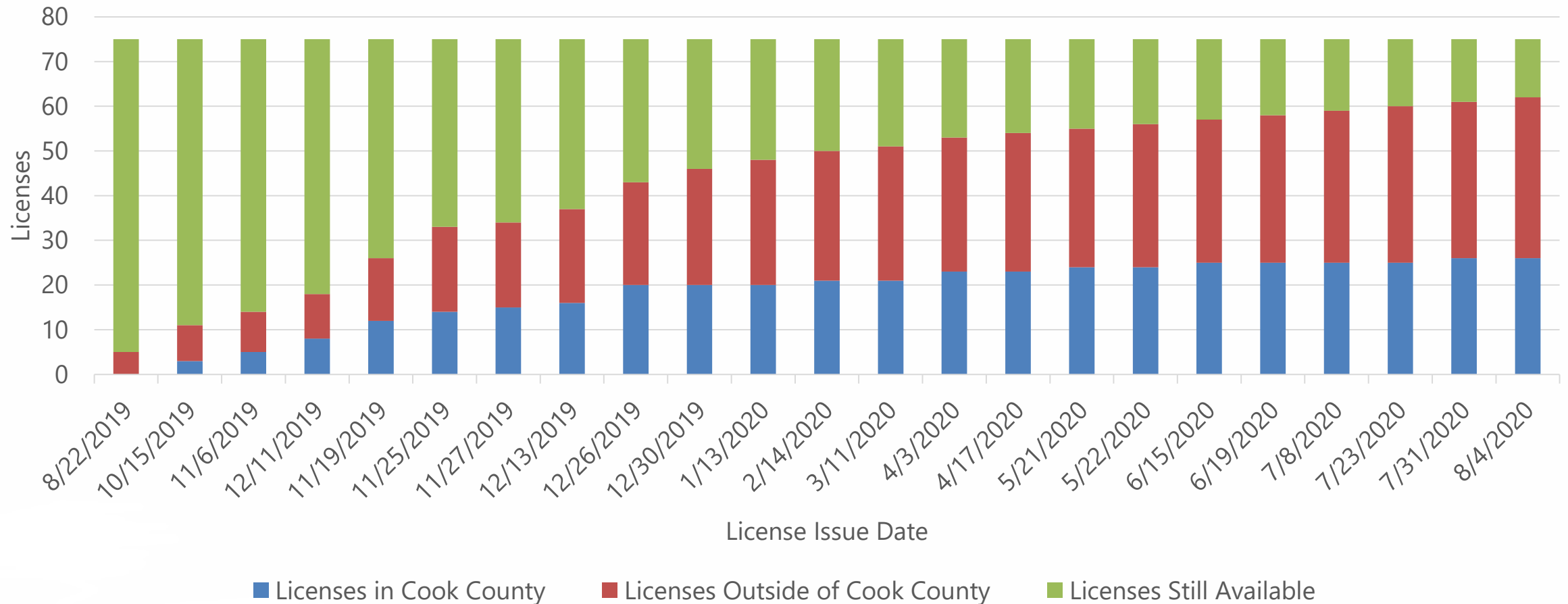
- Group business represents 50% of all hotel business including weddings and conventions.
- Sector recovery is expected to begin gradually in 2021 and accelerate into 2022
- Occupancy is expected to increase in 2021.
- RevPAR will be lower than would be in 2022 and 2023 due discounting
- Rates should be on par with 2019 numbers later in 2024 or early 2025

Forecast Date	Methodology	2020 Value	2021 Value
FY 2020 Budget	Department Estimate	\$ 34,400,000	\$ 35,218,000
5/5/2020	Department Estimate	\$ 18,380,979	\$ 29,750,000
6/26/2020	Department Estimate	\$ 13,719,794	\$ 28,500,000
Budget Submission	Department Estimate	\$ 13,719,794	\$ 19,500,000

Cannabis Tracking



Share of Dispensary Licenses Within and Outside of Cook County



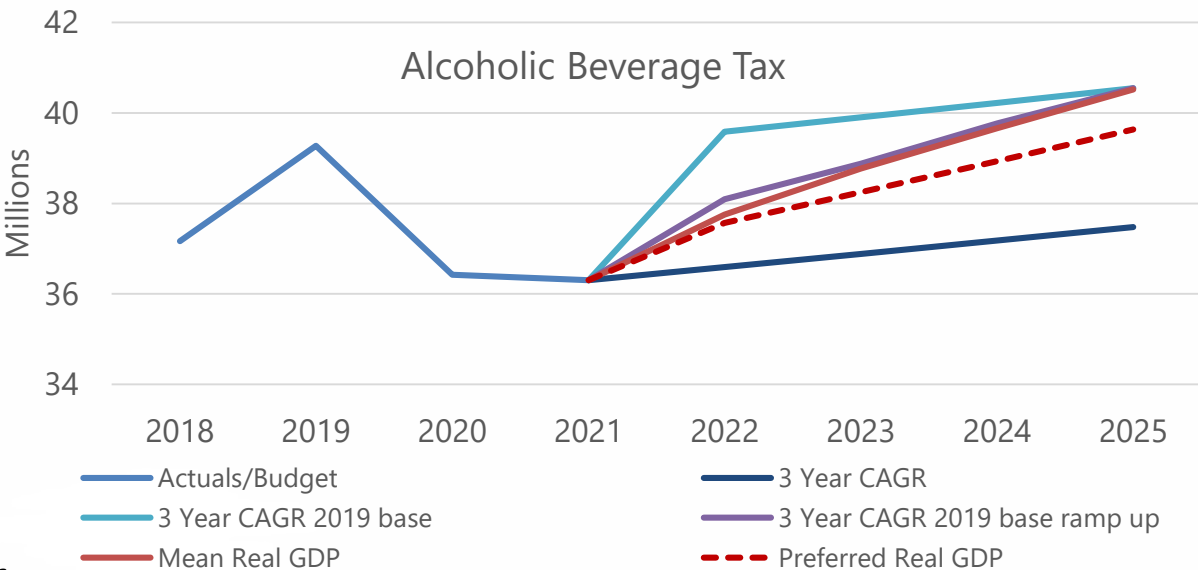
Recommendation #4: Continue to improve long-term forecasts by exploring, analyzing, and testing new models



New LTFP Method



	Moody's	Survey of Professional Forecasters	WSJ	CBO	Federal Reserve	Mean
2020	-5.9%	-5.6%	-5.6%	-5.8%	-6.5%	-5.9%
2021	1.3%	3.1%	4.7%	4.0%	5.0%	3.6%
2022	6.3%	4.1%	3.2%	2.9%	3.5%	4.0%
2023	4.2%	2.2%	3.2%	2.1%	1.8%	2.7%
2024	1.9%	2.2%	3.2%	2.3%	1.8%	2.3%
2025	1.3%	2.2%	3.2%	2.3%	1.8%	2.2%



Reasonable and Conservative Principal

- 1) Establish “menu” of methodologies
- 2) Eliminate forecasts that are significantly too low or too high
- 3) Consult with relevant departments
- 4) Establish most reasonable and conservative method

Methodologies Using GDP methods

- Non Retailer Trans Use Tax - Real Preferred GDP
- New Motor Vehicle Tax - Nominal Preferred GDP
- Parking Lot and Garage Operation - Nominal Preferred GDP
- Firearms Tax - Nominal Preferred GDP
- Building and Zoning - Real Preferred GDP

Sources:
 Moody's: proprietary subscription, June 2020 Baseline
 WSJ: July 2020, <https://www.wsj.com/graphics/econsurvey/>
 CBO: July 2020, <https://www.cbo.gov/publication/56465>
 Federal Reserve: June 2020, <https://www.federalreserve.gov/monetarypolicy/files/fomcprojt20200610.pdf>
 Survey of Professional Forecasters: May 15 <https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2020/survq220>

Conclusions



**Vote to “File the Report and Submit
it to the Cook County Board of
Commissioners”**



Public Comment



Adjournment?

