

# REVENUE SOURCES

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## Overview of Revenues

The City of Geneva has developed a diverse base of revenues to fund its operational and capital needs. This section describes forecast methods, major revenue sources, trends, and effects on the City. Special emphasis is placed on four major revenue sources for the General Fund. Collectively, these revenues represent 75.3% of the City’s budgeted revenues within the General Fund for FY 2023. Property taxes are noted as a stand out item in this section as these revenues are recognized in several City funds (General Fund, Geneva Community Mental Health, and Debt Service Funds).

## Revenue Forecast Methodology

The City of Geneva uses various sources of information to forecast revenue. This includes previous year trends, economic conditions, information from the County and Township assessors, the Illinois Municipal League, and rate studies for the Electric and Water/Wastewater Funds. Trend forecast models are used for sales tax, municipal tax, telecommunications tax, income tax, MFT tax, and enterprise funds. External economic conditions including inflation, unemployment, and interest rates are also taken into consideration when forecasting revenues.

## Major Revenues

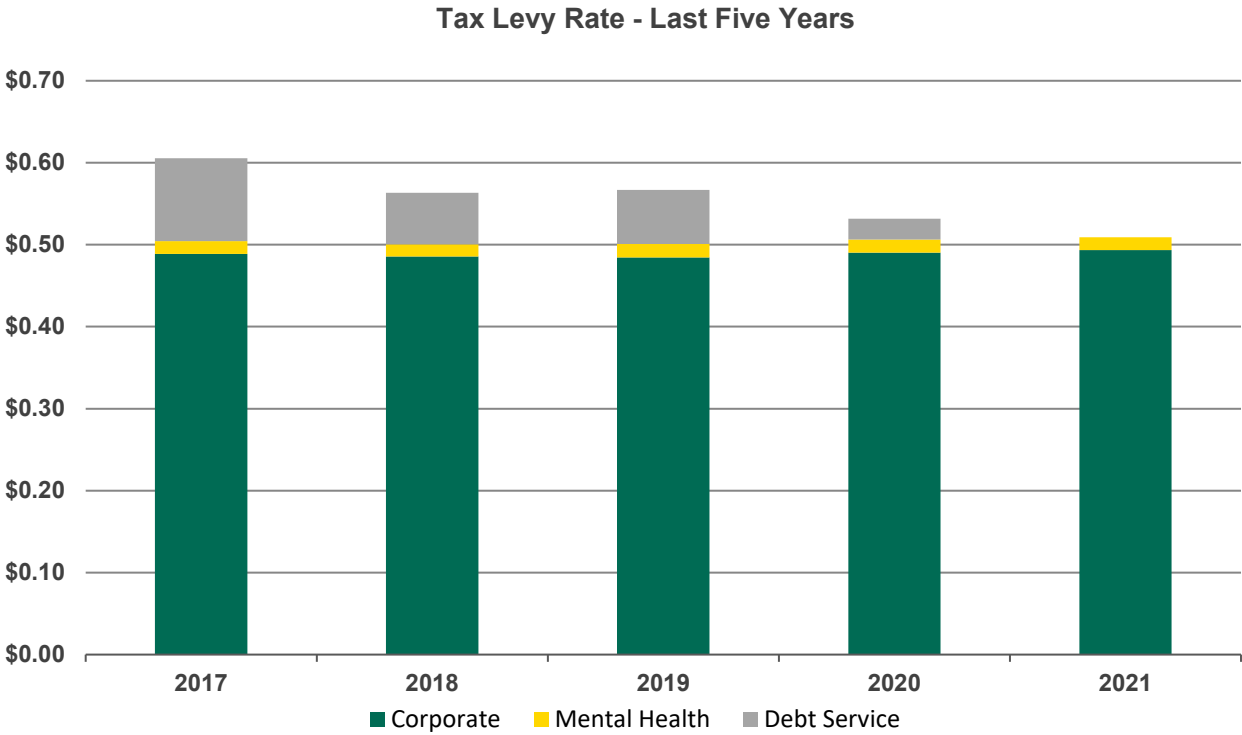
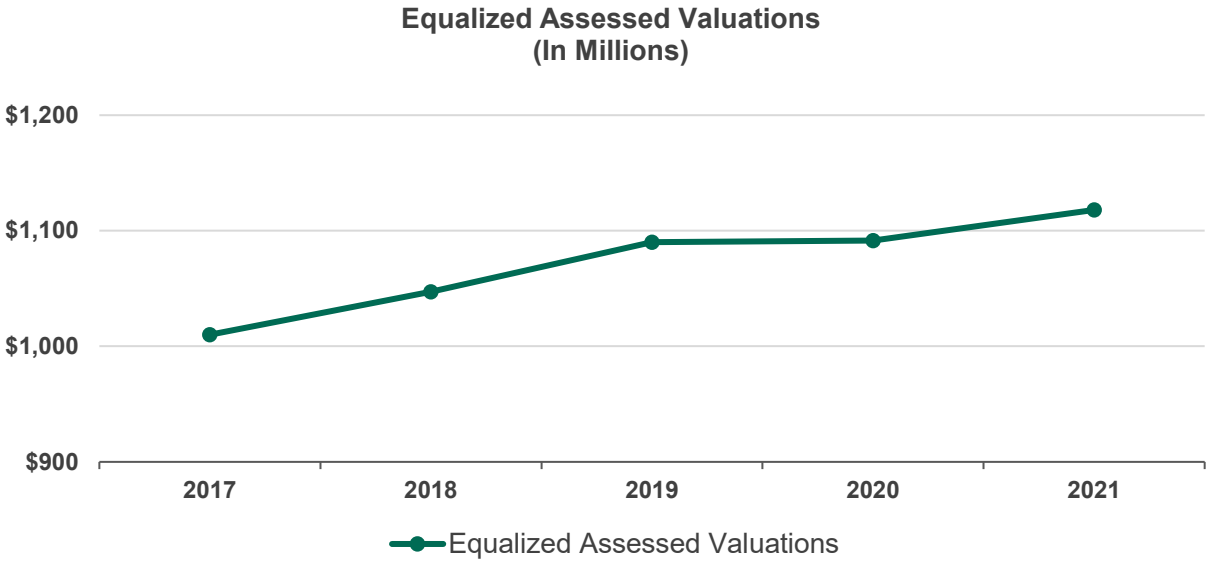
### Ad Valorem Property Tax (\$5,562,880)

Property taxes are collected on the assessed valuation of taxable real personal property. The City establishes a legal right to the property tax assessments upon the enactment of a tax levy ordinance by the City Council. These tax assessments are levied in December and attached as an enforceable lien on the property as of January 1 of the same year. Tax bills are prepared by Kane County around May and August of the following year and are due in June and September, respectively. Taxes are collected and remitted to the City by the County Treasurer. The 2021 property taxes are collected in 2022 and provide funding for the FY 2023 budget.

Kane County provides the Equalized Assessed Values (EAV) used in the calculation of property taxes necessary to fund the budget. Total assessed valuation in Geneva increased steadily during the early to mid-2000’s then began a steady descent after Levy Year 2009 with a slow return since Levy Year 2014. The 2021 assessed valuation of \$1,118,012,039 shows an increase of \$27,963,606 or 2.57% over 2020.

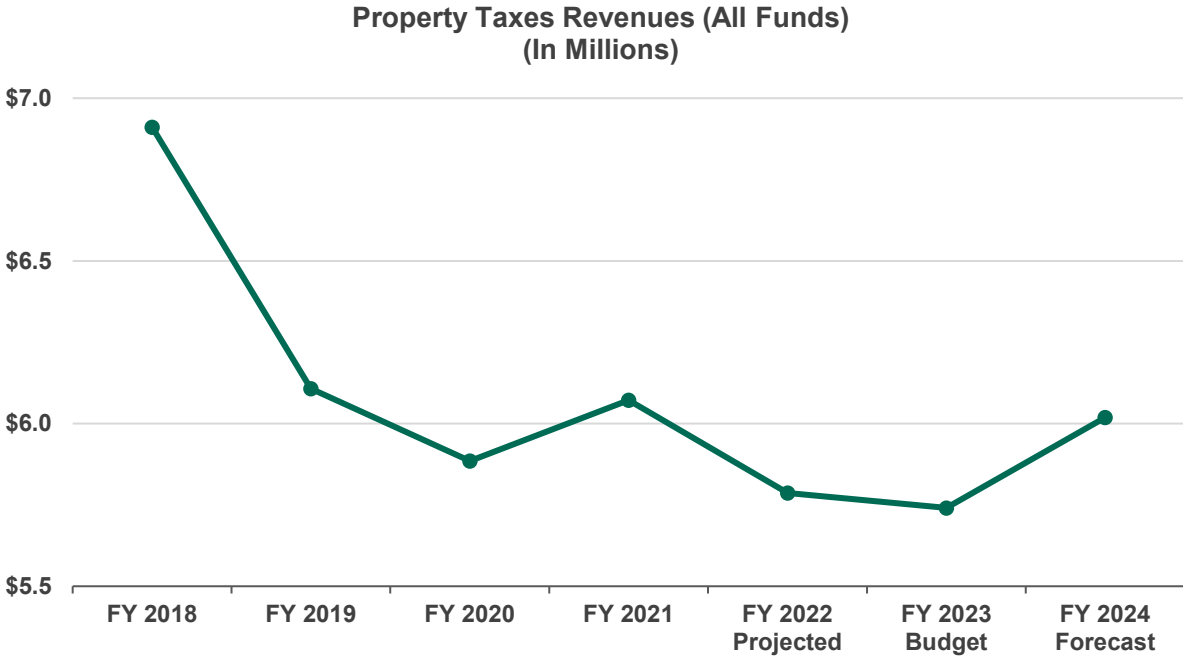
The tax levy rate also used to calculate property taxes, peaked in 2015 at \$0.7479 per \$100 of taxable assessed value and now continues a downward trend due to a decrease in required debt service payments. The tax rate for 2021 is \$0.509323 per \$100 of taxable assessed value.

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Property Taxes are reflected in the General and Geneva Community Mental Health Funds. Budgeted FY 2023 ad valorem property taxes total \$5,562,880 or 26.82% of current revenue in the General Fund. This year marks the third time in over 20 years property taxes are projected to surpass Sales Tax (state share and non-home rule) revenues as the largest revenue source in the General Fund. Geneva Community Mental Health budgeted revenues are \$178,000.

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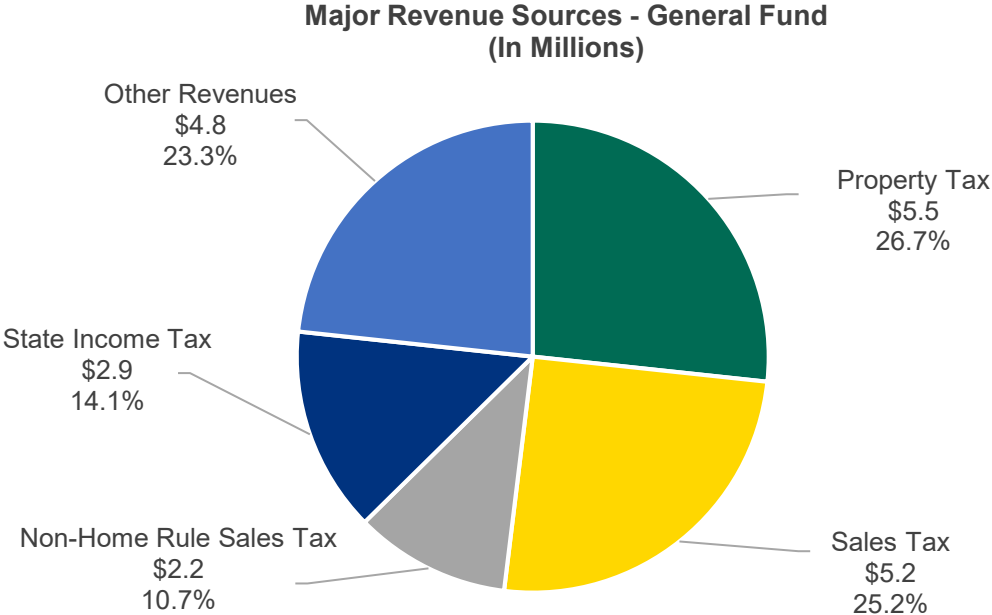
## General Fund

Fiscal Year 2023 budget revenues total \$20,743,610. The four major revenue sources and their contribution to overall revenues are summarized in the charts below.

### Major Revenue Summary – General Fund

Major Revenue Source	Budgeted 2023 Revenue	Percent of Total Current Revenue
Property Tax	\$5,562,880	26.7%
Sales Tax	\$5,200,000	25.2%
Non-Home Rule Sales Tax	\$2,250,000	10.7%
State Income Tax	\$2,900,000	14.1%
Subtotal Major Revenue Sources	\$15,912,880	76.7%
Other Revenues	\$4,830,730	23.3%
<b>Total Current Revenues</b>	<b>\$20,743,610</b>	<b>100.0%</b>

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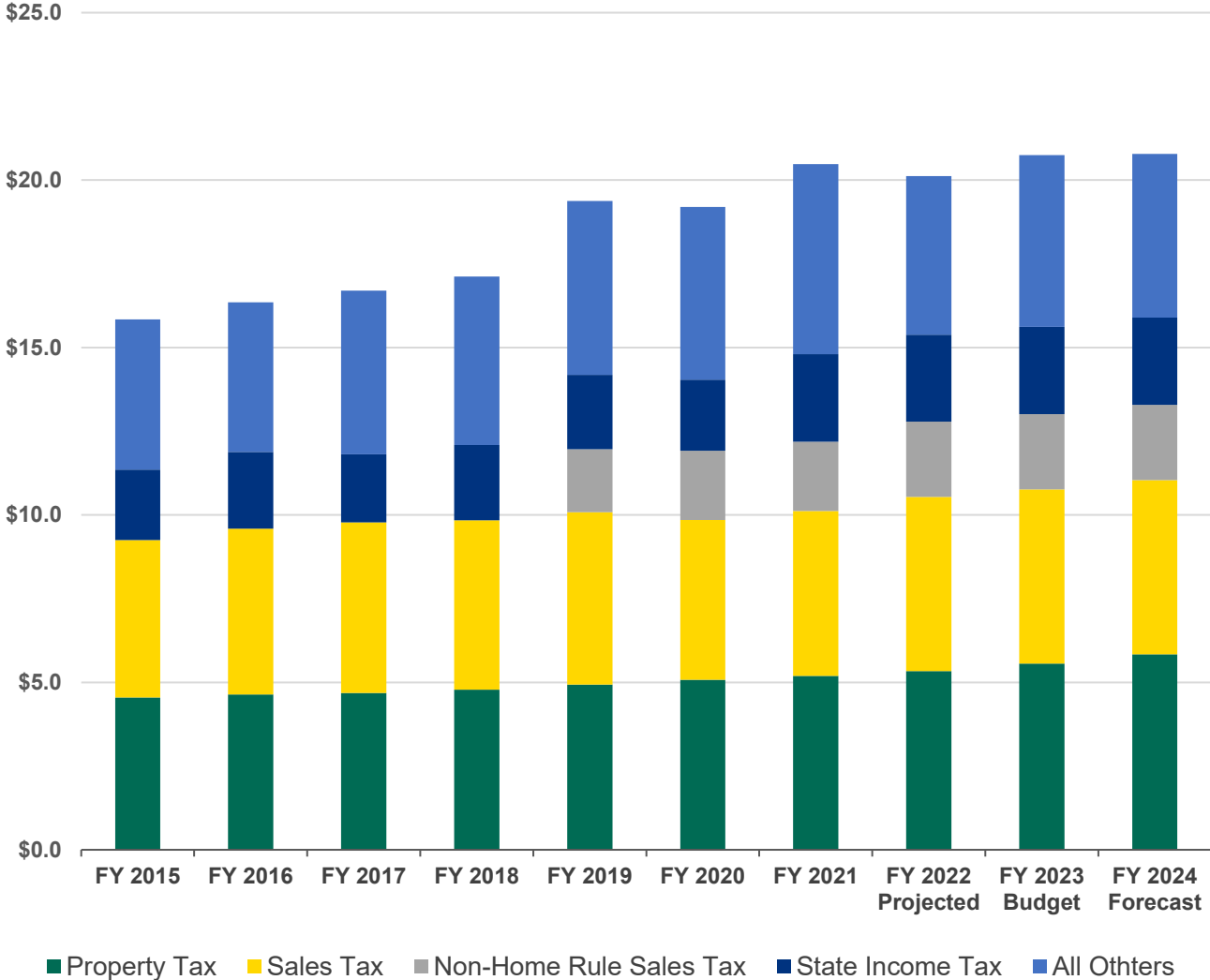


**Major Revenue Sources – Last Ten Fiscal Years**

Fiscal Year	Property Tax	Sales Tax	Non-Home Rule Sales Tax	State Income Tax	All Other	Total Revenues
2015	4,545,724	4,701,581	-	2,105,104	4,483,152	15,835,561
2016	4,640,915	4,952,394	-	2,290,774	4,465,504	16,349,587
2017	4,683,888	5,094,526	-	2,031,811	4,893,357	16,703,582
2018	4,778,699	5,066,293	-	2,244,013	5,030,922	17,119,967
2019	4,931,337	5,151,383	1,876,571	2,223,771	5,189,073	19,372,135
2020	5,073,829	4,776,660	2,070,514	2,114,785	5,158,474	19,194,262
2021	5,190,447	4,931,979	2,066,277	2,609,113	5,680,311	20,478,127
2022 Projected	5,336,025	5,200,000	2,250,000	2,600,000	4,736,680	20,122,705
2023 Budget	5,562,880	5,200,000	2,250,000	2,900,000	4,830,730	20,743,610
2024 Forecast	5,841,010	5,200,000	2,250,000	2,900,000	4,587,355	20,778,365

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Major Revenue Sources - Last Ten Fiscal Years  
(In Millions)



## Sales Tax Generally

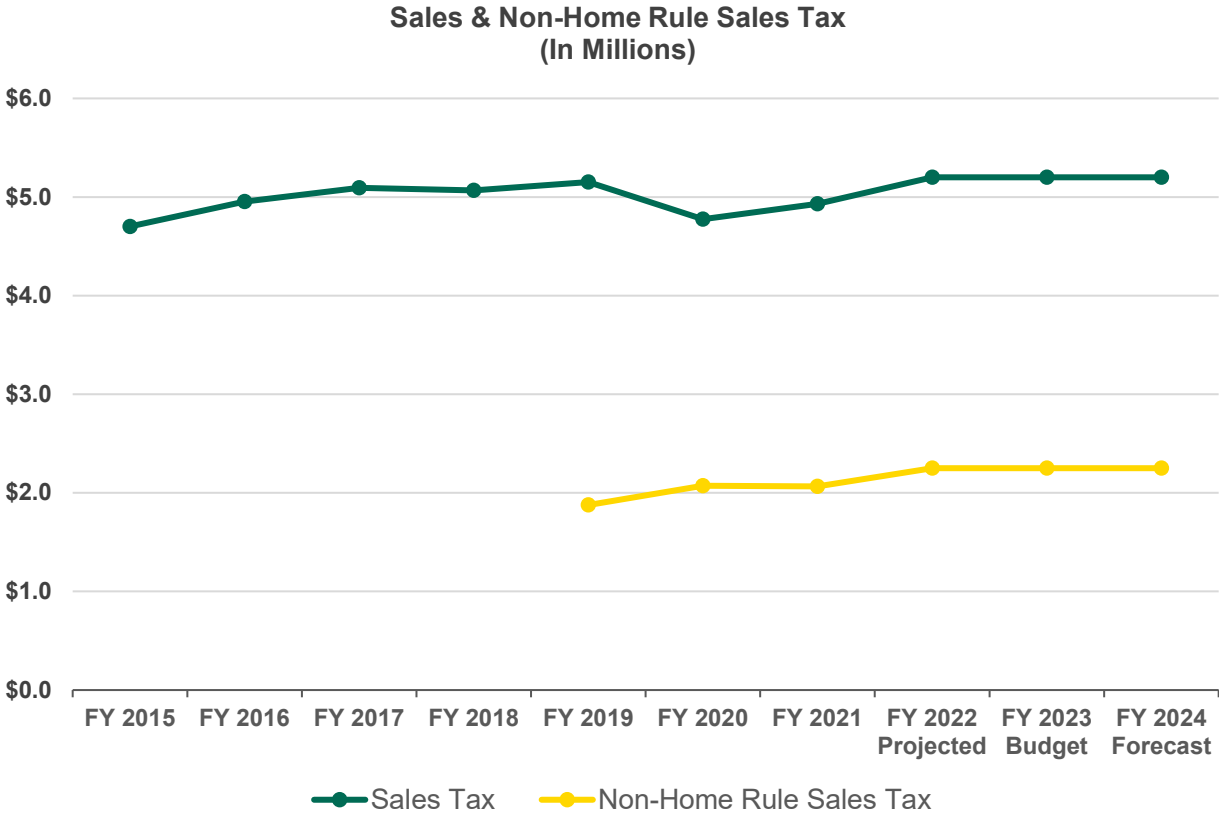
Retail Occupation Sales Tax of 8.0% is collected by the State, effective July 1, 2018. Sales tax is remitted to the City three months after the liability occurs. The City currently receives 2.0% of the revenues collected. The breakdown of the tax is below:

- Sales Tax (State Share) – 1%
- Non-Home Rule Sales Tax (General, unrestricted) - .5%
- Non-Home Rule Sales Tax (Infrastructure Capital Projects Fund, restricted) - .5%

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## Sales Tax (\$5,200,000)

The second-largest source of revenue for the City’s General Fund is local Sales taxes. This figure represents approximately 25.0% of the total revenue in the General Fund.



## Non-Home Rule Sales Tax – Unrestricted (\$2,250,000)

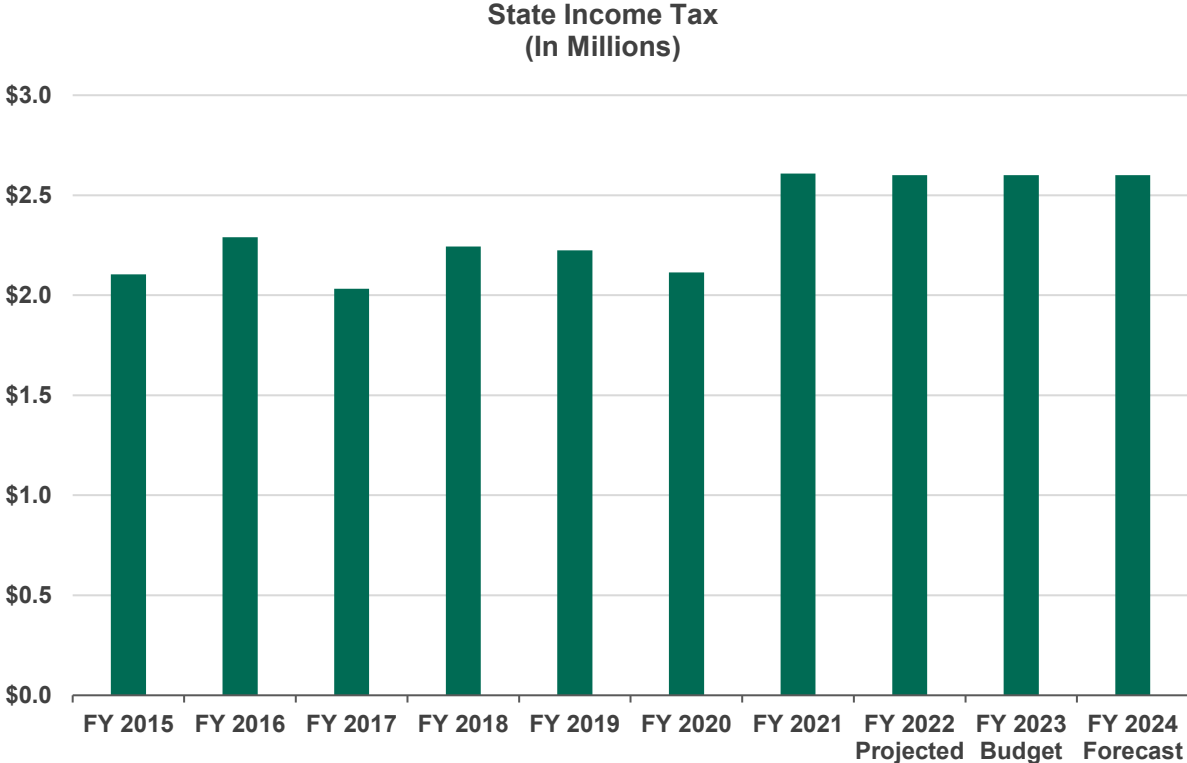
On March 20, 2018, the City gained a new revenue stream by passing a resolution for a city-wide referendum to impose an additional 0.5% non-home rule municipal retailer’s occupation tax and non-home rule municipal service occupation tax. The additional 0.5% rate began collection on July 1, 2018. (This tax does not apply to sales of food, drugs, and medical appliances.) The State withholds 1.5% of collections to cover administration costs. Non-home rule sales taxes are expected to increase slightly from the FY 2022 totals. The City estimates to collect approximately \$2,250,000 for FY 2023.

## State Income Tax (\$2,900,000)

The City currently receives State Income Tax revenues from the State of Illinois Local Government Distributive Fund (LGDF). LGDF is collected by the State and is distributed, on a per capita basis, one month after the liability occurs. State Income Tax is expected to decline slightly from the current year estimates. There is always a threat of a reduction in LGDF, and this fiscal

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year will be no exception. The estimated reduction in revenues is attributable to an increase in the unemployment rate due to the pandemic. After the budget was passed in February, the State of Illinois increased the share of state income tax to the municipalities from 6.06% to 6.16%.



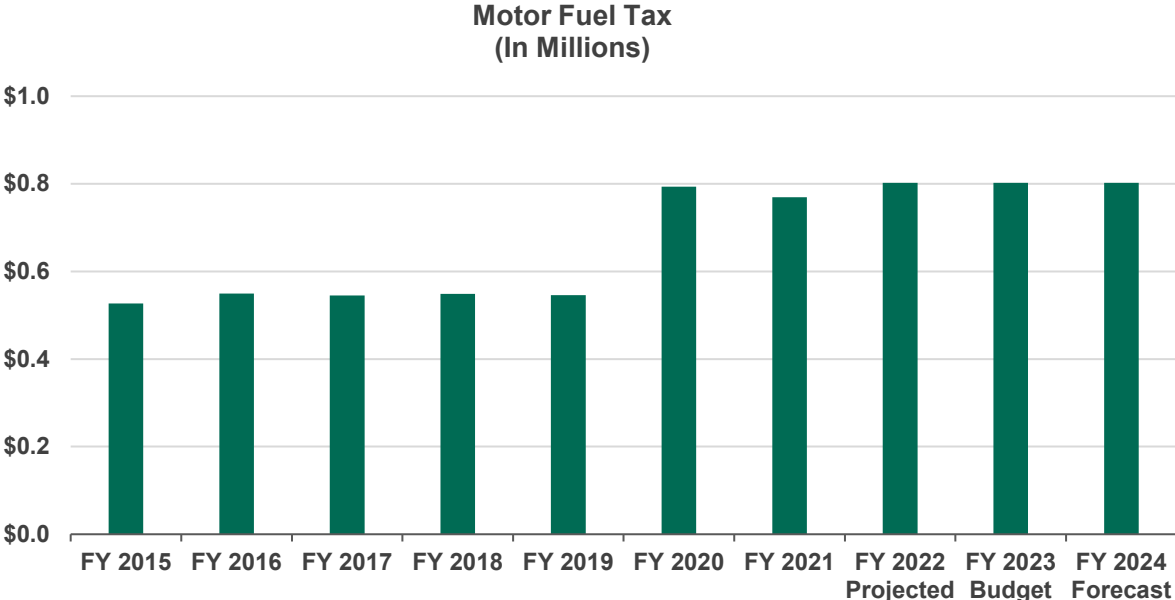
## Other Revenue Sources

### Motor Fuel Tax (\$802,000)

The Illinois Motor Fuel Tax (MFT) Fund is derived from a tax on the privilege of operating motor vehicles upon public highways and of operating recreational watercraft upon the waters of the State, based upon the consumption of motor fuel. The Department of Transportation allocates this money according to the MFT Fund Distribution statute (35 ILCS 505/8) and initiates the process for distribution of motor fuel tax to the counties, townships, and municipalities. Effective July 1, 2019, the State of Illinois doubled the motor fuel tax rate for all unleaded gas purchases.

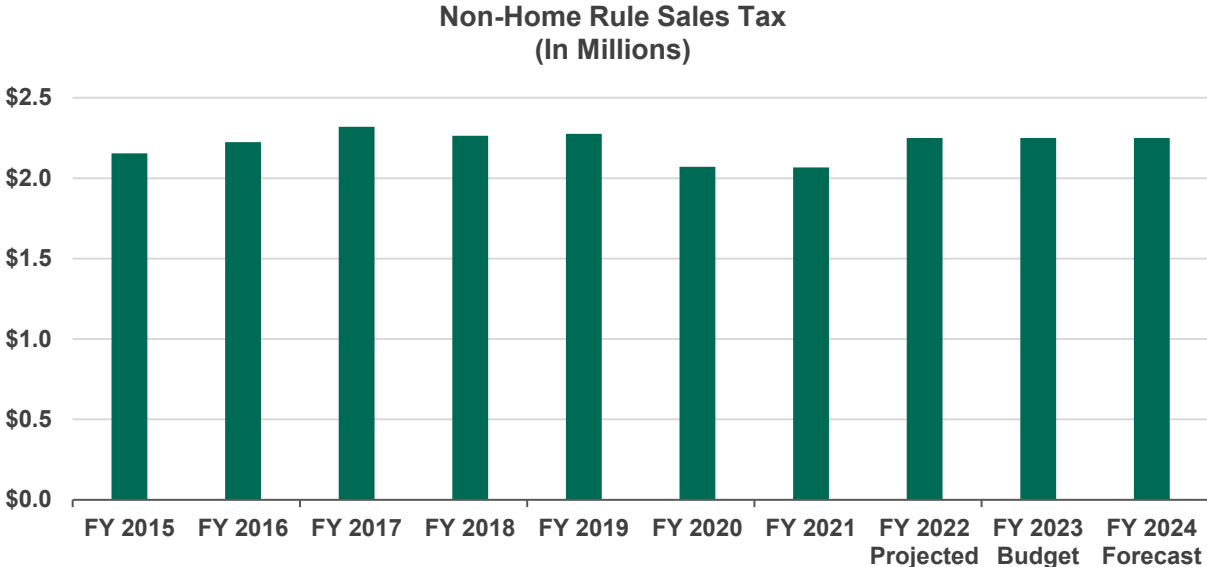
The FY 2022 projection is \$802,000. The FY 2023 budget estimates \$802,000 in MFT revenues to be recorded in the MFT Special Revenue Fund. The City will use these funds towards the street improvement program.

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**Non-Home Rule Sales Tax – Restricted (\$2,250,000)**

The 0.5% non-home rule sales tax was instituted by referendum in 2007 and is restricted to “Infrastructure” related capital projects and recorded in the Infrastructure Capital Projects Fund. This tax does not apply to sales of food, drugs, and medical appliances; therefore, it is not exactly half of the Sales Tax. The State withholds 1.5% of the collections to cover administration costs. Non-home rule sales taxes are expected to increase due to the improving economy and an increase in e-commerce transactions.



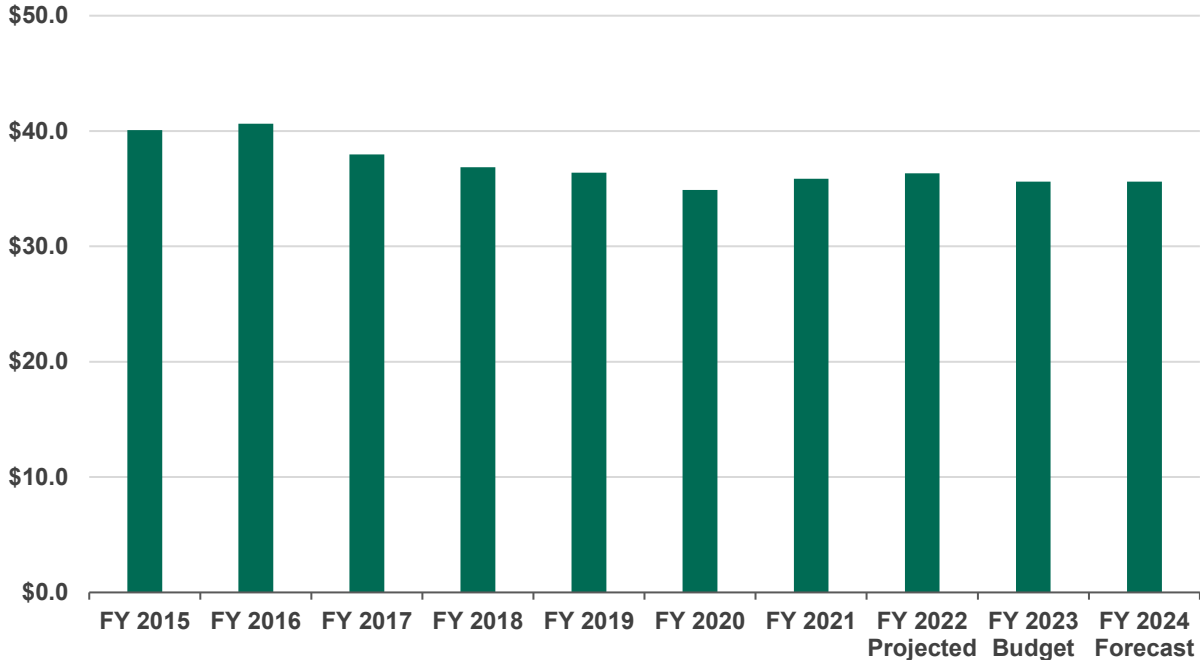


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## Electric Sales (\$35,603,190)

Electric revenues are based on a Class Cost of Service rate structure developed to ensure each rate class pays its fair share of the utility’s cost of providing reliable electric service to the community. Geneva’s rates contain a Power Cost Adjustment (PCA) factor, which accounts for variations in the cost of electricity to the utility. Geneva utilizes a third party to conduct Class Cost of Service Studies and make rate recommendations with the last two recommendations made in FY 2014 and FY 2020. The results of these studies have shown the utility rates continue to recover the utility’s projected costs to provide electric service. Therefore, rate adjustment recommendations from these studies have been revenue-neutral to the utility. The City is a partner in the Northern Illinois Municipal Power Agency (NIMPA), which owns part of a coal-fired generating facility in southern Illinois. The City also generates power during peak demand time via the Geneva Generating Facility (GGF), a behind-the-meter natural gas-fired generating station, thereby limiting exposure to seasonal energy and capacity cost market fluctuations. As market costs vary, the PCA factor correspondingly adjusts revenues. The FY 2023 budget of \$35,603,190 is based on a flat market expectation and budgeted five percent decrease in NIMPA power supply costs.

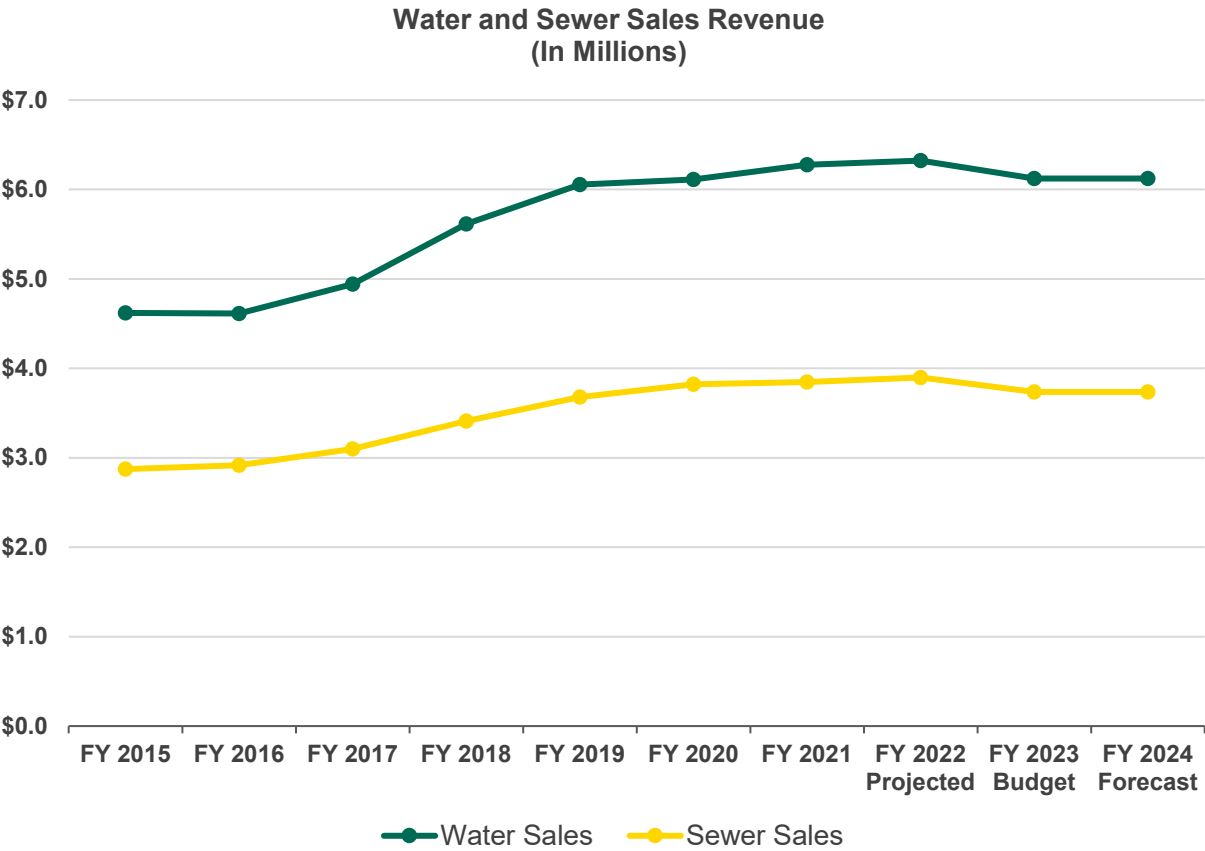
Electric Sales Revenue  
(In Millions)



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## Water Sales (\$6,123,000)

Water revenues are based on the number of cubic feet used by individual homes and businesses. Water rates are developed to recover the cost of providing potable water to the City users. The City pumps water from underground wells and treats it through a reverse osmosis system at the Water Treatment Plant. Water consumption has been steadily decreasing over the past several years and a rate restructuring in 2015 has provided a fixed component that is independent of usage. The FY 2023 budget of \$6,123,000 is flat from the FY 2022 budget.



## Sewer Sales (\$3,736,500)

Sewer sales are largely based on water consumption and have generally followed the same trends. The FY 2023 budget of \$3,736,500 is consistent with FY 2022 budget.