



City of Rochelle Administrative Services

Memo

To: Dave Plyman, City Manager
From: Chris Frye, Finance Manager
Date: March 4, 2014
Re: Telecommunications Tax Increase

The additional revenue generated by an increase in the Telecommunications Tax is estimated to be \$75,000. It will be received in the General Fund and be available for any lawful expenditure. The following are items that I would like you to take into consideration:

- 1) The General Fund used reserves of \$28,026 in FY 13.
- 2) In this current year, transfers were budgeted from Electric, Water, Water Reclamation, Solid Waste, Railroad, Ambulance, and the Sales Tax Funds. The total transfer amounts equated to 31% of the General Fund budgeted revenues for FY 2014. There are limited resources in these funds for future transfers. Our goal for the FY 2015 budget is to reduce the transfers by at least 5%.
- 3) All four union contracts expire on 4/30/14. Police, Fire, Street, and Cemetery employees are all paid out of the General Fund.
- 4) At the end of FY 13, the Insurance, IMRF, and Social Security Funds had negative fund balances.

The increase in the Telecommunications Tax won't be effective until July and we won't see an increase in revenues until October. The City needs to plan ahead for the challenges we will see in balancing future budgets.