



City of Rochelle Administrative Services

Memo

To: Dave Plyman, City Manager
From: Chris Frye, Finance Manager
Date: August 21, 2012
Re: Telecommunications Tax Increase

At the last City Council meeting, the Council discussed an increase in the Telecommunications Tax by 1%. The additional revenue 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) At the end of the FY 2012, the Insurance, IMRF, and Social Security Funds had negative fund balances.
- 2) The draft FY 2012 audit report shows the use of \$28,000 in General Fund reserves.
- 3) In this budget year, transfers were done from Electric, Water, Water Reclamation, Solid Waste, Railroad, Ambulance, and the Sales Tax Funds. The total transfer amounts equated to 25.5% of the General Fund budgeted revenues for FY 2013. There are limited resources in these funds for future transfers.
- 4) Sales tax was budgeted at \$1,850,000 this year. To date, the first four months of the fiscal year have each averaged \$7,000 less than what was budgeted for.
- 5) Union contracts have been negotiated for increases in FY 2014.
- 6) Health insurance costs are rising.

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