



Village of Skokie

For Immediate Release
February 1, 2010

Skokie Village Board Considers Utility Tax

To close the gap between Village expenses and revenue shortfalls caused by employee pension obligations and the national economic downturn, the Skokie Village Board is considering imposing a 5% utility tax on all users in the Village. According to a detailed memorandum from Village Manager Albert J. Rigoni, at this time it is necessary to adopt a tax to increase revenues. Skokie's property taxes have been frozen since 1991.

In his memo, Rigoni outlines a number of different taxing options, but recommends a utility tax to generate an estimated \$5.5 to \$5.8 million annually to fund both employee pension obligations and operational needs. If approved by the Village Board, the utility tax would become effective on May 1, 2010.

The Village has reduced spending as evidenced by a smaller budget for the current fiscal year than from the previous year, and by a hiring freeze for Village positions that began in December 2008. Despite cost saving measures, the significant economic downturn necessitated that the Village utilize reserve funds for two consecutive fiscal years in order to meet the Village's financial obligations. Rigoni explains that despite conservative budgeting, staff reductions and planned use of reserve funds in the current fiscal year, the Village currently projects a \$2.3 million revenue shortfall due to significant reductions in all existing sources of Village revenue, including hotel/motel, income, real estate transfer and sales taxes.

Additionally, the sustained national economic slump has impacted the Village's obligation to fund employee pension programs that have experienced losses of investment revenue while, at the same time, receiving public safety pension benefit enhancements mandated by the Illinois legislature. Approximately one-half of the revenue generated by the new utility tax would be used to meet mandatory pension obligations.

Historically, the Village Board has taken a very conservative approach to tax increases, as evidenced by the property tax freeze in effect since 1991. Many Illinois towns fund pension obligations through property taxes, and nearly all surrounding communities impose a utility tax.

"As evidenced in a recent citizen survey, Skokie residents value the high level of service the Village provides, including twice weekly refuse collection, sidewalk snow plowing, nationally accredited emergency services and more," Rigoni explains. "The decision to impose a tax in the community is difficult, but more revenues are necessary to maintain Skokie's level of service excellence. The revenues provided by a utility tax, together with continued austere budgeting practices, will enable the Village to continue providing excellent services and to also meet burdensome pension obligations."

Other taxes and fees considered included a refuse collection fee, entertainment tax and sewer tax as well as increased vehicle sticker fees. The Village currently assesses \$20 per vehicle sticker, which is the lowest of surrounding communities. As none of these taxes or fees would generate enough revenue to remedy the Village's financial shortfall and pension obligations, Rigoni is recommending a utility tax as the sole means of generating additional revenue.

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