

# 2020

## Preliminary Revenue Estimates for the IRFC

April 29, 2020



**Toni Preckwinkle**  
President, Cook County Board of Commissioners

# Agenda



- Opening Remarks and Introductions
- Approval of the Minutes
- Review of Recommendations
- High Level Review of Model
- COVID-19 Considerations
- Meeting Schedule
  - Proposed Content
  - Proposed Dates
- Public Comment

# Introductions



# Review of Recommendations



# Review of Recommendations



*1) The Commission recommends consistently and transparently documenting the basic economic models and processes driving the County's revenues, which depend on numerous distinct factors...*

- Implementation of Moody's Analytics©
- Codified position of selecting projections that yield both reasonable and conservative results.
  - For FY 2020, and FY 2021 we have relied more heavily on department estimates due to the uncertainty surrounding the COVID-19 pandemic.

# Review of Recommendations



*2) The Commission recommends that the County's models be improved by striving for consistency around source economic indicators and data.*

- Developed a hierarchy of preferred data sets
- Posted data sets on the web with plans to update on a quarterly basis
- Began documenting the change in rates and fee schedules over time, focusing on Major Revenue Categories first.
- All of the above can be found on the IRFC Website
  - <https://www.cookcountyil.gov/service/independent-revenue-forecasting-commission>

# Review of Recommendations



*3) The Commission recommends the County continues to systematically take advantage of monthly revenues data and other operational details to improve its revenue forecasts*

- All forecasts in the current model use Monthly data.
- Working with departments to collect more operational data.

# Review of Recommendations



*4) The Commission recommends that the County prepare clear and thorough documentation of current and historical County tax rates and other policies that drive County revenues.*

- In progress. See Tax history on website.



# Review of Recommendations



*5) The Commission recommends that the County develop a process by which alternative forecasts are prepared and reviewed.*

- Internally developed a long term financial stress test that provides an outlook on how major and minor recession might impact future revenue streams by reviewing the impact in previous years.
- In the development of the current model assumptions surrounding the end of the stay at place order were internally discussed before settling on the end of May forecast.

# Review of Recommendations



*6) The Commission recommends that the practice of forecasting new revenues based on a systematic comparison of County to other jurisdictions, in terms of population, income, tax policies and other relevant factors, be strengthened.*

- Cannabis, Sports wagering, and Online sales tax have been informed by this process but further considerations and recommendations would be welcome.

# Review of Recommendations



*7) The Commission wishes to clarify that its scope of review includes all County revenue sources.*

- The Office of the CFO continues to stress this point with the other separately elected as we strive gather more financial and operational data to help inform our forecasting methods.

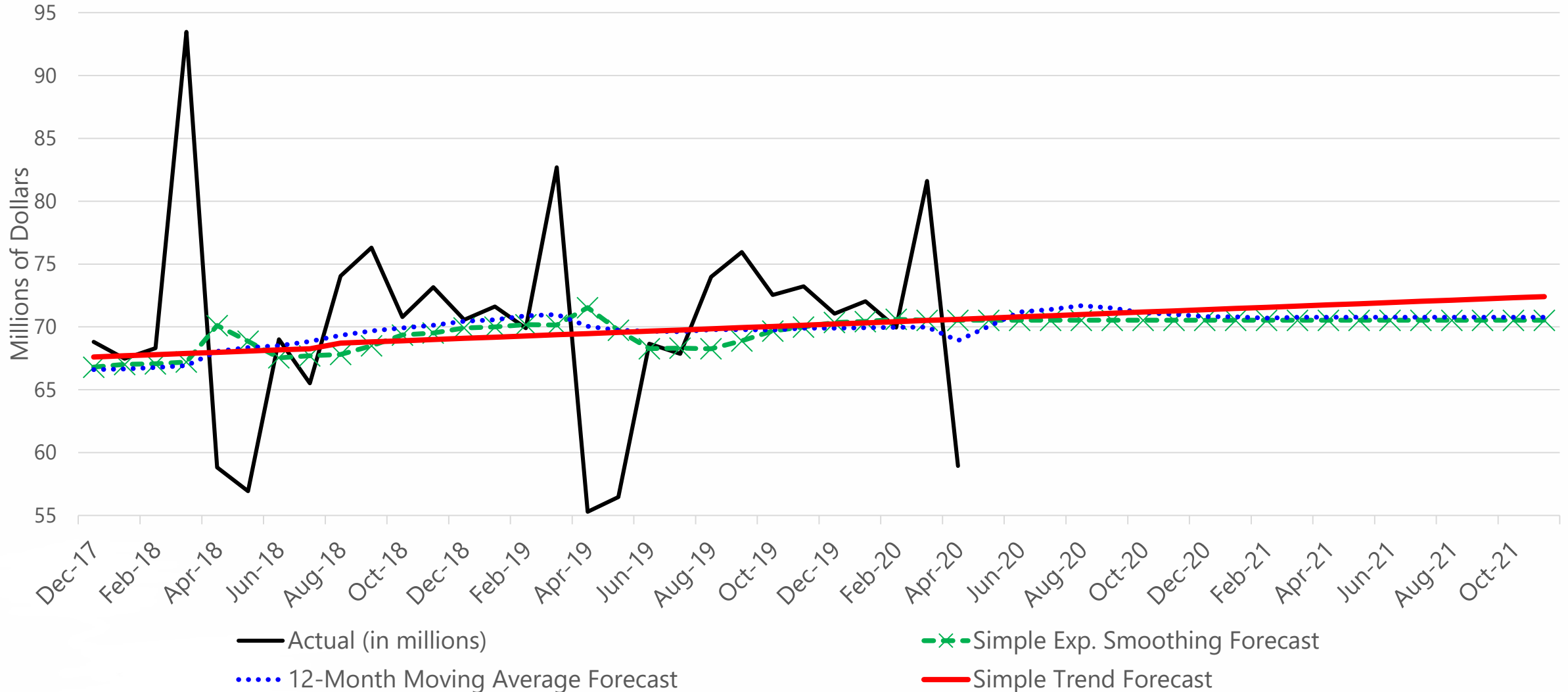
# High Level Review of Model



# Methodologies – Sales tax



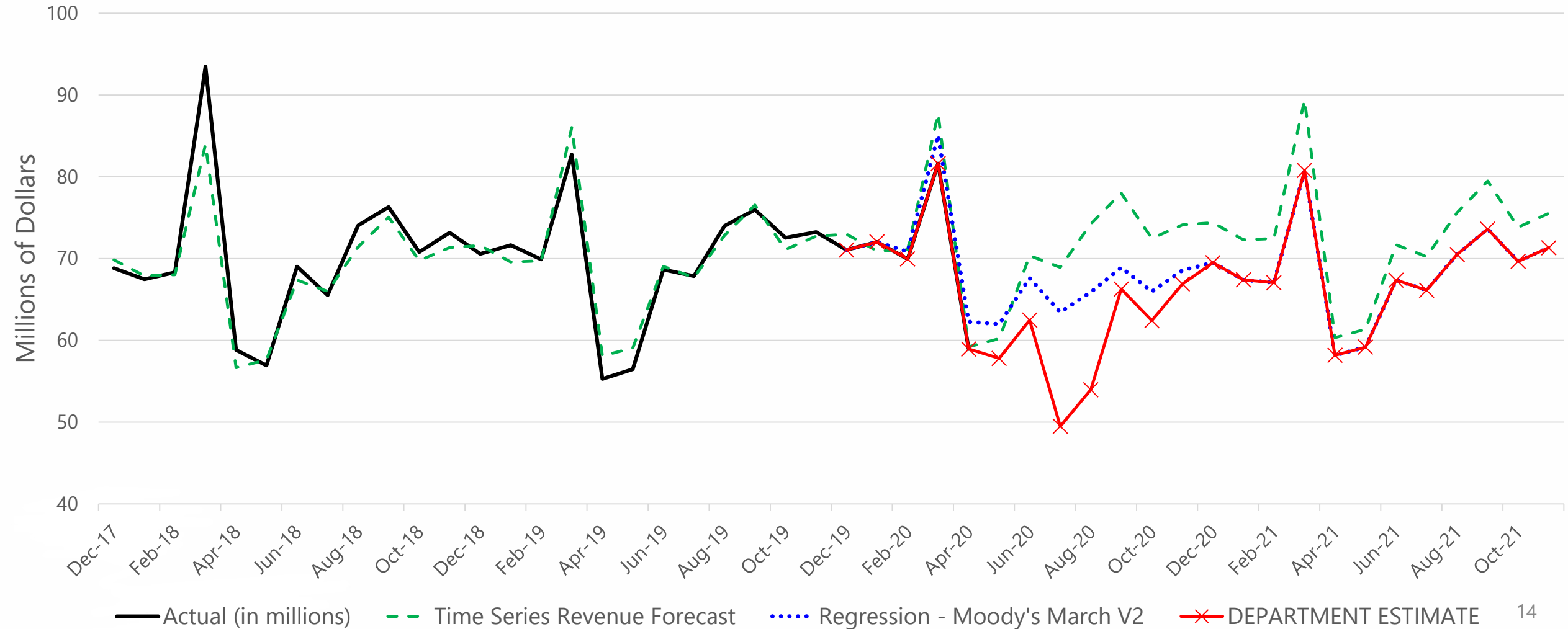
## Sales Tax – Short-Term (non-seasonal)



# Methodologies – Sales tax



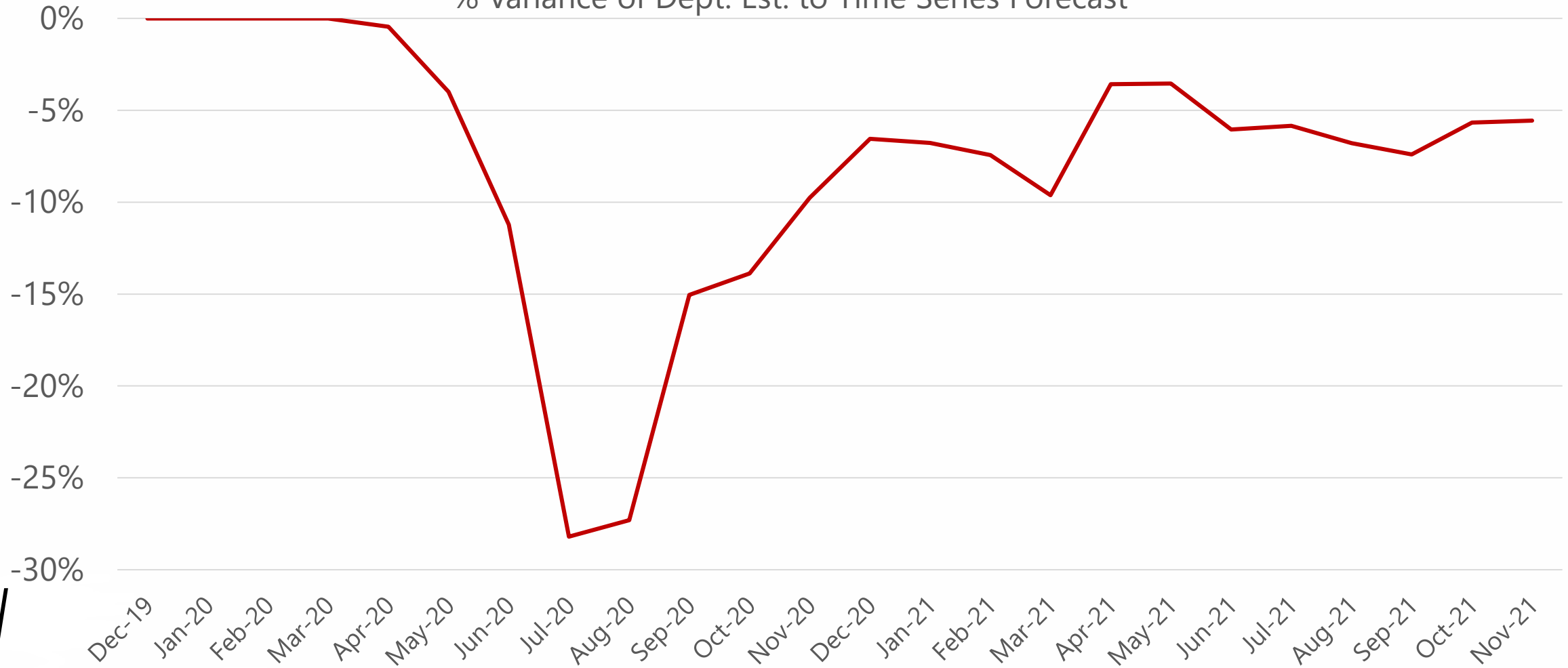
Sales Tax- Short Term (Seasonal)



# Shape of Recovery for Sales tax



% Variance of Dept. Est. to Time Series Forecast



# Economic Pressures on Sales tax



Annual % Change in GMP vs Tax Rate Adjusted Sales





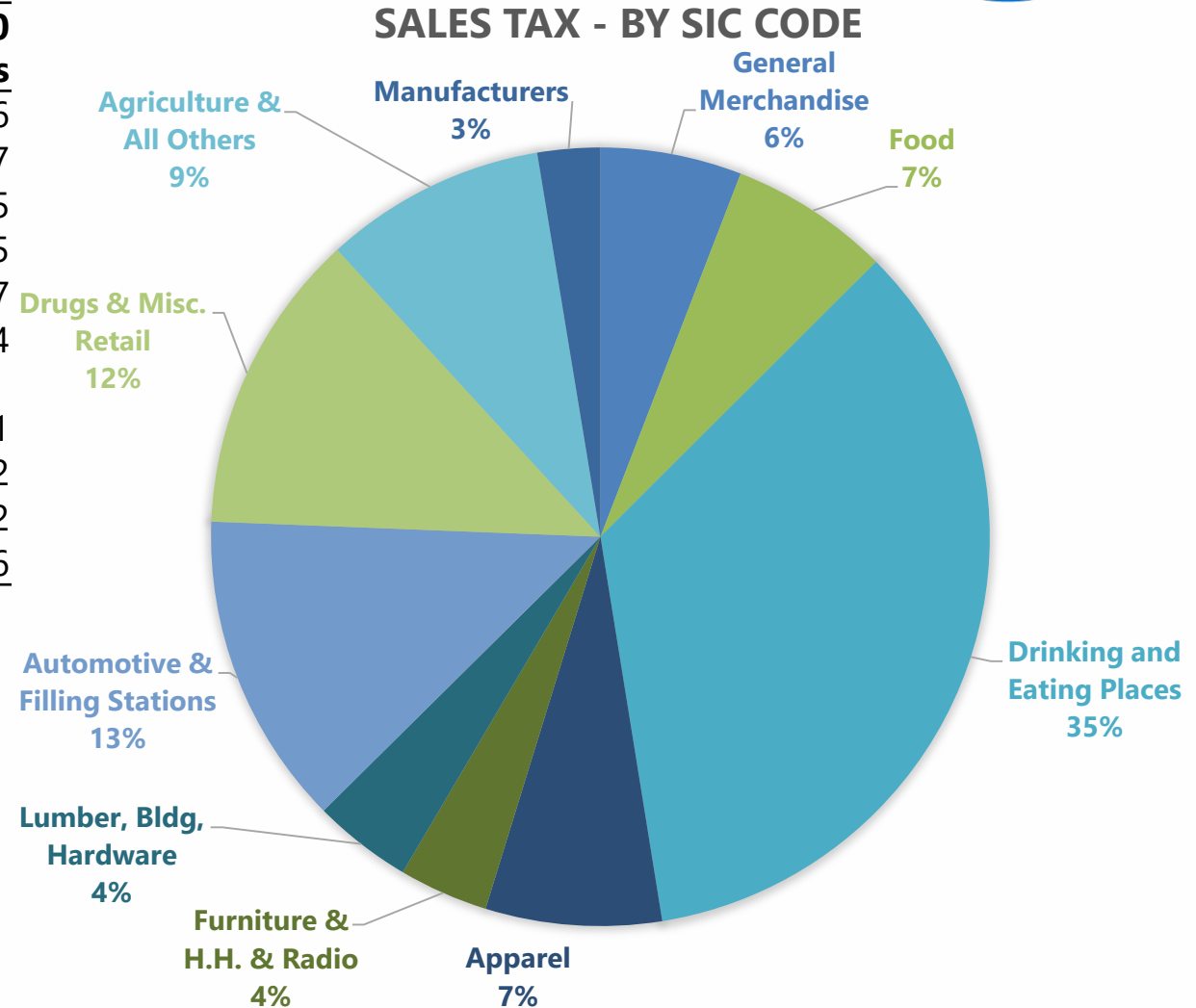
# Economic Pressures on Sales Tax



	April 2019 Actuals*	Percent Decline	April 2020 Estimates
General Merchandise	\$4,027,696	0%	\$4,027,696
Food	\$4,567,367	0%	\$4,567,367
Drinking and Eating Places	\$23,989,175	-40%	\$14,393,505
Apparel	\$5,016,210	-50%	\$2,508,105
Furniture & H.H. & Radio	\$2,544,686	-80%	\$508,937
Lumber, Bldg, Hardware	\$2,821,767	-20%	\$2,257,414
Automotive & Filling Stations	\$8,951,126	-20%	\$7,160,901
Drugs & Misc. Retail	\$8,630,682	0%	\$8,630,682
Agriculture & All Others	\$6,323,382	0%	\$6,323,382
Manufacturers	\$1,784,596	0%	\$1,784,596

\* 2019 April revenue is allocated based on the distribution in the pie chart

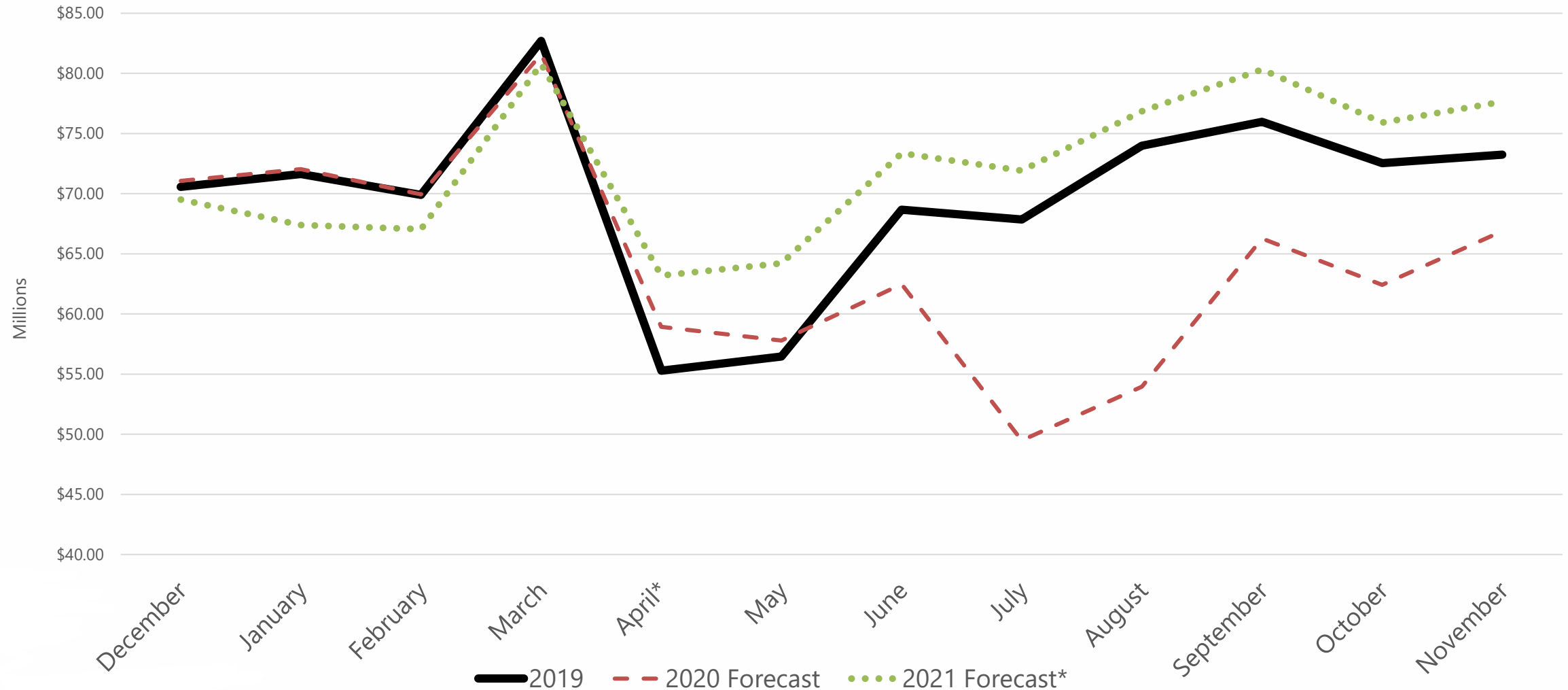
April 2019 Total	\$68,656,689
April 2020 Estimate	\$52,162,586
Dollars Lost	-\$16,494,103
Percent Lost	-24%



# Sales Tax Forecast 2020 and 2021



Sales Tax with Online Sales tax collections



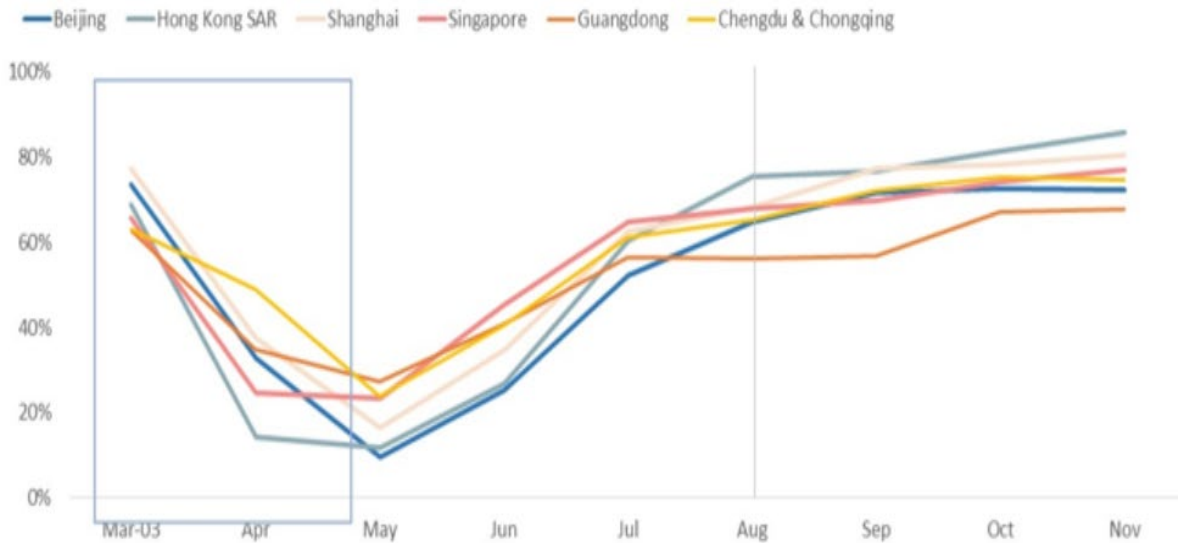
\*On April 2021 The County is projected to receive online sales tax revenue for the first time.

# Economic Pressures on Home-Rule Taxes/Fees

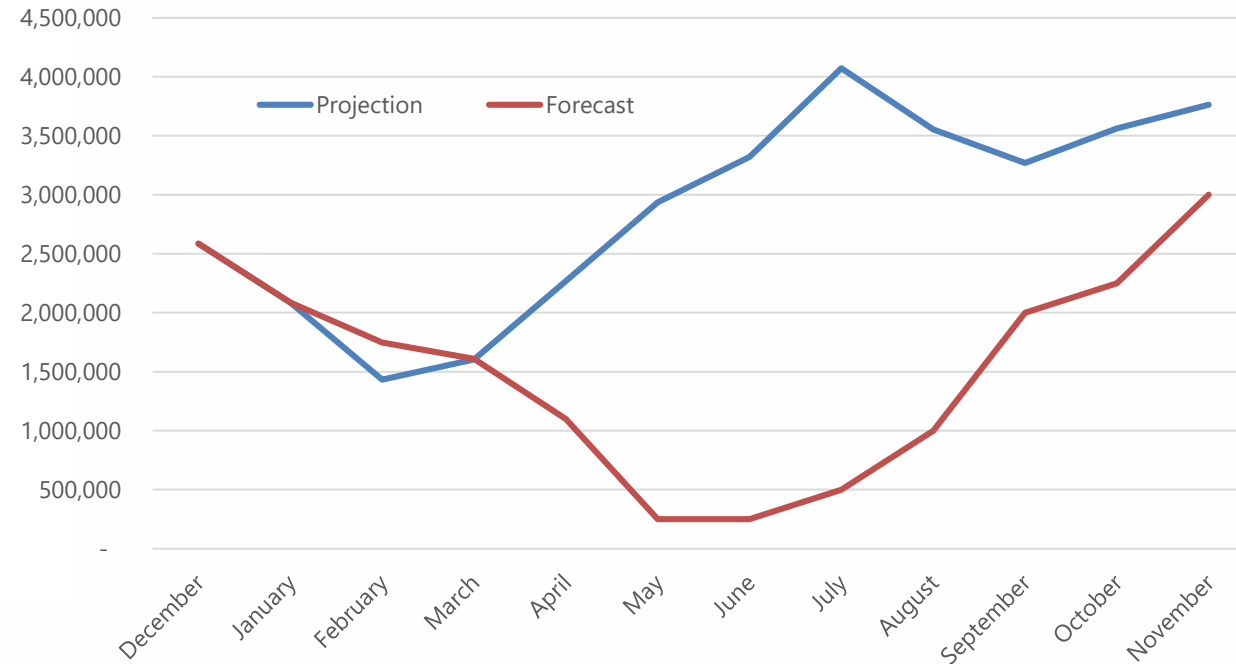


## Market-level occupancy during SARS outbreak

March-November 2003



## 401550 - Hotel Accommodations Tax

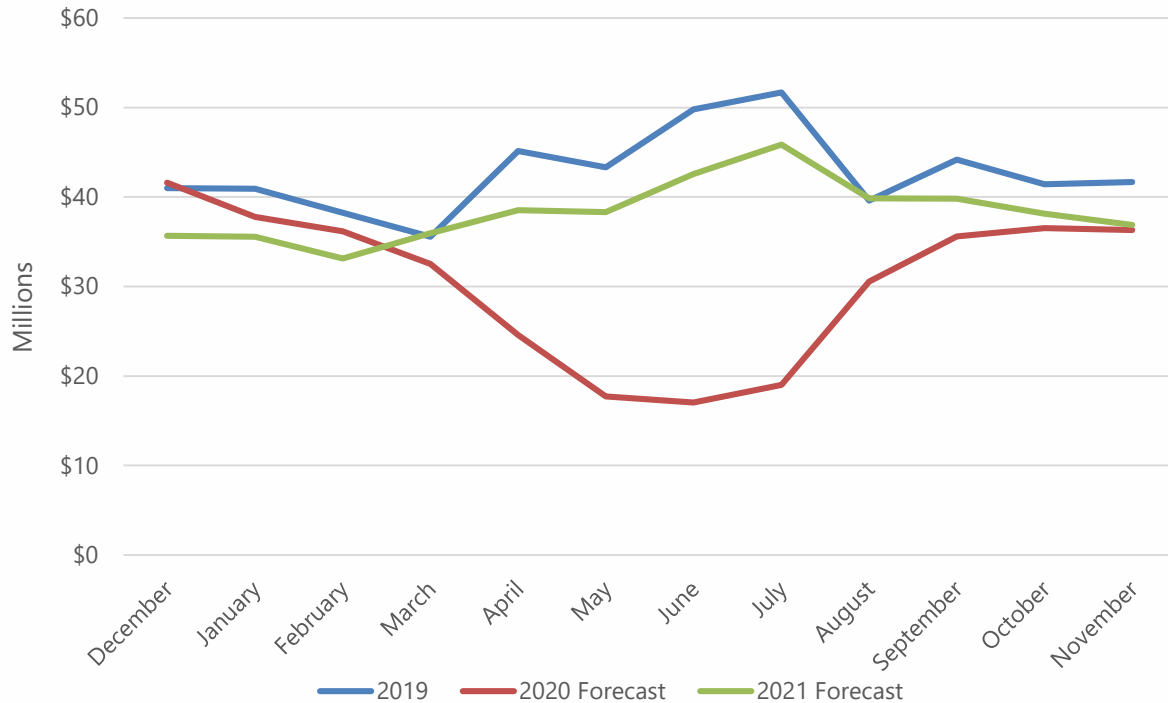


As the COVID-19 situation in France has worsened, the country's daily hotel occupancy plummeted to as low as 3.3% in March

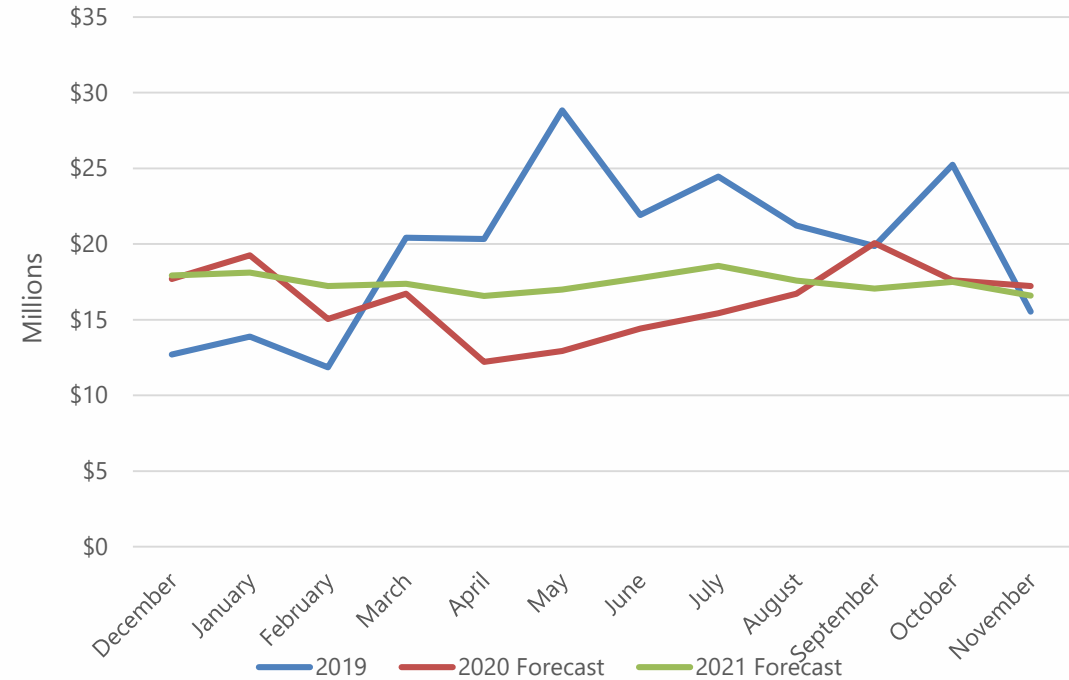
# Economic Pressures on Home-Rule Taxes/Fees



Home Rule Taxes



Fees



	Sales Tax	Home Rule	Fees
<b>2019</b>	\$838,744,833	\$512,489,640	\$236,266,434
<b>2020 Forecast</b>	\$772,829,166	\$365,365,995	\$195,322,592
<b>2021 Forecast</b>	\$868,089,277	\$460,237,603	\$209,200,767

# Available April Revenue Data



Taxes/Fees	Budget	Actual	Variance	% Variance
Cigarette	\$7,611,167	\$7,317,885	\$(293,282)	-3.85%
Use	7,332,999	4,127,096	(3,205,903)	-43.72%
Alcoholic Beverage	2,941,505	2,992,996	51,491	1.75%
Gasoline / Diesel Fuel	7,747,977	5,156,085	(2,591,892)	-33.45%
Retail Sale of Motor Vehicles	245,139	168,192	(76,947)	-31.39%
Wheel	33,938	2,510	(31,428)	-92.60%
Amusement	5,115,029	581,697	(4,533,332)	-88.63%
Parking Lot & Garage Operations	4,125,377	717,695	(3,407,682)	-82.60%
Other Tobacco Products	552,375	508,392	(43,983)	-7.96%
Non Retailer Title Transfer Use	1,427,035	1,024,000	(403,035)	-28.24%
Hotel	2,267,876	437,022	(1,830,854)	-80.73%
Gambling Devices	20,000	700	(19,300)	-96.50%
Firearm Tax	125,442	316,471	191,029	152.28%
OTB	90,000	77,855	(12,145)	-13.49%
Ill Gaming	823,329	324,868	(498,461)	-60.54%
Unincorp Gaming	37,000	69,903	32,903	88.93%
Cable Franchise Fees	287,500	-	(287,500)	-100.00%
Recorder's Audits	2,000	-	(2,000)	-100.00%
Liquor Licensing Unincorp	297,500	-	(297,500)	-100.00%
<b>TOTAL</b>	<b>\$41,083,188.00</b>	<b>\$23,823,367.00</b>	<b>\$(17,259,821.00)</b>	<b>-42.01%</b>

# COVID-19 Considerations



# COVID-19 Considerations



- When will people start returning to work?
- What will the shape of the recovery be once we return to work?
- How will the pandemic influence consumer behavior in the short term? Long term?
- What impact will federal stimulus via the SBA, and for individual households have on the recovery?
- Will Covid-19 return in the Fall!? Next Summer!?
- Will the Federal Government provide funding for lost revenue Under the CARES ACT?

# Next Steps





# Preparation for Preliminary Forecast



- Consider the use of statistical extrapolation methods to validate the current forecasts against March and April results as soon as they are available and adjust accordingly.
- Continue to review results of other Country's as they begin their recovery.
- Analyze New Moody's forecast.
- Seek out and validate other data sets against available County data to determine if they can be used for predictive analytics.
- Incorporate Recommendations from the IRFC. Recommendations by May 8<sup>th</sup> .

# Recommendations for Quarterly Meeting



- Develop a schedule that evaluates the chosen forecast in the current model against the next set of available data.
  - Providing total variance, % variance, SE (Standard Error) and MAPE (Mean Absolute Percent Error).
- Document methodological changes between the forecast used today against model presented at next quarterly meeting.
- Continued Progress on Recommendations.
- Summary of updates to online materials.
- Work with IRFC members to incorporate recommended improvements ahead of the next meeting.
- Other action items corresponding to the development of the County Budget.

# Proposed Schedule



- July 1, 2020 - Provision of current estimates and methods – Statutory Requirement
- July 30, 2020 – Quarterly Meeting and Approval of Methods – Statutory Requirement
- August 2020 – Additional meeting as required
- August 31, 2020 – Issuance of Recommendations – Statutory Requirements
- October 30, 2020 – Quarterly Meeting
- January 29, 2021 – Quarterly Meeting
- April 30, 2021 – Quarterly Meeting

# Vote/Discussion?



# Public Comment



# Discussion?



# Adjournment

