



# The Beecher Bulletin

## “Your Village Newsletter”



### Village of Beecher

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#### Village Hall Hours

Mon-Tues-Thurs-Fri  
8:00 a.m. - 5:00 p.m.

Wednesday  
8:00 a.m. - 7:00 p.m.

Phone 946-2261  
Fax 946-3764

## VILLAGE BOARD APPROVES REFERENDUM TO BE HELD ON TUESDAY, APRIL 17<sup>TH</sup>

### REFERENDUM TO READ AS FOLLOWS:

#### **A proposition to Impose a 1/2% Retailer’s Occupation and Service Occupation Tax for Public Infrastructure Improvement Purposes.**

Shall the Village of Beecher be authorized to impose a tax at the rate of 1/2% upon all persons engaged in the business of selling tangible personal property and upon all persons engaged in the business of making sales of service in the Village on gross receipts from the sales made in the course of their business to be used for public infrastructure improvement purposes?

**This referendum would fund public infrastructure improvements within the Village, including roads, utilities, and related improvements. If implemented, the Village sales tax would increase by 1/2 of 1% for each dollar spent. Groceries, vehicles and prescription drugs would be exempt from the tax.**

The Village Board has authorized the establishment of a public infrastructure account with the primary purpose of resurfacing Village streets, repairing sidewalks, and other public improvements. This account can be funded with the continued sale of vehicle stickers at \$80,000 per year, or a new 1/2% sales tax on all items sold in the Village except groceries, car sales and prescription drugs which would generate \$105,000 per year. A referendum is needed to approve the 1/2% sales tax and this referendum will be held on April 17, 2007. If the new 1/2% sales tax is approved, the current Village Board has pledged to eliminate the vehicle sticker program. If not approved, the Village Board may have to raise vehicle sticker fees in the future to generate sufficient revenue for the public infrastructure account.

### **THE STORY BEHIND THE REFERENDUM**

The Village Board has been discussing for some time the need to create a fund for the sole purpose of resurfacing and rebuilding roads, alleys and sidewalks within the Village and designating a revenue stream for such a purpose. Originally the vehicle sticker

registration was begun as a wheel tax in the communities which started selling stickers but over time the sticker revenue was used to supplement general revenue. As a result, the only earmarked funds for road maintenance was the motor fuel tax, and over time this too was being used for the purchase of maintenance items such as shoulder stone, road salt, cold patch, etc. In order to ensure that at least 50% of the MFT is used for road projects, the Village Board has been borrowing off of future MFT revenues to complete road projects which requires that 50% of the MFT revenue collected each year be used to pay debt.

The Village is approaching a crossroad. In the last five years, the Village has doubled its street inventory. These roads

will last for about 20 years. So, in 2025, the Village will be faced with a resurfacing project that would be equal to resurfacing all of the roads we have in place today. At today's prices this would cost about \$4,000,000. In addition, the Village has obtained a grant which it is scheduled to receive in 2011 in the amount of \$2 million for reconstructing Church Road from Dixie to Racine. This will require a local match of \$1.4 million. Where will the Village get these kinds of funds?

The Village Board has authorized the establishment of a Public Infrastructure Fund and designated a revenue source specifically for this fund so that the road network of the Village can be preserved for years to come. One of the revenue sources under consideration is the imposition of a 1/2% additional sales tax which would be dedicated solely to this fund. This sales tax, which would require voter approval in a referendum, must be so designated as required by state law. The additional tax would not apply to groceries, vehicle sales or prescription drugs.

If such a tax is approved by the referendum, it would generate about \$105,000 annually based on the projection listed below:

Sales tax collected in 2005/2006:	\$ 670,965.70
Less sales tax on car sales	(60,000.00)
Less sales tax on grocery sales	(62,400.00)
Misc. excluded taxes (other grocery and car sales)	(50,000.00)
 NET SALES TAXES AT 1%:	 \$ 498,565.70
 New 1/2% sales tax applied to net sales taxes:	 \$ 249,282.65
Subtract 80% rebate to Beatty Lumber	(144,000.00)
 NET PROCEEDS FROM SALES TAXES:	 \$ 105,282.65

If this 1/2% sales tax becomes the designated revenue stream, a 3.3% annual rate of growth would be assumed.

If the voters approve an additional 1/2% sales tax on all items except groceries, car sales and prescription drugs, the Village could then eliminate the vehicle sticker program. Current revenues from vehicle sticker sales which fund general fund operations could be supplemented by transferring an equal portion of telecommunications taxes from the debt service fund which at this time is an unobligated revenue stream. The telecommunications tax is 6% on all phone-related usage in the Village and generates \$140,000 annually with a 3.3% growth rate. \$46,000 of this income is placed in the General Fund to replace the Infrastructure Maintenance Fee which was abolished in 2003. The remaining \$94,000 is allocated to the debt service fund. The current vehicle sticker program generates \$80,000 each year with an annual growth rate of 200 stickers per year or \$4,000.

Over the five year period, the Village could increase the transfer of telecommunications tax revenues by \$4,000 from debt service to the General Fund beginning with \$84,000 in 2008/09. This would cover the loss of the vehicle sticker program.

If the voters reject the 1/2% sales tax, the Village could still establish the Public Infrastructure Fund and dedicate all vehicle sticker revenue to this fund. The loss to the General Fund as a result of this transfer could be covered by the telecommunications tax as mentioned above. Either way the voters decide, this would allow for the creation of a fund reserve to pay for that day that is certain to come when many of the roads in the Village will need resurfacing.

The referendum on the 1/2% sales tax will be held on April 17, 2007.

**Roads in Need of Resurfacing Prior to 2025**

Orchard Lane from Dixie to Catalpa:  
 Meadow Lane from Dixie to Catalpa:  
 Country Lane from Dixie to Catalpa:  
 Catalpa from Miller to Country:

**Today's Prices**

\$ 60,000  
 60,000  
 60,000  
 70,000

<b><u>Roads in Need of Resurfacing Prior to 2025</u></b> (continued)	<b><u>Today's Prices</u></b>
Dunbar from Hodges to Indiana:	65,000
Elliott from Miller to Indiana:	100,000
Gould from Miller to Indiana:	175,000
Penfield from Oak Park to Dixie:	500,000
Woodward from Miller to Penfield:	65,000
Hodges from Oak Park to Woodward:	100,000
Maxwell from Penfield to Block:	65,000
Block from Woodward to Maxwell:	20,000
Municipal Parking Lot at Reed Street:	30,000
Reed from Miller to Penfield:	65,000
Catalpa Penfield to Indiana:	50,000
Elm from Catalpa to Creek:	40,000
Elm St. East of Catalpa:	40,000
Birch Hodges to Penfield:	50,000
Park from Catalpa to Birch:	30,000
Hodges from Catalpa to Dixie:	50,000
Princess Alley:	20,000
Prairie from Indiana to Melrose:	50,000
Pasadena east of Dixie:	60,000
Highlington Court:	40,000
Fairway Drive:	250,000
Miller Reed to Dixie	175,000
Miller Lange to Donoho:	120,000
Orchard Lange to Donoho:	120,000
 <b>TOTAL RESURFACING NEEDS PRIOR TO 2025:</b>	 <b>\$ 2,530,000</b>

Assuming 3% inflation between now and 2025, the cost of resurfacing these streets would be \$4,436,370. Over this same period, the 1/2% sales tax at \$105,000 per year plus 3% would only generate \$2,850,000. Therefore, the Village would not be generating more revenue than what is needed for road resurfacing alone in the coming years, and there is still no guarantee that we would be able to resurface all of our older roads by 2025.

#### **ADVANTAGES AND DISADVANTAGES OF AN INCREASE IN THE SALES TAX AND ELIMINATION OF THE VEHICLE STICKER**

##### **Advantages**

1. A large part of the sales tax is paid by non-residents. (Gasoline, lumber, restaurants, etc.)
2. The sales tax is paid by everyone equally where some residents now get away without buying stickers and do not get caught.
3. The sales tax will generate more revenue over time and will grow as the local economy grows. The Village would have to increase sticker fees by \$10 per sticker (\$30 each, \$60 if paid late) to generate the same amount of revenue.
4. Vehicle stickers increase administrative costs of processing the sticker program and cut into net revenues by about \$20,000 (estimated). The State just sends the Village a check monthly for the sales tax and there are no processing costs. This will free up staff to complete other tasks and delay the need for additional personnel in the Village Hall.

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- 5. Traffic in the Village Hall would be reduced. The small lobby in the Village Hall cannot handle more than three customers at a time and at times there is a line out the door at the Village Hall during sticker sales.
- 6. A typical household has two cars and purchases \$40 in stickers each year. With a 1/2% sales tax increase, this same household would have to spend \$8,000 at Village retail outlets (excluding groceries, prescription drugs and vehicle purchases) to reach \$40 in new sales taxes paid.
- 7. The sales tax is paid in small increments over time by the resident. The vehicle sticker is an annual one-time fee.

**Disadvantages**

- 1. Beecher’s current sales tax rate is 6.5%, which includes 5% to the State, 1% to the Village, 0.25% to Will County and 0.25% to the RTA. The new sales tax rate would be 7.0%. This compares to 6.25% in Kankakee County, 6.5% in Peotone and Crete, 6.0% in Lake County, Indiana, 7.0% in Monee, and 7.75% in Matteson (Lincoln Mall). Most Cook County communities are at or above 7.0%.
- 2. A senior citizen can buy one sticker in Beecher for \$5.00. To reach this amount under the proposed sales tax increase, the senior citizen would only have to spend \$1,000 in the Village on non-grocery items over the course of a year. Some seniors may pay more as a result of the new sales tax.
- 3. The business community could be affected by the proposed sales tax increase. The price of gas would increase from \$2.69 per gallon to \$2.71 (an increase of \$0.02 per gallon). This may drive some customers to out of town locations. A \$40,000 lumber tab at Beatty Lumber for a new home would increase by \$200, although Beatty would receive \$160 of this back for the next 16 years per a sales tax rebate agreement. A \$100 dinner tab at the Princess Café would increase by 50 cents.
- 4. Some businesses may choose not to locate in Beecher due to the higher sales tax. However, location and rooftops in proximity to a location is another significant factor driving new business location decisions.
- 5. This referendum does not prohibit a future Village Board from re-instituting the vehicle sticker program. However, the current Village Board has pledged to repeal the vehicle sticker ordinance.



**Village of Beecher**

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