

NON-HOME RULE SALES TAX REFERENDUM – FREQUENTLY ASKED QUESTIONS

What is a Non-Home Rule Sales Tax Referendum?

It is a ballot measure to determine if the people of the Village of Frankfort will approve a 1% increase in the sales tax to hire more police for crime prevention programs, to fund infrastructure improvement projects and to support other operating expenses.

Does a Non-Home Rule Sales Tax apply to all purchases?

No. The Non-Home Rule Sales Tax is not charged on titled goods such as cars and trailers, nor does it apply to most groceries and medicines.

What is the current sales tax rate and what would it be if this measure passes?

The current sales tax rate on general merchandise in Frankfort is 7%. If passed, the tax would increase by 1% to 8% on certain goods such as hardware, clothing and dining out. The rate would remain unchanged on some goods such as cars, trailers and most groceries and medicines.

How would the tax affect my future purchases in Frankfort?

The Non-Home Rule Sales Tax would add a penny on every dollar spent on certain items. For example:

<i>Product</i>	<i>Price</i>	<i>Cost with Current Tax</i>	<i>Cost with New Tax</i>
Cup of Coffee	\$3	\$3.21	\$3.24
Sweater	\$45	\$48.15	\$48.60
Drill	\$150	\$160.50	\$162.00

Who pays sales tax?

Anyone who buys items such as hardware and clothing or dines at restaurants in the Village of Frankfort. It is estimated non-residents pay over 70% of the sales tax in Frankfort, which is the Village’s largest revenue source. *(Source Data: ESRI Business Analyst Market Profile 2017)*

Does voting YES allow the Village to increase the sales tax rate further in the future?

No. Voting YES only allows the Village the authority to collect up to a 1% Non-Home Rule Sales Tax.

Does a YES vote make Frankfort a Home Rule community?

No. Voting YES on this referendum only grants the authority to collect up to a 1% Non-Home Rule Sales Tax.

How much money would the additional sales tax generate?

A 1% Non-Home Rule Sales Tax is expected to generate about \$2.8 million per year.

How would the money be spent?

The Village would hire additional police officers to implement new public safety programs. These programs would increase the police department's ability to deter criminal activity in Frankfort.

Second, funds would be directed to support public infrastructure projects such as major road reconstruction and flood control, as well as providing matching funds for grant-eligible projects to construct, repair and improve roadways, bike paths and sidewalks.

Lastly, the revenue would be used to support operating expenses to continue the present standard of village services.

Why does the Village need additional revenue?

Frankfort relies on sales tax, property tax and income tax for ±67% of its revenue to provide police protection, capital infrastructure investment, snow plowing and other services to the community. Sales tax accounts for more than half of these three revenue sources, each of which face downward pressure.

In spite of rising health care and police pension costs, the Village managed to reduce its per capita general fund expenditures by 12% over the last ten years. However, continuing to absorb increased costs while reducing expenses is beginning to impact services the Village believes people expect from their government. Without increased revenue, the Village anticipates it will need to severely cut into the services it provides to maintain fiscally prudent operations.

The Village recently raised utility taxes and began charging for garbage collection. Where did that money go?

The majority of the money raised through these fees is going toward the annual road resurfacing program. Between ten and twenty years ago, roadway miles in Frankfort more than doubled because of new subdivisions. Roads need to be resurfaced every fifteen to twenty years. For many years, the Village spent \$400,000 to \$500,000 each year to resurface roads. As the influx of roads built ten to twenty years ago come due for resurfacing, a substantial increase to the resurfacing budget was needed to keep up. In 2018, the Village budgeted \$1.8 million for resurfacing, which could conceivably exceed \$2 million per year in future years.

I pay a lot of money in property taxes, where does it go?

The Village receives approximately 5% of the property taxes you pay. In other words, for every \$1,000 of property tax paid, the Village collects about \$50. The remainder is provided to other taxing districts, such as the schools, library, fire, park and forest preserve. The specific districts you pay toward are identified on your property tax bill.

Why raise the tax now?

Village policy requires maintenance of reserve funds that include 25% of annual budgeted operating expenditures plus adequate reserves for capital investments. Since 2008, reserve funds declined by \$7 million. While the reserves remain healthy today, the trend shows within three to five years the reserve balance will approach a point where services must be reduced dramatically.

It takes about one year from the passage of a Non-Home Rule Sales Tax Referendum for the Village to see meaningful increases in revenue. The Village Board plans for the future and has stated the Village will not spend beyond its means. There will be either increased revenues or decreased services over the next three to five years.

If the measure passes, when will the sales tax increase?

If the measure passes in November of 2018, the tax increase will take effect on July 1 of 2019. The Village would not expect to receive any new revenue until the October 2019 disbursement from the state, nearly one year after passage.

If the measure does not pass, what should I expect?

The Village Board believes village operations and capital programs should not cost more than the revenue it generates on a sustained basis. If the measure does not pass, the Board will need to determine the core and essential services the Village will continue to provide. The result could include a blend of service cuts, alternative revenue increases, and the potential reduction or elimination of supportive funding to non-essential functions.

How would the new sales tax rate compare to the sales tax rate in nearby communities?

Frankfort	8.0% <i>(Current Rate 7.0%)</i>
New Lenox	9.0%
Mokena	7.5%
Manhattan	8.0%
Tinley Park	9.75%
Orland Park	9.75%
Matteson	9.0%

What are alternative strategies?

Expense management continues to be a key strategy in operating the Village. Before the recession, the Village operated with as many as 96 employees; today there are 81 employees servicing the growing community. The Village believes it is clear it cannot go on indefinitely at present staffing levels without significant changes to the services it provides.

A strategy not embraced by the Village is the idea of deferring capital investment in infrastructure and fleet management. The Village believes investment in these items makes Frankfort a better place and allows the Village to ensure the Frankfort of tomorrow is good as or better than the Frankfort of today. It is clear money would be saved by deferring capital investment, however the Village rejects this approach as shortsighted and inappropriate for the community.

Alternative revenue sources are available, however none reach the scale of the Non-Home Rule Sales Tax, which is paid for by non-residents and residents alike. Alternative revenue sources could include reinstating the vehicle sticker program or establishing a food and beverage tax.

Lastly, infrastructure improvements could be funded by debt, however the Village strives to sustain a fiscally conservative community for the future. Frankfort carries no bonded debt today, although its legal debt margin exceeds \$75 million.

When will the measure appear on the ballot?

At the General Election to be held on November 6, 2018.

What is the referendum question as it appears on the ballot?

“Shall the corporate authorities of the Village of Frankfort, Will and Cook Counties, Illinois, be authorized to levy a Non-Home Rule Retailers’ Occupation Tax and a Non-Home Rule Service Occupation Tax at the rate of one (1%) percent for expenditures on municipal operations, expenditures on public infrastructure, or property tax relief?”

YES	NO
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This information about a Non-Home Rule Sales Tax Referendum is published by

Village of Frankfort
432 W Nebraska St
Frankfort, IL 60423

If you have further questions regarding facts about the Non-Home Rule Sales Tax Referendum, please email Village Administrator Rob Piscia at rpiscia@vofil.com.