

RISE:

Revenue Initiatives for Sustainable Equity

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City of Highland Park, Illinois
Proposal for Amending the Tax Code

Title:

Formal Tax Proposal: A Tiered Revenue Structure for Large-Scale Entities in Highland Park

Prepared By:

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10/09/2024

Submitted To:

The Mayor and City Council
City of Highland Park
1707 St. Johns Ave, Highland Park, IL 60035

Purpose:

To introduce and propose amendments to the Highland Park Tax Code aimed at establishing a fair and equitable tax structure for large entities grossing over \$15 million annually and which operates as a cultural institution and/or an amusement entity within the city limits. This plan ensures that such entities contribute appropriately to city resources, provide funding for local education, promote environmental sustainability, and support the long-term financial health of Highland Park. The proposal also respects current agreements with applicable entities by deferring specific taxes until the expiration of those agreements, after which the full tax structure will take effect.

Date of Submission:

10/15/2024

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Formal Tax Proposal: A Tiered Revenue Structure for Large-Scale Entities in Highland Park

Objective:

This proposal introduces a tiered tax framework for large-scale entities grossing over \$15 million annually, operating as a cultural institution and/or an amusement entity within the city limits. The plan is designed to ensure these entities contribute fairly to the city's financial health, environmental sustainability efforts, and educational programs. Through taxes on carbon emissions, naming rights, and amusement activities, the proposal will significantly increase revenue, **adding approximately 5% to the city's annual budget**. This additional revenue will strengthen Highland Park's financial stability and provide resources for key initiatives.

Furthermore, the plan includes an increase in the Mayor's and the Councilmembers' salaries, recognizing that the city needs to attract strong leadership to meet its future challenges. By offering competitive pay, Highland Park can ensure it receives the high-quality leadership it requires, moving beyond the limitations of the current compensation, as "you get what you pay for." Existing agreements with qualifying entities will be honored, with full tax implementation deferred until their expiration.

Section 1: Carbon Emissions Tax (\$130 per metric ton)

In alignment with internationally recognized environmental standards, and specifically following the exemplary carbon emissions framework established by the progressive policies of Sweden, any entity meeting the aforementioned gross revenue threshold and location boundaries shall be subject to a **carbon emissions tax**, calculated at the rate of **\$130 per metric ton** of carbon dioxide emitted. This tax is applicable to entities whose operations result in substantial environmental impacts, including but not limited to emissions arising from vehicular traffic related to the entity's events or activities.

For example, a qualifying entity such as the Ravinia Music Festival, which hosts approximately **135 events** annually and draws an estimated average of **1,500 cars per event**, would generate significant vehicle emissions. According to the EPA, each vehicle contributes **0.008 metric tons** of CO2 per average 10 mile round trip. When multiplied by the total number of vehicles attending these events over the course of the year, this results in an estimated **1,620 metric tons of CO2 emissions annually**.

- **The resulting tax obligation under the carbon emissions tax structure would be calculated as follows:**

$$1,620 \times 130 = \$210,600 \text{ USD annually}$$

Section 2: Naming Rights Tax (1%)

Any entity operating as a cultural institution and/or an amusement entity whose gross revenue surpasses \$15 million annually and which operates within the city limits, and which utilizes the name, designation, or any geographic identifier or culturally significant landmark associated with the City of Highland Park, any of its districts, or subdivisions, for purposes of marketing, branding, promotional materials, or other public-facing communications, shall be subject to a **1% naming rights tax**. This tax is instituted to ensure that entities benefitting from the historic and cultural prestige of Highland Park contribute equitably to its ongoing vitality.

- **Example Calculation Using \$35,000,000 in Revenue:**

$$35,000,000 \times 0.01 = \$350,000 \text{ USD annually}$$

Section 3: Amusement Tax (12%) + Property Tax Equivalent

In the instance of any such entity whose annual gross revenue exceeds \$15 million and operates as a cultural institution and/or amusement entity, within the city limits, such an entity shall be subject to a **12% amusement tax**, modeled after the amusement tax rate currently imposed in Chicago.

However, in cases where pre-existing contractual agreements preclude the immediate implementation of this tax (such as the agreement with Ravinia Music Festival, set to expire on Jan 1, 2029), the enforcement of this tax shall be deferred until the expiration of said agreement.

Furthermore, for entities benefitting from property tax exemptions—such as those with **non-profit status**—the **property tax equivalent** (the amount they would otherwise owe in property taxes) shall be incorporated into the amusement tax. This ensures the city collects an equitable share of revenue even from tax-exempt entities.

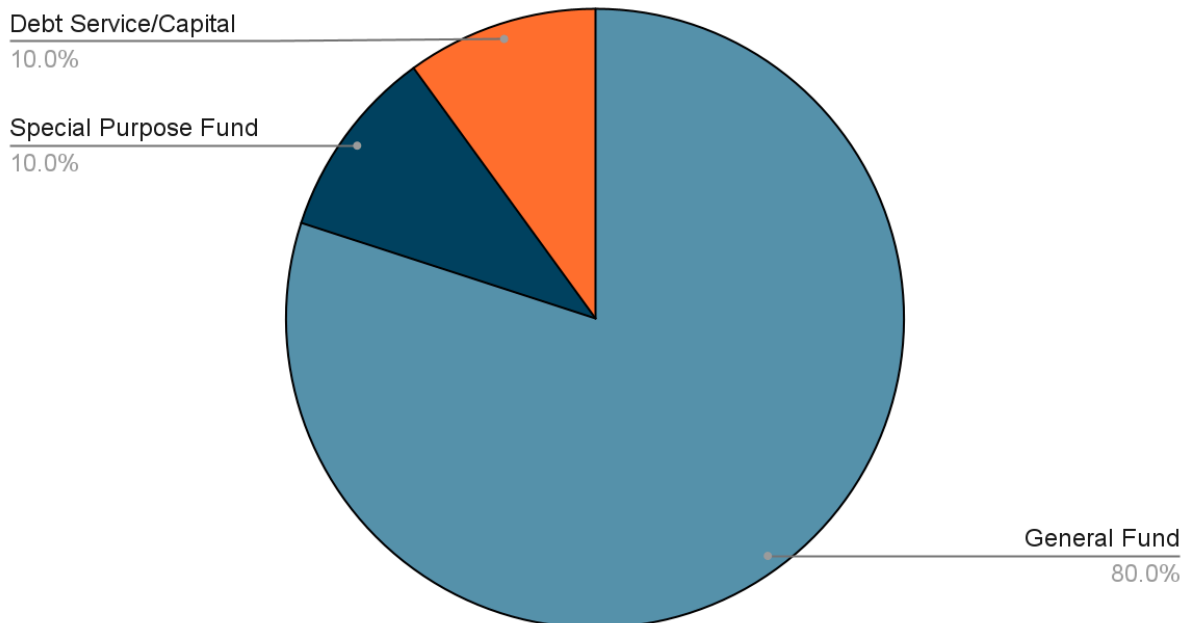
- **Amusement Tax Calculation Using \$35,000,000 in Revenue:**

$$35,000,000 \times 0.12 = \text{\$4,200,000 USD annually}$$

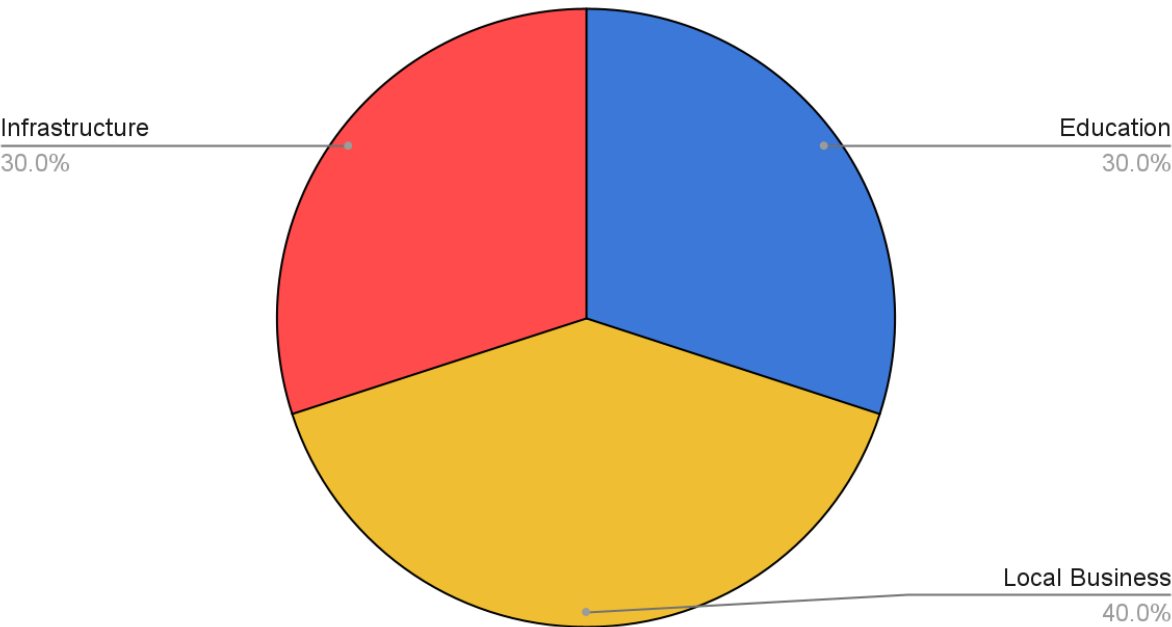
- **Property Tax Equivalent** (Example: Ravinia Festival's \$1,400,000 exemption):

$$\text{Amusement Tax} + \text{Property Tax Equivalent} = 4,200,000 + 1,400,000 = \text{\$5,600,000 USD annually}$$

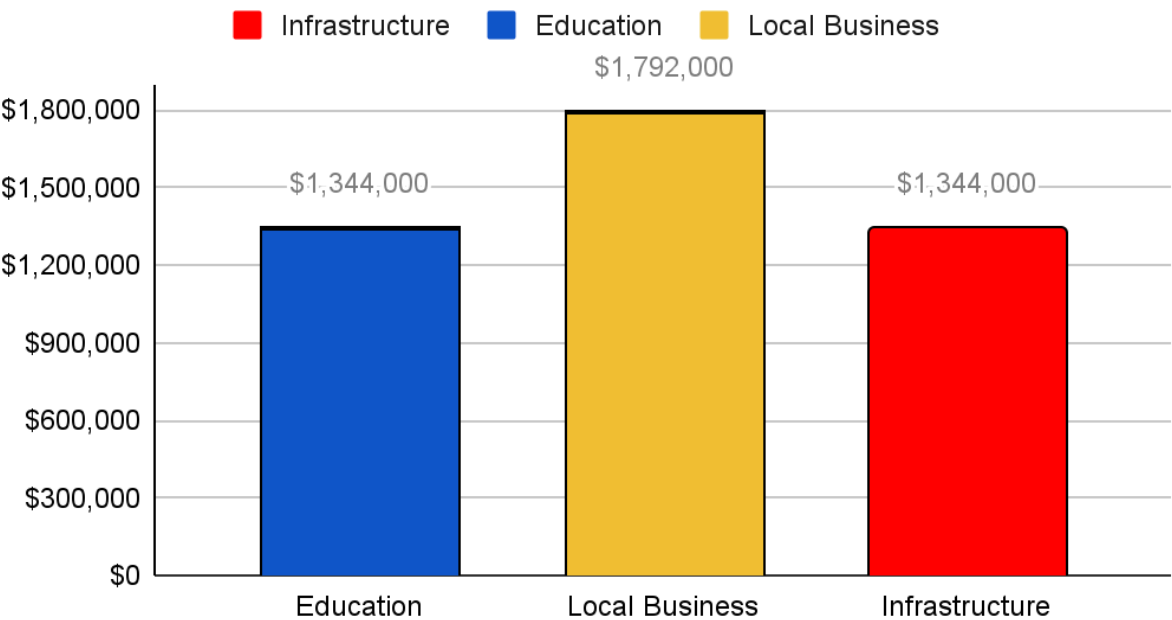
Amusement Tax Allocation %



General Fund Allocation %



General Fund Allocation by \$



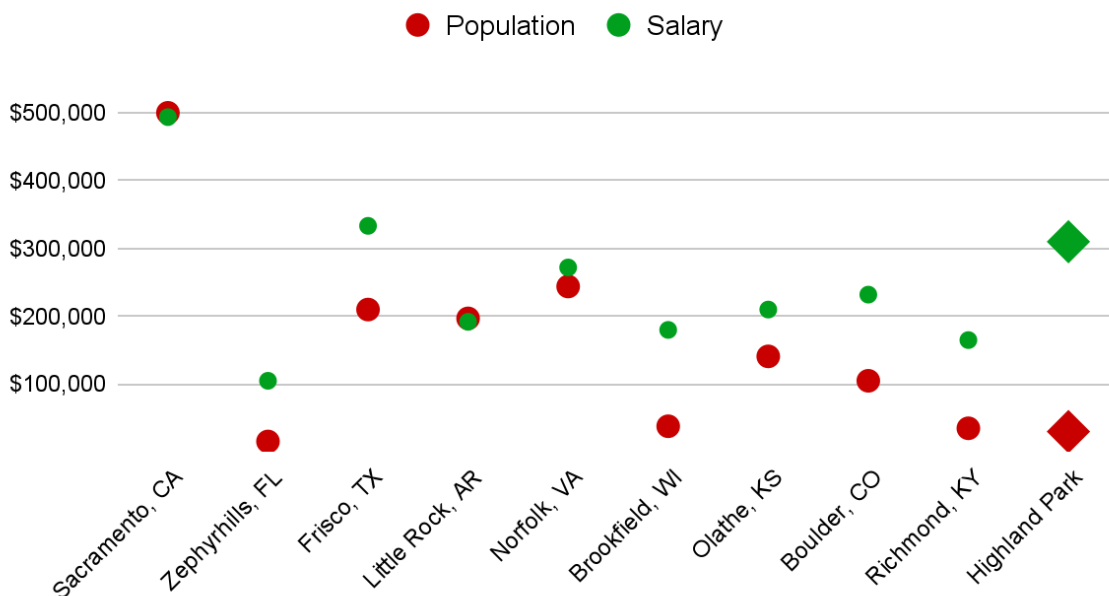
Section 4: Restructuring of City Manager's Salary

Currently, Highland Park's city manager receives a base salary of **\$286,000** per year, along with an annual bonus of **\$30,000**, bringing the total compensation to **\$316,000** annually. Given the city's population of **30,163**, this means the city manager is currently paid approximately **\$10.48 per resident**. 283.88% more than what is considered average.

Under the new proposal, we aim to bring the city manager's salary in line with what is considered average at **\$2.73 per resident**. With the city's population remaining the same, the revised annual salary would be **\$82,345**, representing a significant reduction. Under this new plan, the city manager will be paid **\$2.73 per resident**, making this salary adjustment more consistent with other municipalities and ensuring fiscal responsibility for Highland Park.

The difference, which amounts to **\$233,655** (\$316,000 - \$82,345), will be reallocated to the mayor and city council to better compensate the leadership team while remaining within the overall budget.

City Manager Vs Population



Section 5: Redistribution of Funds

The remaining **\$233,655** from the city manager's salary reduction will be redistributed as follows: **60%** will go to the mayor's salary, and **40%** will be equally divided among the six city council members.

1. **60% of remaining funds for the mayor:**

$$\$233,655 \times 0.60 = \$140,193$$

2. **Mayor's new salary:**

$$\$10,000 + \$140,193 = \$150,193$$

3. **40% of remaining funds for the city council:**

$$\$233,655 \times 0.40 = \$93,462$$

This amount will be equally divided among the six city council members:

$$\$93,462 \div 6 = \$15,577 \text{ per council member.}$$

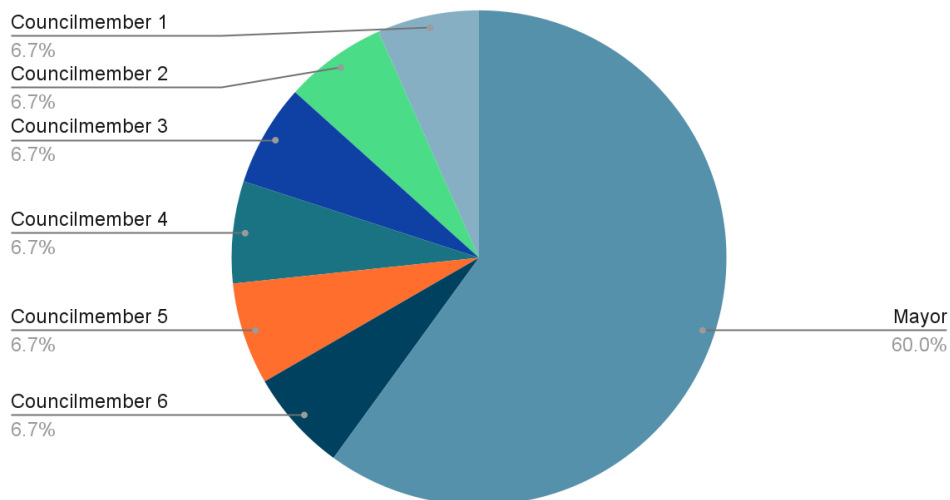
4. **New council member salary:**

$$\$7,500 + \$15,577 = \$23,077 \text{ per council member.}$$

Additionally, a portion of these reallocated funds will be used to implement **split-screen camera functionality** for City Hall meetings. This enhancement will allow live broadcasts to display **both the city council members and citizens who wish to speak**, promoting greater transparency and public engagement. This technology upgrade ensures that the voices of the community are not only heard but also ensures the council is tuned in during discussions, fostering meetings where our council is held to the standard that we all deserve.

This redistribution ensures that the mayor receives a more competitive salary for their leadership role while also fairly compensating the city council members. Furthermore, this restructuring not only supports leadership in a fiscally responsible manner but also enhances public participation by investing in improved communication technologies for City Hall meetings.

Reallocation of Manager's Salary



Summary of Tax Revenue

1. Current Revenue (5% Admissions Fee Example)

For entities like Ravinia Music Festival, currently subject to a 5% admissions fee, the city collects:

- **Estimated Current Annual Revenue** (Example with \$35,000,000 in revenue):
 $35,000,000 \times 0.05 = \$1,750,000$ USD annually

2. New Revenue Starting Immediately

Once the carbon tax, and naming rights tax are implemented, the city will begin receiving additional revenue immediately:

- **Carbon Emissions Tax:** \$210,600
- **Naming Rights Tax:** \$350,000
- **Total Additional Revenue:**
 $210,600 + 350,000 = \$560,600$ USD annually
- **Total Revenue (Current Admissions Fee + New Taxes):**
 $1,750,000 + 560,600 = \$2,310,600$ USD annually

3. Revenue After Agreement Expiration (Including Amusement Tax and Property Tax Equivalent)

After the expiration of any current agreement (e.g., Ravinia Festival's on Jan 1 2029), the city will impose the amusement tax and property tax equivalent in addition to the existing taxes:

- **Amusement Tax:** \$4,200,000
- **Property Tax Equivalent:** \$1,400,000
- **Carbon Emissions Tax:** \$210,600
- **Naming Rights Tax:** \$350,000
- **Total Revenue After Agreement Expiration:** $5,600,000 + 210,600 + 350,000 = \$6,160,600$ USD annually

Total Revenue:

- **\$6,160,600 USD annually**

This allocation still allows the city to meet its goal of generating **5% of the city's annual budget**.

Side-by-Side Comparison of Revenue

Using Ravinia Festival as ONLY and example

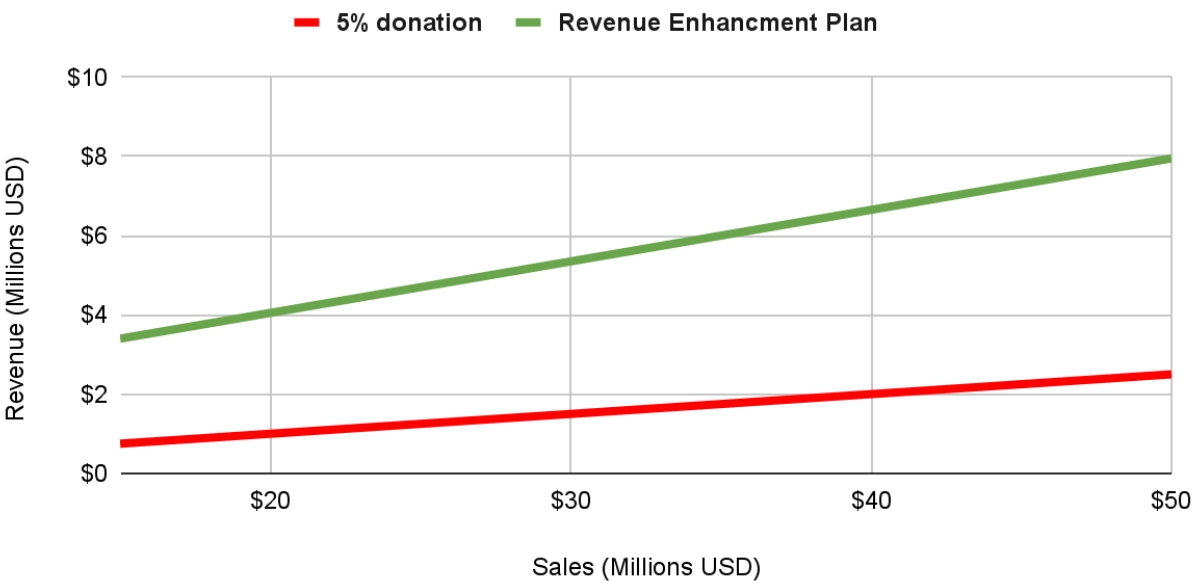
Based off an average of \$35,000,000 in annual revenue as only an example

Revenue Stream	Current (Before New Taxes)	New Taxes (Before Agreement Expiration)	Amusement Tax (After Agreement Expiration)
5% Admissions Fee (Example)	\$1,750,000	\$1,750,000	N/A
Carbon Emissions Tax	N/A	\$210,600	\$210,600
Naming Rights Tax	N/A	\$350,000	\$350,000
12% Amusement Tax	N/A	N/A	\$4,200,000
Property Tax Equivalent	N/A	N/A	\$1,400,000
Total Annual Revenue	\$1,750,000	\$2,310,600	\$6,160,600
% of City's Budget	1.4%	1.95%	5.22%

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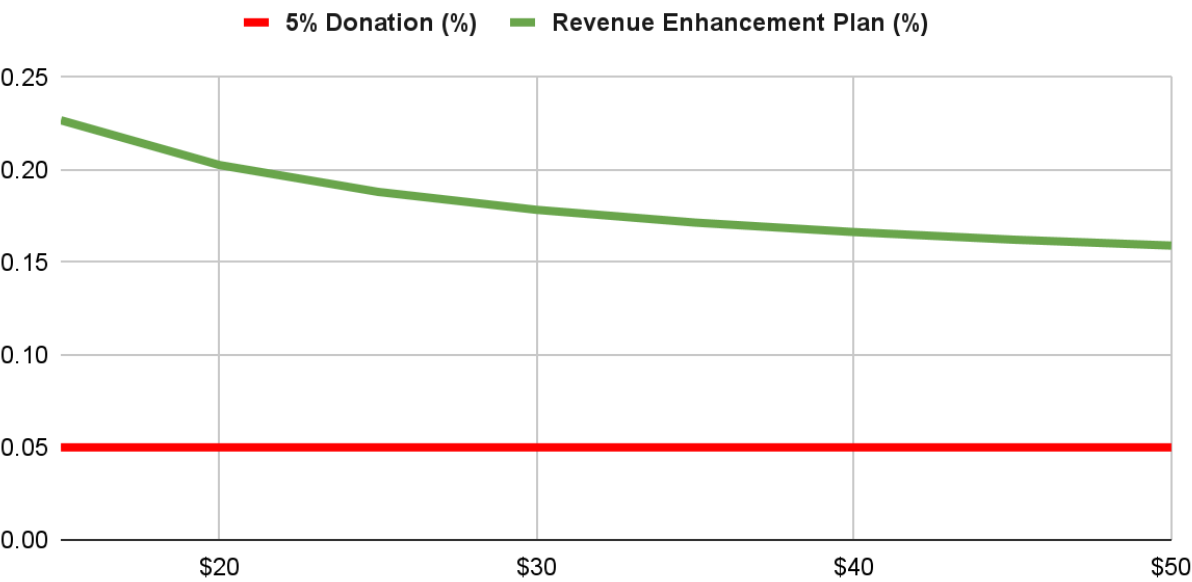
Revenue Comparison

Using Ravinia Festival as ONLY an example



Contribution Percentage Comparison

Using Ravinia Festival as ONLY an example



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Conclusion

This tax proposal offers Highland Park a transformative opportunity to create a fair and sustainable revenue stream from large-scale entities generating over \$15 million annually. By implementing this tiered tax structure, the city will ensure that these entities contribute equitably to Highland Park's financial well-being. While certain taxes may be deferred due to existing agreements, the full tax structure will take effect once those agreements expire, guaranteeing long-term stability for the city.

With this plan projected to contribute **over 5% of the city's annual budget**, it will significantly bolster Highland Park's fiscal resilience. Furthermore, by efficiently allocating funds, including providing a competitive salary for the Mayor's position along with all councilmembers, the city is ensuring strong leadership and a continued commitment to fairness, sustainability, and the prosperity of its community.

The proposal urges the Mayor and City Council to adopt these changes and lead Highland Park toward a more financially secure future, benefiting not just the government but the citizens it serves.

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