FY 2008-09 Proposed Budget

January 12, 2008
Budget Discussion Schedule

December 31, 2007
- Proposed Budget to City Council

Saturday January 12, 2008
- Budget Overview and Discussion

Saturday January 26, 2008
- Department Overviews and Discussion

Saturday February 2, 2008
- Program Discussions
Budget Discussion Schedule

**Monday February 4, 2008**
- Public Hearing / Discussion

**Monday February 25, 2008**
- Regular City Council Meeting
- Budget Resolution Adopted
City of Evanston Budget
Fiscal Year 2008-09
Overview
Budget as a Policy Document

- The annual budget is a financial and policy document that determines the financial and operating priorities for the coming fiscal year.

- We have continued to reformulate how we put the budget together to work towards fixing the **STRUCTURAL BUDGET GAP** that has repeated itself over several years.
Budget Structural Changes

- This is the second year of a three-year plan to align our expenditures with our resources (revenues).

- We will continue to look for ways to become more productive, efficient, and partner with other organizations where there is an opportunity.

- We will continue to work with labor unions and employees to reduce the cost of employee health insurance over the long-term. We have a tentative savings of more than $650,000 in the FY 2008-09 budget from plan changes.
Budget Concerns

- Increased Pension Funding Requirements
- State and Local Economies
- Actions of the State Legislature
- Rising Cost of Goods and Services - MCI increased 3.1% (Dec. 2007), Midwest CPI increased 4.1% (Nov. 2007)
- Loss of Federal or State Grants due to fund reduction or diversion
The Economy

- **Housing Market**
  - Real estate transfer tax transactions are down 25% compared to one year ago through December
  - Real estate transfer tax collections are down 21% compared to one year ago through December
  - Economists predict the housing market will not rebound until early 2009

- **Sub-prime Credit Concerns**
  - Will have an effect on people’s ability to sell or refinance their homes

- Consumer Confidence is low due to poor housing market and tighter credit.

- Starting to see lay-offs in the marketplace
External Forces Affecting Us

- Prediction of a potential recession
- State Budget continues to be uncertain
  - State shared revenues still at risk
- Wage and Contract Issues - 4% contract increases
Evanston Economy

- Building permits are forecast to decrease by 2.49% due to housing market.

- Sales tax is projected to increase by a modest 1.11%.

- Home Rules sales tax projected to increase by 0.67%.

- Income taxes per capita revenue are forecast to increase by 4.84%, as predicted by the Illinois Municipal League, subject to change.
How we balanced the budget

- Carefully reviewed personnel needs and programs
- Non-salary & benefit lines kept to a minimum
- Raised property taxes less than the cost of living (2.5%) for the General operating fund
- Cut vacant positions and positions that will be vacant
- Recommend increasing revenues related to refuse collection
- Recommend new and enhanced revenues, such as:
  - Licensing of Rental Dwelling Units
  - Vehicle Sticker Fee Increase
  - Increase Business License Fees
Annual Cost of City Government

- $213,673,621 Annual Budget (proposed FY 2008-09 all funds - prior to interfund transfers)
- 76,406 Residents (2006 estimate - Evanston Planning Division)
- $2,796.56 per year for each resident (13.56% over FY 2007-08)
- $7.66 per day for all services

| ✓ Police | ✓ Health & Human Services |
| ✓ Fire    | ✓ Parks/Forestry & Recreation |
| ✓ Library | ✓ Administration (CMO, Human Resources, Legal, Finance) |
| ✓ Community Development | ✓ Public Works (Streets and Sanitation, Transportation, Water & Sewer, Parking Services, Facilities Management) |
Organizational Restructuring

- FY 07-08: Human Relations and Facilities Management Departments were eliminated and absorbed by existing departments.
- FY 08-09: Management, Business, & Information Systems Department eliminated and absorbed by other departments (City Manager’s Office, Finance, Health & Human Services).
- Permanent budget savings of $475,000
- Elimination of clinical health services resulting in permanent cost savings of $1,000,000
Budgeting is a Balancing Act

Revenues must equal expenditures.
Future Years—We are not done

- Continue to become more efficient, innovate and reduce expenditures where we can
- Do more with same resources, evaluate processes continuously
- Review all vacant positions as they occur to derive the best overall organizational structure
- Must make difficult decisions on which services to keep and which ones may have to go in order to reduce the overall levy
FY 2008-09 General Fund Budget Review
General Fund Budget

• General Fund Budget is $94,562,100.

• After transfers to Police and Fire Pension funds are deducted, the increase is 4.3%.

• Reasons for the increase include: increased labor costs, and the increase in inoculations of elm trees, as this is the third year of the triennial cycle.

• Municipal Cost Index
  = 3.1% (December 2007)

• Consumer Price Index - Midwest
  = 4.1% (November 2007)
FY 2008-09 General Fund Revenue
Where We Get Our Money

- Other Taxes: 43.13%
- Property Tax: 18.61%
- Transfers from Other Funds: 8.74%
- Library Revenue: 0.11%
- Fines: 4.83%
- Service Charges: 8.84%
- Interest Revenue: 0.58%
- Other Revenue: 4.85%
- Intergovernmental Revenue: 0.83%
- Licenses, permits and Fees: 9.48%
- Fines: 4.83%
- Other Revenue: 4.85%
- Property Tax: 18.61%
- Transfers from Other Funds: 8.74%
- Library Revenue: 0.11%
Real Estate Tax Bill Based on 2006 Tax Rates

City of Evanston 19.81%

Oakton Community College* 2.15%

Water Reclamation 3.68%

Other 0.92%

Cook County 6.49%

Evanston Township 0.21%

District 65* 39.50%

District 202* 27.23%

* Education Funding: All three districts combined = 68.88% of the property tax bill
How We Compare

- Evanston is a full service community.

- Annual comparisons often do not include Park and Library Districts, but the city or village portion of the tax levy only.

- When compared on an equal basis - that is, comparing city or village + library + park district tax rates - to other north suburban communities, Evanston’s tax rate is in the middle of the pack.
How We Compare

2006 Property Tax Levy Comparison by Municipality
(Tax Levy = Municipality + Library Fund + Park District)

- Village of Glenview: 1.172
- City of Park Ridge: 1.252
- Village of Wilmette: 1.467
- Village of Skokie: 1.506
- City of Evanston: 1.527
- City of Des Plaines: 1.578
- Village of Arlington Heights: 1.738
- Village of Hoffman Estates: 1.715
- Village of Oak Park: 2.075
City % Share of the Property Tax History
2008-09 Proposed Property Tax Levy Fund Allocation

Total revenue of $40,118,285 (proposed)

- General Fund: $17,400,000 (43.37%)
- Police Pension: $6,897,400 (17.19%)
- Fire Pension: $5,679,500 (14.16%)
- Debt Service: $10,141,385 (25.28%)
Other General Fund Revenues

- Most General Fund revenues are not keeping pace with the growth of expenditures
- City Controlled Revenue
- State Shared Revenues
- Revenues from State and Federal Government
- Transfers from Other Funds
FY 2008-09 Proposed General Fund Revenue

Dollars - Millions

- Other Taxes: $40.78
- Property Tax: $17.60
- Transfers from Other Funds: $8.26
- Licenses, Permits, & Fees: $8.96
- Charges for Services: $8.36
- Fines: $4.56
- Federal & State Revenue: $0.78
- Other Revenue: $4.58
- Interest Income: $0.55
FY 08/09 Proposed General Fund Revenue

Other Taxes

- Sales Tax State Shared: $9.1 million
- State Tax Home Rule: $6.1 million
- State Income: $6.5 million
- Real Estate Transfer: $3.7 million
- Telecommunications: $3.2 million
- Electric Utility: $3.0 million
- Parking: $1.7 million
- Liquor: $1.9 million
- Natural Gas Utility: $1.5 million

Dollars - Millions
Sales Tax

- 1% State shared
- Projected $9,100,000
State Income Tax

- Allocated by State based on population
- 1/10th of amount collected is allocated to local government
- Project $6,500,000
- 4.8% increase from prior year budget.
Home Rule Sales Tax

- 1.0% Levied
- Projected $6,500,000
Utility Taxes

- 5% Tax Rate Electric & Natural Gas
- 6% Telecommunications Tax
- Natural Gas Use Tax
- Proposed $8,555,000
Telecommunications Tax

- Projection for 2008-09 = $3,200,000
- Anticipated to remain flat
Real Estate Transfer Tax

- $5 per $1,000 of sales price
- Tax falls on seller
- Average budget and actual $4.0 million since 2003/04
• An economically sensitive revenue that depends heavily on development.
• Parking Ticket Fines
• Library Fines
• False Alarm Fines
• Administrative Adjudication Fines
Charges for Service

- Recreation Revenue
- Library Revenue
- Health Department Fees
- Ambulance Fees

<table>
<thead>
<tr>
<th>Year</th>
<th>Million $</th>
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</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>5.8</td>
</tr>
<tr>
<td>2004-05</td>
<td>5.9</td>
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<tr>
<td>2005-06</td>
<td>6.7</td>
</tr>
<tr>
<td>2006-07</td>
<td>7.0</td>
</tr>
<tr>
<td>2007-08 Budget</td>
<td>7.3</td>
</tr>
<tr>
<td>2008-09 Proposed</td>
<td>8.3</td>
</tr>
</tbody>
</table>
State and Federal Grants used for the General Fund operating budget

- Community Development Block Grant (CDBG)
  - Reimbursement for some personnel and costs
  - $856,000
- Health Department - (various grants) $379,600
- Other Grants - $409,600
## New Revenues - Summary

<table>
<thead>
<tr>
<th>Amount</th>
<th>Revenue Category &amp; Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 8,000</td>
<td>Historic Preservation Reviews - Community Development</td>
</tr>
<tr>
<td>$ 414,000</td>
<td>Residential Rental Dwelling Unit Licensing at $40 per unit (14,000 units inspected per year) – Community Development</td>
</tr>
<tr>
<td>$ 22,000</td>
<td>New Annual Business Licenses Fees (various) – Finance</td>
</tr>
<tr>
<td>$ 30,000</td>
<td>Additional Garbage Cart Purchase - Public Works</td>
</tr>
<tr>
<td>$ 100,000</td>
<td>Additional Garbage Cart Purchase Emptying at $2.50 per household per month (for households with a second cart) - Public Works</td>
</tr>
<tr>
<td>$ 100,000</td>
<td>SWANCC Recycling Incentive - Public Works</td>
</tr>
</tbody>
</table>
Community Development –
Historic Preservation Review Fees

- Currently No Fees For Historic Preservation Review & The Issuance Of A Certificate Of Appropriateness. Fees For Service Has Been Considered Part Of The Building Permit & Zoning Review Fee.

- Number Of Properties Subject To Preservation Review Has Grown To 2,200

- Estimated Revenue is $8,000 Per Year
  (Detail On Following Slide)
Community Development –
Historic Preservation Review Fees

Staff Recommendations:

- Minor Work $25
- Garages Or Secondary Structures $30
- Major Renovation Work $35
- Additions $50
- New Buildings $75

- Demolitions
  - Demolition Of A Landmark Building $500
  - Demolition Of A Significant/Contributing Structure $350
  - Demolition of a Non-Significant/Non Contributing Structure $250
  - Recession Of Landmark Designation $250
Why license rental residential dwelling units?

- Maintains & improves the rental housing stock
- Allows the city the power to withhold licenses from rental units that have continual code violations or harbor anti-social behavior
- Complies with strategic plan goal #2 create policies that result in a well maintained, diverse housing stock
- Complies with strategic plan goal #11 defines Evanston neighborhoods and ensures they are safe, clean & attractive.
- The city currently licenses rooming houses for a yearly revenue of $193,000. However the total cost of the city’s housing inspection program is nearly $700,000.
- Licensing revenue would improve the city’s cost recovery of the housing inspection program.
Community Development – Rental Residential Dwelling Licensing

Updated Projected Program Revenue & Costs:

**Annual revenue**
14,000 rental units x $40/unit ........................................ $560,000

**Additional cost**
2 new positions (Inspector & Clerk)......................... $111,000

**Net program revenue**.................................................. $449,000

Other Illinois communities that license 9,000 or more rental units:

- Aurora - 13,900 rental units
- Joliet - 10,700 rental units
- Elgin - 9,400 rental units
- Waukegan - 12,100 rental units
- Oak Park - 10,100 rental units
Public Works – New Revenues

- $30,000 Additional Garbage Cart Purchase
- $100,000 Additional Garbage Cart Purchase Emptying at $2.50 per household per month (for households with a second cart)
- $100,000 SWANCC Recycling Incentive - Public Works
Public Works – Revenue Enhancements

- $423,200  Sanitation Service Charge from $5.00 to $6.95 per month
- $252,100  Expired Meter Fine Increase from $10 to $15
- $30,000  Sanitation Special Pick-up Fee
- $35,000  Residential Parking Permit Fee Increase from $10 to $15 per year
- $18,500  Snow Emergency Ticket & Tow (per storm)
## Revenue Enhancements - Summary

<table>
<thead>
<tr>
<th>Amount</th>
<th>Revenue Category &amp; Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 73,366</td>
<td>CDBG to General Fund Transfer Increase (as approved by CDBG Committee) – Community Development</td>
</tr>
<tr>
<td>$ 63,500</td>
<td>Increased Annual Business Licenses Fees (various) – Finance</td>
</tr>
<tr>
<td>$ 495,000</td>
<td>Vehicle Sticker Fee Increase from $60 to $75 per year – Finance</td>
</tr>
<tr>
<td>$ 20,000</td>
<td>Overdue Fine Increase from $.15 to $.25 per day – Library</td>
</tr>
<tr>
<td>$ 423,200</td>
<td>Sanitation Service Charge from $5.00 to $6.95 per month – Public Works</td>
</tr>
<tr>
<td>$ 252,100</td>
<td>Expired Meter Fine Increase from $10 to $15 – Public Works</td>
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<td>$ 18,500</td>
<td>Snow Emergency Ticket &amp; Tow (per storm) – Public Works</td>
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FY 2008-09 General Fund Expenditures
## General Fund Expenditure Changes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage Increase</th>
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</thead>
<tbody>
<tr>
<td>Proposed 2008-09 Budget</td>
<td>$94,562,100</td>
<td></td>
</tr>
<tr>
<td>FY 2007-08 Adopted Budget</td>
<td>$86,795,362</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditure Increase</strong></td>
<td><strong>$ 7,766,738</strong></td>
<td><strong>8.95%</strong></td>
</tr>
<tr>
<td>Salaries &amp; Wages:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Net New Positions and Reductions)</td>
<td>$ 2,277,030</td>
<td></td>
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<tr>
<td>Overtime</td>
<td>$(157,900)</td>
<td></td>
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<tr>
<td>Benefits (IMRF, Soc. Sec., Medicare)</td>
<td>$ 749,800</td>
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</tr>
<tr>
<td>Health Insurance</td>
<td>$(317,900)</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>$(15,300)</td>
<td></td>
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<tr>
<td>Increased Other Costs</td>
<td>$ 1,194,308</td>
<td></td>
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<tr>
<td><strong>SUB TOTAL:</strong></td>
<td><strong>$ 3,730,038</strong></td>
<td><strong>4.30%</strong></td>
</tr>
<tr>
<td>Police &amp; Fire Pension Transfer from Fund Balance</td>
<td>$ 4,036,700</td>
<td><strong>4.65%</strong></td>
</tr>
<tr>
<td><strong>TOTAL CHANGE:</strong></td>
<td><strong>$ 7,766,738</strong></td>
<td><strong>8.95%</strong></td>
</tr>
</tbody>
</table>
Personnel Costs

- Labor costs make up 72.3% of the General Fund.
- General Fund Has about a $50.2 million dollar payroll (Permanent Full-Time & Permanent Part-Time Employees Only)
- FT & PPT Wages increased by $1.68 Million, or 3.45% from 07-08 to 08-09 proposed
- Regular overtime decreased by 11%
- Public Safety Pension fund costs have increased due to aging population, legislative changes, and poor market performance.
- IMRF Rate to decrease slightly in calendar year 2008.
Employee Cost Assumptions

- Wage contractual increases = 4%
- Net reduction of 9.65 FTEs
Six-year history of City appropriations for the IL Municipal Retirement Fund (Employers’ Share)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Rate</th>
<th>Property Tax Levy</th>
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</thead>
<tbody>
<tr>
<td>2008</td>
<td>7.53%</td>
<td>$2,063,500</td>
</tr>
<tr>
<td>2007</td>
<td>7.97%</td>
<td>$2,139,200</td>
</tr>
<tr>
<td>2006</td>
<td>8.17%</td>
<td>$2,587,400</td>
</tr>
<tr>
<td>2005</td>
<td>7.64%</td>
<td>$1,813,900</td>
</tr>
<tr>
<td>2004</td>
<td>3.97%</td>
<td>$1,748,300</td>
</tr>
<tr>
<td>2003</td>
<td>1.74%</td>
<td>$1,740,000</td>
</tr>
</tbody>
</table>

As of December 31, 2006, the IMRF actuarially determined unfunded liability is fully funded (105.82%).
Early Retirement Incentive

- Projected a cost savings of $5.5 million over ten years; $550,000 per year.
- Last year identified that 103 people would be eligible, but that 31 would likely take the ERI.
- So far during FY 2007-08, 21 individuals have taken the ERI and in FY 2008-09, 12 additional people have elected to take ERI. The projected savings is on target with the elimination of the nine vacant positions.
Requests not funded

- Mason Park City-sponsored Summer Drop-Off Program - $7,600
- Mason Park City-sponsored After-School Drop-Off Program - $21,175
- Mason Park Neighborhood Request - $79,225 additional; total $108,000
- Funding of Sister Cities - $5,000
- Inclusion Specialist to Full-Time - $45,900 (including fringe benefits)
- Civil Engineer III position in Water & Sewer - $87,800 (including fringe benefits)
- Local Employment Program - $153,763
Other Funds
Other Funds: Insurance

**Insurance Fund**

- Anticipated expenditures of $2,950,500
- Continue to facilitate funding of the Insurance claims
- Provide more aggressive risk management and training
Other Funds: Firefighters’ Pension

**Firefighters’ Pension Fund**

- Fire Pension Total Budget = $9,044,500
- Operating Budget = $4,954,300
- Reserve for future pension payments as required by State statute = $4,090,200
Other Funds: Police Pension

**Police Pension Fund**

- Police Pension Total Budget = $11,589,100
- Operating Budget = $ 6,913,000
- Reserve for future pension payments as required by State statute = $ 4,676,100
Other Funds: Parking

Parking Fund

- Anticipated expenditures of $3,773,100
- Increase in monthly parking rates and meters approved by Parking Committee in November of 2007 has been incorporated into revenue projections.
Other Funds: Water & Sewer

**Water Fund**
- No Rate Increase projected for 2008-09
- Operating Budget of $13,827,900
- A decrease of $279,600 or 2.06% from 2007-08 appropriation
- Does not include CIP project funds which will require issuance of revenue bonds in FY 2008-09

**Sewer Fund**
- No rate increase projected for 2008-09
- Operating Budget of $17,409,900
- A decrease of $967,600 or (5.88%) from the 2006-07 appropriation
- Does not include CIP project funds which will require issuance of revenue bonds in FY 2008-09
Other Funds: Fleet Services

**Fleet Services Fund**

- New equipment purchases increased to properly fund replacements ($2,000,000)
- Operating Budget of $5,359,400
- An increase of 21.82% from the 2007-08 appropriation is due entirely to capital outlay needs
Other Funds

Motor Fuel Tax Fund

Emergency Telephone
- Operating Budget of $1,981,100. Funded from wire and wireless surcharge.
- Received the Infrastructure Maintenance Fee settlement of $112,522.95

CDBG
- Operating budget of $2,125,786.

Economic Development
- Operating budget of $1,828,000. Funded by the Hotel and Amusement Tax. Full-time Economic Development Director position is recommended for FY 2008-09.
Summary
Summary

- The FY 2008-09 proposed budget represents the second year of a three year effort to reduce the structural financial gap that has affected the City for years.

- In order to reduce the proposed tax levy increase below double digits, either additional revenues or major program cuts must be considered.
Questions