2004 - 2005 Budget

January 10, 2004
Budget Discussion Schedule

- January 1, 2004
  - Proposed Budget to Council
- Saturday January 10, 2004
  - Budget Overview / Discussion
  - Executive Session to Review Major Litigation
- Saturday January 24, 2004
  - Capital Improvement Plan / Budget Discussion
- Monday February 2, 2004
  - Public Hearing / Discussion
- Saturday February 7 & 14, 2004
  - Available if Necessary
- Monday February 23, 2004 - Regular City Council Meeting
  - Budget and CIP Adoption
## General Fund Status

<table>
<thead>
<tr>
<th></th>
<th>2003-04 Current Budget</th>
<th>2004-05 As submitted in October</th>
<th>2004-05 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$73,753,800</td>
<td>$79,255,650</td>
<td>$78,076,900</td>
</tr>
<tr>
<td>Revenues</td>
<td>$73,753,800</td>
<td>$76,371,900</td>
<td>$78,076,900</td>
</tr>
<tr>
<td>Balance</td>
<td>$0</td>
<td>$-2,883,750</td>
<td>$0</td>
</tr>
</tbody>
</table>
## General Fund Summary

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2003-04 Budget</strong></td>
<td><strong>2003-04 Budget</strong></td>
</tr>
<tr>
<td>- + Wages @ 3.5%</td>
<td>- + Growth on Existing Rev.</td>
</tr>
<tr>
<td>- + Medical Insurance 14%</td>
<td>- + Fully Funded Grants</td>
</tr>
<tr>
<td>- + Fully Funded Grants</td>
<td>- + Ambulance Fee Increase</td>
</tr>
<tr>
<td>- + CPI on Goods/Services</td>
<td>- + Natural Gas Tax</td>
</tr>
<tr>
<td></td>
<td>- + Property Tax @ 4%</td>
</tr>
<tr>
<td><strong>2004-05 Budget</strong></td>
<td><strong>2004-05 Budget</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>73,753,800</strong></td>
<td><strong>73,753,800</strong></td>
</tr>
<tr>
<td><strong>2,061,700</strong></td>
<td><strong>1,712,800</strong></td>
</tr>
<tr>
<td><strong>708,900</strong></td>
<td><strong>804,600</strong></td>
</tr>
<tr>
<td><strong>804,600</strong></td>
<td><strong>100,000</strong></td>
</tr>
<tr>
<td><strong>747,900</strong></td>
<td><strong>600,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>605,700</strong></td>
</tr>
<tr>
<td></td>
<td><strong>500,000</strong></td>
</tr>
<tr>
<td><strong>78,076,900</strong></td>
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</tr>
</tbody>
</table>
Staff Approach to Budget

- Problem is not as severe as expected thanks to Evanston Economy
- State Economy is still a major problem but anticipate improvement next year
- City Council has previously reviewed major program cuts - found them detrimental to the community quality of life
- Property Tax increase kept to the minimum and new construction will cover a significant portion
- ALL departmental requests for increases have been stripped from the budget
- One time use of surplus funds above the 8.3% reserve
- Natural Gas tax on wholesale purchases is a rational revenue source
Programs Previously Reviewed for Cuts

- Evanston Community Media Cuts
- Animal Control
- Mental Health Grants
- Community Service Grants
- Summer Youth Employment Program
- Branch Libraries
- School Resource Officers
- Fleetwood-Jourdain Adult Theater
- South Beach Closure
- Levy Center Program Coordinator
- Noyes Public Service Requirement
- School Crossing Guards to S.D. 65
Presentation Overview

I. Economic Overview

II. General Fund Revenue

III. General Fund Expenditures

IV. Other Funds

V. Summary
I. Economic Overview
State Economy

• Illinois Economic and Fiscal Commission in its most recent revenue update (Nov. 2003) noted that base state revenues continue to struggle and are down $91 million – only the influx of federal dollars has kept the state’s cash flow positive.

• State income tax continues to be flat but due to the higher refund percentages the net reduction in income tax revenues to the state is 9.6%.

• State sales taxes are flat.

• No significant indication of economic recovery has yet to manifest itself in the state’s revenues.
Evanston Economy

- Real estate activity continues to be strong with another record year for transfer tax collections.

- Building permits continue to be strong.

- Sales tax is flat but solid considering most other communities are still significantly below prior year levels.
State Revenues Losses

• Supposed one-time state reduction of income tax due to refunds will cost Evanston $500,000 in lost revenues.

• Photo-processing tax elimination for full year will cost Evanston $175,000.

• New national pollution discharge elimination permits cost Evanston $25,000 annually.

• Increased state pension filing fees will cost Evanston $11,000.

• All told new state revenue reductions and increased fees have reduced this year’s budget by over $700,000.
II. FY 2005 General Fund Revenues
FY 04/05 Proposed General Fund Revenue

Total - $78 Million

- Property Tax: 15.8 million
- Sales Tax: 13.7 million
- Other Funds: 8.4 million
- Other Taxes: 8.2 million
- Utility Taxes: 8.2 million
- License and Permits: 6.2 million
- State Income Tax: 4.3 million
- Recreation Fees: 4.1 million
- Fines: 4.1 million
- Agencies and Services: 3.4 million
- Library: 1.6 million

Dollars - Millions
## Property Tax Levy

<table>
<thead>
<tr>
<th>Fund</th>
<th>2003/04 Approved</th>
<th>2004/05 Proposed</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$15,194,000</td>
<td>$15,800,000</td>
<td>3.99 %</td>
</tr>
<tr>
<td>Fire Pension</td>
<td>$2,572,937</td>
<td>$2,910,000</td>
<td>13.10 %</td>
</tr>
<tr>
<td>Police Pension</td>
<td>$3,352,429</td>
<td>$4,088,000</td>
<td>21.94 %</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$8,097,845</td>
<td>$8,421,759</td>
<td>4.00 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29,217,511</strong></td>
<td><strong>$31,219,759</strong></td>
<td><strong>6.85 %</strong></td>
</tr>
</tbody>
</table>

The table above shows the approved and proposed property tax levy for the years 2003/04 and 2004/05, along with the percentage change for each fund. The total property tax levy for 2004/05 is $31,219,759, representing a 6.85% increase from the 2003/04 levy of $29,217,511.
## Property Tax

### New Property - Economic Growth

<table>
<thead>
<tr>
<th>Tax Levy Year</th>
<th>New Property</th>
<th>Net Added Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$14,133,800</td>
<td>$227,554</td>
</tr>
<tr>
<td>2001</td>
<td>$8,648,053</td>
<td>$140,790</td>
</tr>
<tr>
<td>2000</td>
<td>$2,391,280</td>
<td>$ 48,615</td>
</tr>
<tr>
<td>1999</td>
<td>$7,221,164</td>
<td>$139,657</td>
</tr>
<tr>
<td>1998</td>
<td>$10,559,009</td>
<td>$199,354</td>
</tr>
<tr>
<td>1997</td>
<td>$2,673,712</td>
<td>$ 55,319</td>
</tr>
<tr>
<td>1996</td>
<td>$3,665,639</td>
<td>$ 75,476</td>
</tr>
<tr>
<td>1995</td>
<td>$9,054,462</td>
<td>$188,786</td>
</tr>
<tr>
<td>1994</td>
<td>$6,169,413</td>
<td>$144,796</td>
</tr>
</tbody>
</table>

**TOTAL NEW TAX GROWTH** $1,220,347
Property Tax

New Property - Economic Growth

• New Property began with tax caps in 1994

• If City took advantage of New Property there would be $1,220,347 more in property taxes

• If City took credit for this it translates into a 2.7% increase in property taxes instead of 6.85% increase
Sales Tax
General Fund

- 1% levied
- Project $8,200,000 total
- 1.23% increase over prior year budget
Home Rule Sales Tax
General Fund

- 1.0% Levied
- Project $5,500,000 total
- 3.8% over prior year budget
Utility Taxes

- 5% Tax Rate except 6% Telecommunications Tax
- Proposed new increase in Home Rule Natural Gas Tax of $600,000
- Electric, Natural Gas & Telephone
- Proposed $8,200,000
- 11.6% increase from prior year mainly due to increase in HR natural gas use tax
## Utility Taxes

### Natural Gas Use Tax

<table>
<thead>
<tr>
<th>CURRENT TAX RATE</th>
<th>PROPOSED TAX RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.0095 per therm</td>
<td>$0.025 per therm</td>
</tr>
<tr>
<td>Applies to all customers purchasing gas from a supplier (not NICOR).</td>
<td>Applies to all customers purchasing gas from a supplier (not NICOR).</td>
</tr>
</tbody>
</table>

#### PURPOSE & EFFECT

- Increase in annual tax revenue by approximately **$600,000**
- Capture tax dollars from large institutions purchasing from a supplier
- Capture tax dollars from condo associations purchasing from a supplier
- No increase for customers purchasing from NICOR – mainly residential and small businesses
State Income Tax

- Allocated by State based on population

- 1/10th of amount collected is allocated to local government *

- Project $4,300,000

- 10.4% decrease from prior year budget

*Note: State considering decrease to 1/12
Real Estate Transfer Tax

- 0.5% of sales value
- Tax falls on seller
- Project $3,000,000 – 20% increase
- Only one year increase – expect to reduce to $2.5 million next year
Other General Fund Revenues

• License & Permits and Fines
  – Building Permits - $1,900,000

• Fines and Forfeits
  – Parking fines flat, at $3.5 million
Other General Fund Revenues

- Service Charges
  - Ambulance fee increase
- Transfers
  - Cost of Living increase
- Recreation and Library
  - Slight increase based on inflation
- Grants
  - Gross budgeting for Health grants – change in budget format not in actual funds
Other General Fund Revenues

- $500,000 to be used from reserves
- In 2000 the Council adopted a budget policy of not using one-time revenues to balance the budget and to accumulate a General Fund cash reserve of 8.33% (one month’s expenditures)
- This policy has put the City in a financial position for staff to be able to make this reluctant recommendation
III. General Fund Expenditure Summary
Employee Cost Assumptions

- Health Insurance increase of 14%, over $700,000
- 3.5% Cost of Living increase
- Allowed for Normal Step/Merit Increases
- New positions limited to those needed in order to meet mandated requirements
General Fund Expenditures
Current v. Proposed

03/04 Expenditures 04/05 Expenditures
$ 73,753,800 $ 78,076,900
- 3,575,200* $ 74,501,700

Increase of $747,900 in non-personnel related operating expenses from current year to 04/05, or 1.02%

Health Care increase of 14% = $ 708,900
Cost of Living increase of 3.5% = $ 2,061,700
Accounting change for grants = $ 804,600

* TOTAL = $ 3,575,200
New Positions

- Police Clerk (part-time)
  - State Mandated for Racial Profiling Information
- Health Clerk (part-time)
  - Federally Mandated for HIPAA Compliance
- Plan Reviewer (full-time)
  - Reclassification from contractual service to salaried position
IV. Other Funds
Other Funds

Insurance Fund

- $22.9 million in potential liabilities
- Continuing development of financing plan
  - $3 million last year one time
  - $1.9 per year from General Fund
  - Prepared for possible $9 million issue if needed this summer
Other Funds

Police and Fire Pension Funds

Double digit property tax increases due to:

– Increased state benefits levels (vest 30 years)
– Poor performing stock market (2/03)
– Increased retirement levels
Other Funds

Parking Fund

- Experienced a deficit for the second consecutive year
- Increased revenues will be required
- Parking Operations Clerk included to handle increased processing of parking tickets and fines, and residential permits screening and sales
- Working with Parking Committee to analyze the fund this winter and make recommendations to City Council
Other Funds

- **Water Fund** - No Rate Increase – Funding depreciation adequately
- **Sewer Fund** – As per Council ordinance last year a 5% sewer rate increase in March, 2004 and 5% final increase in March, 2005
- **Fleet Fund** - Balanced, Restrict New Equipment Purchase - No Increase to the General Fund
V. Summary
Budget Concerns

- One time use of Excess Reserves is reasonable this year but cannot be repeated
- Must watch State Legislature and State Economy
- Employee medical insurance cost increases are a problem, but not unique to us
- Insurance Fund/Major Litigation is primary uncertainty
- No major new operating or capital programs should be undertaken until major litigation is resolved
Summary

• All funds except Parking and Insurance are balanced in this proposal
• No new programs are proposed
• Very few uncertainties (labor contracts, etc.) remain before adoption
• Recommend something close to this proposal be adopted
• Recommend Formal City Council Budget Review after 6 months (September 20th?)
  – Status of State economy
  – Changes made by Legislature
  – Status of major litigation
  – Local revenue status
Questions ?