



**2009-10 2<sup>nd</sup> QUARTER  
REVIEW  
October 19, 2009**



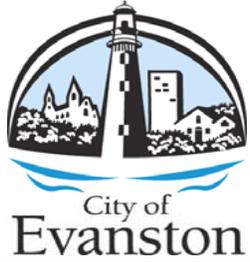
# ECONOMIC CONDITIONS

- Federal Reserve 8<sup>th</sup> District (September Report)
  - Consumer spending up over 2<sup>nd</sup> qtr
  - Business spending decline has slowed over 2<sup>nd</sup> qtr
  - Manufacturing and Construction “signs of improvement”
  - Unemployment still increasing but at lower rate
  - Credit conditions improving.
- Evanston Revenue reflective of the economy and are below budgeted expectations by approximately 5.0%
- Other funds (Capital, Parking, TIFs, etc.) are still fairly stable.
- Water/Sewer have been stabilized due to grants and due to deferred projects, but revenues are below projections and rates need to be discussed if we are to maintain infrastructure.
- Further Grants have been received to support Capital in roadway and parks as well.



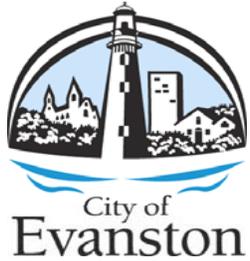
# Executive Summary

- General Fund Revenues projected to be down by just under 5.0% or \$4.3 million
- General Fund Expenses projected to be held to 3.0% below budget or \$2.7 million under budget
- Reserve Balance change from \$14.3 Million down to \$12.7 Million, or 14% of budget
- Service Reductions kept to a minimum for the remainder of 2009-10



# General Fund Revenues

- Property Taxes will be \$1.4 million above budget due to timing difference of budget to actual receipts. This will be discussed in detail in the 2010-11 budget process.
- Real Estate Transfer taxes are projected to be \$1.5 million below budget.
- Income taxes are projected to be \$1.05 million below budget.
- Building Permits are projected to be \$550,000 below budget.
- Utility taxes have dropped due to pricing declines by 1.3 million.
- Investment income is projected to be \$400,000 below budget.
- Remaining revenues estimated to be \$900,000 below budget.
- Total Revenue shortfall projected at \$4.3 million or approximately 5.0% below budget.



# General Fund Revenue Summary

	2008-2009	2008-2009	2009-2010	2009-2010	2009-2010	2009-2010	2009-2010
	Audited	3/1-8/31/08	Budget	Prorated Budget	3/1-8/31/09	Annual	Projection Less
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Adopted</u>	<u>Actual</u>	<u>Projection</u>	<u>Budget</u>
Property Tax	16,465,386	7,100,442	15,087,883	7,543,942	6,557,419	16,505,500	1,417,617
Sales Tax ROT	8,857,994	4,455,337	9,176,000	4,588,000	4,393,045	8,734,145	(441,855)
Sales Tax Home Rule	5,572,880	2,831,598	5,776,000	2,888,000	2,768,884	5,449,453	(326,547)
State Income Tax	6,821,169	3,578,366	7,050,000	3,525,000	3,387,988	6,000,000	(1,050,000)
Utility Taxes	8,802,973	4,371,869	9,158,000	4,579,000	3,876,510	7,867,000	(1,291,000)
Cigarette Tax	374,153	209,685	485,000	242,500	185,482	450,000	(35,000)
Liquor Tax	1,947,785	913,036	2,040,000	1,020,000	951,900	2,032,000	(8,000)
Parking Tax	1,905,988	854,489	1,800,000	900,000	885,902	1,976,057	176,057
Replacement Tax	788,614	373,039	719,000	359,500	266,463	541,000	(178,000)
Real Estate Transfer Tax	2,064,170	1,417,320	3,000,000	1,500,000	1,022,175	1,483,000	(1,517,000)
Other Taxes	2,352,192	994,586	2,243,000	1,121,500	879,914	2,100,000	(143,000)
Licenses	3,490,902	603,963	3,999,300	1,999,650	769,837	3,999,300	-
Permits	4,366,857	2,722,763	3,807,300	1,903,650	1,482,880	3,250,000	(557,300)
Fees	962,521	389,897	1,138,500	569,250	527,390	1,138,500	-
Fines and Forfeitures	4,442,282	1,812,732	4,256,500	2,128,250	2,134,795	4,400,000	143,500
Charges for Services	8,399,042	4,922,043	8,806,600	4,403,300	5,045,120	8,806,600	-
Intergovernmental Revenue	712,590	479,812	945,600	472,800	356,707	945,600	-
Other Revenue	1,255,026	288,084	973,217	486,609	347,133	850,000	(123,217)
Interest Income	240,988	199,667	450,000	225,000	10,135	55,000	(395,000)
Transfers In (Other Funds)	8,690,992	4,608,523	8,757,300	4,378,650	4,428,042	8,757,300	-
<b>Total Revenue</b>	<b>88,514,504</b>	<b>43,127,252</b>	<b>89,669,200</b>	<b>44,834,600</b>	<b>40,277,722</b>	<b>85,340,455</b>	<b>(4,328,745)</b>

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# General Fund Expenditures

- City Manager's Office, Human Resources, Finance, Community Development and Library are all tracking below budget year to date primarily due to vacant positions.
- Parks Forestry and Recreation, and Health and Human Services are tracking slightly below budget, as summer seasonal expenses will be fully accounted for in the next month.
- The Police Department is tracking slightly above budget at 53% year to date. We will take steps for the remainder of the year to bring total Police Expenses under budget.
- The Fire Department is tracking slightly above budget at 52% and similar steps will also be taken with Fire to reduce current year expenses.
- Public Works is also below budget for the period; however, winter snow costs will be captured in later periods.
- Staff will work toward bringing total expenses in at 97% of budget, however not all departments will hit this mark exactly.



# General Fund Expense Summary

	2008-2009	2008-2009	2009-2010	2009-2010	2009-2010	2009-2010	2009-2010
	Audited	3/1-8/31/08	Budget	Prorated Budget	3/1-8/31/09	Annual	Projection Less
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Adopted</u>	<u>Actual</u>	<u>Projection</u>	<u>Budget</u>
						ASSUMES 97%	
Legislative	593,726	294,253	628,000	314,000	325,185	609,160	(18,840)
City Administration	4,086,371	2,510,164	4,569,500	2,284,750	2,049,972	4,432,415	(137,085)
Legal	673,549	363,748	698,800	349,400	440,427	677,836	(20,964)
Human Resources	1,963,728	743,792	2,669,500	1,334,750	671,042	2,589,415	(80,085)
Finance Department	5,381,446	5,887,066	5,269,000	2,634,500	2,434,151	5,110,930	(158,070)
Community Development	3,301,478	1,746,611	3,461,800	1,730,900	1,585,275	3,357,946	(103,854)
Police Department	24,095,643	10,743,160	20,599,400	10,299,700	10,871,726	19,981,418	(617,982)
Fire Department	14,358,172	6,344,130	11,877,100	5,938,550	6,173,384	11,520,787	(356,313)
Health and Human Services	3,745,632	1,696,409	4,084,500	2,042,250	1,939,287	3,961,965	(122,535)
Public Works	16,317,586	6,964,683	14,265,300	7,132,650	5,989,953	13,837,341	(427,959)
Library	4,902,158	2,476,269	5,012,100	2,506,050	2,389,256	4,861,737	(150,363)
Parks/Forestry and Recreation*	13,553,801	6,775,598	16,534,200	8,267,100	7,959,407	16,038,174	(496,026)
<b>Total Expenditures</b>	<b>92,973,290</b>	<b>46,545,881</b>	<b>89,669,200</b>	<b>44,834,600</b>	<b>42,829,064</b>	<b>86,979,124</b>	<b>(2,690,076)</b>

\*2009-10 Projected Estimates assume a 3.0% reduction in expenses by all departments.

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## 2009-10 Fund Balance Projection

	FY 2009-10	FY 2009-10	FY 2009-10	Budget to
	<u>Adopted</u>	<u>2nd Quarter</u>	<u>Estimated</u>	<u>Actual</u>
	<u>Budget</u>	<u>Results</u>	<u>Actual</u>	<u>Variance</u>
Beginning Unreserved Fund Balance	14,325,370	14,325,370	14,325,370	
Revenues	89,669,200	40,277,722	85,340,455	(4,328,745)
Expenses	<u>89,669,200</u>	<u>42,829,064</u>	<u>86,979,124</u>	<u>(2,690,076)</u>
Surplus/(Deficit)	-	(2,551,342)	(1,638,669)	(1,638,669)
Ending Unreserved Fund Balance	<u>14,325,370</u>	<u>11,774,028</u>	<u>12,686,701</u>	

Note: Beginning Fund balance now includes the Audited value as also is contained in the Annual Financial Report From 2008-09.



# Expense Reduction Options

- **Hiring Freeze:** Effective immediately, involving all positions. This will also include limitations on hirebacks and other special detail overtime. This will involve some reduction in services. This will also involve the reduction of seasonal & temporary staffing wherever possible. See vacancy list on next slide.
- **Implement Reorganizations:** Some departments are in a position to change their operations due to vacancies and these adjustments will proceed as quickly as possible.
- **Spending Freeze:** All non-essential spending will be halted for the remainder of the year.
- **Expenditure Control:** Expenditures over \$1,000 will require City Manager's Office approval.
- **Training & Travel:** All training and travel requests must be justified. Approval from the City Manager's Office for out of State training is required. No further tuition reimbursement expenses will be approved for the remainder of the year.
- **Capital and Technology:** Suspend all capital and technology expenses that do not result in savings or that are not life safety related. Defer all possible vehicle purchases for the remainder of the year.



# Vacancy Summary

<b>Department:</b>	<b>Estimated Annual Salary</b>
<b>City Manager's Office:</b>	<b>\$ 135,000</b>
<b>BPAT</b>	<b>\$ 210,000</b>
<b>Finance</b>	<b>\$ 302,000</b>
<b>Human Resources:</b>	<b>\$ 75,000</b>
<b>Legal</b>	<b>\$ 71,000</b>
<b>Community Development</b>	<b>\$ 130,000</b>
<b>Library</b>	<b>\$ 163,000</b>
<b>Police</b>	<b>\$ 91,000</b>
<b>Public Works</b>	<b>\$ 341,000</b>
<b>Fire</b>	<b>\$ 54,000</b>
<b>P/F &amp; Recreation / Fac.</b>	<b>\$ 64,000</b>
<b>Total General Fund</b>	<b>\$ 1,636,000</b>

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# Potential Savings Opportunities

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- Personnel Savings \$975,000
- Fleet Savings \$750,000
- Spending Freeze \$700,000



# OTHER FUNDS



# Other Fund Revenues

- Water and Sewer Revenues still face somewhat lower utilization. A rate review will be discussed during the 2010-11 budget process.
- Insurance Fund continues to operate with expenses above revenues for this year. Current year reserves are adequate, but increased revenues will be needed for 2010-11.
- Parking Fund is consolidated with all decks and presently has resources to meet current and future needs
- Fleet Fund will again need to defer purchases and give up transfers based on General Fund deficit projections
- Police/Fire tax levy contributions are estimated to go up by less than 10%



# Other Fund Expenses

- Major debt service payments are scheduled for later in the year
- Fleet Fund has Council authorization for purchases of approximately 25% of the budgeted capital expenditures of \$2,000,000. We do not recommend further purchases except in the case of vehicle failure or repair costs in excess of vehicle value.
- Due to market losses, the unfunded liability for pension funds is expected to increase from \$145 to \$158 million.
- Insurance Fund is experiencing higher than anticipated worker's comp claims, but reserves are sufficient for 2009-10.



# Selected Operating and Capital Funds

Fund Name	3/1/09 Estimated Fund Balance*	2nd Quarter Revenues 2009-10	2nd Quarter Expenses 2009-10	Surplus/ (Deficit)	8/31/09 Estimated Fund Balance
General Fund	14,325,370	40,277,722	42,829,064	(2,551,342)	11,774,028
Motor Fuel Tax Fund	1,072,522	947,910	800,263	147,647	1,220,169
Economic Development Fund	1,977,110	699,189	571,017	128,172	2,105,282
Washington National TIF	4,579,477	1,478,903	1,434,535	44,368	4,623,845
Special Service District #5	32,832	195,188	64,156	131,032	163,864
Howard Hartrey TIF	3,282,823	646,678	148,387	498,291	3,781,114
Southwest TIF	(84,759)	308,969	12,060	296,909	212,150
Downtown II TIF	6,309,388	4,480,396	6,966,738	(2,486,342)	3,823,046
Howard Ridge TIF	143,550	77,142	60,198	16,944	160,494
West Evanston TIF	382,791	181,687	15,000	166,687	549,478
Capital Projects Fund	13,190,488	605,589	2,370,902	(1,765,313)	11,425,175
Parking System Fund	13,714,370	10,426,190	2,792,950	7,633,240	21,347,610
Water	8,136,283	6,452,699	6,022,778	429,921	8,566,204
Sewer	5,735,564	7,471,828	7,225,468	246,360	5,981,924
Fleet Service	583,041	2,603,625	1,895,714	707,911	1,290,952
Insurance	(1,607,341)	959,663	2,485,281	(1,525,618)	(3,132,959)

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## Next Steps

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- Budget for FY 2010-11 – Public meetings begin in October, and will continue through final proposed budget preparation for January 1, 2010.
- Discussions with Departments over staffing/spending freeze.
- Program/Service changes will be an integral part of FY 2010-11 budget process



City of Evanston  
Fiscal Year 2010-11  
Budget Preview



# Major 2010-11 Budget Goals

## **TRANSPARENCY - Public Process**

- Meetings on 2010-11 beginning in October and continuing through adoption
- Interaction with City staff and residents during budget proposal process

## **BALANCED BUDGET – General Fund**

- Operating Revenues equal to Operating Expenses
- Complete review of sustainable level of services
- Capital Programs within our means
  - Reduced reliance on General Obligation debt
  - Long term planning for Capital revenue sources



# Major 2010-11 Budget Issues

## **OPERATING REVENUES – Down 6.0%**

- **Property Taxes**
  - Utilization of Downtown II TIF Property Taxes
  - Pension Levy increases
- **Economy driven revenues**
  - Sales Taxes fairly stable (down by 5% or \$700,000)
  - Income taxes, Real Estate Transfer Taxes and Utility taxes down substantially (decrease by over 20% or approximately \$3.4 million is projected for 2010-11 for these sources)
  - Building Permits down by 16% or \$600,000 from 2009-10 budget
- **Interfund Transfers Down \$1.1 million**
- **2009-10 Budget \$89,669,200: 2010-11 Preliminary \$84,210,000**



# Major 2010-11 Budget Issues

## PERSONNEL COSTS

- Pension/Personnel Costs
  - Wage Increases 4.0% - \$2.0 million
  - IMRF Pension increase by 50% from combined ERI cost and Market Losses - \$1.0 Million
  - Police and Fire Pension Increase per Actuarial Report
  - Contracts - 3 / 4 Union contracts are up for renewal
- Health Care - \$800,000 increase
  - Employee contributions will need to be bargained.
  - Health Insurance Costs – modest plan reductions
- Liability Costs - \$1.0 million increase
- 2009-10 Budget \$89,669,200: 2010-11 Preliminary \$94,440,000



# 2010-11 Budget Balancing

## PERSONNEL COSTS

- Pension/Personnel Costs
  - Negotiate No Increase to base or Merit/Step pay plan (\$2.0 M)
  - Finance IMRF ERI at lower interest rate (\$300,000)
  - Furlough – Each full day of furlough for all staff saves \$200,000
    - Lower staffing levels with similar hours of operation
    - Lower staffing levels with reduced hours of operation
  - Changing Operations – Insourcing and Outsourcing operations
  - Staff Reductions
- Health Care – Negotiate further plan reductions or employee contributions
- Fleet Deferrals (\$500,000 to \$1.0 million)



# Major 2010-11 Budget Issues

## CAPITAL EXPENSES

- Infrastructure
  - Maintain major systems (roads, sidewalks, water mains sewers)
  - City Facilities
- Equipment
  - Fleet
  - Technology

## CAPITAL REVENUES AND FINANCING

- Debt Issuance & Debt Service (Detail in CIP Presentation)
- Establish ongoing revenue source for non  
Water/Sewer/Parking



# 2010-11 Public Budget Calendar

<b>19-Oct-09</b>	<b>Mid-Year Budget Review - 2010/11 Preview for Council (Budget Workshop)</b>
<b>7-Nov-09</b>	<b>Saturday Budget Workshop with Residents- Levy Center</b>
<b>12-Nov-09</b>	<b>Budget Workshop with Residents – Crown Center (Police, Fire, PW, CD)</b>
<b>17-Nov-09</b>	<b>Budget Workshop with Residents- Fleetwood Center (Administration, Library, HHS, PFR)</b>
<b>30-Nov-09</b>	<b>Budget Workshop with Residents -Council Chambers</b>
<b>7-Dec-09</b>	<b>Special City Council Meeting -Budget Recommendations from Residents and Staff</b>
<b>23-Jan-10</b>	<b>Saturday Budget Workshop</b>
<b>1-Feb-10</b>	<b>Public Hearing FY 2010/11 Budget</b>
<b>3-Feb-10</b>	<b>Optional Wednesday Budget Workshop</b>
<b>8-Feb-10</b>	<b>City Council Meeting for Approval of Budget</b>
<b>22-Feb-10</b>	<b>Final (Optional) City Council Meeting for Approval of Budget</b>