



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

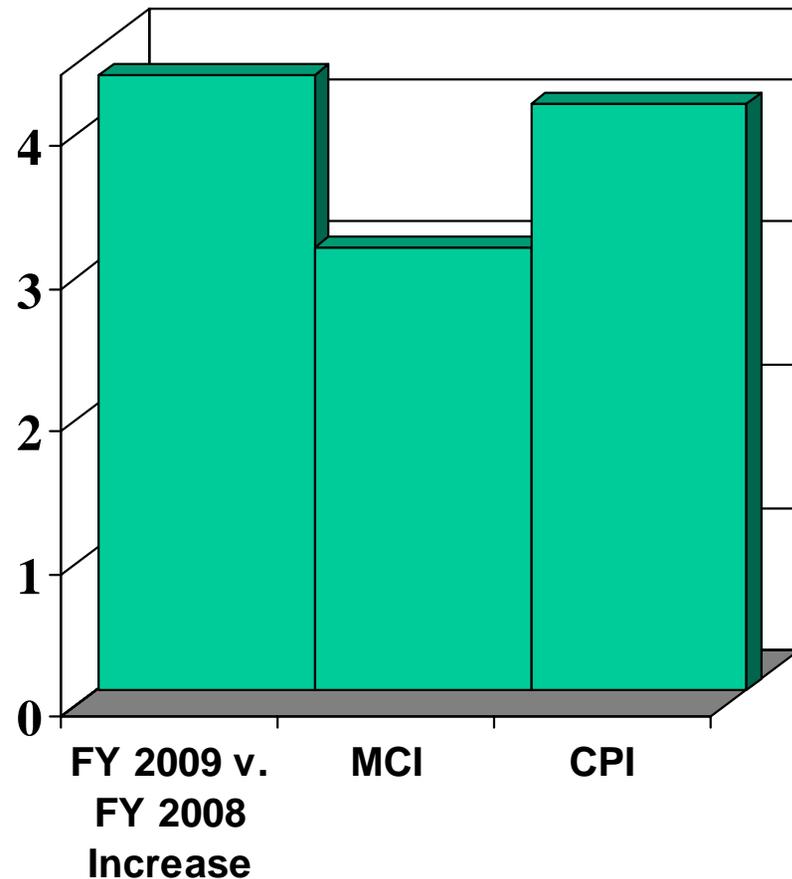


FY 2008-09 General Fund Budget Review



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)

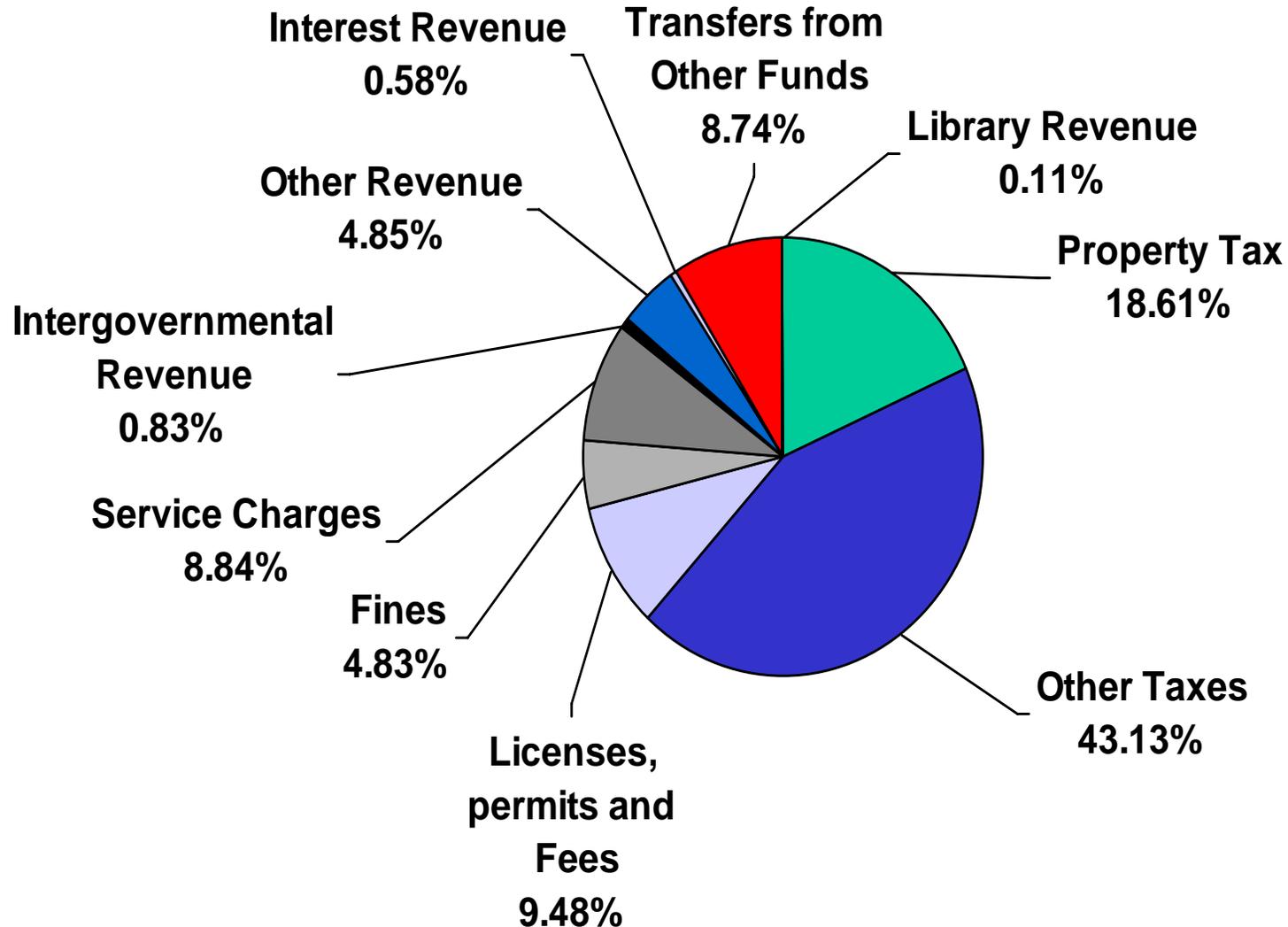




FY 2008-09 General Fund Revenue

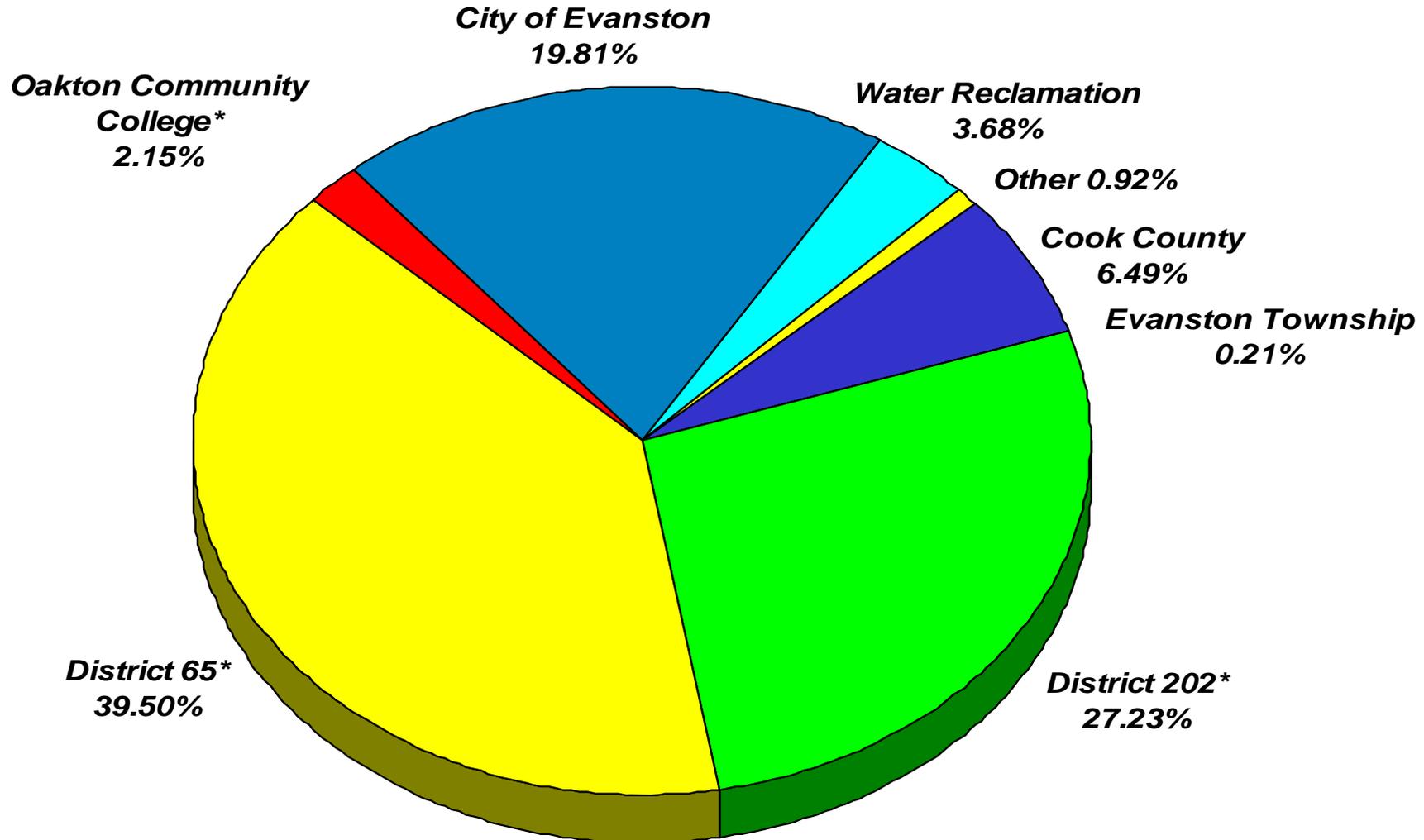


Where We Get Our Money





Real Estate Tax Bill Based on 2006 Tax Rates



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



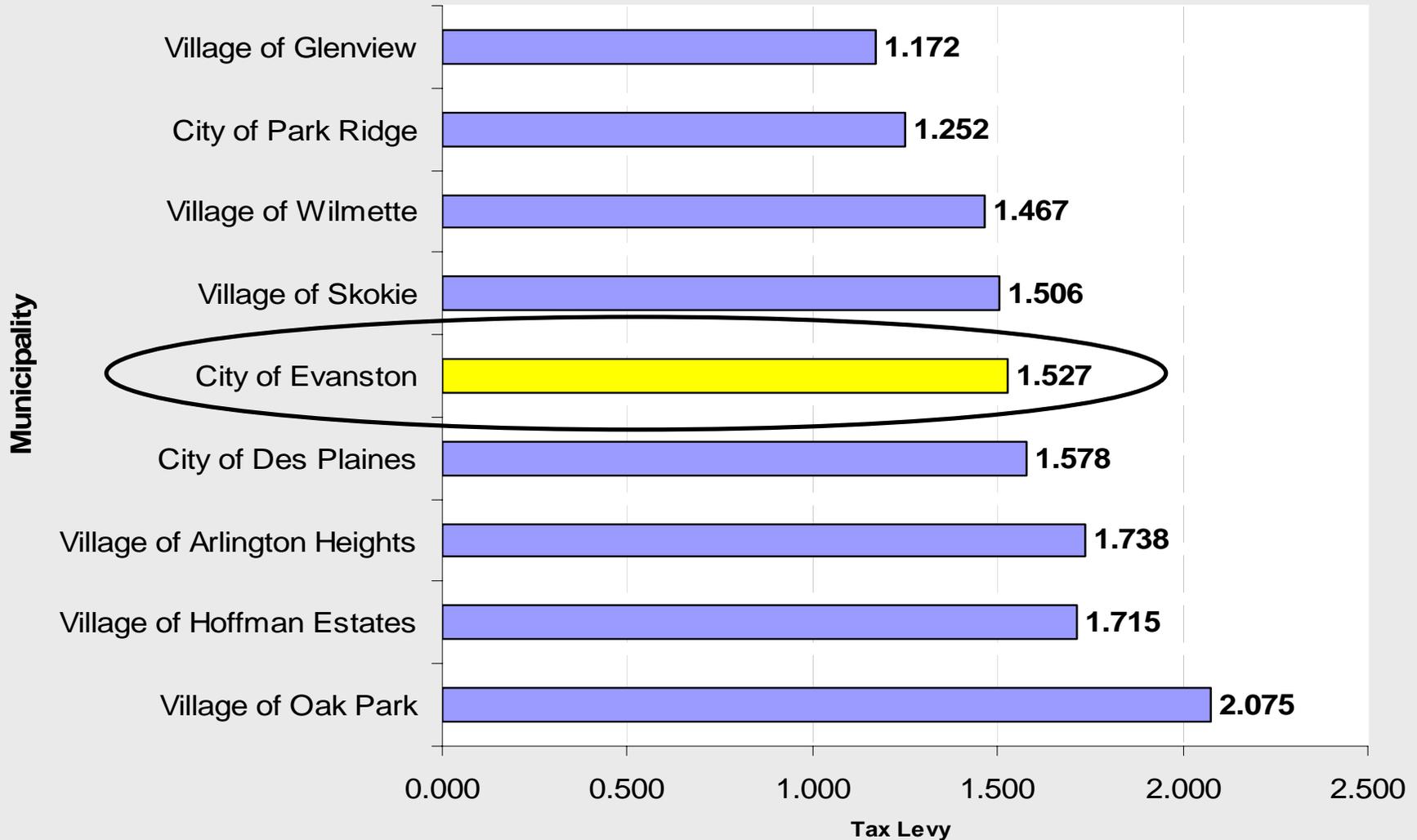
How We Compare

- 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.



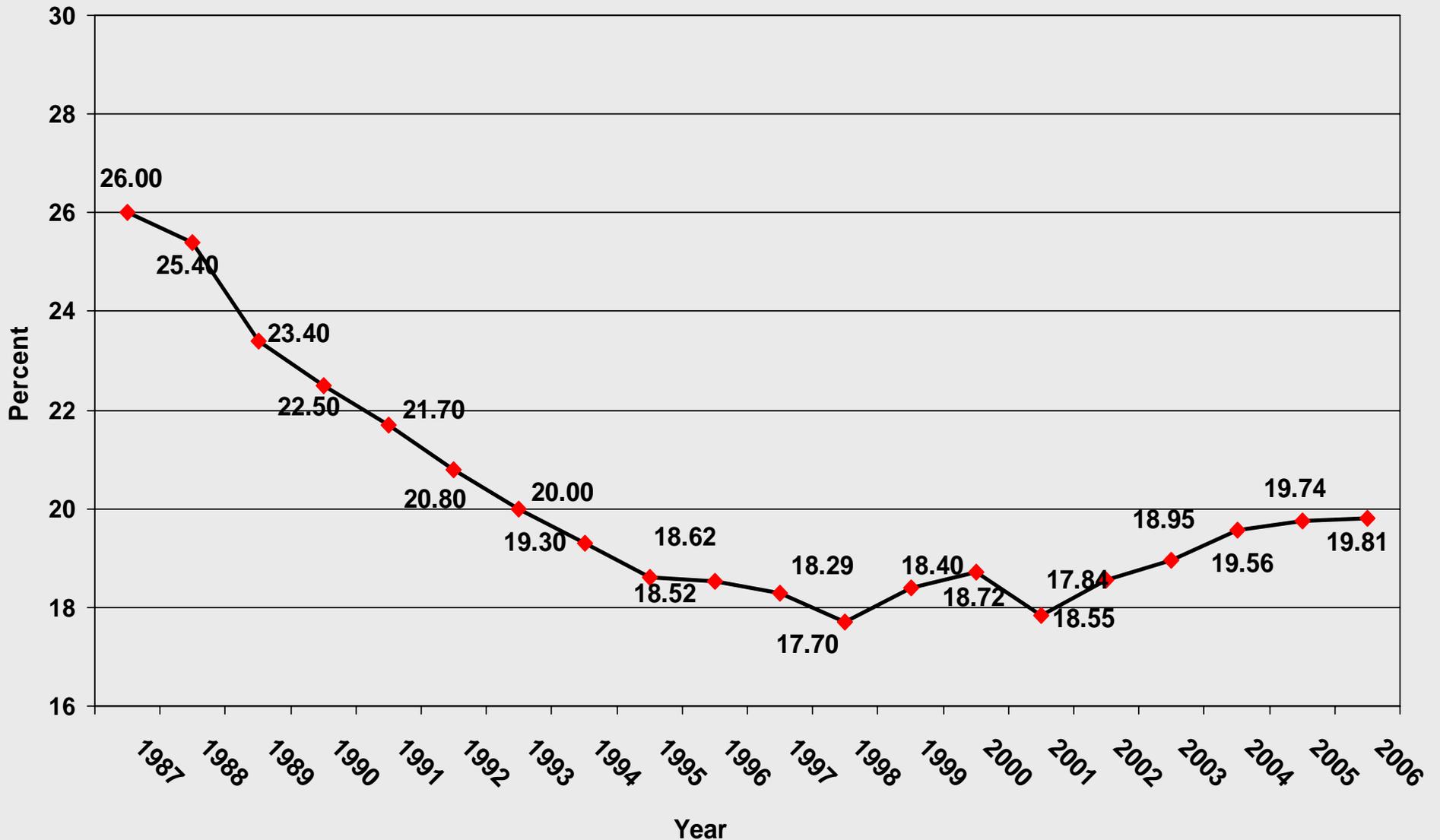
How We Compare

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





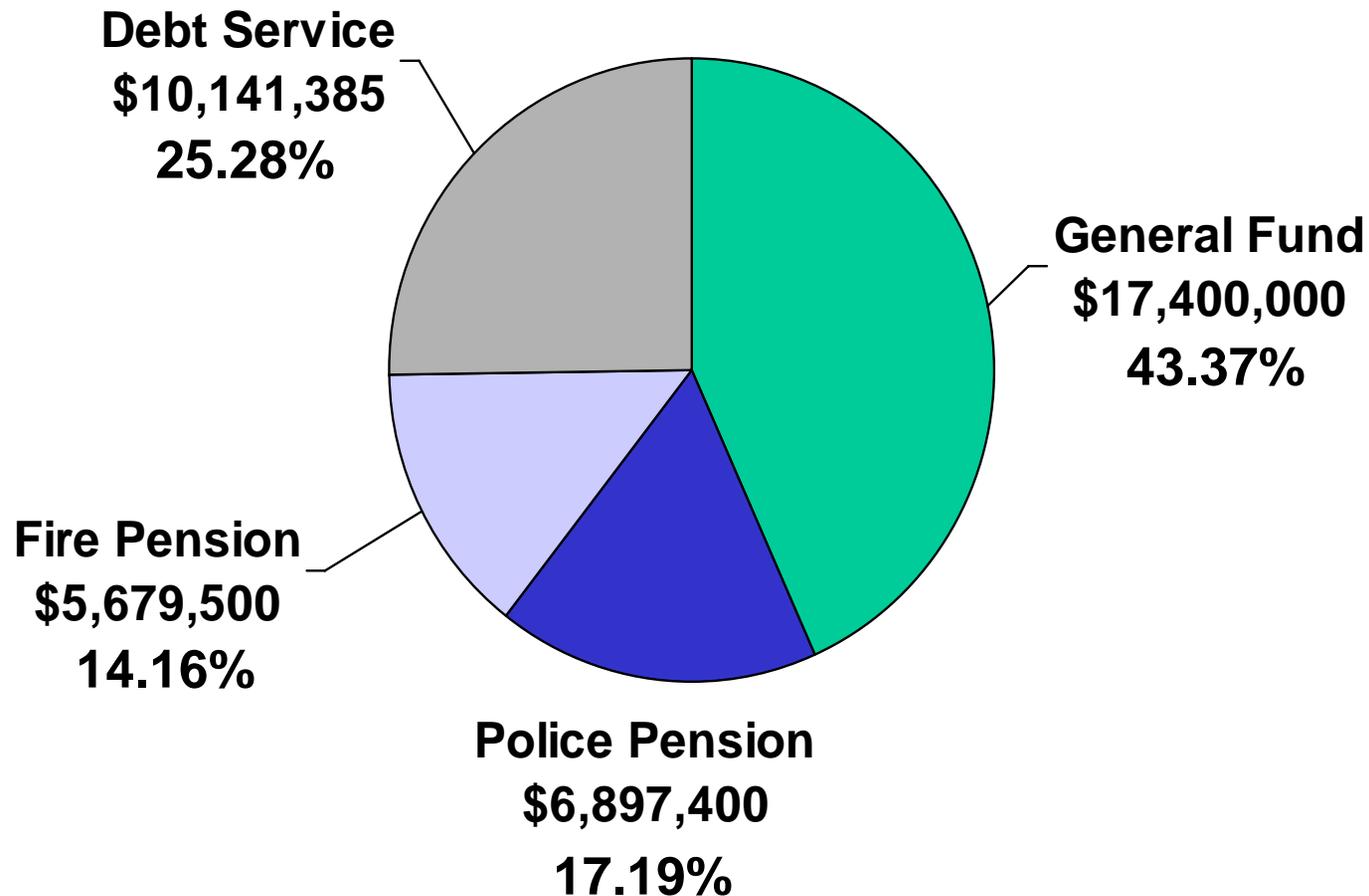
City % Share of the Property Tax History





2008-09 Proposed Property Tax Levy Fund Allocation

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



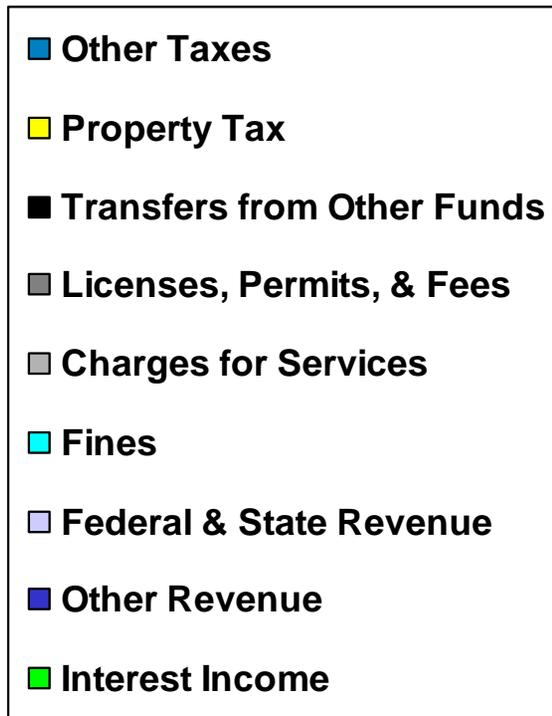


Other General Fund Revenues

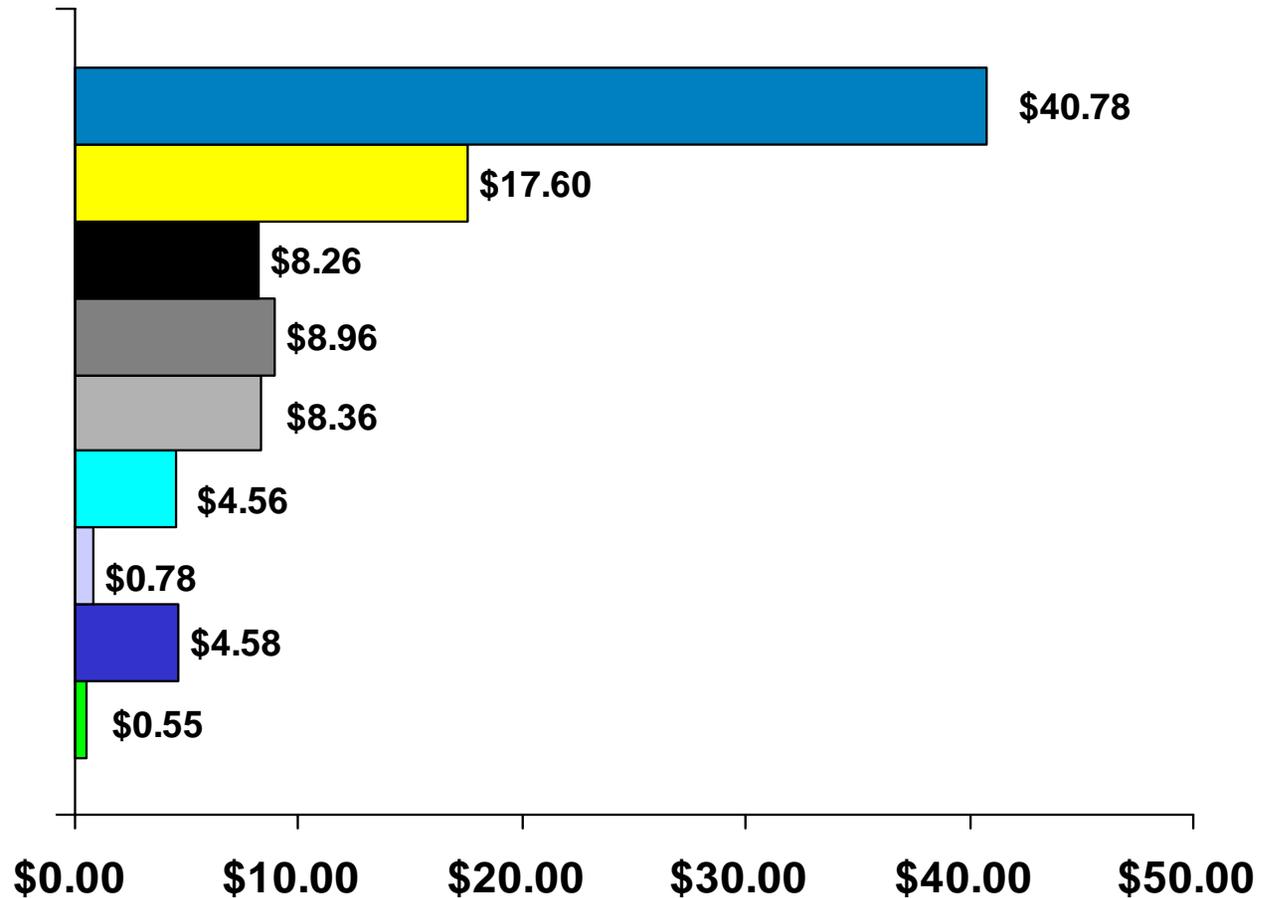
- Most General Fund revenues are not keeping pace with the growth of expenditures
- City Controlled Revenue
- State Shared Revenues
- Revenues from State and Federal Government
- Transfers from Other Funds



FY 2008-09 Proposed General Fund Revenue



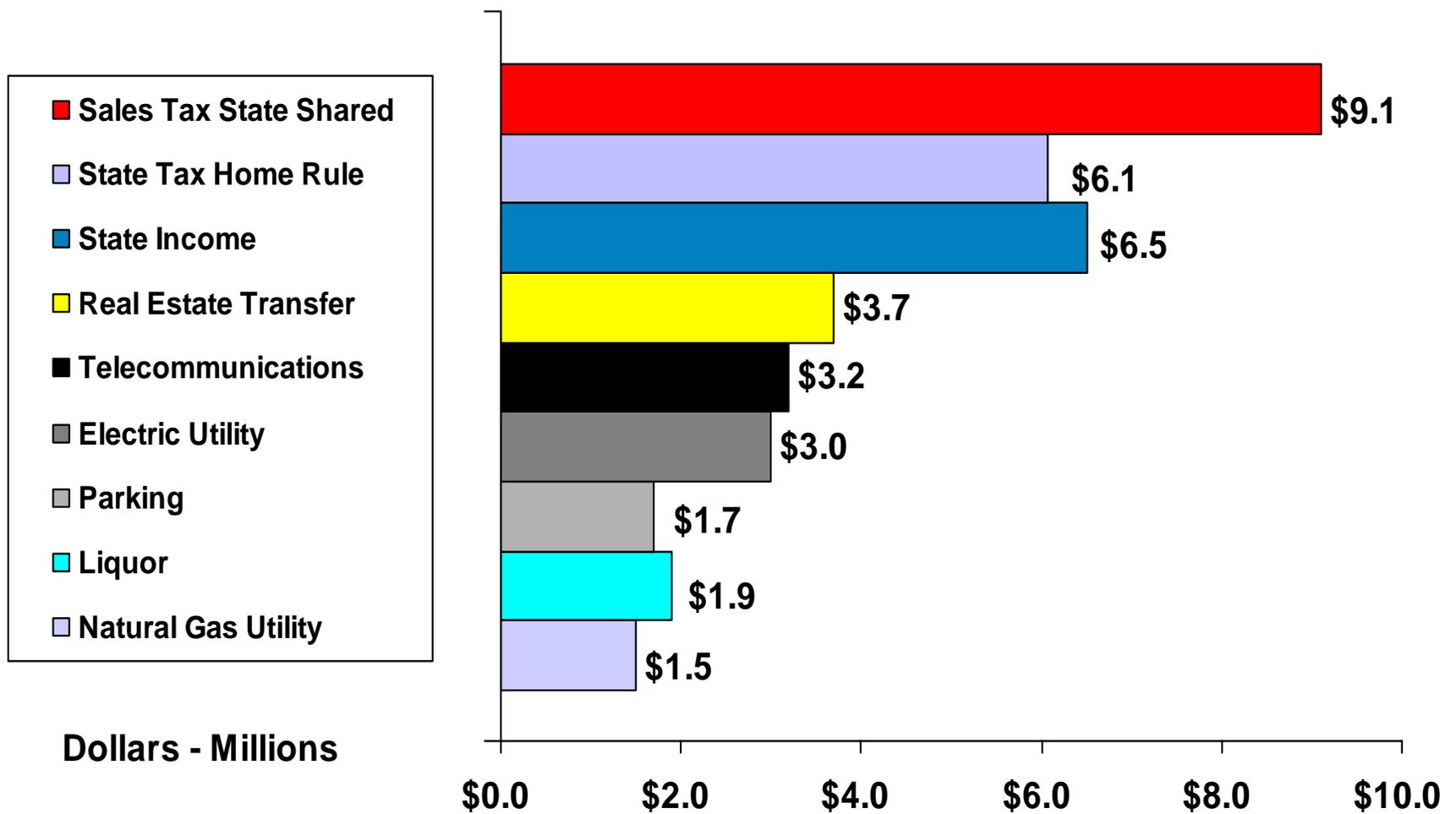
Dollars - Millions





FY 08/09 Proposed General Fund Revenue

Other Taxes

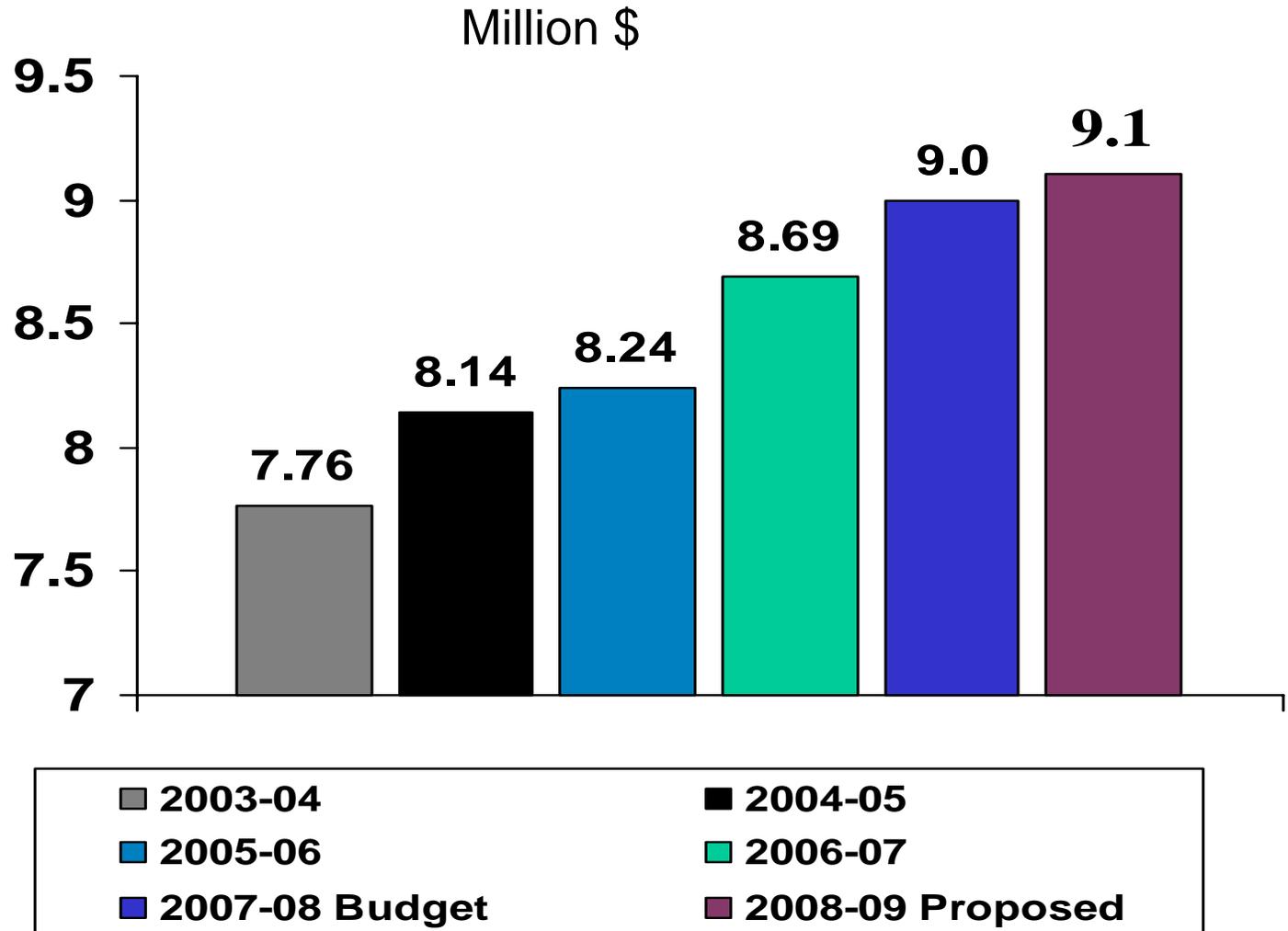


Dollars - Millions



Sales Tax

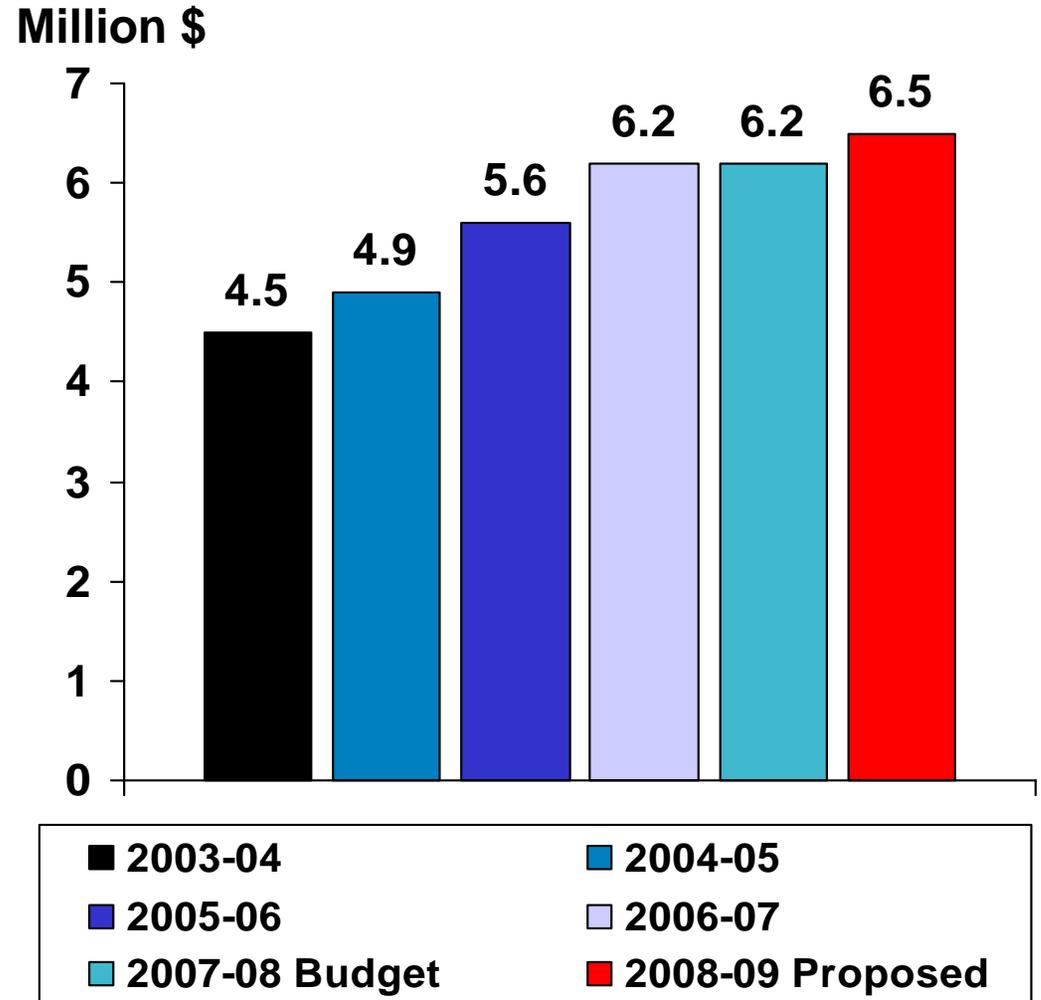
- 1% State shared
- Projected \$9,100,000





State Income Tax

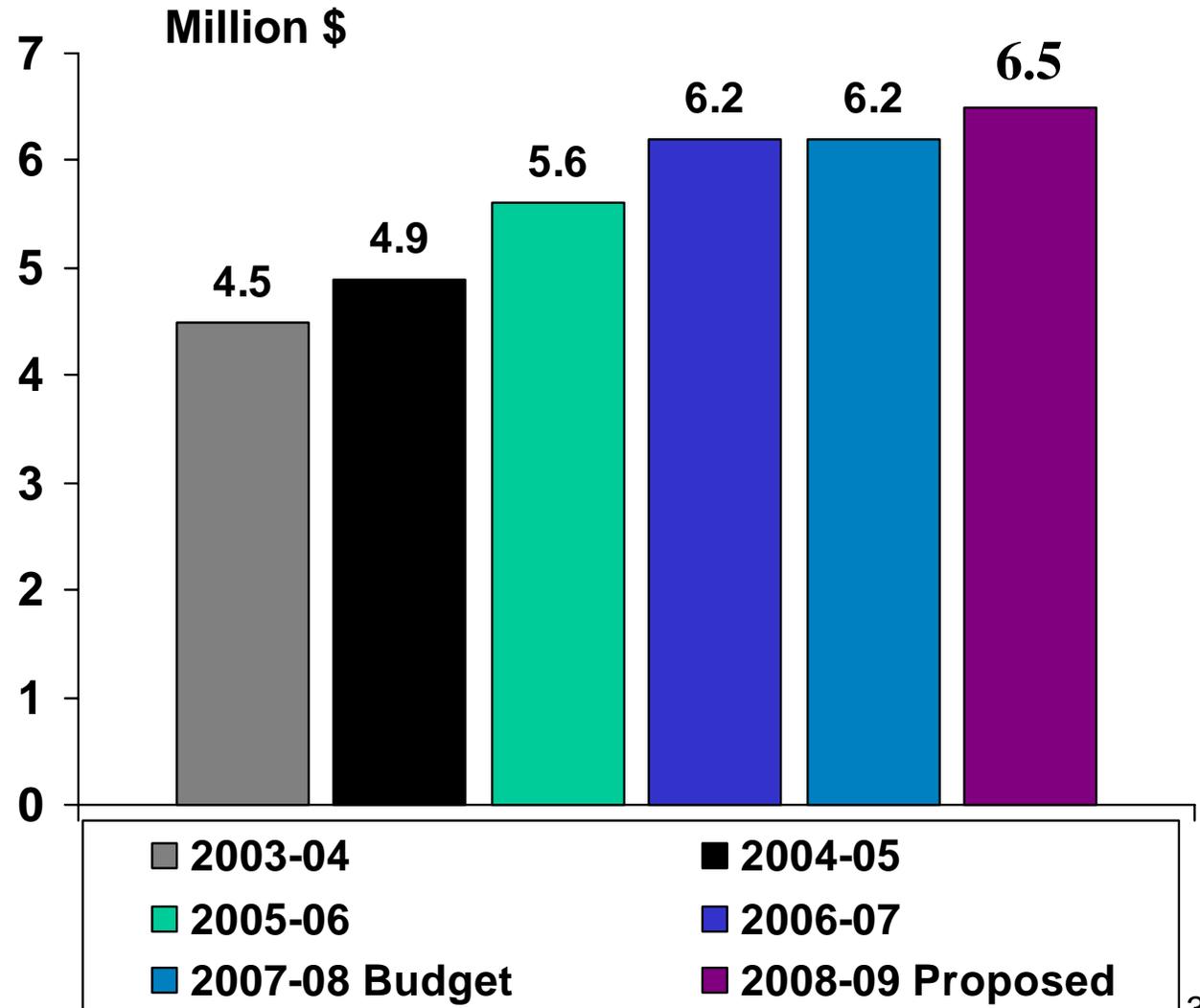
- Allocated by State based on population
- 1/10th of amount collected is allocated to local government
- Project \$6,500,000
- 4.8% increase from prior year budget.





Home Rule Sales Tax

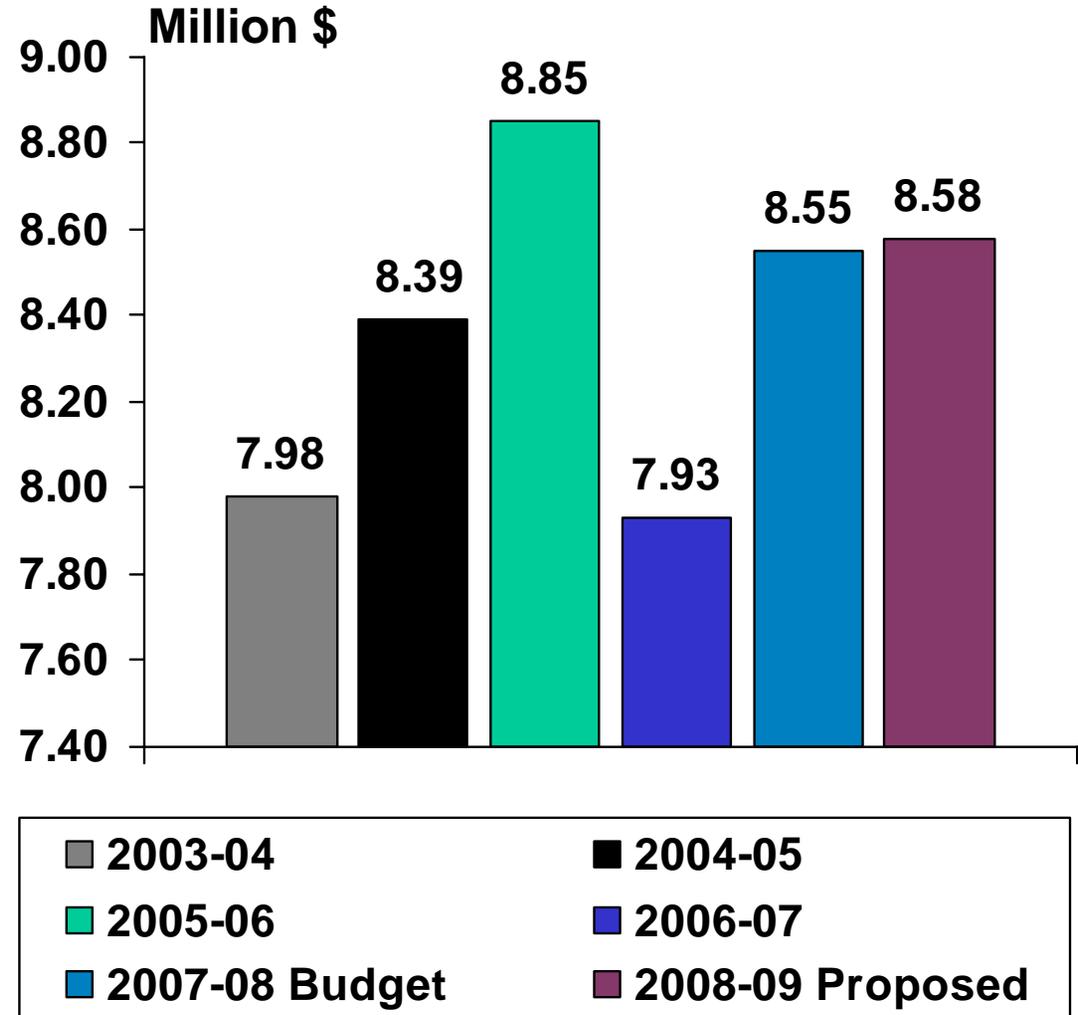
- 1.0% Levied
- Projected
\$6,500,000





Utility Taxes

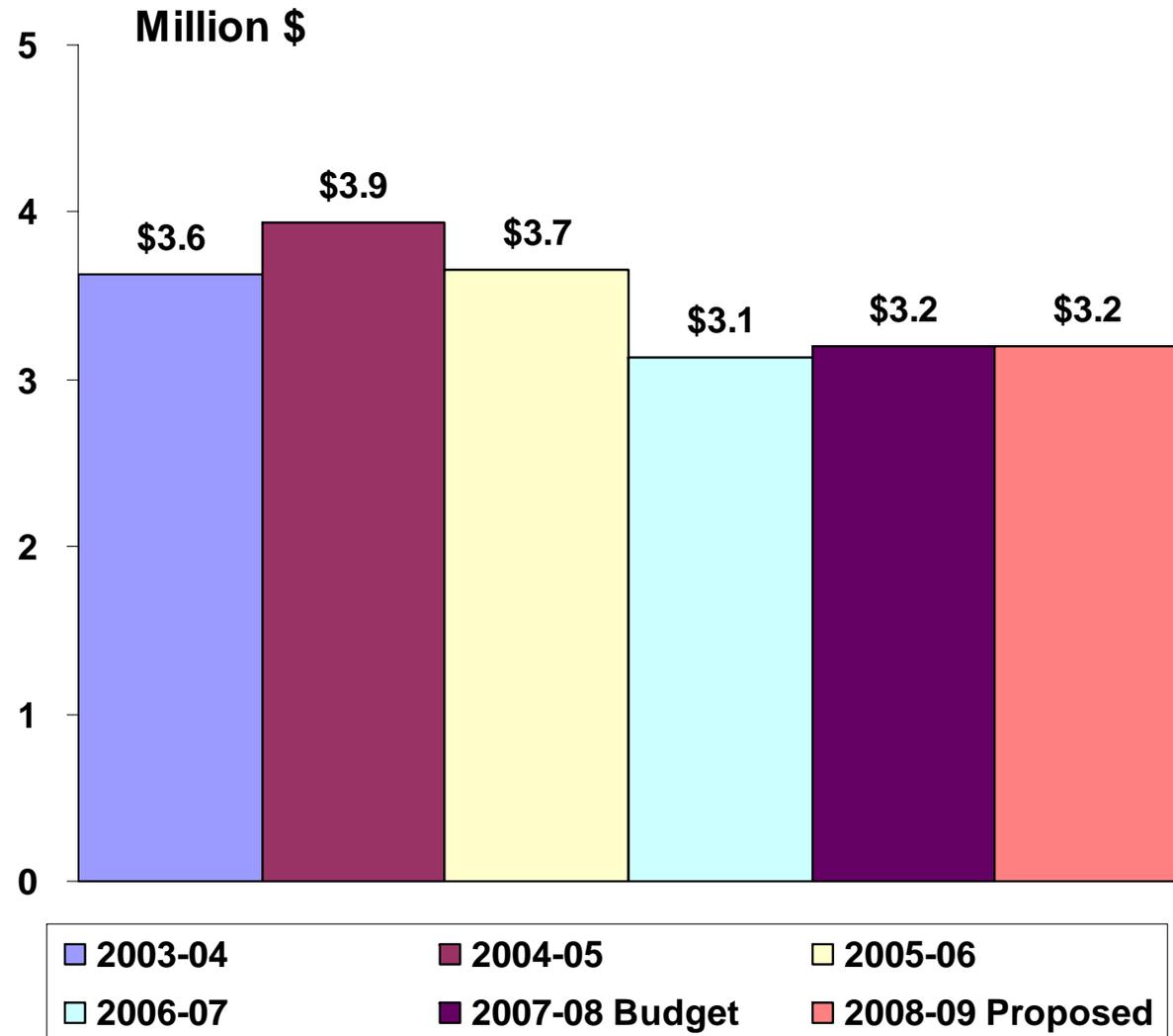
- 5% Tax Rate Electric & Natural Gas
- 6% Telecommunications Tax
- Natural Gas Use Tax
- Proposed \$8,555,000





Telecommunications Tax

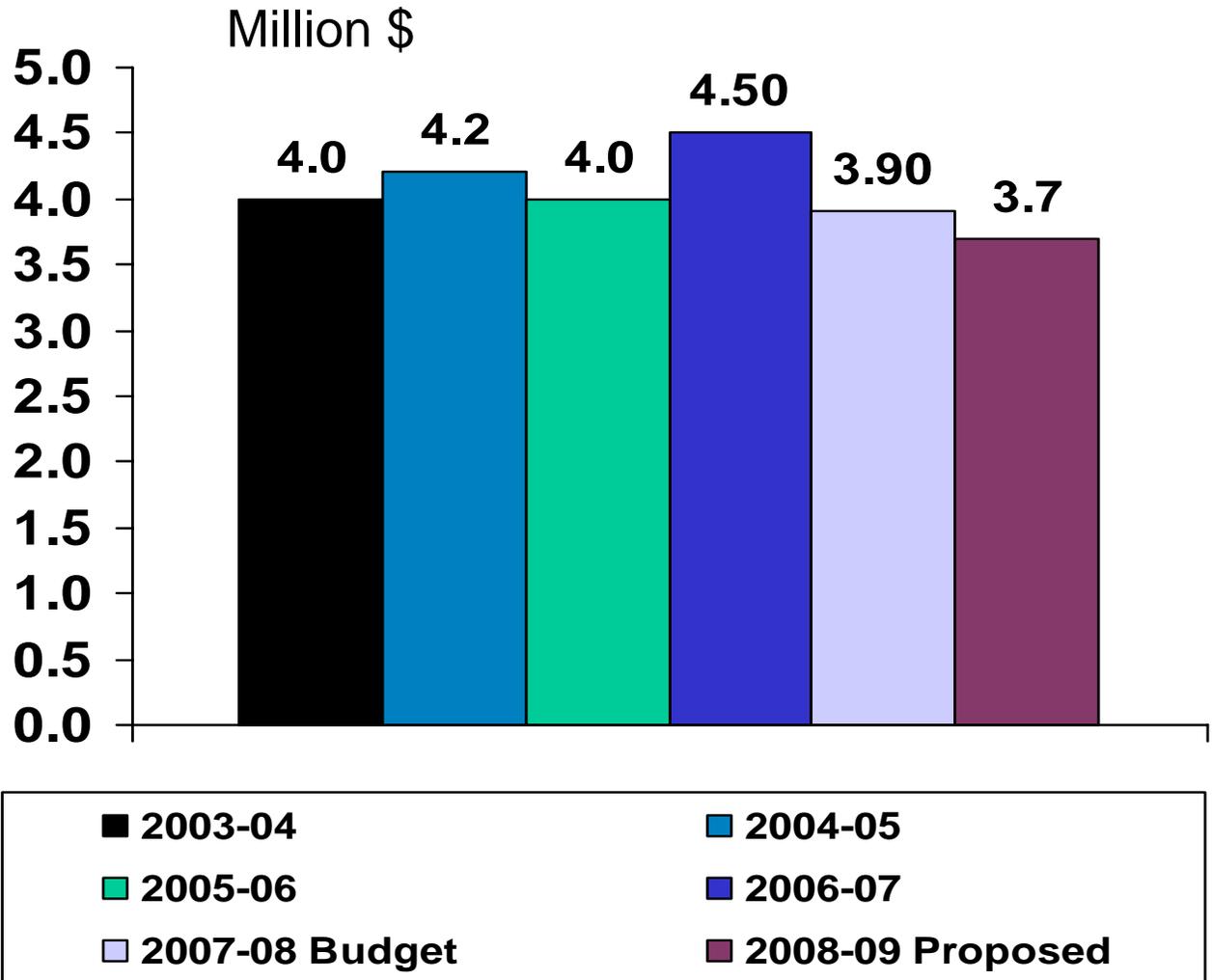
- Projection for 2008-09 = \$3,200,000
- Anticipated to remain flat





Real Estate Transfer Tax

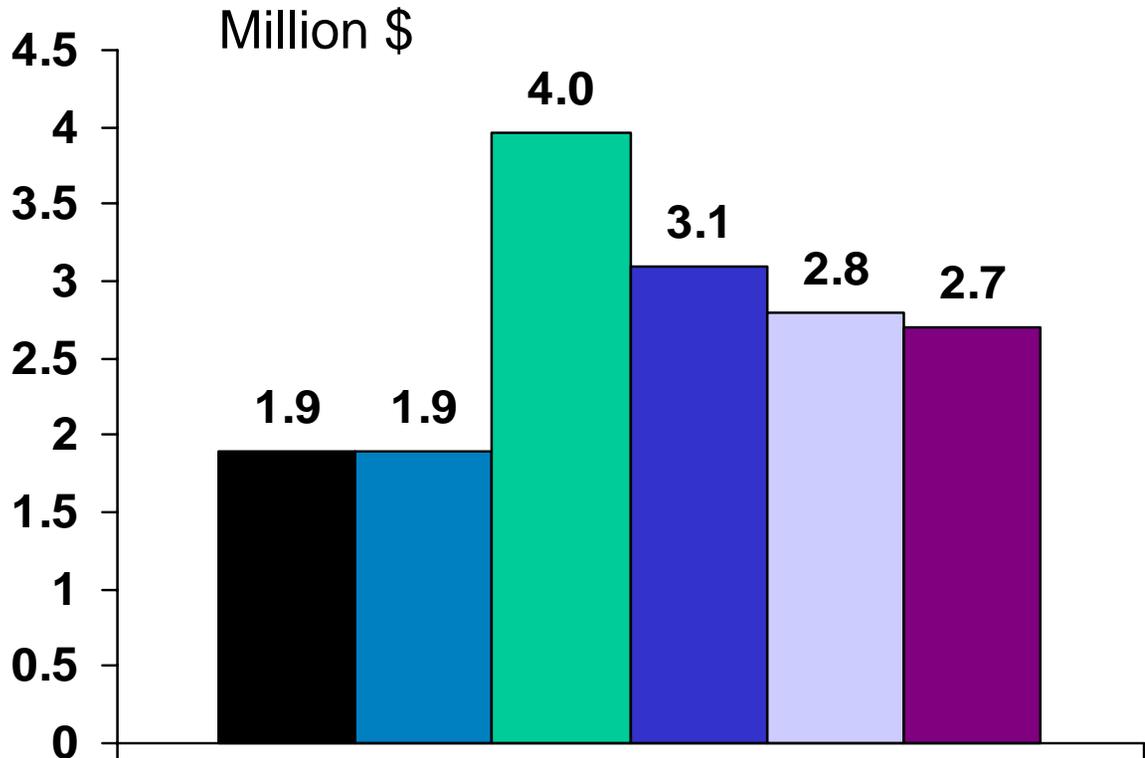
- \$5 per \$1,000 of sales price
- Tax falls on seller
- Average budget and actual \$4.0 million since 2003/04





Building Permit Revenue

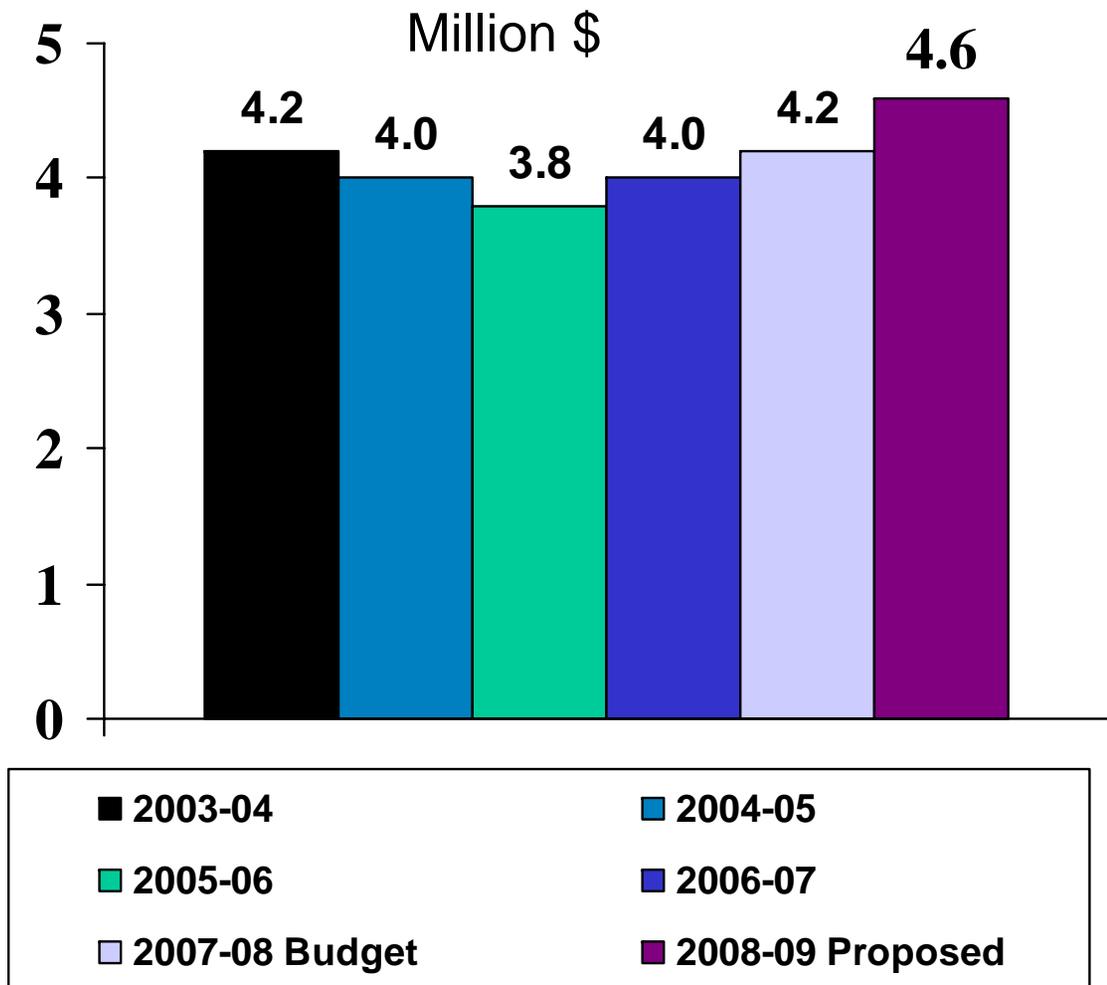
- An economically sensitive revenue that depends heavily on development





Fines

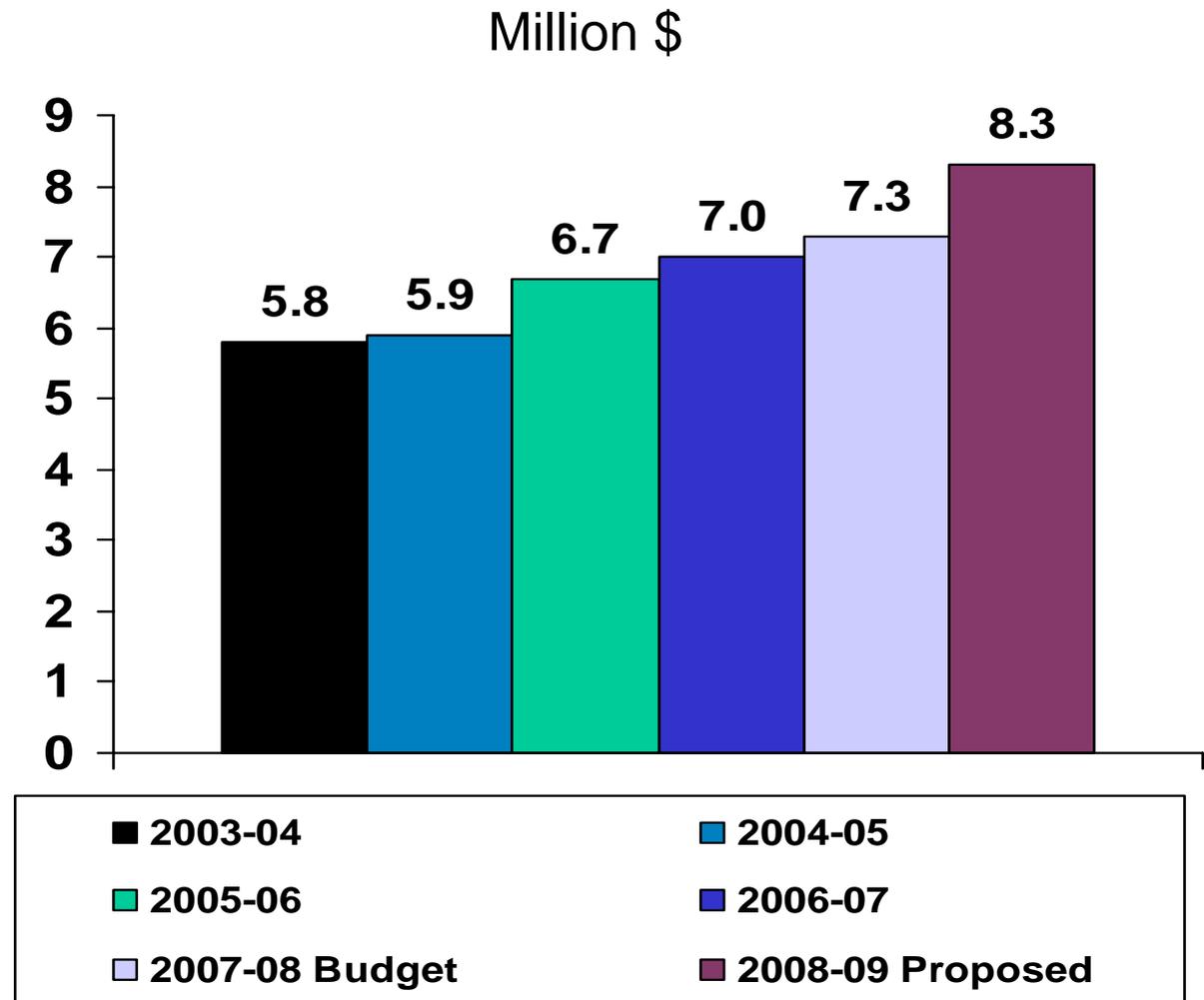
- Parking Ticket Fines
- Library Fines
- False Alarm Fines
- Administrative Adjudication Fines





Charges for Service

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





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

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



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



Community Development – Rental Residential Dwelling Licensing

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

Amount	Revenue Category & Department
\$ 73,366	CDBG to General Fund Transfer Increase (as approved by CDBG Committee) – Community Development
\$ 63,500	Increased Annual Business Licenses Fees (various) – Finance
\$ 495,000	Vehicle Sticker Fee Increase from \$60 to \$75 per year – Finance
\$ 20,000	Overdue Fine Increase from \$.15 to \$.25 per day – Library
\$ 423,200	Sanitation Service Charge from \$5.00 to \$6.95 per month – Public Works
\$ 252,100	Expired Meter Fine Increase from \$10 to \$15 – Public Works
\$ 30,000	Sanitation Special Pick-up Fee – Public Works
\$ 35,000	Residential Parking Permit Fee Increase from \$10 to \$15 per year – Public Works
\$ 18,500	Snow Emergency Ticket & Tow (per storm) – Public Works



FY 2008-09 General Fund Expenditures



General Fund Expenditure Changes

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



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



IMRF Pension Contributions

Six-year history of City appropriations for the IL Municipal Retirement Fund (Employers' Share)

Calendar Year	Rate	Property Tax Levy
2008	7.53%	\$ 2,063,500
2007	7.97%	\$ 2,139,200
2006	8.17%	\$ 2,587,400
2005	7.64%	\$ 1,813,900
2004	3.97%	\$ 1,748,300
2003	1.74%	\$ 1,740,000

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

- Operating budget of \$3,122,500. Funded from State of Illinois 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

