City of Evanston
FY 2008-09 Budget Memo Requests # 26-46
February 1 & 2, 2008

Budget Memo #	Requestor	Request	Date Sent to Council
Attached Budget Memos			
26	Rainey / Jean-Baptiste	Personal Property Replacement Tax- Explanation of $500,000 Adjustment	2/1/2008
27	Rainey / tisdahl	Emergency Preparedness Manager Duties & Cost Benefit for Addition of a Fire Plan Reviewer	2/1/2008
28	Rainey	Food & Beverage Tax-Revenue Projections and Methodology	2/1/2008
29	Rainey	Utility Taxes- Update on Revenues	2/1/2008
30	Jean-Baptiste	Motor Fuel Tax- Revenue Projections with 1-2 Cent Increase	2/1/2008
31	Moran	Fire and Police Pensions: ARC for Each Year and Amount Funded	2/1/2008
32	Jean-Baptiste	Debt Service for Bonds: Expiration of the Bonds	2/1/2008
33	Rainey	Pension Funding for Asset Protection Through Water & Sewer Transfers	2/1/2008
34	Holmes / Rainey	Alarm Panel Registration Fees Revenue	2/1/2008
35	Rainey	Administrative Adjudication - Provide Details about the Fines Collected	2/1/2008
36	Morton	Response to Gerald Gordon's Letter on Interest Income	2/1/2008
37	Rainey	Streets Projects in CIP	2/1/2008
38	Rainey	Dutch Elm Disease Inoculation Program Status and Impacts of Cuts	2/2/2008
39	Moran	Best Practices in Determining Fund Balance Reserves	2/1/2008
40	Hansen	Elimination of the Vacant Advocate Position in the Police Department v. the Accreditation Manager	2/1/2008
41	Hansen	Provide Information on how a PILOT program would work	2/1/2008
42	Holmes	Details for Proposed Mental Health Board Reductions	2/1/2008
43	Holmes	Details for Proposed Health & Human Services Department Reductions	2/1/2008
44	Jean-Baptiste	Details for Proposed Parks/Forestry & Rec. Reductions- ($216,500)	2/1/2008
45	Rainey	FY 08-09 CIP Projects-Potential Delays or Reductions	2/1/2008
46	N/A	$.25 sales tax - response to firefighter question	2/1/2008
Forthcoming Budget Memos			
	Rainey	TIF Transfers- Downtown II	

City of Evanston
FY 2008-09 Budget Memo Requests # 26-46
February 1 & 2, 2008

Budget Memo #	Requestor	Request	Date Sent to Council
Previous Budget Memos			**1/25/2008**
19	Holmes	Library Fines	1/25/2008
20	Rainey	Total Amount of Overdue and Uncollected Parking Ticket Fines	1/25/2008
21	Rainey	Transfer from Downtown TIF Fund to General Fund	1/25/2008
22	Holmes, Bernstein	False Alarm Survey & Additional Information	1/25/2008
23	Jean-Baptiste	Options for legal action against the State regarding Police & Fire Pension Liability	1/25/2008
24	Bernstein	Consultant Fees in 2008-09 Proposed Budget	1/25/2008
25	Bernstein	Retirement Date(s) for Bonds	1/25/2008
Previous Budget Memos			**1/18/2008**
2	Rainey	Parking Committee Minutes	1/18/2008
3	Bernstein	CIP to General Fund Transfer	1/18/2008
4	Holmes	Non-Refundable Registration Fees for Parks/Forestry & Recreation	1/18/2008
5	Holmes, Bernstein	Sworn Officer Retirement Projections for Police & Fire Departments	1/18/2008
6	Rainey	Food & Beverage Tax - Potential Revenue	1/18/2008
7	Morton	Police & Firefighters Pensions' Administration Expense	1/18/2008
8	Tisdahl	Pension Valuation Assumptions	1/18/2008
9	N/A	Response to Mr. Gordon's Letter Dated January 12, 2008	1/18/2008
10	Holmes, Bernstein	Alarm Panel Registration Fees Revenue	1/18/2008
11	Holmes, Bernstein	Charges to Nonprofits for Police & Fire Services	1/18/2008
12	Morton	Implementation Plan for Rental Dwelling License	1/18/2008
13	Rainey	General Fund Revenues & Expenditures through 12/31/07	1/18/2008
14	Rainey	Position Control Report	1/18/2008
15	Rainey	Financial History of Liquor Tax	1/18/2008
16	Bernstein	Proposed Health Care Savings	1/18/2008

City of Evanston
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Budget Memo #	Requestor	Request	Date Sent to Council
17	Bernstein	Change of Insurance Broker	1/18/2008
18	N/A	Position Vacancy Report	1/18/2008
Previous Budget Memos			**1/4/2008**
1	N/A	Updated Property Tax Levy Table	1/4/2008

Interdepartmental
Memorandum

To: Julia Carroll, City Manager
From: Steven Drazner, Acting Finance Director
Subject: **Budget Memo #26: Personal Property Replacement Tax**
Date: January 28, 2008

Question: Why is the personal property replacement tax being increased approximately $500,000 from the amount in the proposed budget?

Response: Personal property replacement tax is allocated as follows: 90.48% to the General Fund, 4.76% to the Fire Pension, and 4.76% to the Police Pension. While the method used in previous years to budget and allocate the personal property replacement tax to the pension funds could not be determined, allocation of the replacement tax should be based on the 1978 proportion of personal property tax contributed to the pension funds in that year.

To paraphrase what the Illinois Compiled Statute states, "Monies received by any taxing districts from the Personal Property Replacement Tax Fund shall….be applied toward payment of the proportionate share of the pension or retirement obligations of the taxing district which were previously levied and collected from extensions against personal property."

Based on my interpretation of the State statute and after speaking with the Illinois Department of Commerce on this issue, it is my conclusion that the City must allocate a portion of the personal property replacement tax using the same allocation percentage to each pension fund as was used in tax levy year 1978. If the City decides it only desires to contribute the legally obligated amount equal to the ARC for the pensions, the property tax levy for each pension should be net of any personal property replacement tax allocated to the pension funds. The City may also levy a property tax for the pension funds equal to the ARC amount, which when added to the allocated replacement tax, would provide additional means to pay down the unfunded pension liabilities.

Therefore, the increase of approximately $500,000 in personal property replacement tax to the General Fund is due to both a lesser amount of replacement tax allocated to each pension fund (and more to the General Fund) as described above, and an ongoing trend year after year of increased replacement tax distributions from the State of Illinois.

Please see the attachment for a history and allocations of the personal property replacement tax distributions. Also attached is a pdf file with background information on the tax.

Illinois Department of Commerce and Community Affairs

Rod R. Blagojevich
Governor

Jack Lavin
Acting Director

PERSONAL PROPERTY REPLACEMENT TAX

INTRODUCTION

Personal Property Replacement Tax payments are received from the State, to replace lost revenues resulting from the abolishment of the corporate personal property tax. The procedures which taxing districts must follow in allocating the Personal Property Replacement Tax are found at 30 ILCS 115/12 85. Various amendments have been added since the original enactment of the law. This publication has been prepared to answer the most commonly asked questions about the payments.

DISTRIBUTION OF FUNDS TO LOCAL GOVERNMENTS

Downstate taxing units receive a share of the replacement tax, based upon the amount of corporate personal property tax they collected in 1977 in proportion to the total amount of corporate personal property tax collected in the state outside of Cook County. Cook County taxing units receive a share based upon the amount of corporate personal property tax they collected for 1976 in proportion to the total amount collected in Cook County.

The personal property replacement tax receipts are distributed to individual governmental units in eight installments throughout the calendar year. Distributions are made in January, March, April, May, July, August, October and December.

USE OF PERSONAL PROPERTY REPLACEMENT TAX

The personal property replacement tax provisions require:

1. Municipalities and townships must pay a portion of each personal property replacement tax check received to their respective libraries, if a library tax was levied on or before December 31, 1978. (See page 2 for calculations.) Libraries that have converted into library districts must continue to receive their allocation from the municipality or township.

   Townships must also allocate a portion of the replacement tax to the cemetery fund if a cemetery tax was levied on or before December 31, 1978 under the provisions of 50 ILCS 610/1c.

2. Each road district must pay a portion of each personal property replacement tax check to the municipalities within the road district boundaries, if the municipalities previously received a portion of the road district road and bridge levy. (See page 2 for calculation.)

After allocations have been made, the personal property replacement tax provisions require two liens:

1. The first lien on personal property replacement tax funds each calendar year is for bonded indebtedness incurred on or before December 31, 1978. Payments must be made to the Bond and Interest Fund until the entire lien is satisfied. (See page 3 for calculation.)

   The county clerk has the authority to reduce the tax levy for bonded indebtedness.

2. The second lien on personal property replacement tax funds each calendar year is for pension obligations of the local governmental unit (Illinois Municipal Retirement Fund (IMRF) - social security - police pension - firemen's pension). All pension obligations must be satisfied before the funds can be used for other purposes. (See page 3 for calculation.) The local governmental unit must reduce its own tax levy for pensions.

Any personal property replacement tax funds, remaining after satisfying the two liens, should be used for the same purpose as real estate taxes.

LEVY PROCESS

Personal property replacement tax funds should be considered when preparing the annual property tax levy. The basic intent of the law is to prevent excessive taxation of real estate. Sound fiscal planning requires that all revenues including personal property replacement tax receipts be considered in the levy process. It is recommended that local governments make a determination on the use of the funds at tax levy time.

CALCULATION OF ROAD DISTRICT ALLOCATION TO MUNICIPALITIES

1. Multiply the total 1978 personal property equalized assessed valuation of the road district times the levy rate (rate from all road district levies) times the collection rate of personal property.

2. Multiply the personal property equalized assessed valuation of that portion of the municipality that is located in the road district's boundaries times the road and bridge levy rates times the municipal personal property collection rate. Divide this figure by two.

3. Divide the total in Step 2 by the total for Step 1. This will give a percentage to be used as the municipality's portion.

4. Multiply this percentage by each PPRT check from the State of Illinois (municipal share).

Note: The county clerk and/or treasurer can provide the above information.

CALCULATION OF LIBRARY ALLOCATION

1. Divide the total 1978 library taxes collected (real and personal) by the total 1978 taxes collected (real and personal) for the municipality or township.

2. Multiply this percentage by each PPRT check received from the State of Illinois (library share).

   Follow this procedure in allocating PPRT to the Cemetery Fund in township levying a property tax under 50 ILCS 610/1c.

Note: The county clerk and/or treasurer can provide the above information.

CALCULATION OF BOND AND PENSION LIENS

Assume that in the 1978 tax levy year, the county treasurer collected 90 percent of the taxes on real estate and 10 percent on personal property.

BOND FUND

Current bond needs (principal and interest)	$80,000
First lien on replacement tax money	X 10%
	$8,000

PENSIONS

(Social security, IMRF, fire pension, police pension, etc. paid from any levy fund.)

Current pension needs	$10,000
	X 10%
Second lien on replacement tax money	$1,000

For information about your government's allocation, call the Department of Revenue at (217) 782-3254.

For more information about the use of Personal Property Replacement Tax, contact the Department of Commerce and Community Affairs at 217/558-2860.

City of Evanston
Personal Property Replacement Tax
Budget Workpaper

	FY08 Final Adopted	FY09 Original Proposed	FY09 Revised Proposed	Variance
General Fund	895,500	975,500	1,475,500	500,000
Fire Pension	187,000	195,000	76,000	(119,000)
Police Pension	153,500	160,000	76,000	(84,000)
Total	1,236,000	1,330,500	1,627,500	297,000

FY09 Replacement Tax Calculation

FY08 YTD Replacement Tax (7 out of 8 payments)	1,511,840
Estimated final payment	100,000
Projected FY08 Replacement Tax	1,611,840
USE	**1,600,000**

Allocation of $1,600,000 for FY09

Allocation to General Fund 90.48%	1,447,680
Allocation to Police Pension 4.76%	76,160
Allocation to Fire Pension 4.76%	76,160
Total	1,600,000

PERSONAL PROPERTY REPLACEMENT TAXES

1910-51605

Collected	Disbursed	Total	General	Police Pen	Fire Pen
			90.48%	4.76%	4.76%
March-07	April-07	316,341.12	286,225.45	15,057.84	15,057.84
April-07	May-07	263,033.23	237,992.47	12,520.38	12,520.38
May-07	July-07	261,966.04	237,026.87	12,469.58	12,469.58
July-07	August-07	115,546.99	104,546.92	5,500.04	5,500.04
August-07	October-07	240,079.92	217,224.31	11,427.80	11,427.80
October-07	December-07	102,078.42	92,360.55	4,858.93	4,858.93
December-07	January-08	212,794.17	192,536.17	10,129.00	10,129.00
January-08	March-08		-	-	-
	Total	1,511,839.89	1,367,912.73	71,963.58	71,963.58
		(316,341.12)	(286,225.45)	(15,057.84)	(15,057.84)
	Adjusted Total	1,195,498.77	1,081,687.28	56,905.74	56,905.74

Note: Amount collected 3/07 and disbursed 4/07 was picked up in FY07 in error.

Collected	Disbursed	Total	General	Police Pen	Fire Pen
March-06	April-06	284,298.25			
April-06	May-06	182,539.12			
May-06	July-06	238,141.56			
July-06	August-06	75,210.31			
August-06	October-06	240,315.97			
October-06	December-06	60,048.03			
December-06	January-07	174,561.28			
January-07	March-07	92,351.49			
	Total	1,347,466.01	1,006,966.01	153,500.00	187,000.00

Collected	Disbursed	Total	General	Police Pen	Fire Pen
March-05	April-05	250,191.93			
April-05	May-05	138,555.52			
May-05	July-05	191,645.43			
July-05	August-05	149,363.41			
August-05	October-05	201,712.11			
October-05	December-05	60,446.38			
December-05	January-06	180,557.85			
January-06	March-06	62,986.10			
	Total	1,235,458.73	844,001.73	204,792.00	186,665.00

Collected	Disbursed	Total	General	Police Pen	Fire Pen
March-04	April-04	194,951.89			
April-04	May-04	99,371.19			
May-04	July-04	141,688.79			
July-04	August-04	61,705.68			
August-04	October-04	144,344.57			
October-04	December-04	44,933.50			
December-04	January-05	155,861.05			
January-05	March-05	85,810.64			
	Total	928,667.31	579,667.31	204,000.00	145,000.00

Interdepartmental
Memorandum

To: Julia Carroll, City Manager
From: Alan Berkowsky, Fire Chief
Max Rubin, Emergency Preparedness Manager
Subject: **Budget Memo # 27: Fire Marshal/Emergency Preparedness Manager Fire Plan Reviewer Cost/Benefit Analysis**
Date: January 29, 2008

Question/Request:
Please provide an understanding of the job description for the Emergency Preparedness Manager and how this will be combined with the position of Fire Marshal in the Fire Department. Also, provide a cost/benefit analysis of adding a Fire Plan Reviewer position.

Response:

<u>Emergency Preparedness Manager</u>

The duties of an Emergency Preparedness Manager includes, but are not limited to the following:

- Liaison to County, State and Federal agencies as it relates to Homeland Security and emergency preparedness
- Assists other entities in the City such as hospitals, school districts, businesses in emergency preparedness
- Identifies and analyzes the effects of hazards that threaten the City and puts into place plans to address threats and business interruption concerns
- Identifies and maintains a list of resources that would be available from private and Government agencies in the event of an emergency
- Coordinates and oversees the CERTS (Citizen Emergency Response Team) which is now comprised of 26 active members.
- Coordinates and oversees the Medical Reserve Corps (currently 18 citizens)
- Develops and maintains the City's Emergency Operations Center (EOC) as a site from which key officials can direct and control an emergency or disaster.
- Assists in the development of procedures to insure the continuity of government and business during a disaster
- Secures technical and financial assistance through County, State and Federal Agencies
- Maintains City's Emergency Plan and State Accreditation
- Develops and implements training exercises for City Officials, first responders and other entities within the City

The Evanston Office of Emergency Preparedness is accredited and has been recognized as a professional emergency management agency within the State of Illinois. It is critical that we continue to develop relationships on all levels of Government and stay involved in emergency planning. Many of these programs require many hours of time and support. One example of this is our Citizen Emergency Response Team (CERT). The CERT Team is comprised of citizens who volunteer their time to assist the City. Every member has attended numerous hours of evening training and continuing education which is coordinated and provided by the Emergency Preparedness Manager. In recent years, we have used these citizens for special events such as the 4th of July, Armadillo Days, Halloween, and First Night.

Fire Prevention Bureau

Emergency planning is a natural fit for the Fire Department. Over the years, the Fire Department (along with our Police Department and Emergency Preparedness) has hosted a number of tactical exercises to prepare various agencies in emergency preparedness. These exercises include a table-top preparation and lock-down practical exercise at Evanston Township High School, review of the evacuation process of Ryan Field with Northwestern University and Hospital evacuation procedures with Evanston Northwestern Healthcare. In 2005-2006, we hosted the Mass Transit Emergency Planning Group for MABAS Division III which was attended by numerous fire, police and mass transit agencies from across the Chicagoland Area. In addition to the larger facilities, the Fire Prevention Bureau (FPB) constantly works with businesses and condominium associations on emergency planning.

With the coincidental retirements of Mr. Rubin, our Emergency Preparedness Manager and Division Chief Kevin Kelly, our Fire Marshal, the combining of these two positions seemed feasible. The Fire Marshal is currently responsible for all code enforcement, public education and fire investigations in our City. He is also the main person for all fire system plan reviews. In order to incorporate the tasks of emergency preparedness, we need to reduce some of the job load of the Fire Marshal. In particular, the plan review of fire systems and life-safety reviews takes a significant amount of time. In addition to fire systems plan reviews, the Fire Marshal also reviews all initial building plans submitted to the Building Department to identify life-safety issues as well as placement of standpipes, sprinkler connections, building access and other issues. In 2007, the FPB handled/reviewed 204 fire alarm, sprinkler and hood/duct system plans in addition to general plan reviews for life-safety.

A Fire Plan Reviewer in the FPB would perform the following functions:

1. Handle all plan reviews for the Bureau.
2. Eliminate plan review consultant and incorporate a new revenue source that was being paid directly to the consultant.
3. Assist the FPB in pre-design development meetings, code compliance meetings and telephone correspondence as it relates to code interpretation.

For several years, we have been using Fire Safety Consultants for the larger plan reviews of fire alarm, sprinkler and hood/duct systems. According to Fire Safety Consultants, in 2007, they collected $79,000 from Evanston related plan reviews. With an “In-House” plan reviewer, we would recapture these review fees now being paid to Fire Safety Consultants. The plan review fee for the Department would need to be modified to reflect current industry fees. An added benefit would be a slight increase in revenues from plans that are currently being done in-house.

Cost/Benefit Analysis

If reviewing the cost/benefit of hiring a plan reviewer versus the use of an outside fire plan review consultant, there are several factors to consider. Currently, there is no direct cost to the City to use an outside consultant for plan review. All costs are directly paid to the outside consultant by the applicant. Last year, 204 fire-system related plan reviews were received by the FPB. 109 of the 204 were performed in-house. In addition to the fire protection system plan reviews, the FPB still reviews all building plans to ensure that the building access, standpipe locations, fire department connections, locations of the fire pump room, alarm panel and other components are present and in reasonable locations. If we waited for the submittal of fire protection system plans, it may be too late in the process to identify problems with these major components.

An outside fire plan review consultant does serve a purpose in dealing with more complex plans that require a higher degree in the understanding of hydraulics for sprinkler systems and electronics for fire alarm systems. However, an outside fire plan review consultant is not available for the daily telephone calls and meetings dealing with plan reviews and construction. An outside plan reviewer is very familiar with model fire codes and the National Fire Protection Association Standards but cannot be cognizant with the specifics of Evanston as well as the operation of its Fire Department.

In order to combine the Fire Marshal and Emergency Preparedness Manager, it is critical that we include the fire plan reviewer position. A Fire Plan Reviewer would allow the Fire Marshal to take on the responsibilities of the Emergency Preparedness Manager and improve overall customer service as it relates to timely plan reviews and code related inquiries. The other advantage to an in-house Fire Plan Reviewer is that this position would also reduce the amount of time the other inspectors spend on assisting in plan review and answering telephone calls related to building construction and code interpretation providing more time to be spent on building inspections and public education.

Cost Analysis

<u>New Expenditures</u>	
Plan Reviewer (Includes benefits)	$ 91,500
<u>Savings/New Revenues</u>	
Emergency Preparedness Manager	$ 117,000
New Plan Review Revenue	50,000 *
Total	$ 167,000
Savings	**$+75,500**

* This amount will vary year to year depending on the number of submitted plans. In 2006, it was closer to $40,000 according to Fire Safety Consultants.

Without the addition of an in-house plan reviewer, I could not recommend the combination of these two important positions. It would be difficult to find a person who is versatile in both code interpretation/plan review as well as having the degree of knowledge required to be an emergency preparedness manager or time available to perform both positions competently. The advantages of having a fire plan reviewer in-house includes, but is not limited to:

- Allows for the combining of the Fire Marshal and the Emergency Preparedness Manager
- Improved customer service via telephone, meetings or e-mail inquiries
- Improved turnaround for plan reviews
- Improved consistency in the plan review process
- Cost neutral due to the improved revenue stream for fire plan reviews

The Fire Marshal would become the emergency planner for the City in addition to being the person overall responsible for fire code enforcement, fire investigations and public education.

Status Quo

If it is not the desire of Council to combine these two positions or add the Fire Plan Reviewer, the direction would be to replace the Fire Marshal with the skill sets necessary to perform the current job responsibilities of Fire Marshal which includes plan review. We would continue to use an outside consultant as needed. In addition, we would not recommend the elimination of the Emergency Preparedness Manager.

Even though there is no cost to the City for this outside consultant, we could not use an outside consultant for all our plan reviews. This is because many of the reviews fall under the heading of general “building plan review” and there are many fire protection plan reviews that involve smaller systems or modifications to systems that would be cost prohibited to the applicant with an outside consultant. Lastly, an outside consultant won’t alleviate the number of meetings, telephone calls or e-mails related to building construction and fire protection systems for the Fire Marshal and the Fire Marshal would need to continue to serve as the liaison between the consultant and the applicant.

Staff will be present to answer any questions that the Aldermen may have.

Interdepartmental

Memorandum

To: Julia Carroll, City Manager
From: Steven Drazner, Acting Finance Director
Subject: **Budget Memo #28: Liquor/Prepared Food & Beverage Tax**
Date: January 28, 2008

Question: How much revenue would a 1% prepared food & beverage tax generate if assessed only on prepared food and non-alcoholic beverages?

Response: A prepared food & beverage tax excluding alcoholic beverages would generate revenue approximated as follows:

2007 average quarterly municipal tax (1%) for "drinking and eating places"	$ 287,320
Above amount extrapolated to an annual basis	1,149,277
Annual extrapolated municipal tax divided by 1% to arrive at total annual drinking & eating place sales	$114,927,700
Estimated annual tax generated from 6% liquor tax	1,800,000
Above tax divided by 6% to arrive at total estimated liquor sales	30,000,000
Annual estimated drinking & eating place sales from above	114,927,700
Less amount included in drinking & eating place sales derived from liquor sales	(30,000,000)
Eating & drinking place sales excluding liquor	$ 84,927,700
Above amount multiplied by a 1% prepared food & beverage tax	$ 849,277

Therefore, a 1% prepared food & beverage tax on prepared food and non-alcoholic beverages is estimated to generate approximately $849,000 per year.

For your reference, attached is a table that compares Evanston sales, liquor, and food & beverage tax rates with other Illinois jurisdictions.

City	F&B Tax	Total Tax	Liquor Tax
Arlington Heights	1.25	10.00	0
Aurora	1.75	11.00	0
Chicago	0.25	9.50	0
Deerfield	0.00	7.50	0
Des Plaines	1.00	10.00	0
Elmhurst	1.00	8.50	0
Evanston Current	**0.00**	**9.00**	**6.0**
Evanston Proposed	**1.00**	**10.00**	**?**
Glenview	0.00	8.50	0
Highland Park	1.00	9.00	0
Highwood	0.00	8.50	0
Hoffman Estates	2.00	11.00	0
Lake Forest	0.00	7.50	0
Libertyville	0.00	7.00	0
Lincolnwood	0.00	9.00	0
Lincolnshire	0.00	7.00	0
Lombard	1.00	10.00	0
Mt. Prospect	2.00	11.00	0
Naperville	1.00	8.25	0
Niles	1.00	10.00	0
Northbrook	0.00	8.75	0
Morton Grove	1.00	10.00	0
Palatine	1.00	10.00	0
Oak Park	0.00	9.00	3.0
Park Ridge	1.00	10.00	0
Rolling Meadows	2.00	11.00	0
Rosemont	1.00	10.25	0
St. Charles	0.00	8.00	0
Schaumburg	2.00	11.00	0
Skokie	0.00	9.00	0
Wheeling	1.00	9.00	0
Wilmette	0.00	8.25	0
Winnetka	0.00	8.00	0

Interdepartmental
Memorandum

To: Julia Carroll, City Manager
From: Anita Patel, Management Analyst, Finance Department
Subject: **Budget Memo # 29: Update on Utility Tax Revenues**
Date: January 29, 2008

Question/Request:

Provide an update on utility tax revenues with projections for year-end results.

Response:

The table below provides a two year history of data along with estimates for the current year for Electric, Natural Gas, and Natural Gas Use Taxes. The FY 07-08 estimates for these taxes include actual revenue received for the months of March through November. In addition, since revenues received by month vary from year to year and are dependent on several variables, staff utilized the average revenue received over the last three years for the months of December through February, which are included in the estimates below. For a month by month breakdown of electric and natural gas utility tax revenues received, please refer to the attached worksheets.

Revenue Source	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 YTD (9 months)	FY 2007-08 Estimate	FY 2007-08 Budget	FY 2007-08 Variance
Electric Utility Tax	$2,738,271	$2,680,441	$2,119,417	$2,792,141	$3,000,000	$(207,859)
Natural Gas Utility Tax	$1,641,686	$1,312,225	$940,475	$1,524,600	$1,530,000	$(5,400)
Natural Gas Use Tax	$818,416	$810,607	$517,657	$824,430	$825,000	$(570)

As an alternative method for estimating fiscal year end figures, staff evaluated the impacts of change in heating degree days compared to last year for the months of October and November on the revenue received. A heating degree day is defined as a measure of the coldness of the weather experienced. The assumption is that the higher the number the more natural gas will be used in heating a home.

In October, the daily heating degree days decreased by 51.14% over last year for the same month. Even though October was warmer on average this year, there was an increase of 5.05%

in the revenues received for Natural Gas Utility Tax and 1.51% increase in the Electric Utility Tax revenues for October. However, Natural Gas Home Rule revenues dropped by 10.57%. (See table below.)

When evaluating November, the daily heating degree days increased by 27.85%. However, revenues collected in November for Natural Gas Use Home Rule Taxes decreased by 4.48% over what was collected in the previous year for November. In addition, Natural Gas Utility taxes decreased by 3.32%. As a result, a direct correlation between the increase in heating degree days and revenues collected for utility taxes is difficult to establish.

It is important to note that there will not be a direct correlation between the % increase/decrease in heating or cooling degree days and the % increase in the revenues received. The degree day data will provide an indicator that the increase/decrease in the temperature will result in an increase/decrease in the need for cooling or heating. However, there are other factors that may impact an energy bill such as number of days in the billing period, additional reasons for energy use during the time frame, and current rate.

	October			November		
	Degree Day percentage increase/decrease	Nat Gas Home Rule Revenue %	Year over Year Nat Gas Utility Revenue	Degree Day percentage increase/decrease	Nat Gas Home Rule Revenue %	Year over Year Nat Gas Utility Revenue
2007-08	(51.14%)	(10.57%)	5.05%	27.85%	(4.48%)	(3.32%)

Electric Utility Tax
1910.51565

MONTH	FY 2005-2006	% change over 04-05	FY 2006-2007	% change over 05-06	FY 2007-2008	% change over 06-07
March	215,905.21	4.94%	199,165.56	(7.75%)	251,628.40	26.34%
April	207,864.65	6.18%	211,493.34	1.75%	228,401.48	7.99%
May	190,784.87	1.39%	191,381.59	0.31%	188,802.18	(1.35%)
June	191,295.47	(4.27%)	223,257.86	16.71%	215,300.00	(3.56%)
July	271,878.72	22.12%	206,301.76	(24.12%)	242,636.72	17.61%
August	288,557.01	16.87%	299,471.20	3.78%	265,367.55	(11.39%)
September	260,220.00	24.42%	252,660.81	(2.90%)	289,644.50	14.64%
October	243,604.10	2511.32%	220,059.51	(9.67%)	223,377.49	1.51%
November	203,561.09	12.83%	193,335.84	(5.02%)	214,258.67	10.82%
December	225,690.06	3.85%	231,487.86	2.57%	224,834.45	(2.87%)
January	257,861.59	0.01%	236,320.78	(8.35%)	250,668.97	6.07%
February	230,011.96	(3.53%)	249,214.17	8.35%	239,220.80	(4.01%)
SUBTOTAL:	**2,787,234.73**	**17.53%**	**2,714,150.28**	**(2.62%)**	**2,834,141.21**	**4.42%**
Refunds	$ (48,963.29)		$ (33,708.89)		$ (42,000.00)	
TOTAL:	**$ 2,738,271.44**		**$ 2,680,441.39**		**$ 2,792,141.21**	

Natural Gas Utility Tax
1910.51570

MONTH	FY 2005-2006	% Change Over 04-05	FY 2006-2007	% Change Over 05-06	FY 2007-2008	% change over 06-07	
March	202,846.97	(1.00%)	256,640.75	26.52%	241,355.25	(5.96%)	
April	164,404.03	11.89%	190,280.02	15.74%	197,044.43	3.55%	
May	123,077.68	22.04%	109,374.44	(11.13%)	137,467.85	25.69%	
June	75,723.74	19.23%	67,296.92	(11.13%)	96,915.23	44.01%	
July	51,084.17	10.40%	47,220.63	(7.56%)	51,526.27	9.12%	
August	48,394.10	7.04%	45,329.78	(6.33%)	44,587.05	(1.64%)	
September	36,980.74	(6.18%)	35,170.76	(4.89%)	42,000.63	19.42%	
October	50,992.29	7.25%	49,886.09	(2.17%)	52,403.56	5.05%	
November	94,714.61	42.48%	79,823.05	(15.72%)	77,174.96	(3.32%)	
December	214,979.49	84.98%	105,104.46	(51.11%)	145,434.40	38.37%	estimate
January	305,641.77	56.02%	142,236.78	(53.46%)	214,593.41	50.87%	estimate
February	283,066.38	23.90%	192,288.68	(32.07%)	234,603.59	22.01%	estimate
SUBTOTAL	**1,651,905.97**	**26.90%**	**1,320,652.36**	**(20.05%)**	**1,535,106.64**	**16.24%**	
Refunds	$ (10,219.65)		$ (8,427.22)		$ (10,500.00)		
TOTAL:	**$ 1,641,686.32**		**$ 1,312,225.14**		**1,524,606.64**		

NATURAL GAS USE HOME RULE TAX

1910.51575

MONTH	FY 2005-2006	% change in 2006 over 04-05	FY 2006-2007	% change in 2007 over 05-06	FY 2007-2008	% change over 06-07
March	97,333.80	8.91%	89,024.98	(8.54%)	92,241.11	3.61%
April	71,117.38	(1.88%)	64,050.95	(9.94%)	71,658.48	11.88%
May	57,463.76	2.12%	24,024.46	(58.19%)	51,365.43	113.80%
June	43,893.97	(0.82%)	73,114.40	66.57%	44,514.00	(39.12%)
July	46,606.92	3.46%	43,939.39	(5.72%)	47,438.51	7.96%
August	45,933.92	0.92%	45,513.78	(0.91%)	50,363.73	10.66%
September	39,770.99	0.75%	39,701.59	(0.17%)	43,688.18	10.04%
October	51,575.23	1.33%	54,977.25	6.60%	49,165.53	(10.57%)
November	72,042.43	3.90%	70,373.35	(2.32%)	67,221.77	(4.48%)
December	102,509.15	3.65%	88,539.02	(13.63%)	$ 96,648.90	9.16%
January	96,805.07	(17.67%)	100,852.05	4.18%	$ 105,079.87	4.19%
February	93,363.37	(11.31%)	116,495.49	24.78%	$ 105,042.16	(9.83%)
TOTAL	**818,415.99**	**(1.92%)**	**810,606.71**	**(0.95%)**	**824,427.67**	**1.71%**

Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Kevin Lookis, Revenue Manager
Subject: **Budget Memo #30: Motor Fuel Tax- Projections with 1-2 Cent Increase**
Date: January 28, 2008

Question/Request:

What additional revenue could be generated by increasing the Motor Fuel Tax rate to either $0.03 or $0.04 cents per gallon?

Response:

Currently, motor fuel retailers charge an additional $0.02 cents per gallon above that of state and county taxes. This represents approximately $275,000 in annual revenue historically. An increase in revenue for FY09 of $137,500 could be accomplished by raising the tax per gallon to $0.03 cents per gallon. However, any further increase to $0.04 is not recommended because customers may choose to purchase gas in other municipalities such as Skokie, where a municipal motor fuel tax does not exist. Below is a table that shows how Evanston Motor Fuel tax compares to a few other jurisdictions in the area.

MUNICIPALITIES	MOTOR FUEL TAX
Evanston	2 cents per gallon
Skokie	No taxes
Arlington Heights	No taxes
Des Plaines	2 cents per gallon
Wilmette	1 cent per gallon
Chicago	5 cents per gallon
Oak Park	3 cents per gallon

Interdepartmental
Memorandum

To: Julia Carroll, City Manager
From: Steven Drazner, Acting Finance Director
Subject: **Budget Memo # 31: Pension ARC vs. City Contribution**
Date: January 28, 2008

Question/Comment:
1) Please explain how much is in each of the pension funds?
2) How much was paid into the funds last year?
3) What is the difference between last year's payments and those being proposed for this coming year?
4) Please explain how the ARC is calculated?

Responses:
1) As of February 28, 2007, the Firefighters' Pension Fund had total assets of $43,782,756 and the Police Pension Fund had total assets of $61,843,430.
2) During fiscal year 2007, the total employer contribution (property tax and replacement tax) paid into the Firefighters' Pension Fund was $3,730,660 and Police Pension Fund $4,371,945.
3) The increase in the ARC comparing the March 2007 to the March 2006 is $2,023,421 for the Police Pension and $1,312,428 for the Fire Pension Fund.
4) There are many variables which are incorporated into the ARC calculations such as projected future retiree benefits, available assets in the Fund, earnings and gains/losses in the Fund, interest rate assumptions, projected life expectancy and retirement age, etc. In terms of the formula that is used to calculate the unfunded liability, due to the large number of variables and complexity of the calculations, an actuarial explanation would be necessary.

City of Evanston

Interdepartmental

Memorandum

To: Julia Carroll, City Manager
From: Steven Drazner, Acting Finance Director
Subject: **Budget Memo # 32: G.O. Levy Schedule**
Date: January 28, 2008

Question/Comment: Please provide the schedule detailing out the required general obligation levy amount for each year going forward.

Response: The attached schedule summarizes the current levy amounts going forward **assuming no additional debt will be issued.**

The first three columns (total debt payment, principal, & interest) summarize by year what levy would be required if no abatements were applied. The next three respective columns list the abatements by tax levy year for which there are other sources of revenue that will be used to pay down the debt for that year. The final three columns summarize the amount of debt which must be paid through the property tax levy.

It is important to keep in mind that the County will automatically levy an amount based on the debt amortization schedules submitted to their office after each bond issuance. If the City does not desire to levy the amount already on file with the County, the City Council must approve the necessary abatement resolutions and file them with the County on an annual basis.

The current debt levy of $10,141,385 as budgeted in the Debt Service Fund is summarized as follows:

Net levy (after abatements) for existing debt as of 12/31/07	$9,586,385
New G.O. Series 2008 (estimated $10,000,000)	$805,000
Additional amount abated	($250,000)
Total Levy	$10,141,385

Levy	Total Levy After Defeasances- All Outstanding Issues			Total Abatements			Total Net Levy after Abatement		
Year	Amount	Principal	Interest	Amount	Principal	Interest	Amount	Principal	Interest
2004	22,961,031.87	10,510,000.00	12,451,031.87	(14,694,021.26)	(5,740,000.00)	(8,954,021.26)	8,267,010.61	4,770,000.00	3,497,010.61
2005	23,275,018.75	10,665,000.00	12,610,018.75	(14,538,057.13)	(5,210,000.00)	(9,328,057.13)	8,736,961.62	5,455,000.00	3,281,961.62
2006	23,416,329.39	10,885,000.00	12,531,329.39	(14,792,080.75)	(5,225,000.00)	(9,567,080.75)	8,624,248.64	5,660,000.00	2,964,248.64
2007	23,049,446.27	10,505,000.00	12,544,446.27	(13,996,837.01)	(5,215,000.00)	(8,781,837.01)	9,052,609.26	5,290,000.00	3,762,609.26
2008	22,951,557.52	10,860,000.00	12,091,557.52	(13,365,172.76)	(5,290,000.00)	(8,075,172.76)	9,586,384.76	5,570,000.00	4,016,384.76
2009	22,246,367.52	10,595,000.00	11,651,367.52	(12,731,542.76)	(4,960,000.00)	(7,771,542.76)	9,514,824.76	5,635,000.00	3,879,824.76
2010	22,484,585.02	11,290,000.00	11,194,585.02	(12,724,194.02)	(5,230,000.00)	(7,494,194.02)	9,760,391.00	6,060,000.00	3,700,391.00
2011	22,730,077.52	12,020,000.00	10,710,077.52	(12,804,976.52)	(5,605,000.00)	(7,199,976.52)	9,925,101.00	6,415,000.00	3,510,101.00
2012	20,810,917.52	10,640,000.00	10,170,917.52	(10,802,859.00)	(3,930,000.00)	(6,872,859.00)	10,008,058.52	6,710,000.00	3,298,058.52
2013	20,772,295.02	11,115,000.00	9,657,295.02	(10,799,081.50)	(4,155,000.00)	(6,644,081.50)	9,973,213.52	6,960,000.00	3,013,213.52
2014	18,561,645.02	9,400,000.00	9,161,645.02	(8,948,009.00)	(2,545,000.00)	(6,403,009.00)	9,613,636.02	6,855,000.00	2,758,636.02
2015	17,269,162.52	8,575,000.00	8,694,162.52	(7,935,881.50)	(1,680,000.00)	(6,255,881.50)	9,333,281.02	6,895,000.00	2,438,281.02
2016	16,504,915.02	8,220,000.00	8,284,915.02	(7,873,487.76)	(1,715,000.00)	(6,158,487.76)	8,631,427.26	6,505,000.00	2,126,427.26
2017	54,226,307.52	46,340,000.00	7,886,307.52	(46,684,018.50)	(40,625,000.00)	(6,059,018.50)	7,542,289.02	5,715,000.00	1,827,289.02
2018	9,693,770.02	5,415,000.00	4,278,770.02	(2,775,031.00)	(70,000.00)	(2,705,031.00)	6,918,739.02	5,345,000.00	1,573,739.02
2019	9,735,112.52	5,710,000.00	4,025,112.52	(2,768,481.00)	(80,000.00)	(2,688,481.00)	6,966,631.52	5,630,000.00	1,336,631.52
2020	41,744,181.26	37,995,000.00	3,749,181.26	(34,846,856.00)	(32,180,000.00)	(2,666,856.00)	6,897,325.26	5,815,000.00	1,082,325.26
2021	5,543,956.26	4,705,000.00	838,956.26	(108,231.00)	(85,000.00)	(23,231.00)	5,435,725.26	4,620,000.00	815,725.26
2022	4,413,481.26	3,795,000.00	618,481.26	(104,394.00)	(85,000.00)	(19,394.00)	4,309,087.26	3,710,000.00	599,087.26
2023	3,221,781.26	2,785,000.00	436,781.26	(110,625.00)	(95,000.00)	(15,625.00)	3,111,156.26	2,690,000.00	421,156.26
2024	3,223,500.00	2,920,000.00	303,500.00	(106,250.00)	(95,000.00)	(11,250.00)	3,117,250.00	2,825,000.00	292,250.00
2025	2,207,500.00	2,050,000.00	157,500.00	(71,500.00)	(65,000.00)	(6,500.00)	2,136,000.00	1,985,000.00	151,000.00
2026	1,155,000.00	1,100,000.00	55,000.00	(68,250.00)	(65,000.00)	(3,250.00)	1,086,750.00	1,035,000.00	51,750.00
	412,197,939.06	248,095,000.00	164,102,939.06	(243,649,837.47)	(129,945,000.00)	(113,704,837.47)	168,548,101.59	118,150,000.00	50,398,101.59

City of Evanston™

To: Mayor and City Council

From: Julia A. Carroll, City Manager

Date: February 1, 2008

Re: Budget Memo # 33:Concept of charging Water or Sewer Utilities for Police & Fire Services or Pension Costs

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OVERVIEW:

Last Saturday, I introduced a new concept I have discussed with the city's bond counsel regarding charging the utility funds for a portion of the police & fire budgeted costs, including pension contributions.

The budgets of the Police & Fire Departments are proposed to be $20,805,900, and $12,003,100, respectively. The minimum annual required pension contribution (estimated for 2008) for both police & fire pension funds is $6,897,400 and $5,679,500, respectively.

DETAILED CONCEPT:

The concept is that since the police & fire departments protect the assets of the water plant, and any above-ground sewer equipment, the rate payers should pay a share of the costs of that protection. By adding those costs to the utility funds, it will increase the budget of the utility funds and will have an impact on rates as an additional expense.

In order to establish a fair chargeback for these services, we could approach this one of several ways: 1) chargeback for full costs of police & fire services, including pension costs, on a ratio of the assets of the utilities to the city's total fixed assets, or 2) chargeback only for the pension costs under the same ratio because the water fund already pays a large "dividend" to the General Fund. 3) Re-evaluate the "dividend" and consider a franchise fee based upon a percent of total revenues, and continue charge backs for overhead administration from the General Fund, plus include a cost for funding pensions.

It could be argued that most of the sewer infrastructure is underground and do not require a lot of police or fire protection. In addition, the ratepayers are already paying a high price for the cost of improvements over the past ten or more years, and therefore, should not be charged for the pensions.

Below is an example of how each calculation would work compared to current charge backs:

OPTION 1:

DESCRIPTION	BUDGET	CURRENT METHOD-OLOGY	OPTION NO. 1
*Water Fund	$13,091,000	$2,531,500 (DIVIDEND)	$2,531,500 (DIVIDEND)
@Sewer Fund	$ 2,345,200	N/A	N/A
#General Fund	$90,525,400	$1,011,900 overhead charged to Water Fund	$1,011,900 overhead charged to Water Fund
Police budget	$20,805,900	N/A	$ 2,186,700
Fire budget	$12,003,100	N/A	$ 1,261,526
Police pension ARC--53.78% paid by utility funds	$ 6,897,400	N/A	$ 3,709,422
Fire pension ARC—53.78% paid by utility funds	$ 5,679,500	N/A	$ 3,054,435
TOTAL	N/A	$3,543,400	$13,755,483

- *Water Fund budget excludes capital and debt service payments
- @ Sewer Fund budget excludes capital and debt service payments

- # General Fund budget excludes $4,036,700 transfers to pension funds to meet the total funding of the annual required contribution for 2007, which is a one-time transfer.
- Contribution to pension is based upon the water assets comprising 10.51% of the total city fixed assets and the sewer assets comprising 43.57% of the city's fixed assets.
- Would require a large rate increase of approximately 162% in Water & 426.4% increase to Evanston customers. Note: Under the current contracts of the Northwest Water Commission and Village of Skokie, this new chargeback is not allowable.

OPTION 2:

DESCRIPTION	BUDGET	CURRENT METHOD-OLOGY	OPTION NO. 2
Water Fund *	$13,091,000	$2,531,500 (DIVIDEND)	$2,531,500 (DIVIDEND)
Sewer Fund@	$ 2,345,200	N/A	N/A
General Fund #	$94,562,100	$1,011,900 overhead charged to Water Fund	$1,011,900 overhead charged to Water Fund
Police budget	$20,805,900	N/A	N/A
Fire budget	$12,003,100	N/A	N/A
Police pension ARC—10.51% paid by the water utility fund only	$ 6,897,400	N/A	$ 724,917
Fire pension ARC—10.51% paid by the water utility fund only	$5,679,500	N/A	$ 596,915
TOTAL	N/A	$3,543,400	$ 4,865,232

- *Water Fund budget excludes capital and debt service payments
- @ Sewer Fund budget excludes capital and debt service payments
- # General Fund budget excludes $4,036,700 transfers to pension funds to meet the total funding of the annual required contribution for 2007, which is a one-time transfer.
- Contribution to pensions is based upon the water assets only which comprise 10.51% of the total city fixed assets
- Would require a rate water rate increase estimated to be 16.16%.
- Fund balance in excess of required debt service and other reserves is $77,159 for Water & $1,669,477 for sewer, and is insufficient to pay for pension funding.

OPTION 3:

DESCRIPTION	BUDGET	CURRENT METHOD-OLOGY	OPTION NO. 3
Water Fund * Franchise fee 5%	$13,091,000	$2,531,500 (DIVIDEND)	$ 666,280
Sewer Fund@ Franchise fee 5%	$ 2,345,200	N/A	$ 801,300
General Fund #	$94,562,100	$1,011,900 overhead charged to Water Fund	$1,011,900 overhead charged to Water Fund
Police budget	$20,805,900	N/A	N/A
Fire budget	$12,003,100	N/A	N/A
Police pension ARC—10.51% paid by the water utility fund only	$ 6,897,400	N/A	$ 724,917

Fire pension ARC—10.51% paid by the water utility fund only	$5,679,500	N/A	$ 596,915
TOTAL	N/A	$3,543,400	$ 3,801,312

- *Water Fund budget excludes capital and debt service payments
- @ Sewer Fund budget excludes capital and debt service payments
- # General Fund budget excludes $4,036,700 transfers to pension funds to meet the total funding of the annual required contribution for 2007, which is a one-time transfer.
- Contribution to pensions is based upon the water assets only which comprise 10.51% of the total city fixed assets
- Would not require a rate increase..
- Fund balance in excess of required debt service and other reserves is $77,159 for Water & $1,669,477 for sewer, and is insufficient to pay for pension funding.

RECOMMENDATION:

I recommend that the City Council consider Option 2. This methodology charges 10.51% of the cost of the police & fire pension fund annual required contributions (ARC) to the Water Fund. I further recommend that this concept be further investigated by the city's rate consultant. The consultant should be directed to compute the effect of this charge in a new rate study which will properly allocate the charge against all user classes. Such rate study has been budgeted and I recommend that a RFP for the rate study be issued as soon as possible. Once the final rate study is completed, Council can make a final decision on whether to implement this concept effective mid-year.

Interdepartmental

Memorandum

To: Julia Carroll, City Manager
From: Alan J. Berkowsky, Fire Chief
Rich Eddington, Police Chief
Subject: **Budget Memo # 34: Alarm Panel Franchise Fee/ Alarm Fees**
Date: January 28, 2008

Question/Request:

1. Provide a breakdown of registered alarm users by location type.
2. Provide clarification as to the Alarm Panel Franchise Fee revenue.
3. Provide a review of the alarm fees/fines collection rate.

Response:

1. In reviewing the alarm registrations for 2008, the final number of registered alarm users was 3,659. The chart below illustrates the number of each user by location type:

Location Type	Count	Percent of Total
Residential	2675	73%
Business	762	21%
Northwestern University	163	4%
Others (City, D65, etc)	59	2%
Total	**3659**	**100%**

As you can see, the percent of residential registrations is significant. We are hoping through our educational process, publications and letters to non-registered users, we are able to continue to capture systems that have not yet been registered. If there is a desire to increase the annual registration for non-residential users, it would impact approximately 950 accounts.

# of Business Accounts	$30 (current)	Increased to $50	Increased to $75	Increased to $100
950	28,500	47,500 (+19,000)	71,250 (+42,750)	95,000 (+66,500)

2. The Alarm Panel Franchise Fee represents a fee paid to the City by ADT for the monitoring of the alarm systems directly connected to our 911 Center's consoles using ADT's equipment. In past years, this fee was $3,600 per quarter ($14,400 annually) based upon the number of subscribers. In recent years, many alarm users have setup their own monitoring plans through other companies resulting in a significant decrease in

alarms directly connected to the 911 Center. The Revenue for FY07-08 is still under 2205.52170 (Police General Revenue Fund/Alarm Panel Franchise Fee). It totals $5,490 which reflects the the 1Q & 2Q payments for 2007 from ADT in the amounts of $2,760 & $2,730 respectfully. (We receive $15 per quarter, per connection.) We have not yet received the 3Q & 4Q payments in the amounts of $2,640 & $2,610 respectfully. After those are received, the total for 2007 will be $10,740. This amount is going to fluctuate depending upon the number of alarms that are installed or disconnected during the quarter. For 2008- 2009FY we are estimating the revenue to be $2,500 per quarter or $10,000 annually. The projection was inadvertently placed in a folder under the Emergency System Telephone Board Account and was left out of the budget revenue projections.

3. The alarm collection rate below is based upon the "false alarm fines" for both police and fire responses. Alarm Permits were just invoiced and many of them are still in the process of being paid.

Calendar Year	Invoiced	Paid	Outstanding	Percent Collected
2007	$165,700	$129,015	$53,175	78%

We would expect the collection rate to increase as the end of year (2007) invoices were recently sent out. The final rate should be around 85% to 90%. Those that are not paid are now included in the "You Owe" database.

Interdepartmental Memorandum

To:	Julia Carroll, City Manager
From:	Wendy McCambridge, Administrative Adjudication Manager
Subject:	**Budget Memo # 35: Administrative Adjudication Revenue**
Date:	January 30, 2008

Question:

What is included in the administrative adjudication revenues- object account 52570? Please provide a break down of the types of fines collected and revenues attributed to these.

Response:

The revenues included in object account 52570 (Administrative Adjudication) include the fines collected from citations issued by all Departments/Divisions using Administrative Adjudication (AA) with the exception of the Parking Enforcement Division. All fines collected from parking citations are found in object account 52505 (Ticket Fines-Parking). Below is a summary of the Departments/Division who had fines collected during the period of March 1, 2007 – January 29, 2008.

Department/Division	Amount Collected	% of Collections
Fire	$ 1,650.00	1%
Health	$ 400.00	0.03%
Northwestern U. Police	$12,645.00	10%
Evanston Police/Animal	$56,880.00	47%
Property Standards	$49,742.92	41%
Total	**$121,317.92**	**100%**

The Administrative Adjudication Division's total net collection for FY 2007-08 is **$1,980,952.34** as of January 29, 2008.

Revenue/Expenditure Source	Revenue/Expenditure
Object Code 52570	$ 121,317.92
Parking Citation (AA Involved)	$2,178,670.83
Cost of Operation (Business Unit 1935)	-$ 319,036.41
	$1,980,952.34

Interdepartmental
Memorandum

To: Julia Carroll, City Manager
From: Steven Drazner, Acting Finance Director
Michael Wheeler, Management Analyst
Subject: **Budget Memo # 36: Response to Gerald Gordon's Letter of January 26, 2008**
Date: January 28, 2008

Question/Comment 1: In prior years, the City's actual interest earnings greatly exceeded the budgeted interest earnings and this additional interest should be decreasing the property tax levy.

Response: While it is true that for FY07 many of our Funds reported greater than anticipated interest income, and while this may also be the case for the current FY08, it is important to note the following:

1) Interest rates are constantly fluctuating, and it isn't always possible to determine far in advance what direction interest rates may go.
2) We feel it is best to take a more conservative approach with our budgeting of interest earnings since it isn't possible to predict what will happen to rates in the future.
3) In the majority of the Funds where the actual interest earnings far exceeded the budgeted amounts, the favorable variance in the interest earnings could NOT be used to lower the property tax levy. In particular, the Pension and TIF Funds have strict restrictions whereas they cannot transfer surplus funds, whether it be from interest earnings or other revenue sources, to the General or Debt Service Funds in order to lower the levy.
4) When the actuary calculates the annual pension valuations, the amount of interest earned (as well as any unrealized/realized investment gain/loss) has been incorporated into the annual required contribution (ARC) requirements. Thus, any surplus interest earned is already factored into the ARC amount and accounted for in the pension fund levies.
5) We have already increased he FY 09 General Fund interest revenues by $150,000 and believe that with recent rate cuts the projection should not be revised.

Question/Comment 2: According to the last line of Budget Memo #14, the total authorized FTEs will decrease by 8. But the Manager's Budget Message introducing the Proposed Budget states (pg 13) states that a net of 3 new positions will be created. Which is correct?

Response: The correct answer is a net decrease of 8 FTEs, per the position control report in Budget Memo 14. The Budget Message identifies the key new positions that have been added, but it does not identify all of the position eliminations, which are identified in the report. Most of the positions proposed for elimination are either vacant or will become vacant via employee retirement by the end of the current fiscal year (FY 2007-08).

City of Evanston

Interdepartmental
Memorandum

To: Julia Carroll, City Manager

From: David Jennings, Public Works Director

Subject: **Budget Memo # 37: Delay in CIP Funded Street Re-Surfacing Projects**

Date: January 29, 2008

Question/Request: Please provide an update on the status of the streets to be funded out of the CIP for 2008.

Response: Earlier this year, staff proposed removing four streets from the 2008 CIP-funded street resurfacing program:

Greenleaf Street – Hinman Avenue to Lake Shore Boulevard
Colfax Street – Ridge Avenue to Sheridan Road
Ewing Avenue – Elgin Road to Grant Street
Payne Street – Central Park Avenue to Hartrey Avenue

As it turns out, two of the streets should be postponed regardless of funding availability. We are recommending that Greenleaf and Colfax be postponed. It would be better to complete Greenleaf in conjunction with the 2009 Sheridan Road project. The Colfax job was programmed in 2008 because we wanted to do it after the construction on the Kendall College site. There will be water and sewer disconnects for the old services and new connections for water and sewer for the new construction. All of these pavement cuts would further reduce the general condition and ride quality of Colfax. However, given that construction has not started, this one should be delayed until the schedule is known. The condition of Colfax without the utility cuts is sufficient enough to last several years.

We will able to complete the other two streets, Ewing and Payne, in the 2008 construction season if Council desires.

Interdepartmental

Memorandum

To: Julia Carroll, City Manager

From: Douglas Gaynor, Director, Parks/Forestry and Recreation

Subject: **Budget Memo #38: Dutch Elm Inoculation Program**

Date: February 1, 2008

Question/Request:
Status of the Dutch Elm Inoculation Program and the impact of the proposed budget cut that would eliminate the entire program

Response: The incidence of Dutch Elm Disease (DED) within the public tree population has steadily declined since the Dutch Elm Inoculation program was implemented. Public trees are inclusive of parkways, parks, School District 65 properties, North Shore Channel embankments, and some railroad rights-of-way. The season totals for each year are as follows:

2004	JUNE	JULY	AUGUST	TOTALS
PRIVATE ELMS REMOVED	147	153	77	377
PUBLIC ELMS REMOVED	207	153	34	394
CUT-OUTS PERFORMED	91	39	13	144

2005	JUNE	JULY	AUGUST	TOTALS
PRIVATE ELMS REMOVED	130	95	12	237
PUBLIC ELMS REMOVED	138	65	5	208
CUT-OUTS PERFORMED	38	15	0	53

2006	JUNE	JULY	AUGUST	TOTALS
PRIVATE ELMS REMOVED	143	88	43	274
PUBLIC ELMS REMOVED	97	59	24	180
CUT-OUTS PERFORMED	30	11	0	41

2007	JUNE	JULY	AUGUST	TOTALS
PRIVATE ELMS REMOVED	94	37	10	141
PUBLIC ELMS REMOVED	82	18	6	106
CUT-OUTS PERFORMED	13	4	0	17

As these tables point out, there has been a decrease in the total number of public elms removed since 2004. This reduction is fairly consistent if we compare only parkway elm losses. Those figures are in the table below. Staff contributes this reduction directly to the fungicide injection program that was implemented in late 2004.

YEAR	% OF PARKWAY ELM POPULATION REMOVED
2004	6.33%
2005	4.59%
2006	2.77%
2007	2.02%

The elimination of this program, with a proposed 2008-09 budget of $398,300, will most assuredly result in an increase in the incidence of Dutch Elm Disease. This increase will not happen right away, but we could see a return to removal figures similar to 2004 in a few years. Since the injections are on a three-year cycle, staff would anticipate a gradual increase in the incidence of the disease, as the effect of the fungicide wears off. The overall effectiveness of the injection program has increased to the point that it is now at just over 98%, as there have only been 38 of the 2,173 injected elm trees that have contracted DED after they had been injected. This figure does not include those 34 injected elms that contracted DED via a root graft, as the injections cannot prevent this type of infection.

There are no FTE reductions associated with this program elimination, since no FTE positions were added when we began the program. The employees who have been performing the injections during the summer months were originally performing diseased elm removals. They will be required to again perform the increased number of elm removals if the program is eliminated. Because elm injections can only be performed during the summer months, these same employees assist with all other Forestry tasks for the other nine months of the year. These tasks include trimming, other tree removals, stump removals, planting, snow removal, and now the additional work associated with the Emerald Ash Borer.

There has been approximately $350,000 set aside since 2005 in order to help fund the large number of injections that will be necessary in 2008. These funds are currently in a restricted account and would cover the injection of approximately 1,000 trees. The number of trees to be injected by City staff and by an outside contractor will be determined by the specific bid submitted by the contractor plus the actual cost of the product. An outside contractor will be necessary because they can devote many crews and employees at the same time to perform the injections in the required timeframe. The Forestry staff is limited to the use of only one crew to perform this work due to the other work priorities at this time of the year.

Interdepartmental Memorandum

City of Evanston

To: Julia A. Carroll, City Manager

From: Douglas J. Gaynor, Director, Parks/Forestry & Recreation
Paul D'Agostino, Superintendent, Parks/Forestry

Subject: **2007 Forestry Update**

Date: July 24, 2007

This memorandum is meant to update Evanston's elected officials and management staff on various Forestry initiatives. This includes our expanded efforts to control Dutch Elm Disease, the enhanced tree planting program, and the latest efforts to control the Emerald Ash Borer.

2007 DUTCH ELM DISEASE/FUNGICIDE INJECTION PROGRAM

The incidence of Dutch Elm Disease (DED) during the summer of 2006 was slightly less than 2005. The season totals for both years are as follows:

2005	JUNE	JULY	AUGUST	TOTALS
PRIVATE ELMS REMOVED	130	95	12	237
PUBLIC ELMS REMOVED	138	65	5	208
CUT-OUTS PERFORMED	38	15	0	53

2006	JUNE	JULY	AUGUST	TOTALS
PRIVATE ELMS REMOVED	143	88	43	274
PUBLIC ELMS REMOVED	97	59	24	180
CUT-OUTS PERFORMED	30	11	0	41

As the figures above point out, there was an increase of just over 1% in the total number of elms removed from 2005 to 2006, with over half of the infections coming in the month of June. However, staff saw a significant drop-off in disease symptoms (15%) in the public elm population. This reduction is even more significant (86 vs. 149, or 42%) if we compare only parkway elm losses. Staff contributes this reduction directly to the fungicide injection program that was implemented in late 2004.

The 2007 fungicide injection program began in late June, and is expected to be completed by the end of July. Staff anticipates injecting a total of 164 trees that were either part of the initial City program in September of 2004 (78 trees), or are the Signature and Significant parkway elms that were injected by Evanston residents (86 trees) in 2004.

The overall effectiveness of the injection program is currently at just over 98%, as there have only been 37 of the 1,913 injected elm trees that contracted DED after they had been injected. This figure does not include those injected elms that contracted DED via a root graft, as the injections cannot prevent this type of infection.

TREE PLANTING

The increased budget for tree planting that was implemented in 2004 has resulted in a decrease in the waiting period for a new tree. Prior to 2004, the time-frame between when a parkway tree was removed and when it was replaced, was three to four years. A substantial number of the trees being planted this year, as well as those scheduled for the spring of 2008, are replacing trees that were removed in 2006. This is a waiting period of two years or less, and staff anticipates further reductions by 2008, with 2009 the goal to achieve the one-year time frame originally targeted when the plan was implemented.

These figures do not take into account the future potential losses due to Emerald Ash Borer infestations.

EMERALD ASH BORER (EAB)

Since the EAB was first discovered in Evanston last July, Forestry staff has taken on several initiatives. Working closely with the Illinois Department of Agriculture (IDA), we assisted their staff with the initial citywide survey to determine the extent of the infestation. We have also hosted three training seminars in conjunction with IDA officials to teach other municipal employees and private tree contractors about the methods used to detect EAB. Attendees came from all over Illinois, as well as Wisconsin.

Over the past winter, staff initiated an Ash Reduction Plan, which consisted of the removal of nearly 150 ash trees that were in poor condition. If the EAB were to spread beyond the two known infection sites, these trees in poor condition would likely be the first to succumb and create potentially hazardous situations. These removals were completed in the spring, along with the removal of 60 public ash trees that had been confirmed by the IDA as infested with EAB. Staff entered into an Intergovernmental Agreement with the IDA so that the City of Evanston can be reimbursed for the removal of the ash trees that had been confirmed with EAB. We expect to receive $22,697.86 from the State of Illinois for removing these infected trees.

We also assisted IDA staff in locating a suitable site for processing ash wood byproducts that is within the quarantine zone. The Groot transfer station in Glenview has been designated as the official ash processing site for all communities within the quarantine zone. During the EAB “fly season”, which generally runs from June 1 through September 1, all ash wood must be processed at this site. This has necessitated that Forestry crews keep all ash products (logs, branches, chips, etc.) separate from other tree debris and periodically hauled to the Groot facility.

Staff will be monitoring the known areas of infestation over the summer to determine the extent of any spread of the insect. We will also be re-inspecting all the public ash this fall for any further infestations. Any ash found to be infested and/or in very poor condition will then be removed this coming winter.

In all likelihood, our Ash Reduction Plan will need to be implemented over the next four to six years, as the prognosis for the discovery of effective control measures is not very good at this time. To date, while there are some who claim that there are methods to control this insect, nothing has been proven to be effective in long-term control.

Interdepartmental

Memorandum

City of Evanston

To:	Julia Carroll, City Manager
From:	Michael Wheeler, Management Analyst, Finance Department
Subject:	**Budget Memo # 39: Best Practices on Fund Balance Reserves**
Date:	January 31, 2008

Question/Request:

Please provide information related to best practices for determining fund balance reserves.

Response:

1. GFOA. The Government Finance Officers Association (GFOA) is a professional association that consists of finance officers, analysts and other public finance professionals across the country. The organization serves to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

As part of its mission, the organization issues a number of recommended practices in areas related to public finance. The GFOA has issued a recommended practice regarding the "Appropriate Level of Unreserved Fund Balance in the General Fund". In short, the policy recommends that governments develop a formal policy on the level of unreserved fund balance and that the amount of fund balance should be assessed based upon "a government's own specific circumstances." Specifically for general purpose governments, like the City of Evanston, GFOA recommends an "unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues or of no less than two months of regular general fund operating expenditures." This recommended policy is attached for your reference.

2. IGFOA. In addition, the Illinois Government Finance Officers Association (IGFOA), which is the State-level counterpart to the national organization, also provides suggestions and recommendations to local governments in various areas of local government finance. In their monthly newsletter from July of 2002 an article on the "Recommended considerations in developing a Fund Balance Policy" was published. This article identifies a number of important issues to consider when establishing such a policy, such as the elasticity of primary revenue sources, diversity of revenue sources, levels of unfunded liabilities, vulnerability to State and Federal funding cuts and unfunded mandates, and bond ratings. While this article does not specify a particular percentage recommendation for fund balance, it provides very useful considerations for public finance professionals and policy makers. This article has also been attached for your reference.

3. Local Survey. Finally, staff contacted some local area governments regarding the unreserved fund balance for the general fund. The following table is a summary of the responses received.

Municipality	General Fund Minimum Unreserved Fund Balance Requirement
Arlington Heights	20% of annual operating expenditures
Evanston	**8.3% or one month of operating expenditures**
Glenview	33%-40% of total budgeted expenditures and uses
Gurnee	35% of the subsequent fiscal year's expenditures
Oak Forest	25% - 35% of expenditures plus
	- Avg annual increase in the corporate property tax levy plus
	- Average annual current liabilities at fiscal year end plus
	- Any designation of fund balance for specific reserves as approved by City Council
Oak Park	20% of expenditures
Orland Park	25% of the ensuing year's General Fund expenditure budget
Schaumburg	40% of the subsequent year's budget for expenditures and other financing uses
Skokie	25% of expenditures

Based on the information collected and the volatility of the economy, staff recommends increasing our Fund Balance Reserve Policy from one month to two months of operating expenses.

Appropriate Level of Unreserved Fund Balance in the General Fund (2002)

Background. Accountants employ the term fund balance to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.[1] In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish reserved fund balance from unreserved fund balance. Typically, only the latter is available for spending. Accountants also sometimes report a designated portion of unreserved fund balance to indicate that the governing body or management have tentative plans concerning the use of all or a portion of unreserved fund balance.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unreserved fund balance in the general fund.

Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unreserved fund balance for state and local governments.

Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

Recommendation. GFOA recommends that governments establish a formal policy on the level of unreserved fund balance that should be maintained in the general fund.[2] GFOA also encourages the adoption of similar policies for other types of governmental funds. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unreserved fund balance, if it is inconsistent with that policy. [3]

The adequacy of unreserved fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures.[4] A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels.[1] Furthermore, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved fund balance in the general fund at any one time.

In establishing a policy governing the level of unreserved fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of it revenues and the volatility of its expenditures (i.e., higher levels of unreserved fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- The availability of resources in other funds as well as the potential drain upon general fund resources from other funds (i.e., the availability of resources in other funds may reduce the amount of unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund).
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (i.e., governments may wish to maintain higher levels of unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a specific purpose).

Naturally, any policy addressing desirable levels of unreserved fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

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[1] For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
[2] Sometimes reserved fund balance includes resources available to finance items that typically would require the use of unreserved fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unreserved fund balance for purposes of analysis.
[3] See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
[4]The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unreserved fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.

[1] In practice, levels of fund balance, (expressed as a percentage of revenues/expenditures or as a multiple of monthly expenditures), typically are less for larger governments than for smaller governments because of the magnitude of the amounts involved and because the diversification of their revenues and expenditures often results in lower degrees of volatility.

Approved by the Committee on Accounting, Auditing and Financial Reporting and the Committee on Governmental Budgeting and Management, January 30, 2002

Approved by the Executive Board, February 15, 2002.

JULY 2002

THE ILLINOIS GOVERNMENT FINANCE Leader

THE NEWSLETTER OF THE ILLINOIS GOVERNMENT FINANCE OFFICERS ASSOCIATION

Recommended considerations in developing a Fund Balance Policy

By Trisha G. Steele, CPA

Each fiscal year, there are several financial factors that will influence a community's ending fund balance. Communities develop a fund balance policy to help manage these financial factors and avoid future financial problems. A target ending fund balance is often referred to as a planned reserve. It is the amount of un-obligated fund balance desired at the end of a fiscal year. It represents assets available after any reserves. It is common for communities to establish a simple formula as the target fund balance. The most common formula is stated as a percent of annual budgeted expenditures. However, there is no single, or simple, answer to the common question: *What ending fund balance is the correct amount for our community?* The goal of this article is to provide a tool that can be used by different communities to determine what targeted fund balance is appropriate for its individual circumstances.

The tool for accomplishing this goal is a list of several factors to consider when developing a new, or evaluating a current, fund balance policy. The factors listed below are organized into four categories: Planned Revenue Sources, Planned Expenditures, External Factors Impacting Revenues and Expenditures and Procedural Considerations. A scale rating the importance of one factor over another is not suggested because the appraisal needs to reflect the funding goals for different fund types, and the rela-

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2002 Directory published!

If you have not yet received your 2002 IGFOA Membership Directory and Financial Services Resource Guide, contact IGFOA. Please also forward any changes to IGFOA via fax or email.

Member news

Congratulations...

Craig Talsma, Director of Finance & Administration at the Hoffman Estate Park District, is the new Illinois Park & Recreation Association's Administration and Finance Section Director.

Bob Broznowski heads to the City of Wood Dale as Finance Director from his post with the Village of Cary.

Cathy Haley is the new Assistant Finance Director for the Village of Roselle.

Also in this issue:

Illinois Government Finance Leader is the membership publication of the Illinois Government Finance Officers Association, P.O. Box 1088, Lombard, IL 60148.

For more information, phone 630-629-1460, fax 630-629-1526 or e-mail to igfoa@compuserve. com
Visit IGFOA on the Web at www.igfoa.org

Fund Balance Policy
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tive importance should be based on a community's individual priorities and circumstances. The following factors will provide a focus for discussion and some guidance on how to measure the community's success in meeting its funding goals.

Planned revenue sources

The reliability and predictability of a fund's revenue sources will directly impact the ending fund balance. The less reliable and predictable the revenue sources are, the greater the need is for a cushion or a greater targeted fund balance. The following factors should be considered in appraising the planned revenue sources.

1. **Elasticity of primary revenue sources**

Revenue sources that respond more quickly to economic changes, such as the federal government's personal income tax, will fluctuate and will not provide the reliability of those that do not respond as quickly, such as property tax. If a community's primary revenue sources are highly elastic, then a greater fund balance target will smooth the effect of economic downturns and lessen the community's vulnerability to cash flow variances.

2. **Diversity of revenue sources**

The same concept that is applied to investment diversification applies to the community's planned revenue sources. A greater diversity of sources will reduce the impact of a negative change in one. A greater diversity in types of revenues, based on the elasticity, will provide greater insulation from any economic change that affects a type of revenue. For example, building permits and utility taxes will not respond to the same economic conditions in exactly the same way while permits for building, plumbing and electrical work will all respond to a slump in building.

Planned expenditures

Like revenues, reliably and predictable expenditures will reduce the need for an economic cushion against swings in the economic resources available to a community and, therefore, a smaller target fund balance is needed. The following factors describe how to appraise the community's planned expenditures in terms of their reliability.

3. **Sensitivity of service demands**

When the demand for a service is unpredictable, then the community may need to spend more than planned. A community needs to understand how sensitive the demand is for a service. For example, snow removal is related to weather conditions, but the service demand is based on the community's commuting patterns. The demand for service is less on back roads than on highways.

4. **Levels of unfunded liabilities**

Communities are, legally, focused on the availability of current economic resources to meet current service needs. Because of this orientation, communities have not focused on the funding of long-term commitments such as the retirement health benefits promised to currently active employees. Recent changes in both enterprise and governmental accounting procedures have resulted in changes to this trend for pensions liabilities, but not all long-term commitments. The existence of contractual agreements that extend beyond the current fiscal year should also be reviewed. A reserve dedicated to long-term commitments, and funded to meet those commitments as they come due, would reduce the need for a larger, unobligated, ending fund balance. The lack of such a reserve suggests that a community should keep a greater cushion against unexpectedly early payouts and will require planning for greater swings in revenue acquisition as the commitments come due.

5. **Infrastructures and capital asset replacement plan**

Like long-term commitments, the replacement of infrastructure and capital assets currently relied upon to provide services to a community, will need to be paid in the future, as they meet the end of their useful lives. Some communities project the replacement costs and reserve funds so that the appropriate amount is available when the assets need to be replaced. This practice reduces the need for protection against the economic impact of these costly replacements.

6. **Infrastructures and capital asset maintenance plan**

Regular routine maintenance may not extend useful life, but it helps to reduce the likelihood that an asset will become unproductive before the end of its useful life. Therefore, funding and operating an on-going maintenance program reduces the need for a funding cushion against unexpected replacement costs.

7. **Start-up costs for new services**

Communities that introduce new services need to plan for additional costs that will be incurred to initiate the new programs. Communities that are satisfied with established services will have less of a need to plan for new program implementation costs.

External circumstances that impact revenues and expenditures

Some circumstances are not within the community's control. The following factors describe those that may impact a community's fiscal year revenues and expenditures.

8. **Vulnerability to State and Federal funding cuts**

Most communities use funding from the State and Federal governments to supplement other revenues,

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Kudos to…

Larry Malholland, St. Charles City Manager, and Pat Muetz, St. Charles Administrative Intern, who had an article titled "A Balanced Scorecard Approach to Performance Measurement" printed in the April edition of the Government Finance Officer Association magazine *Government Finance Review*.

Stan Helgerson for sharing his early implementation experiences and insights at the April State Treasurer's Public Investor Financial Symposium. Stan, ***Fred Lantz*** of Sikich Group and ***Mike Nielsen*** of Government Fixed Asset Services have made numerous presentations around the state this spring for NWMC, ILCPA Society and other groups.

Ken McConnaughay of Morgan Stanley Dean Witter for organizing the June 7th South Metro Golf Outing.

Janet Matthys, McGladrey & Pullen LLP, ***Ted Steinbrecher***, Group 1 Resources Inc., and ***Betty Van Wyk***, Retirement Plan Advisors, LLC for outstanding presentations at the April Payroll Seminar in Matteson.

Jennifer Johnson,City of Champaign, for leading the April Basic Budgeting Seminar and ***Kathy Booth***, Village of Bartlett, and ***Lisa Van Boggett***, Wheaton Park District, for sharing how-to advice as guest speakers.

Paul Glick of Glick Consulting, who regaled IGFOA and Wisconsin GFOA members with lots of examples and guidelines during the May Intermediate Budgeting and MD&A Preparation in Fontana, Wisconsin.

Stan Helgerson of the Village of Carol Stream, who worked with Wisconsinites ***Kathy Kaza*** of Brown Deer and ***Gary Schmid*** of West Allis in organizing and hosting the two-day Illinois & Wisconsin GFOA seminar.

FAQ

Will IGFOA share its mailing list?

Yes. Sponsoring Associates automatically receive the IGFOA membership list via email every quarter. Other Associate members may obtain the list at a fee. Labels and/or the member list database are for the use of the member or the member's government/firm only.

Can members use the IGFOA name?

Association members desiring to use the Association's name should first contact the Executive Director with sufficient advance notice, providing a copy of any written material including the Association's name that is to be disseminated. The Director will approve or deny the request, notifying the Executive Board of response to each request as part of the Director's regular report. Members may appeal the Director's decision by submitting a written request to the Executive Board via the Association President.

Educational grants offered

The IGFOA Women's Network is offering educational grants up to a maximum of $500. Contact Julie O'Brien, Comptroller for Lake County, at Jobrien@co.lake.il.us or IGFOA for an application.

Nominations for Executive Board sought

Letters of interest are being sought from active members for Members-at-Large to be elected at the IGFOA Annual Conference. Letters can be submitted on behalf of oneself or another person whom one is interested in nominating.

Letters of Interest are also sought from Associate members who would like to be considered, or who would like to nominate someone, for the position of Associate Representative on the Executive Board.

Factors such as work experience, public and professional contributions, demonstrated leadership and participation within the IGFOA will be considered, as well as such aspects as the balance and diversification that each candidate will bring to the Executive Board, including such aspects as professional discipline, employer group type, population size, demographics and geographic location, etc.

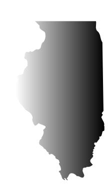
The deadline for submission is July 25, 2002. For information, contact Gary L. Szott, Nominating Chair, at 630/893-7000 X5631 or IGFOA at 630/629-1460.

Along the way with the Downstate Chapter

IGFOA Downstate Chapter held a fantastic Spring Conference at Pere Marqette Lodge in Grafton. We spent a day playing golf—or at least trying to—at the challenging Spencer T. Olin course in Alton and enjoyed a relaxing dinner at the Lodge.

The next day we tackled the nuts and bolts of implementing GASB 34. Bert Nuehring, Partner, FPT&W led the very thorough workshop covering planning for implementation, funds structure, MD & A preparation and infrastructure inventory and valuation. Richard Schnuer, Finance Director, City of Champaign, presented an overview of the new Simplified Telecommunications Tax.

Many thanks to Bert, Richard and Dallas Whitford, Downstate Chapter President and Patty Martinez, Downstate Chapter Vice President, for an invigorating conference!



Fund Balance Policy

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from planned state-shared revenues based on a per capita share, to one-time grants. The degree to which a community relies on these sources will determine the cushion needed if the intergovernmental funding is reduced, eliminated, or simply withheld and paid with an extended time schedule. The community should consider what is funded with these revenues. The elimination of funding for new capital acquisitions, or a new or short-term service, will not impact a community's services as badly as funding for on-going programs.

9. Vulnerability to State and Federal unfunded mandates

Local governments are subject to State legislation. However, an evaluation of the State and Federal political environment may suggest the likelihood that certain types of extra services or procedures will be mandated and unfunded.

10. Vulnerability to disasters

If a community is unlikely to be subject to either natural (i.e. tornado) or other (i.e. train wreck) disasters, or it has sufficient disaster insurance, then it has less exposure to an unexpected economic drain and needs to plan for less un-obligated fund balance.

11. Vulnerability to operation disruptions

Communities that rely on the cooperation of external decision makers, such as unions, would need a greater reservoir of economic resources in order to meet operational demands. The community should consider the cost of meeting potential disruption to services. For example, a community with unionized refuse collection might want the ability to rebate taxes to residents for services not provided during a strike.

12. Bond ratings

Bond raters prefer to see that a community doesn't really need to borrow money. Those communities that have adequate funding and reliable revenue resources for the repayment of debt, along with unchanging, low-risk management practices, will have the lowest bond ratings. The need to acquire debt with a low bond rating would dictate a larger unobligated fund balance.

13. Community philosophy regarding Rainy Day Savings

The establishment of a "rainy day fund" affronts many taxpayers. Some people prefer to provide the funding for only the services that are desired and want to exercise their right to consider extra funding when it is actually needed. Other taxpayers are affronted by what they consider a lack of fiscal responsibility. These people prefer a smoothing of expenses and no sudden raises in their costs because the government failed to meet its planning responsibilities. Most communities are somewhere in the middle but all need to consider the consensus on these issues.

Procedural Considerations

Management procedures and styles will tend to lead a community toward a greater or lesser target of ending fund balance. Each community needs to evaluate its own procedures and attitudes about unobligated fund balances.

14. Internal accounting controls

The goal of accounting is to provide accurate, reliable records and financial reports. Communities with weak internal controls should have a larger fund balance in order to compensate for undiscovered errors or omissions.

15. Budgeting philosophy

Communities that plan on saving for infrastructure and capital assets so that the full amount is available when a major purchase is needed will have a larger fund balance, whether in a reserve or as part of the unobligated fund balance. Communities that plan to distribute the cost of an item over its useful life by acquiring it with debt and funding it as it is used will not have as large of a fund balance.

GFOA recommended practices

Appropriate Level of Unreserved Fund Balance in the General Fund (2002)

The adequacy of unreserved fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures.[4] A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels.[1] Furthermore, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved fund balance in the general fund at any one time.

Naturally, any policy addressing desirable levels of unreserved fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

For background details and other Recommended Practices, visit http://www.gfoa.org.

[1] For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.

[4] The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unreserved fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.

16. Funding status of other funds

Each fund type needs to be assessed, based on its funding goals; however, the availability of a loan from the unobligated fund balance in another fund, under the same governing control, can provide more flexibility to a community and reduce the need for a higher ending fund balance target.

17. Management responses to over-budget Conditions

A community that tracks the status of its budgeted expenses and matches them to projected revenues periodically will recognize when the entity is developing over-budget conditions. Management that responds to this condition with planned expenditure controls, reductions of expenses, or planned increases in revenues, will need less cushion in the targeted ending fund balance than a community that has not responded in this manner. The response trend can be viewed by looking at the ratio of actual revenues and expenditures to budgeted revenues and expenditures.

18. Planned review and revision of Fund Balance Policy.

Outlining the circumstances under which a community will review and revise a Fund Balance Policy will ensure that the community is not caught unprepared, despite changes in management personnel. A community that has a plan for the review and revision of its fund balance policy will need less protection from economic surprises.

The appraisal of process should be applied separately to fund types that have different short and long term funding goals. For many communities the General Fund, Special Revenue Funds, Capital Funds, and Enterprise Funds each have different expense objectives, revenue sources, and, sometimes, different external circumstances that impact the revenues and expenditures. Procedural considerations will impact all fund types, but are unique in that they represent the philosophical orientation of the community. A healthy discussion of the factors listed here will assist a community in developing a fund balance policy that meets its own needs, tolerance for risk, and philosophical approach toward the responsibilities of government.

In proceeding with an appraisal of fund balance and the community's circumstances, it is important to note that every 'rainy day' situation will not occur at the same time. Therefore, it is not practical to say that the planned ending fund balance should be the sum of the value of all possible needs. Like individual investors, only the community itself can determine its tolerance for risk and preferences for the level of governmental control of cash flows. However, also like individual investors, to establish the most fiscally sound condition, a community needs to diversify revenues, prioritize services, and establish a plan of action to address unexpected economic shortages.

References:

Fund Balances, 2000 Annual GFOA Conference Presentations

Appropriate Level of Unreserved Fund Balance in the General Fund, GFOA Recommended Practice, which can be viewed at www.gfoa.org/services/rp.

Trisha Steele is Assistant Finance Director for the Village of Downers Grove.

New at www.igfoa.org

GASB 34 Resources: Visit http://www.igfoa.org/Resources for examples of implementation plans, fixed asset inventory and valuation, MD & A and financial statements.

Also see the **Technical Accounting Review Committee's response to GASB 34 Frequently Asked Questions.** Click on links to early implementers and GASB. As you implement the new Reporting Model, please forward your examples to share!

Read a **Simplified Telecommunications Tax presentation** by David Cook, Assistant Village Manager/ Director of Administration, Village of Hinsdale and Barbara Adams, partner, Holland and Knight and link to actual legislation.

Legislative notes

Email alerts

New this year from the IGFOA Legislative Committee—email alerts on legislative activity affecting local government finance! Visit www.igfoa.org for frequent updates.

New fines for not joining JULIE

HB 2138 (Hassert/Walsh, L.) increases penalties for violations of Illinois's JULIE law. HB 2138 creates a new $100 per day fine after January 1, 2003 when an owner of underground facilities is not a member of the Statewide One-Call Notice System known as JULIE (Joint Utility Locating Information for Excavators). See http://www.julie1call.com/julie/MemberList.htm. HB 2138 also increases to $5000 from $200 the penalties for excavators who fail to call JULIE, and utility owners who willfully fail to mark underground facilities after receiving a notice from JULIE. It also creates a new $2500 penalty for any excavator who submits an emergency locate request when no emergency exists.

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City of Evanston

Interdepartmental Memorandum

To: Julia Carroll, City Manager

From: Richard Eddington, Chief of Police

Subject: **Budget Memo # 40: Elimination of Vacant Advocate Position in the Police Department**

Date: January 28, 2008

Question/Request:

Regarding the proposed elimination of the Accreditation Program Manager, is there a vacant position (such as Youth Advocate) that could be cut instead? If so, please note the position and the impact. If not, please explain why.

Response:

The current open positions are in the Social Service Bureau: Victim Services Advocate and Youth Services Advocate. Each of these positions has an impact on the amount of time officers spend on cases and follow-ups.

Victim Services Advocate assist with victims needs for domestic violence, death notification, orders of protection, court intervention, family support for injured victims, etc. Victim Services handle crisis situations as they are certified to perform with calmness, compassion and professionalism. Follow-up on cases in the office, by phone contact or at court means officers are allowed to perform the services they are trained to do within the community and all sides benefit (City, community and Police Department). The expense to the City is greatly reduced by having Advocates handle these cases and follow-ups because salaries are lower and they are more proficient in their area of expertise.

Youth Services Advocate works with the Juvenile Detectives on youth referrals and the School Districts on at-risk students. They counsel the youth and, if necessary, the family unit to find solutions to the problems, handle juvenile accountability (community service) and restorative justice, set-up and work with small groups of students on solutions to their problems. These functions assist the Juvenile Bureau detectives by freeing them up to work on current cases which need immediate resolution and allow School Liaison Officers the freedom to work with school staff on an on-going basis.

The Victim Services Advocate position is more critical to the Department's needs because of the assistance to both the Patrol Operations and Criminal Investigations Divisions and the versatility of the Advocates themselves to handle all types of cases.

Interdepartmental
Memorandum

To: Julia A. Carroll, City Manager
From: Herbert D. Hill, 1st Assistant Corporation Counsel
Kenneth Cox, Staff Attorney
Subject: Budget Memo # 41: Payment in Lieu of Taxes
Date: January 31, 2008

This memorandum, which is a synthesis of several Law Department memoranda written in 2005 and 2006 for the City Manager and Finance Director and available upon request for further information, is meant to evaluate the feasibility of the City implementing a program to seek payment in lieu of taxes ("PILOT"). PILOT refers to monies paid to a taxing district, such as the City, by an entity rendered tax-exempt by either State or Federal law. A taxing district naturally incurs costs by providing services such as streets, sewers, police protection, and fire suppression to tax-exempt entities, but tax-exempt entities do not contribute to the property taxes that pay for such services. PILOT agreements between the district and the tax-exempt entities represent attempts to bridge this funding gap.

The City of Evanston is a home rule unit of government under Article VII of the 1970 Illinois Constitution, which confers upon such home rule units powers to regulate for the protection of the public health, safety, morals and welfare. The City may operate a PILOT program pursuant to either its home rule powers or to Illinois statute 35 ILCS 200/15-30, which allows taxing districts to enter into "mutually acceptable agreement[s] with the owner[s] of any exempt property whereby the owner[s] agree(s) to make payments to the taxing district for the direct and indirect cost of services provided by the district." The Law Department recommends that any PILOT program instituted should be pursuant to home rule authority. Were the PILOT Program to operate pursuant to the aforementioned statute, the City could not impose mandatory PILOT agreements on tax-exempt entities requesting special uses or other discretionary grants by the City Council (see below), and any PILOT agreement between the City and a tax-exempt entity would be subject to a five-year time limit with a one-time five-year extension.

A PILOT program, by its very nature, must be voluntary. Were the City to mandate a PILOT, it would, in fact, be a tax, not a payment in lieu thereof. While the purely voluntary nature of a PILOT program makes it exceedingly difficult to depend on PILOT as a reliable source of revenue, it eliminates possible legal objections to the program. Simply put, a tax-exempt entity cannot claim that the City has exacted monies from it unlawfully or unconstitutionally if it has volunteered to make such payments. Consequently, it would be important to make sure that any communications with a tax-exempt entity leading to or during negotiations regarding a PILOT agreement must clearly indicate that any contribution is voluntary and not coerced in any way.

In light of the voluntary nature of PILOT, one might wonder why an organization would enter into a PILOT agreement. It seems clear that it would be in the tax-exempt entities' best interests to keep their money rather than essentially donate it to the City. However, participation in a PILOT agreement can not only contribute to the health of the entities' host City, but also generate goodwill in the community. To trade on this goodwill, the City may wish to encourage organizations to enter PILOT agreements by recognizing them publicly for their contributions (*e.g.*: a check-acceptance ceremony at a City Council meeting). Or, the City could suggest ways the organizations can offer community services other than cash payments that still have positive public relations value, (*e.g.*: scholarships in the organization's name for Evanston residents).

The only circumstance in which the City might have a greater incentive than goodwill with which to bargain is when a tax-exempt entity seeks a discretionary grant from the City. If such an entity seeks such a grant (*e.g.*: a Special Use pursuant to the Zoning Ordinance), the City has the authority to impose conditions, such as a PILOT agreement, on said grant. This does not render the PILOT mandatory; the tax-exempt entity would still have the right to decline to participate in the PILOT agreement, but then the City does not have to grant the entity's request.

The Law Department recommends that if the City begins to pursue a PILOT program, that said program apply to all tax-exempt entities with real property in the City, and that the payments made by the various tax-exempt entities should be based on uniform calculations. Uniformity can help the City avoid any appearance of favoritism or special treatment for one tax-exempt entity or another. A lack of uniformity in the application of a PILOT program or the calculation of PILOT amounts can lead to complaints from those organizations that feel that they have been singled out to pay a greater amount while other organizations pay less, or not at all. And, again, because the PILOT payment is voluntary, such a perception could make the affected tax-exempt entity less likely to enter into an agreement, and therefore less likely that the City could collect PILOT monies.

KC/HH:djw

City of Evanston

Interdepartmental

Memorandum

To: Julia Carroll, City Manager

CC: Evonda Thomas, Director, Health and Human Services

From: Harvey Saver, Assistant Director, Mental Health Services

Subject: **Budget Memo #42: Impact of 25% Reduction on Proposed Mental Health Board Allocations**

Date: Thursday, January 31, 2008

Question/Request: Assuming that the Mental Health Board's FY08-09 proposed program allocations are each reduced by 25%, please indicate:

- which other programs might be able to provide the funded services;
- which of the program services would be provided at a different level; and,
- which of the program services would not be provided?

Response: The answers to the questions above are based upon information currently available to staff

Simultaneous changes in State funding. The agencies that are providing program services are also funded by the IL Department of Human Services (IDHS) and have been retooling their programs clinically and administratively. This would include the seven programs being provided by Housing Options, SHORE and Thresholds, as well as PEER Services' Adult and Adolescent Treatment programs. The agencies are doing this to respond to changes in their State funding, which is being converted to "fee for services" rather then "grant" funding. The programs will have to work harder, and smarter, and provide more services to receive the same amount of funding from IDHS. The full impact of this has not yet been determined. Some of these agencies are expecting that there may be unexpected opportunities that may come out of this shift. However, all are anticipating that there may be a drag or slow-down on the receipt of their State funding. In some cases, there is the expectation that their State funding may be reduced.

At the same time, most of these programs' services are reimbursable under the State's Medicaid Plan. The State has been running many months behind in reimbursing these programs. As a result, the agencies have had to borrow against their credit lines to make their regular payments. No funder is willing to pay for the interest that they incur, so their interest payments are being added on to the cost-of-doing business with the State. It is very unlikely that any of these providers will stop providing services. However, it is difficult to determine what the future impact of several cascading financial issues might have upon the programs' abilities to provide the same level of services to their Evanston program members.

Impact on matching funds. A 25% reduction in MHB funding will potentially have a multiplier effect on the four programs that are using these allocations as requisite, local match for other funding. The total reduction that a program might experience would be dependent upon the dollar match that is required, and whether other local funds could be identified to replace City funding. The gap could result in a loss, albeit small, in some services that are being projected.

This includes the services provided by Center for Independent Futures/Full Life Model High School Outreach; Connections/Entry Point; Childcare Center of Evanston/Home Day Care; and, Infant Welfare Society/Teen Baby Nursery.

Which of the program services would not be provided? While several programs will have to cut back on services, PEER Services' Dimensions Program appears to be the only program that would appear to be at risk of having to close. A $15,000 reduction in the program's revenues would not enable the agency to maintain the 1 FTE that is allocated to the program, which is operated 5 days a week/5 hours per day. The program has run a small deficit for each of the past 2 years, and the agency has had difficulty raising additional funds to maintain the services. It is unlikely that the agency will be able to close the gap in revenues with an additional 25% reduction.

Which of the program services would be provided at a different level? As was already mentioned, all of the programs identified under the section on "Matching Funds" will likely experience a service reduction. The following programs will also very likely have to scale back on the services they are able to provide, probably proportional to the actual reduction in local funding: both of the programs provided by Childcare Network of Evanston; PEER Services/Youth Early Intervention; and, Trilogy/Psychosocial Activities.

Additionally, the Family Support and Prevention program at Metropolitan Family Services would be forced to reduce a program with 1 FTE to .5 FTE, and to scale back the services proportionally. At that point, the agency would have to find some way to support the other .5 FTE of that staff position in order to prevent a major disruption in the program's services.

Y.O.U.'s Youth and Family Services program has already been reduced significantly in the past 2 years as the result of the loss of a major State grant. They are currently projecting about 72% of the services they were able to provide in FY05-06 in response to this loss of revenues. Staff expects that the agency would need to further reduce their projections for their after-school programming in response to an additional loss of revenues, while at the same time having significant waiting lists.

At this point, it is not clear as to what a decrease will do to Trilogy's new Collaborative Housing Program. The agency's partners have been creative in getting the program off the ground without local funding. However, given their projections it is unlikely that they will be able to successfully house and support as many individuals who are chronically homeless and mentally ill as they initially planned.

Which other programs might be able to provide the funded services? Given the response to the question above regarding "program services (that) would not be provided," this question would generally not be relevant unless the projected reduction in local revenues was significantly greater than 25%. I have not been able to identify an agency that would be able to replace the day treatment services provided by the Dimensions Program if it were to close. It is a unique service in this area, and one that a number of neighboring communities have requested PEER, on a number of occasions, to expand to make available to their residents, as well. Services of this sort, with significant outcome measures, are at a premium. The MHB's contract with PEER restricts the program to Evanston residents. For another agency to provide the services it would likely require the funding to start the services.

Projecting the funding reductions. There is no easy way to implement such a significant reduction as is being considered in the MHB's program allocations. In the City's FY02-03 Budget

Process, the MHB had to reduce funding from approximately $403,000 to $328,000, approximately 18.5% or $75,000. At that time there was agreement between the City Council and the MHB that treating all programs the same and simply pro-rating the 18.5% reduction to each program would ignore the assessments, thoughts and priorities that were expressed by the MHB in developing its initial, proposed program allocations. As a result of the breadth of the allocation reductions, the MHB was asked to use its own priorities to develop the funding reductions within the scope of the total budget for funding allocations that was approved by the City Council. The Board had to consider ways to "wean" some agencies from its funding because it was unlikely that it was going to receive any significant, additional money in the future to make the funding decisions any easier.

Therefore, the MHB chose not to distribute the budget reductions evenly among all programs. The Board members agreed that the programs deserved a reasoned and rational funding deliberation. The MHB preserved funding for some programs; passed the reduction on to a number of the programs; implemented targeted, larger reductions to three programs; and, eliminated funding for three programs.

If the 25% reduction is adopted in the City's FY08-09 Budget, staff suggests that the City Council consider asking the Mental Health Board to identify how to allocate the funding reductions.

Interdepartmental Memorandum

To:	Julia A. Carroll, City Manager
From:	Judith A. Aiello, Assistant City Manager
Subject:	**Budget Memo # 43 – Impact of Health & Human Services Department Staff Reduction**
Date:	Friday, February 01, 2008

During this budget process, all departments have been requested to review all of the programs and services and funding sources for reduction, realignment and/or elimination. Among the criteria to be considered were funding sources, opportunities to receive the services somewhere within the community.

If a reduction was required in the Department of Health & Human Services, the position of Health Programs Coordinator should be considered. We believe that the two main functions of this position: grant management for prostrate cancer and tobacco could be absorbed into HHS or other areas within the City. Other organizations within the community do prostrate screenings so no diminish of service to the community would occur. Tobacco licensing will be automated during the next fiscal year with the implementation of the Accella Permit and Licensing.

Interdepartmental
Memorandum

To:	Rolanda Russell, Assistant City Manager
From:	Douglas Gaynor, Director, Parks/Forestry and Recreation
	Paul D'Agostino, Superintendent, Parks/Forestry Division
	Bob Dorneker, Superintendent, Recreation Division
Subject:	**Budget Memo # 44: Budget Reductions**
Date:	January 31, 2008

We propose the following reductions to the Parks/Forestry and Recreation Department 2008-09 proposed budget to meet the requested $216,000 decrease.

BUDGET REDUCTIONS

Business Unit 3525 – Tree Planting

One FTE – P/F Worker III

Salary	$48,150		
Overtime	$4,000		
Benefits	$22,650		
Total FTE Savings		**$74,800**	

Agri/Botanical Supplies

Eliminate the purchase of 100 trees		**$24,200**	
Grand Total for Tree Planting			**$99,000**

Business Unit 3055 – Levy Senior Center

1 FTE - Program Manager

Regular Pay/Salary	$54,130	
Benefits	$16,300	
Total FTE Savings		**$70,430**

0.42 FTE- Part time Bus Driver

Salary	$13,410	
Benefits	$650	
Total FTE Savings		**$14,080**

<u>Business Unit 3095 – Robert Crown Ice Rink</u>

<u>0.40 FTE- Part time Custodian</u>

Salary	$9,710	
Benefits	$400	
Total FTE Savings		**$10,110**

<u>Business Unit 3710 – Noyes Cultural Arts Center</u>

<u>0.08 FTE- Part time Office</u>

Salary	$2,000	
Benefits	$50	
Total FTE Savings		**$2,050**

Grand Total for Recreation Division Reductions $96,670

<u>Total for all proposed reductions: $ 195,670 (2.90 FTE Reduction)</u>

IMPACTS

<u>Tree Planting</u>

In May of 2004, City Council approved a staff recommendation to increase to the amount of trees to be planted each year, and the use of the Suburban Tree Consortium's (STC) exclusive tree planting contractor to assist City crews. Staff was directed to plant approximately 650 new trees each year (an increase of 200), and to use the STC planting contractor to plant up to 200 of those trees. By following these procedures since 2004, we have been able to shorten the time between tree removal and replacement from 3 to 4 years down to less than 2 years, and in some instances close to one year.

A substantial number of the trees scheduled to be planted in the spring of 2008, are replacing trees that were removed in 2006. At the current planting rate of 650 trees per year, staff anticipates we would achieve the one-year time frame for replacements by 2009. The figures above represent the elimination of one full-time employee from the Division and the reduction of the number of new trees planted each year from 650 to 550. Also included in the calculation is an increase in the number of trees being planted by contractor from 200 to 300 each year. The net result of these changes is that the Forestry employees will now be planting only 250 trees per year, and the contractor will be planting 300 trees. Both of these changes are necessary due to the loss of one employee.

If the number of trees planted each year is reduced as proposed above, staff predicts that a one-year replacement schedule could be achieved by 2010 if there are no significant increases in tree loss. However, with the uncertainty of the future potential losses due to Emerald Ash Borer infestations, it is realistic to believe that the need for replacement trees may increase significantly in the near future. A reduction in the number of new trees being planted each year, combined with an increase in tree removals, may well begin to extend the time it takes to replace trees to what was previously considered an unacceptable level of 3 to 4 years.

<u>Levy Senior Center</u>

A full time Levy Senior Center Program Manager position that is responsible for coordinating senior programs at the center would be eliminated with this reduction. This Program Manager position is responsible for developing, coordinating and managing the senior activities and program offerings of the center. There are two Program Manager positions working at the center and each has specific responsibilities at the center and within the department. The other Program Manager at the center is responsible for the development, coordination and implementation of general recreation programs for the entire community, which includes fitness, children's theatre program, courtyard programs, teen programs and Levy Senior Center facility rentals at the center etc. Work schedules vary for the two Program Managers, while the senior programs manager primarily works during the day time, the other Program Manager works later in the day or weekends, depending on program or activity offerings.

Should the proposed elimination of the Program Manager for the senior programs be adopted, the programs and activities being coordinated by this employee will be impacted and some may need to be discontinued. Over one-thousand seniors participate in these programs each year. Listed below are some of the direct program responsibilities of this position: overall responsibility for senior recreational programming, which includes coordination of the senior clubs, special event days, speaker programs, daily lunch program, field trips, computer classes and use of the computer room, AARP, Evanston/Skokie Valley Senior Services, Life Enrichment, the Senior Crime prevention program coordination, programs at the senior homes and partnerships with senior organizations, etc. Included in the list above are some program offerings and tasks, such as the senior clubs that require a great deal of management and hands-on supervision, that need full time attention and would be eliminated or greatly impacted with this reduction in staffing. Staff will continue to explore any possibility of combining or relocating programs that are impacted, but due to the number of participants in the senior programs and the supervision challenges, maintaining the current program offering and level of service will not be feasible. Finally, depending on the reorganization and determining what programs are offered, staff would project a decrease in program revenue.

The reduction in the number of hours for a part time bus driver position at the Levy Senior Center will have little impact on the senior citizen residents that utilize the service, since staff has been able to adjust the current schedule to accommodate the needs of the current ridership. Purpose of this driver and route was to utilize the second bus in order to reduce the wait time for seniors riding a bus to and from the center. A senior arriving in the morning at the center to participate in programs needs to wait until approximately 12:30 pm for their return ride with the adjusted schedule. Previously, the return route left the center at 2pm.

Robert Crown Ice Rink

The reduction of approximately ten hours per week for a part time custodian position at the Robert Crown Center will impact the frequency of when the restrooms and locker rooms are cleaned and overall cleanliness and supervision of the center. Custodians working at the center assist in monitoring the center during the open hours and informing supervisory staff of problems.

Noyes Cultural Arts Center

The reduction of approximately three hours per week for a part time office position at the Noyes Cultural Arts Center will have minor impact on the Cultural Arts Division programs, including the center's operations. With this reduction, staff at the center will adjust the work hours of a part time Facility Supervisor position who could assist in the office and perform some of the duties that were being completed by the part time office employee. A schedule change for the Facility Supervisor will result in them being scheduled to work earlier in the day and the part time custodian assuming responsibility for securing the center at closing time.

City of Evanston

Interdepartmental
Memorandum

To: Julia Carroll, City Manager
From: Steven Drazner, Acting Finance Director
Subject: **Budget Memo # 45: FY 08-09 CIP Projects –Options for Delay or Reduction**
Date: February 1, 2008

Question/Comment: Please provide a list of FY 08-09 capital projects that can be delayed or reduced resulting in a decrease in the debt service levy proposed.

Response: The following projects have been identified by staff for possible delay or reduction of funding needed in FY 08-09 with minimal impact.

Account 415380 – Lawson Park / Noah's Playground Redevelopment
(Reduce funding from $300,000 to $150,000)

Recent cost estimates for construction of work associated with this project (providing ADA access to the beach and restroom facility which serve Noah's Playground) along with professional service fees already under contract are in the $450,000 range. As a result, we feel that overall funding for this project can be reduced from $300,000 to $150,000 (the additional required funding for this work is being supplemented through P/F&R's $313,000 FY 2008-09 CIP request for Lighthouse Landing ADA Improvements).

Account 415857 – Street Resurfacing
(Reduce bonding by $300,000)

It appears that we can reduce the bonding for CIP street resurfacing by $300,000 and still get the 2 projects completed that are scheduled for 2008. As you know, we removed 2 of the 4 2008 projects due to other than financial reasons. The account from which street improvements are funded has a $300,000 balance from last year. As a result, the recommendation is to use that balance, bond for $700,000 for the 2008 program, and thereby free up $300,000 for 2008.

If the recommendations above are accepted, we can reduce the amount the City will bond in FY 08-09 from $10,000,000 to $9,550,000.

City of Evanston

Interdepartmental
Memorandum

To: Mayor & City Council
From: Julia A. Carroll, City Manager
Subject: **Budget Memo # 46: One Quarter Cent Sales Tax Alleged to be Dedicated to Fire and Police Pensions**
Date: February 1, 2008

At the January 12, 2008 budget meeting, Dave Ellis, a firefighter inquired about what happened to a discussion from 1993 in which a one-quarter cent sales tax was proposed to pay for Fire & Police Pension Fund liabilities.

Mary Morris conducted research that shows the following facts:

1. On June 14, 1993, Resolution 78-R-93 was passed 9-0 on the consent agenda, "by which the City Council would authorize the funding of the Firefighters' Pension Fund annually in the amount calculated by the City's private actuary."
2. On September 20, 1993, City Manager Eric Anderson discussed a proposal to increase the Home Rules Sales Tax by ¼%. He stated, "The Sales Tax would go into place to pay for the Police and Fire Pension, and the Property Tax is reduced in the Town Fund and raised in the General Fund. He stated that because of this, a year from today, the City Council is going to be looking at a $1 million gap, over and above any other gap that develops, between revenues and expenditures. The council should address service priorities as it goes into the next Budget."
3. On September 27, 1993, Ordinance 96-O-93 was passed 7-1 "by which the City Council would amend Section 3-2-5 (A) and 3-2-6 (A) of the Code of the City of Evanston to increase the Sales Tax by one quarter percent." There was no mention in the discussion at the Council meeting that this revenue would be dedicated to the pension funding issue.
4. On January 8, 1994, a Special City Council meeting was held to review the proposed 1994-95 budget. According to the minutes, "Finance Director Shonk noted that the part of the General Fund supported by property taxes had been sharply reduced and that portion was being funded by the new ¼% sales tax and a proposed extension of the Natural Gas Tax…" No where in the minutes does it indicate that the sales tax will be dedicated to funding the pensions. Based upon my review of the minutes, resolution, and ordinance, it is my belief that the City Council did not make a specific determination in the ordinance to use the sales tax for pension funding, but instead agreed to use the sales tax to fund General Fund expenditures.