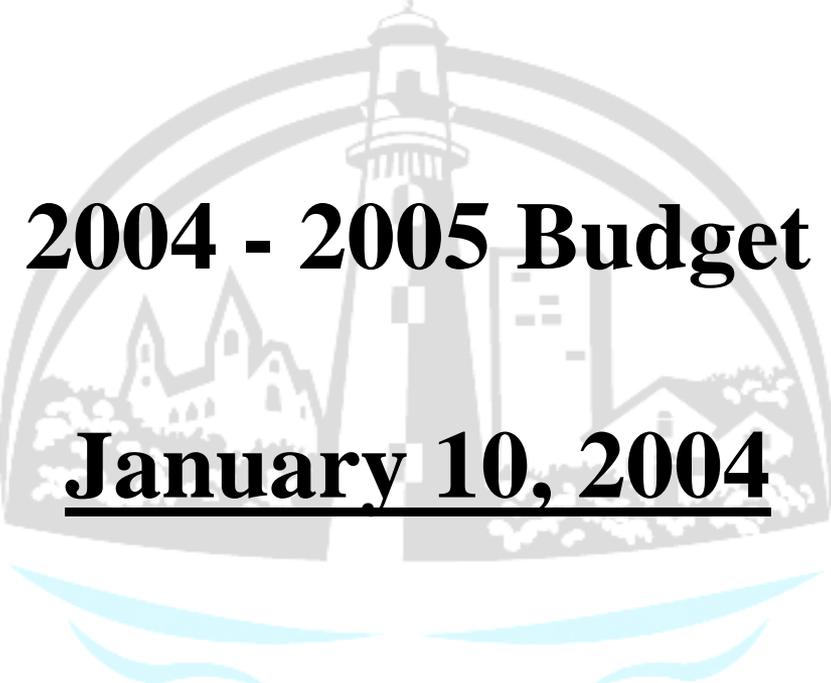




2004 - 2005 Budget

January 10, 2004



City of
Evanston



Budget Discussion Schedule

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



General Fund Status

	2003-04 Current Budget	2004-05 As submitted in October	2004-05 Proposed Budget
Expenditures	\$ 73,753,800	\$ 79,255,650	\$ 78,076,900
Revenues	\$ 73,753,800	\$ 76,371,900	\$ 78,076,900
Balance	\$ 0	\$ -2,883,750	\$ 0



General Fund Summary

Expenditures		Revenues	
2003-04 Budget	73,753,800	2003-04 Budget	73,753,800
+ Wages @ 3.5%	2,061,700	+ Growth on Existing Rev.	1,712,800
+ Medical Insurance 14%	708,900	+ Fully Funded Grants	804,600
+ Fully Funded Grants	804,600	+ Ambulance Fee Increase	100,000
+ CPI on Goods/Services	747,900	+ Natural Gas Tax	600,000
		+ Property Tax @ 4%	605,700
		+ Use of Excess Reserve	500,000
2004-05 Budget	78,076,900	2004-05 Budget	78,076,900



Staff Approach to Budget

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



Programs Previously Reviewed for Cuts

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



Presentation Overview

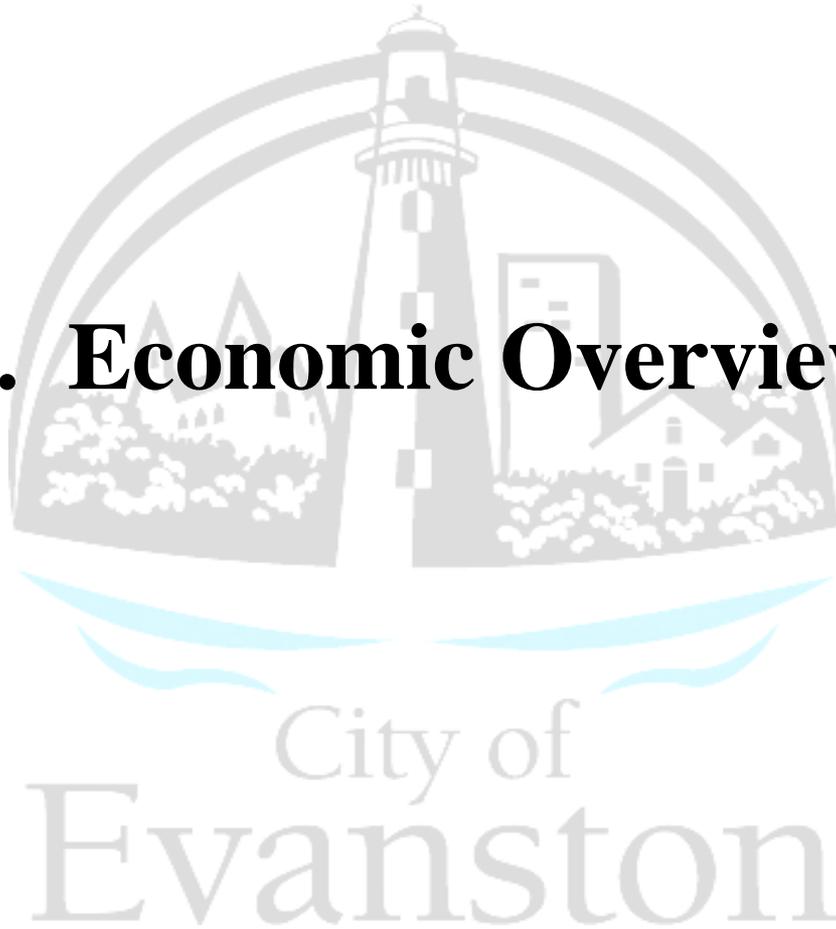
- I. Economic Overview
- II. General Fund Revenue
- III. General Fund Expenditures
- IV. Other Funds
- V. Summary

A large, faint watermark of the City of Evanston logo and text is centered in the background of the slide. It includes the circular emblem with the lighthouse and buildings, and the text "City of Evanston" below it.

City of
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I. Economic Overview





State Economy

- Illinois Economic and Fiscal Commission in its most recent revenue update (Nov. 2003) noted that base state revenues continue to struggle and are down \$91 million – only the influx of federal dollars has kept the state's cash flow positive.
- State income tax continues to be flat but due to the higher refund percentages the net reduction in income tax revenues to the state is 9.6%.
- State sales taxes are flat.
- No significant indication of economic recovery has yet to manifest itself in the state's revenues.

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Evanston Economy

- Real estate activity continues to be strong with another record year for transfer tax collections.
- Building permits continue to be strong.
- Sales tax is flat but solid considering most other communities are still significantly below prior year levels.

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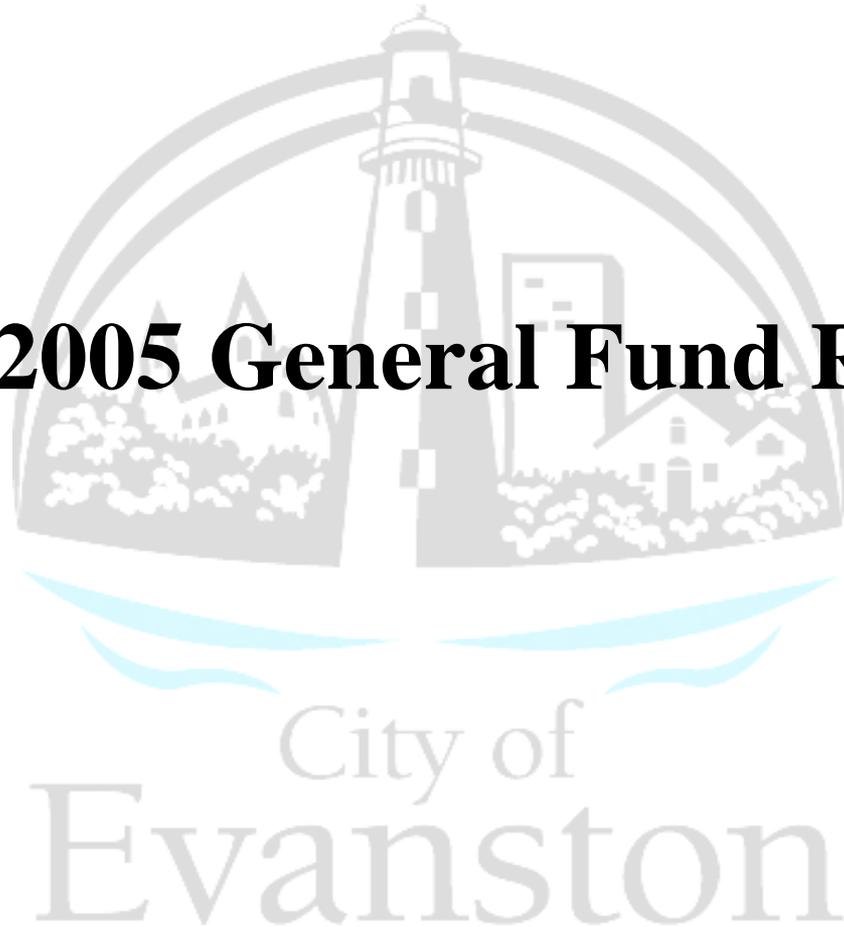


State Revenues Losses

- Supposed one-time state reduction of income tax due to refunds will cost Evanston \$500,000 in lost revenues.
- Photo-processing tax elimination for full year will cost Evanston \$175,000.
- New national pollution discharge elimination permits cost Evanston \$25,000 annually.
- Increased state pension filing fees will cost Evanston \$11,000.
- All told new state revenue reductions and increased fees have reduced this year's budget by over **\$700,000.**



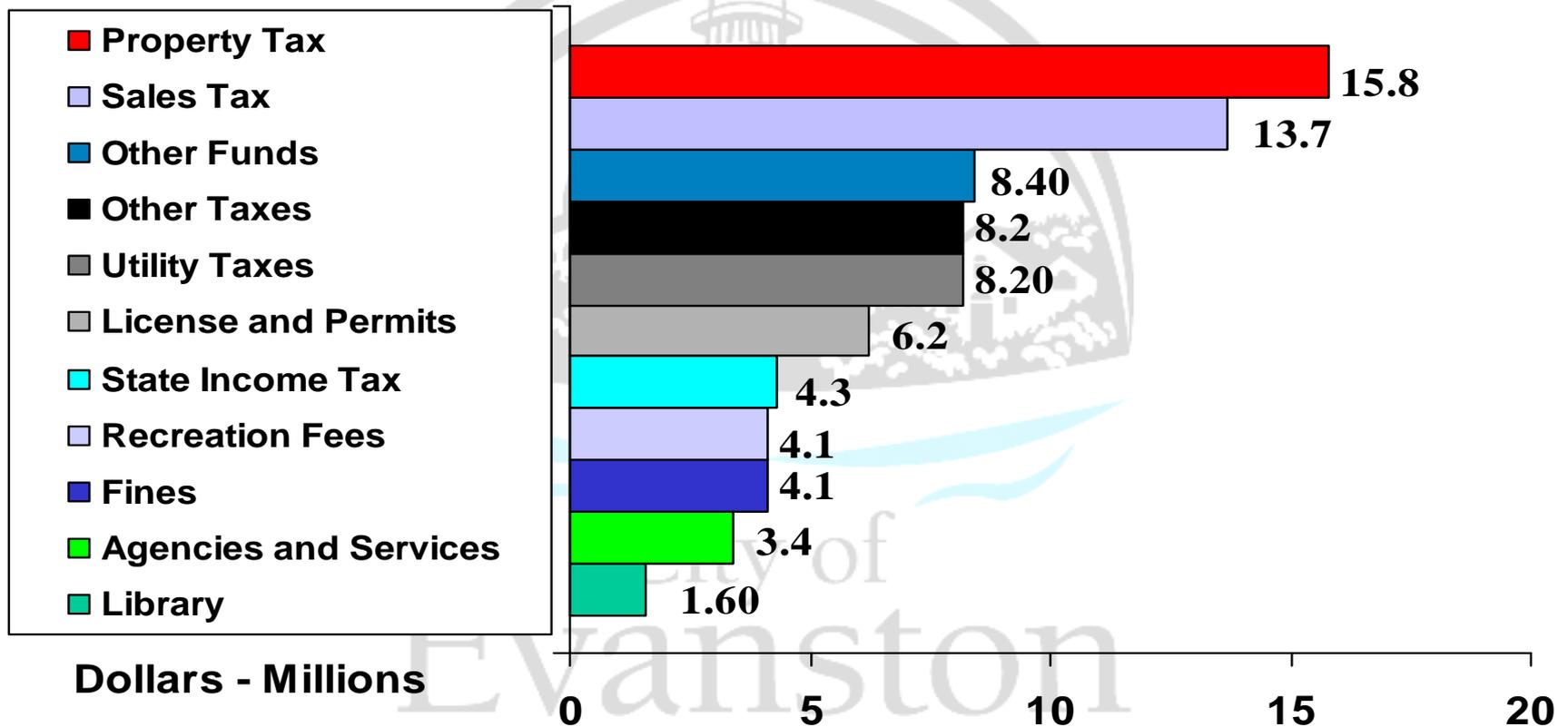
II. FY 2005 General Fund Revenues





FY 04/05 Proposed General Fund Revenue

Total - \$78 Million





Property Tax Levy

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



Property Tax

New Property - Economic Growth

<u>Tax Levy Year</u>	<u>New Property</u>	<u>Net Added Levy</u>
2002	\$14,133,800	\$227,554
2001	\$ 8,648,053	\$140,790
2000	\$ 2,391,280	\$ 48,615
1999	\$ 7,221,164	\$139,657
1998	\$ 10,559,009	\$199,354
1997	\$ 2,673,712	\$ 55,319
1996	\$ 3,665,639	\$ 75,476
1995	\$ 9,054,462	\$188,786
1994	\$ 6,169,413	\$144,796
TOTAL NEW TAX GROWTH		<u>\$1,220,347</u>



Property Tax

New Property - Economic Growth

- New Property began with tax caps in 1994
- If City took advantage of New Property there would be \$1,220,347 more in property taxes
- If City took credit for this it translates into a 2.7% increase in property taxes instead of 6.85% increase

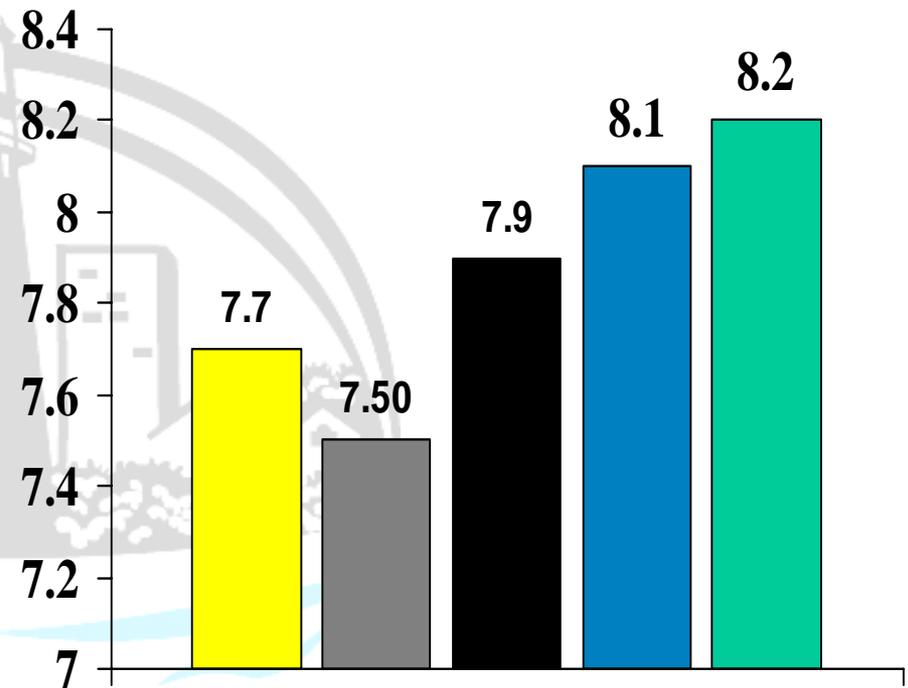


Sales Tax

General Fund

- 1% levied
- Project \$8,200,000 total
- 1.23% increase over prior year budget

million \$



■ 2000-01

■ 2001-02

■ 2002-03

■ 2003-04 Estimate

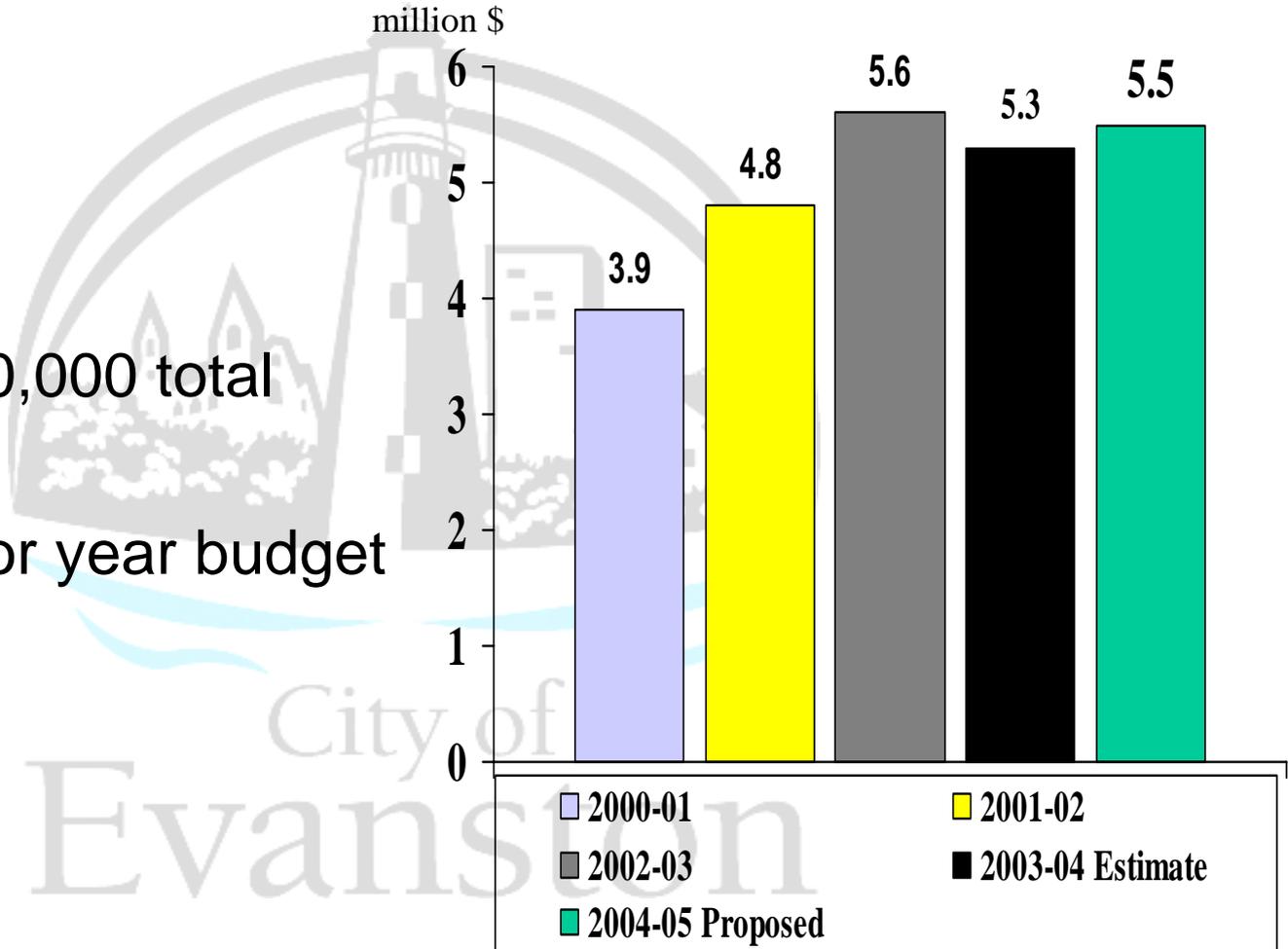
■ 2004-05 Proposed



Home Rule Sales Tax

General Fund

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

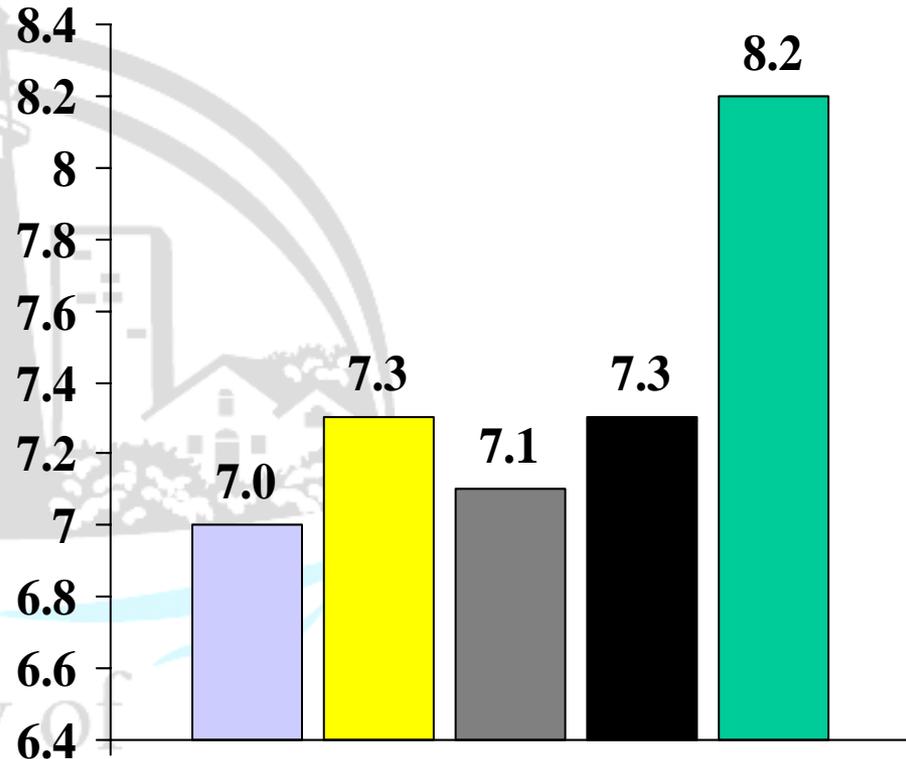




Utility Taxes

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

million \$



2000-01	2001-02
2002-03	2003-04 Estimated
2004-05 Proposed	



Utility Taxes

Natural Gas Use Tax

CURRENT TAX RATE

- **\$0.0095** per therm
- Applies to all customers purchasing gas from a supplier (not NICOR).

PROPOSED TAX RATE

- **\$0.025** per therm
- Applies to all customers purchasing gas from a supplier (not NICOR).

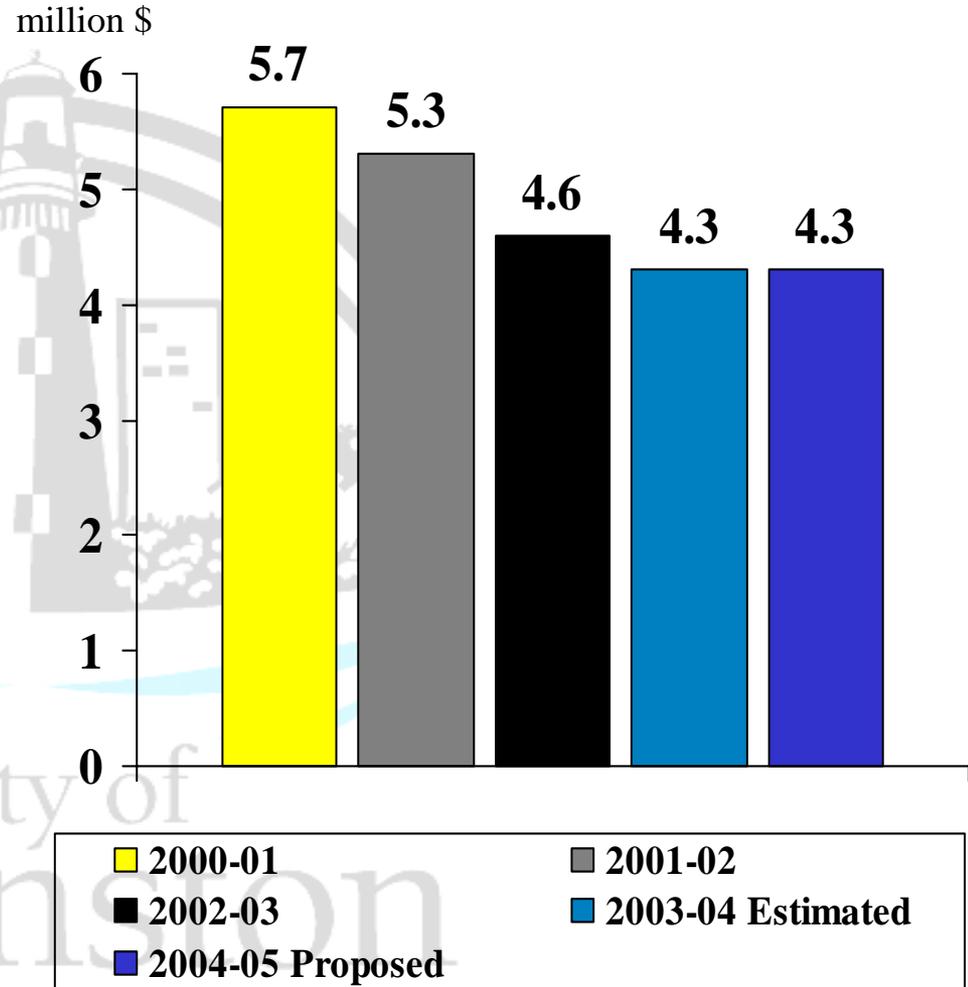
PURPOSE & EFFECT

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



State Income Tax

- Allocated by State based on population
- 1/10th of amount collected is allocated to local government *
- Project \$4,300,000
- 10.4% decrease from prior year budget



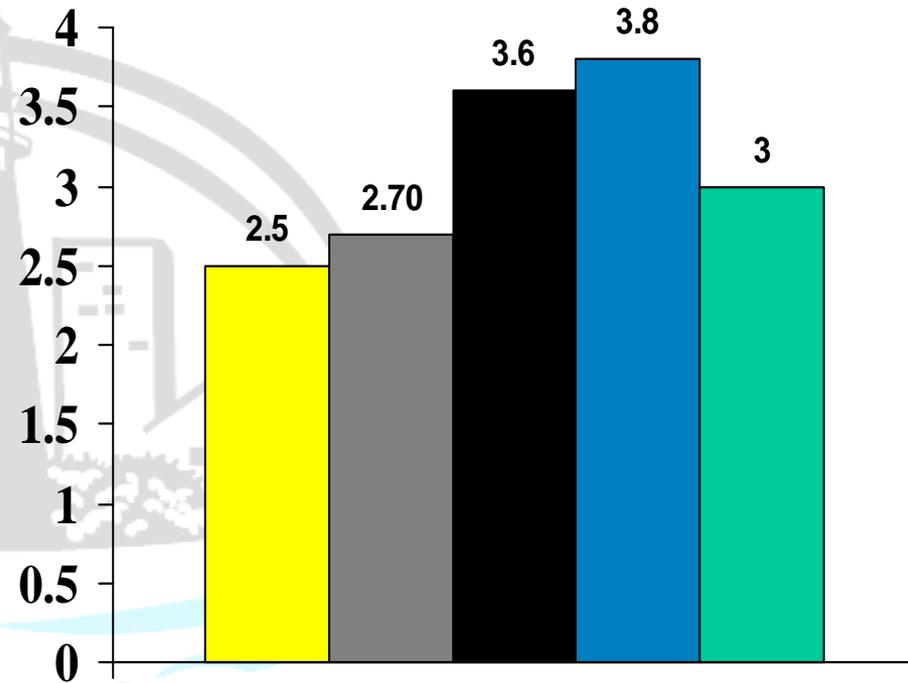
•Note: State considering decrease to 1/12



Real Estate Transfer Tax

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

million \$



■ 2000-01

■ 2001-02

■ 2002-03

■ 2003-04 Estimated

■ 2004-05 Proposed



Other General Fund Revenues

- License & Permits and Fines
 - Building Permits - \$1,900,000
- Fines and Forfeits
 - Parking fines flat, at \$3.5 million

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Other General Fund Revenues

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



Other General Fund Revenues

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



III. General Fund Expenditure Summary



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Employee Cost Assumptions

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



General Fund Expenditures

Current v. Proposed

03/04 Expenditures

\$ 73,753,800

04/05 Expenditures

\$ 78,076,900

- 3,575,200*

\$ 74,501,700

Health Care increase of 14%	=	\$ 708,900
Cost of Living increase of 3.5%	=	\$ 2,061,700
Accounting change for grants	=	\$ 804,600
* TOTAL	=	\$ 3,575,200

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

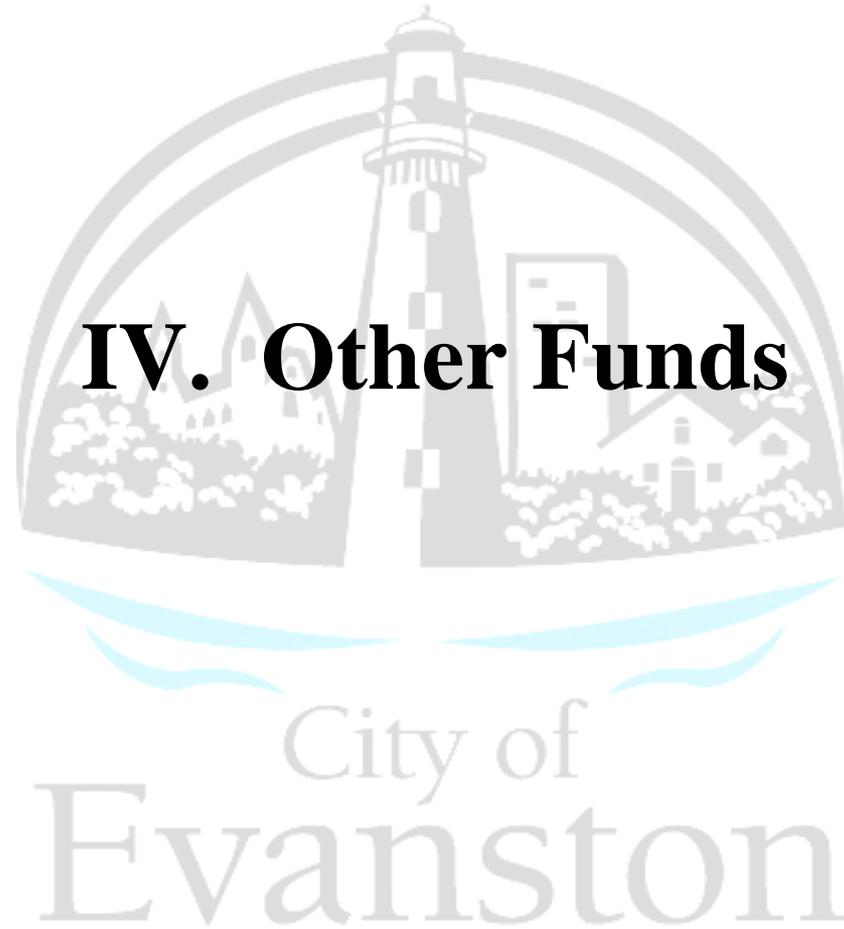


General Fund Expenditures

Personnel Requirements

New Positions

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



IV. Other Funds



Other Funds

Insurance Fund

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



Other Funds

Police and Fire Pension Funds

Double digit property tax increases due to:

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

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Other Funds

Parking Fund

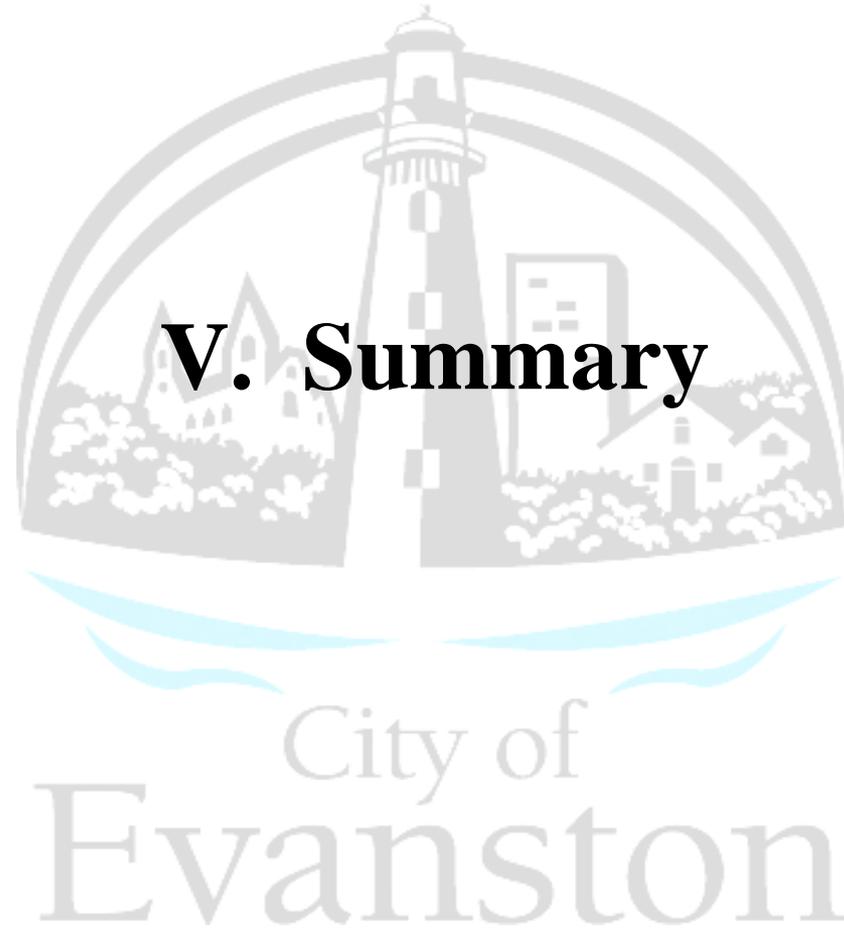
- Experienced a deficit for the second consecutive year
- Increased revenues will be required
- Parking Operations Clerk included to handle increased processing of parking tickets and fines, and residential permits screening and sales
- Working with Parking Committee to analyze the fund this winter and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



Other Funds

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

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V. Summary



Budget Concerns

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



Summary

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



Questions ?

