



To: Rolanda Russell, Interim City Manager
From: Martin Lyons, Finance Director
CC: Budget Team
Subject: January 24, 2009 Budget Adjustments
Date: February 2, 2009

The FY 2009-10 Budget process has been very challenging due to the poor and unstable economic environment faced by the City. This environment has further exacerbated the City's structural budget deficit in our General Fund, requiring the City to use all options available to balance the budget with a minimum level of service disruption. Based on a very productive discussion and review of the Proposed 2009-10 Annual Budget at the January 24, 2009 Workshop, we have summarized several steps that bring this proposed document into balance for the General Fund. The table on the next page outlines previously discussed steps as well as Council suggestions for balancing the General Fund. Many of these steps are of a one time nature, and during 2009-10 the City will need to consider long term review of our financial situation to include:

1. A detailed operational review to determine the sources and factors and determine the solutions to our continual deficit situation.
2. A City-wide review of the level and variety of services provided to the Community. Based on this review, specific services should be analyzed with respect to the level of service and the mode of service delivery.
3. Reduced total service levels through the utilization of a furlough system for all full-time and part-time staff.
4. A review of our business funds (Parking, Water, Sewer, Fleet, and Insurance) to improve the utilization of our capital resources and confirm operational efficiency. This review will include service levels as well as privatization and managed competition reviews.
5. A strategic review of our Capital Improvements Program. This review will create a prioritized list of projects to optimize the utilization of current City funds as well as future bond issue/debt revenues.

The 2009-10 Proposed Budget for the General Fund, as presented on the next page, is \$4.4 million less than the Adopted 2008-09 Budget. This Proposed Budget includes the reduction of 15.75 full-time equivalent positions and the deferral in hiring of several other positions. During our first two budget workshops, community members provided their input into the budget process, and some of the changes to the original budget proposal are a direct result of this input. Despite this reduced level of resources, the total service level to the community remains virtually unchanged. Based on input at the Public Hearing and Council input following this hearing, staff will prepare the required budget resolution for review and approval by the City Council.

Finally, we have attached a summary table showing all expenditures in all funds as originally proposed and as presently recommended to the City Council.

**CITY OF EVANSTON FY 2009-10 PROPOSED BUDGET
BUDGET ADJUSTMENT WORKSHEET FROM JANUARY 24, 2009 WORKSHOP**

Total Revenues	\$89,818,072
Total Expenditures	<u>\$91,631,200</u>
Initial Budget Deficit	(\$1,813,128)
Elimination of 4.9% property tax increase	<u>(\$1,824,189)</u>
Revised Budget Deficit	<u>(\$3,637,317)</u>
 Initial Budget Deficit Reduction proposal 1/10/09	
Reduce wage adjustment by 2.0%	\$920,000
Transfer from Debt Service Fund reserves	\$500,000
Deposit of 50% of Land sale proceeds	\$450,000
 Additional Budget Deficit Reductions for Consideration:	
Reduce wage adjustment by additional .5%	\$230,000
Transfer from Economic Development Fund	\$300,000
Reduced debt service interest costs	\$200,000
Funding from Evanston Township	\$200,000
Shared funding of school liason/crossing guards	\$250,000
Reduce travel and training budget	\$10,000
Increase in Parks & Rec revenues (not previously budgeted)	\$40,000
Increase Athletic Tax (estimated pending further review)	\$50,000
Reduced transfer to Insurance Fund	\$75,000
Further position reductions/realignments	\$140,000
Further hiring deferrals- one time 2009/10 savings	<u>\$270,000</u>
Total Expense Cuts and Revenue Increases	<u>\$3,635,000</u>

Revised Budget (Deficit)/ Surplus as of January 24, 2009 **(\$2,317)**

Additional Council/Staff Recommended Adjustments as of January 30, 2009:

*Additional 1% increase in Athletic Tax	\$50,000
Sister City Funding	(\$5,000)
Bike the Ridge Funding	(\$8,000)
Additional Training & Travel Reductions	\$30,000
Additional Township Funding of Mental Health Board Projects	\$100,000
Pavement Degradation Fee	\$50,000
Increase to Cigarette Tax (\$.01 increase equals \$8,000 - Recommend 10% increase)	\$80,000
Total Additional Expense Cuts and Revenue Increases	<u>\$297,000</u>

Revised Budget (Deficit) /Surplus as of 1/30/09 **\$294,683**

REVISED GENERAL FUND BUDGET SUMMARY AS OF 1/30/09

Total Revised Revenues** \$89,963,883

Total Revised Expenditures \$89,669,200

Revised Budget (Deficit) /Surplus as of 1/30/09 **\$294,683**

* As an alternative, Northwestern University has tentatively agreed to a \$100,000 contribution to fund the Salt Dome.

** Land Sale Proceeds will be deposited into the General Fund, and therefore will have the same impact as a Revenue to the General Fund.

*** Staff is still in negotiations with both School Districts and they have agreed to discuss this with their respective Boards immediately.

**- DRAFT - Total Appropriation All Funds
2009-10 Proposed vs. 2009-10 Approved
(Prior to Interfund Transfers)**

Fund	Fund #	2009-10 Proposed Appropriation	2009-10 Revised Appropriation	Net Change
General	100	91,631,200	89,669,200	(1,962,000)
Motor Fuel	200	2,152,500	2,152,500	-
Emergency Telephone	205	1,243,500	1,243,500	-
Special Service District # 4	210	328,489	328,489	-
CDBG	215	2,053,046	2,053,046	-
Economic Development	225	1,692,700	1,992,700	300,000
Home	240	519,000	519,000	-
Affordable Housing Fund	250	406,000	406,000	-
Washington National TIF	300	3,356,244	3,356,244	-
Special Service District # 5	305	433,812	433,812	-
Southwest II TIF	310	844,405	844,405	-
Southwest TIF	315	24,122	24,122	-
Debt Service (G.O. Bonds)	320	11,366,225	11,666,225	300,000
Downtown II TIF	325	13,346,040	13,346,040	-
Howard/Ridge TIF	330	136,395	136,395	-
West Evanston TIF	335	75,000	75,000	-
Capital Improvement	415	20,175,054	20,175,054	-
Special Assessment	420	2,041,606	2,041,606	-
Sherman Avenue Garage Fund	495	16,284,500	16,319,500	35,000
Maple Avenue Garage Fund	500	1,534,200	1,552,200	18,000
Parking	505	3,878,500	3,888,500	10,000
Water	510-513	18,853,400	18,527,800	(325,600)
Sewer	515	17,941,700	17,868,100	(73,600)
Fleet	600	5,919,000	5,919,000	-
Insurance	605	2,717,500	2,717,500	-
Fire Pension	700	7,328,112	7,328,112	-
Police Pension	705	9,238,780	9,238,780	-
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Total All Funds		235,521,030	233,822,830	(1,698,200)