



# **2007 - 2008 Proposed Budget**

**January 6, 2007**



# Budget Discussion Schedule

---

---

## December 29, 2006

- Proposed Budget to City Council

## Saturday January 6, 2007

- Budget Overview and Discussion

## Saturdays January 20 & 27, 2007

- General Budget Discussion



# Budget Discussion Schedule

---

---

## Monday February 5, 2007

- Public Hearing / Discussion

## Monday February 12, 2007 – Regular City Council Meeting

- Budget Resolution Adopted

## Monday February 26, 2007 - Regular City Council Meeting

- Budget Resolution Adopted, if not on 2-12-07



# **City of Evanston Budget Fiscal Year 2007-08 Overview**



# Budget as a Policy Document

---

---

- The annual budget is a financial and policy document that determines the financial and operating priorities for the coming fiscal year.
- This year we have restructured how we put the budget together to work towards fixing the **STRUCTURAL BUDGET GAP** that has repeated itself over several years. Budget staff indicates that we have fought this battle for 15 years.



# Budget Structural Changes

---

---

- City code requires that the City Manager present a balanced budget to the Council by December 31.
- This year we looked beyond the upcoming fiscal year at what it will take to make the organization sustainable from a revenue and expenditure standpoint.
- Required that we reorganize certain functions, eliminate some services, and add others to align ourselves with our resources and the goals of the Strategic Plan



# Budget Structural Changes

---

---

- This is the first of a three-year plan to align our expenditures with our resources (revenues).
- We will continue to look for ways to become more productive, efficient, and partner with other organizations where there is an opportunity.
- We will work with labor unions and employees to attempt to continue to reduce the cost of employee health insurance over the long-term.



# Document Changes for FY 2007-08

- The budget document itself has changed to reflect the salary increases and all benefits within the departments & division budgets.
- Prior years had salary increases, IMRF pensions, Medicare, and social security budgeted in the general contingency account.
- New method reflects a more accurate portrayal of costs by department.





# Major organizational changes

---

---

- Restructuring of two departments to be absorbed by other departments. Transition plans are being prepared.
- Transition of the clinical health services, except the dental clinic, to community hospitals and other providers. City will serve as a referral point for citizens to connect to providers.
- Elimination of other positions to balance budget.



## Services modified or eliminated

- Funding of Sister Cities - \$5,000 cut from CMO
- Will stop providing hunting and fishing licenses in the City Clerk's Office as well as passport applications. Both services readily available in the community.



## Requests not funded

- Arts Council Corporate Sponsorship Account  
Representative - approximately (\$52,000)
- Mental Health Board increase - (\$15,000)
- Police Tactical Team – five officers (\$500,000)
- Fire Dept. - Third ambulance staffing (\$497,600)
- Year-round youth employment program – (\$87,750)
- Five-Star Enrichment Program (\$65,200)



# Annual Cost of City Government

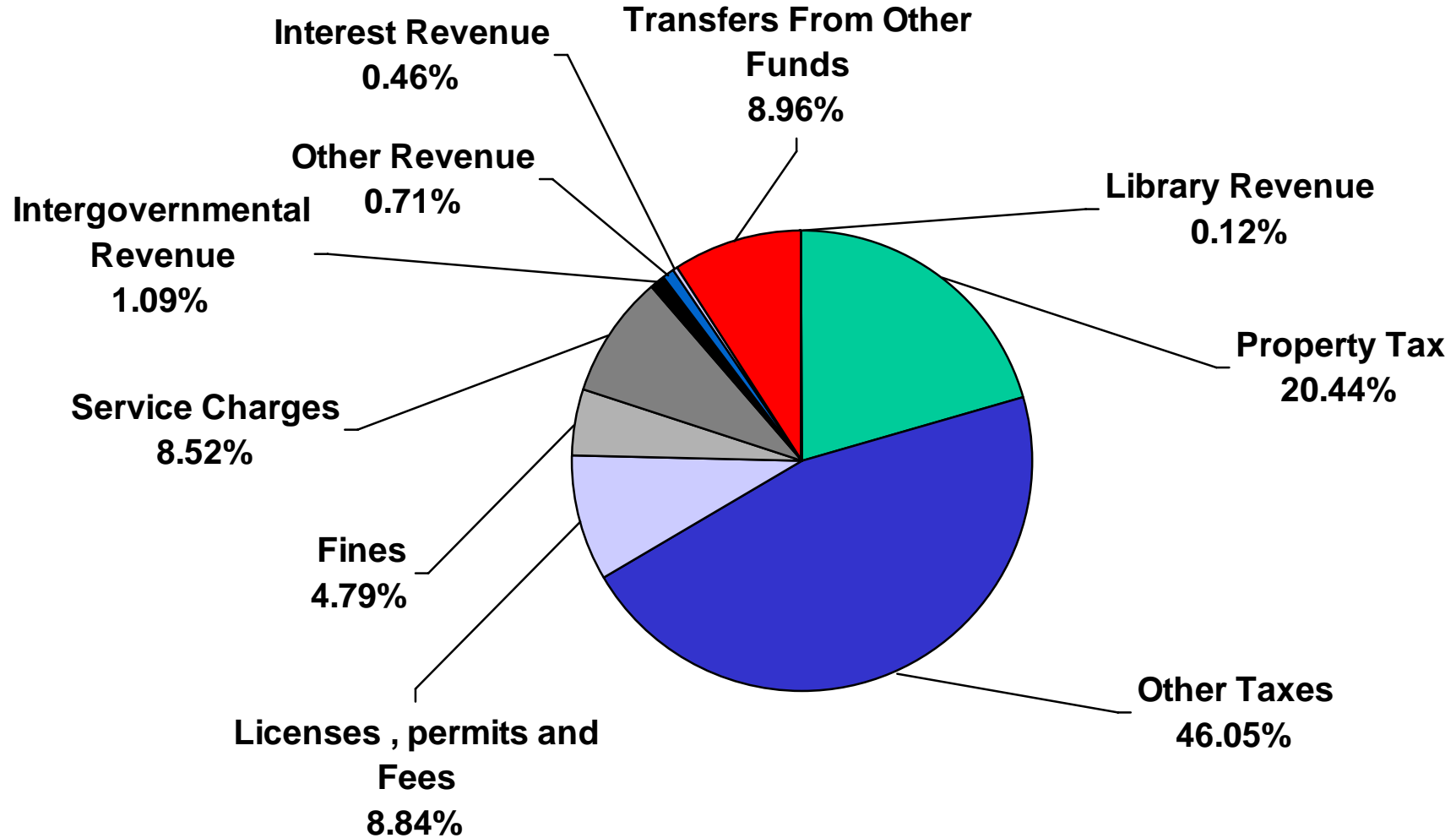
- \$164,494,351 Annual Budget (proposed all funds after transfers)
- 76,406 Residents (2006 estimate - Evanston Department of Planning)
- \$2,152.90 per year for each resident
- \$5.90 per day for all services.

✓ Police	✓ Health & Human Services
✓ Fire	✓ Parks/Forestry & Recreation
✓ Library	✓ Administration (CMO, Human Resources, Legal, Finance, MBIS, Human Relations)
✓ Community Development	✓ Public Works( Streets and Sanitation, Transportation, Water & Sewer, Parking Services, Facilities Management)



# Where We Get Our Money

## General Fund



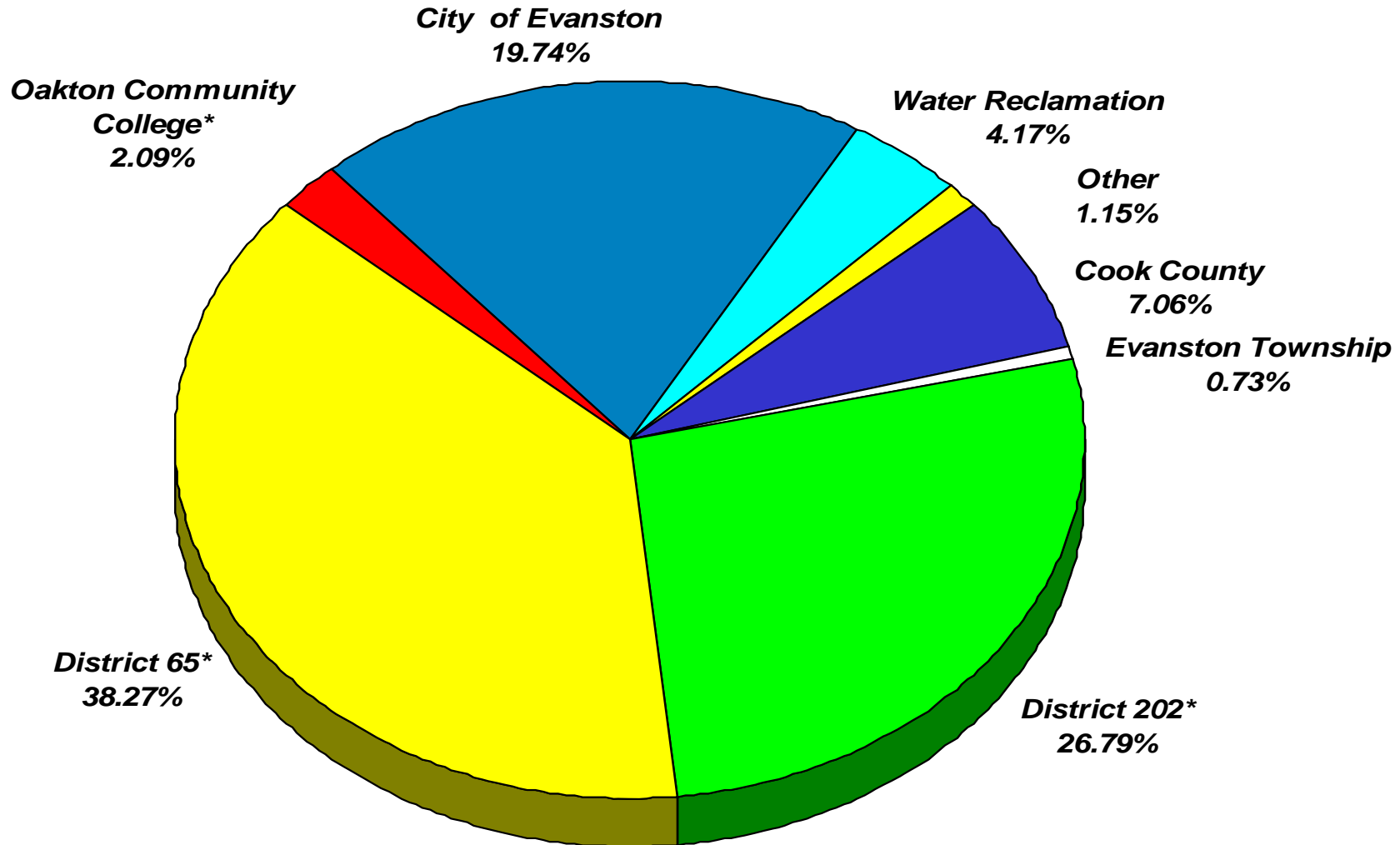


# Taxing Bodies

- There are many units of government that service Evanston Residents!
  - City of Evanston
  - School District 65
  - School District 202
  - Community College 535
  - Cook County
  - Evanston Township
  - Cook County Forest Preserve
  - Water Reclamation District
  - Mosquito Abatement District



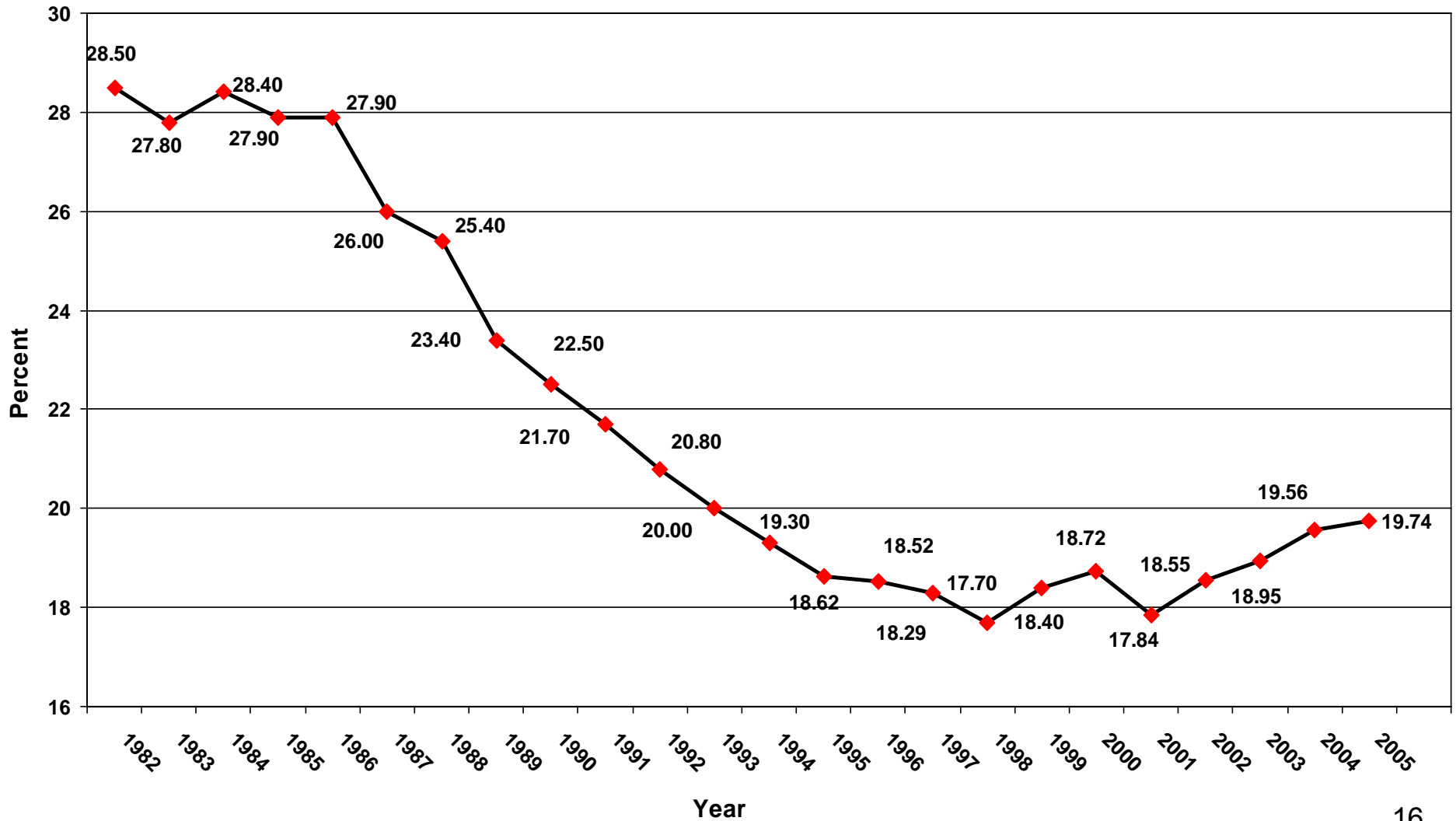
# Real Estate Tax Bill Based on 2005 Tax Rates



\* Education Funding: Districts 65 and 202 combined = 65.06% of the property tax bill



# City % Share of the Property Tax History







# How We Compare

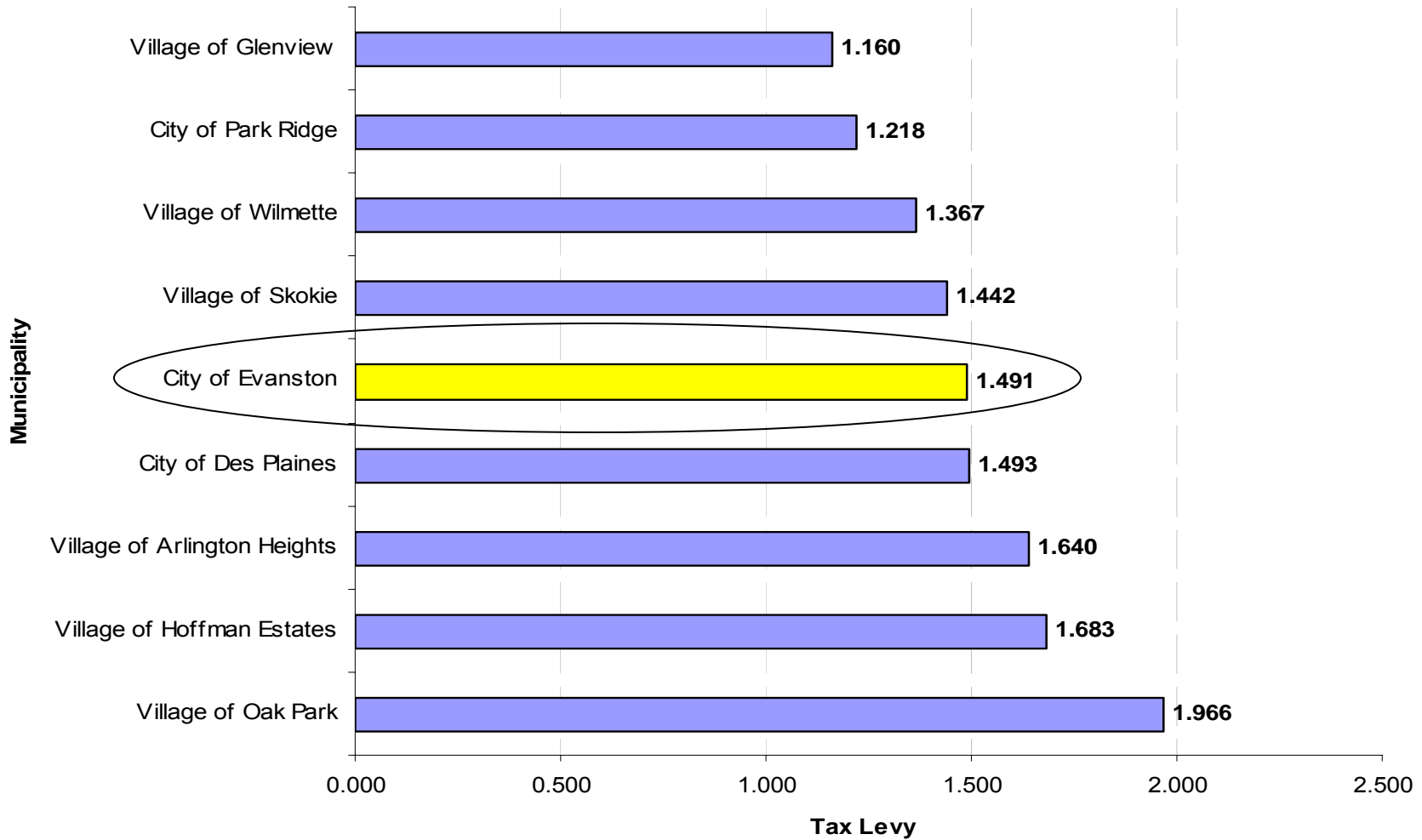
- ✓ Evanston is a full service community.
- ✓ Annual comparisons have not included Park and Library Districts, but the city or village portion of the tax levy only.
- ✓ When compared on an equal basis - *that is, comparing city or village + library + park district tax rates* - to other north suburban communities, Evanston's tax rate is in the middle of the pack.



# How We Compare

## 2005 Property Tax Levy Comparison by Municipality

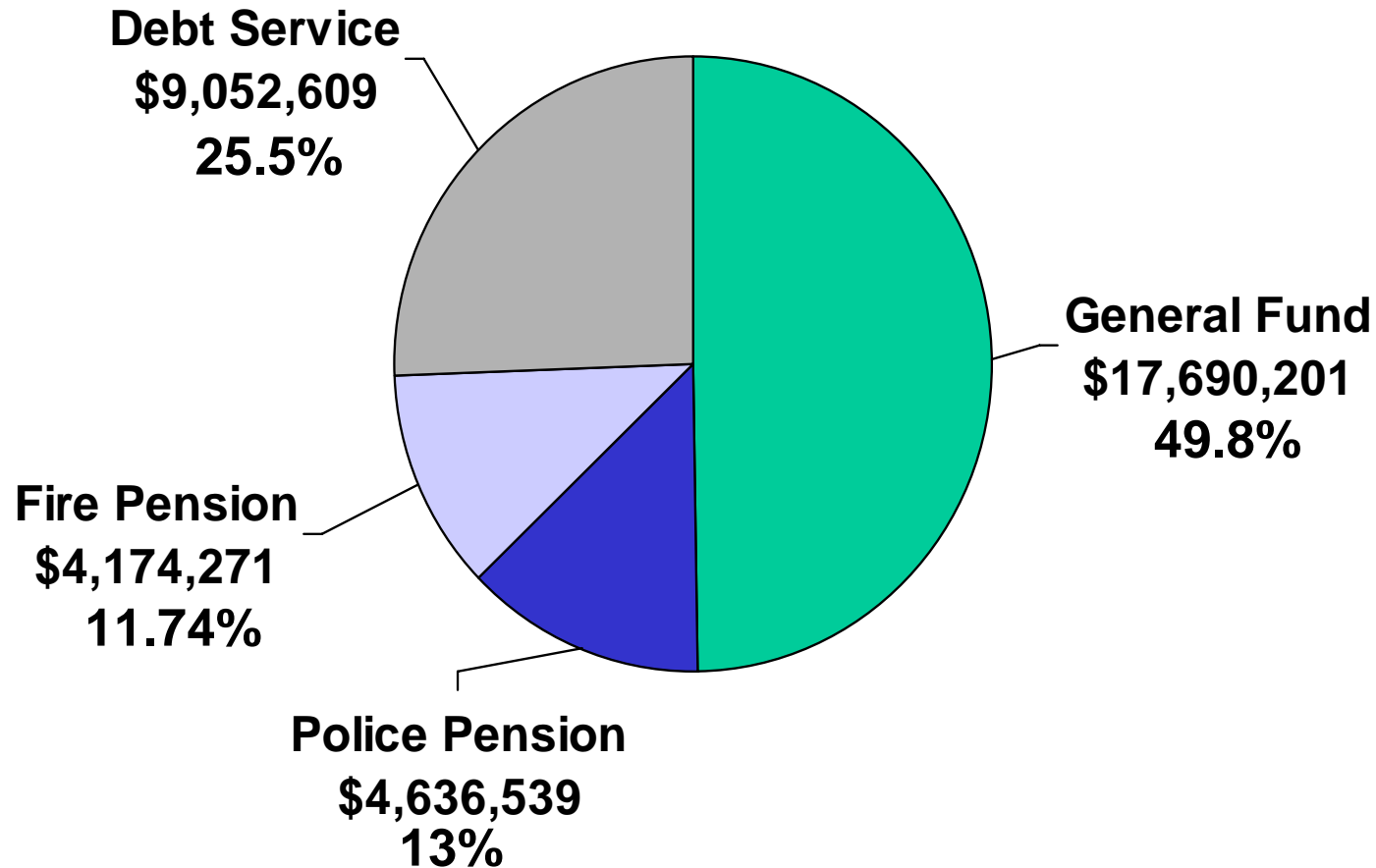
(Tax Levy = Municipality+Library Fund+Park District)





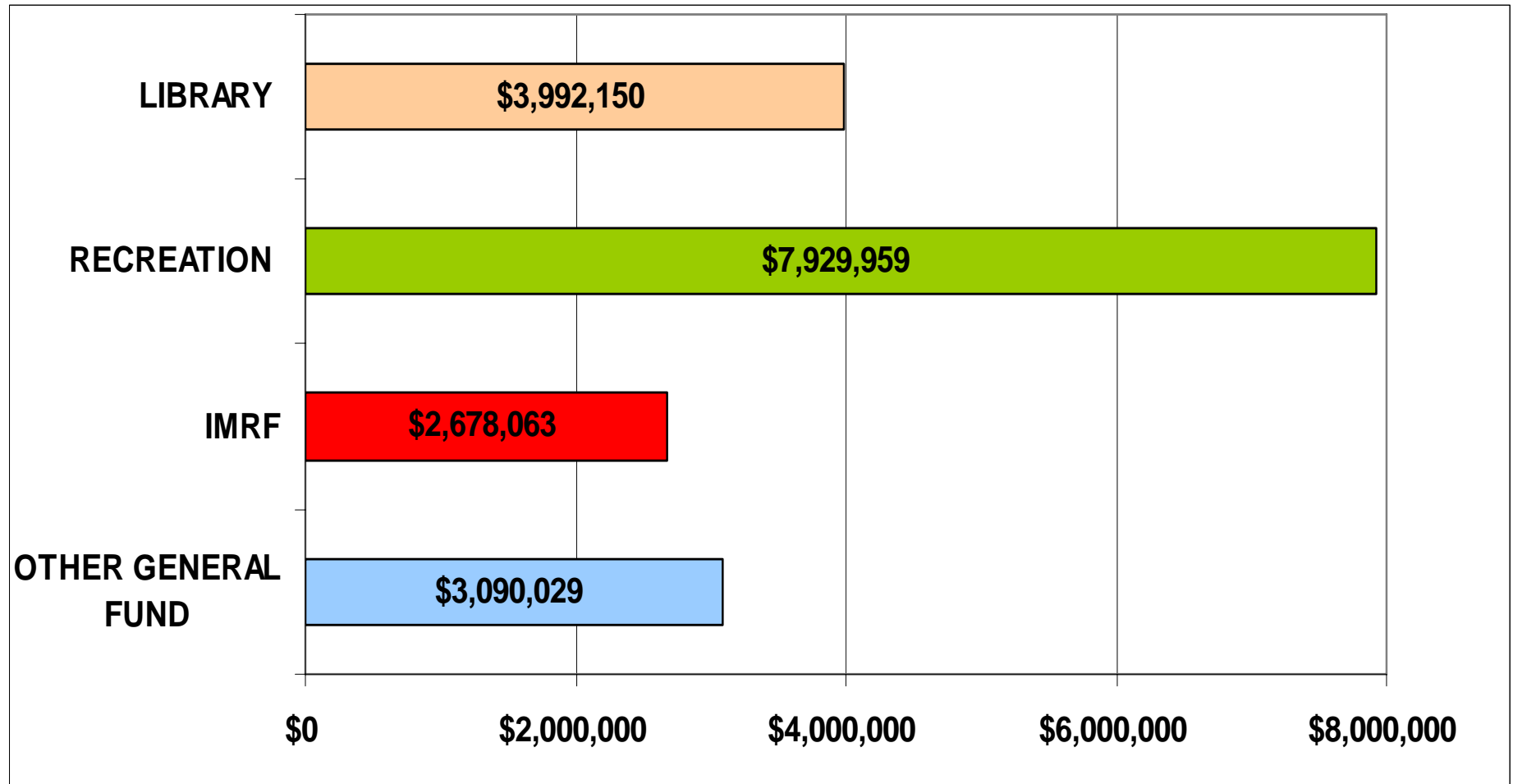
# 2007/08 Proposed Property Tax Levy Fund Allocation

**Total revenue of \$35,553,620 (proposed)**





# Distribution of General Fund Tax Levy Across Functional Areas





# Expenditures



# Personnel Costs

- ❖ Labor costs make up 75.7% of the General Fund.
- ❖ General Fund Has about a \$48.5 million dollar payroll (*Permanent Full-Time & Permanent Part-Time Employees Only*)
- ❖ A 4% Increase in FT & PPT Wages = \$1.94 Million
- ❖ Pension fund costs have increased due to aging population, legislative changes, and poor stock market performance.
- ❖ IMRF Rate to decrease slightly in 2007/08.



Budgeting is a Balancing Act

**Revenues must equal expenditures.**



# External Forces Affecting Us

---

---

- ▶ State Economy still on a moderate rebound
- ▶ State Budget continues to be uncertain
  - State shared revenues still at risk
- ▶ Rising Cost of Goods and Services - MPI 4.13%
- ▶ Wage and Contract Issues - 4% contract increases
- ▶ Health Insurance-increased 6.5% this year





# Evanston Economy

---

---

- Real estate transfer tax collections similar to FY 2006-07 but will remain stagnant for FY 2007-08.
- Building permits decreasing slightly due to housing market.
- Sales tax is projected to increase by 7.3%. Good news!
- Home Rules sales tax projected to increase by 3.6%.
- Income taxes per capita revenue increasing by 11%.



## What About the New Development in Town???

- ❖ Since we are a mature community there are not the number or type of developments that quickly boost the local economy.
- ❖ Most of the increase in taxes from new development have gone back to pay the City's cost to encourage development.
- ❖ Future will benefit by adding \$ 110 million to tax roles from TIF's in 2009, city's share of that is \$2.1 million in new property tax revenue.



# How we balanced the budget

- Carefully reviewed personnel needs and programs
- Non-salary & benefit lines kept to a minimum
- Raised property taxes minimally by the cost of living  
3.5% for the general fund
- Cut positions, and transferred services to others
- Increased revenue for refuse and yard waste



# Future Years-We are not done

- ▶ Continue to become more efficient, innovate and reduce expenditures where we can
- ▶ Do more with same resources, evaluate processes continuously
- ▶ Review all vacant positions as they occur to derive best overall organizational structure
- ▶ Asking the City Council to consider an ERI to set up future possible savings in future years

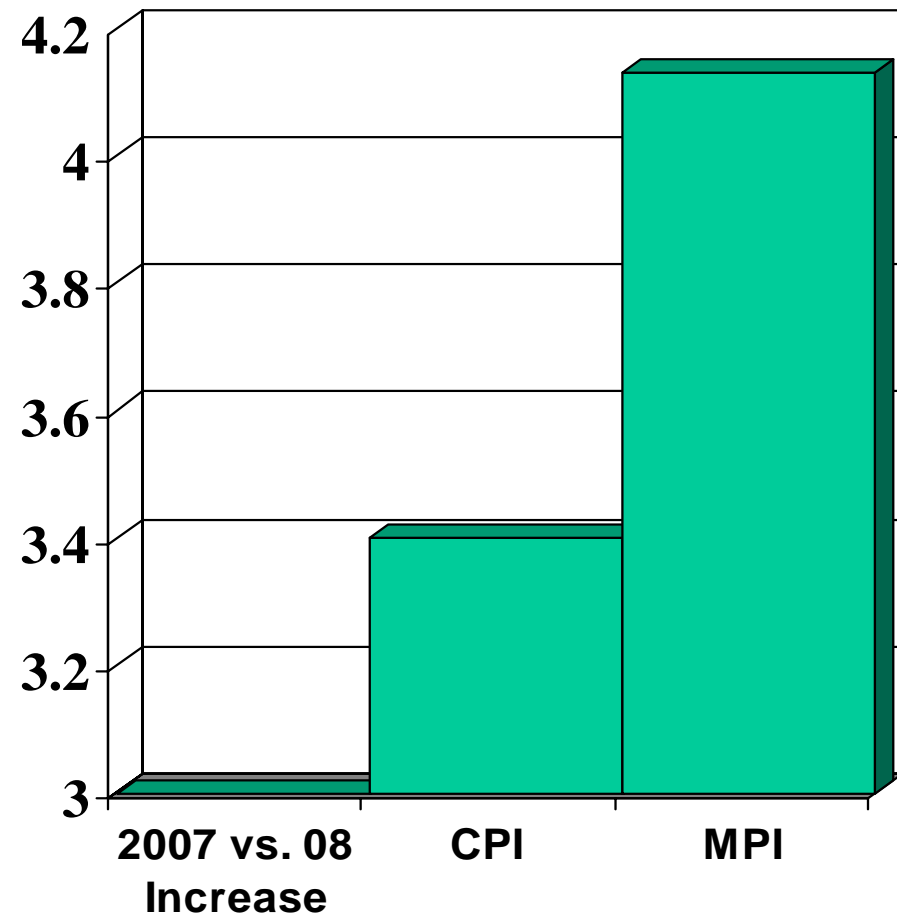


# **FY 2007/08 Operating Budget Review**



# Operating Budget

- Total Operating Budget  
\$186,769,007 (before transfers)
- Increase of .26% over the 2006/07 Budget
- Municipal Price Index  
= 4.13%
- Consumer Price Index  
= 3.40% (December 2005)





# **FY 2007/08 General Fund Expenditures**



# General Fund Expenditure Changes

Proposed 2007/08 Budget:	\$86,674,600	
FY 2006/07 Adopted Budget:	<u>\$85,784,800</u>	
	<b>\$ 889,800</b>	<b>1.04% increase</b>
Salaries & Wages:		
(Net New Positions and Reductions)	\$ 982,300	
<b>Overtime</b>	<b>\$(237,700)</b>	
Health Insurance	\$ 526,500	
IMRF, FICA, Medicare	<b>\$(837,400)</b>	
Utilities	\$ 198,100	
<b>SUB TOTAL:</b>	<b>\$ 631,800</b>	<b>0.74% increase</b>
Increased Cost of Equipment, Supplies, and all other items	<b>\$ 258,000</b>	<b>0.30% increase</b>
<b>TOTAL CHANGE:</b>	<b>\$889,800</b>	<b>1.04% increase</b>





# IMRF

Four-year history of City appropriations for the IL Municipal Retirement Fund.

<b>Calendar Year</b>	<b>Rate</b>	<b>Appropriation</b>
2007	7.97%	\$ 2,134,300
2006	8.17%	\$ 2,587,400
2005	7.64%	\$ 1,813,900
2004	3.97%	\$ 1,748,300



# Employee Cost Assumptions

---

---

- Wage increases = 4%
- Allowed for Normal Step/Merit Increases
- Net reduction of 17.27 FTE positions
- First year savings of \$1,048,400 in FY 2007-08
- \$1.7 million savings from personnel cuts in future years in 2007 dollars.



# Outsourcing Clinical Health

---

---

- City is in discussions with both community hospitals and other providers to take over clinical services. The department will transition services during a period starting March 1 through June 30, 2007.
- Any services for which we cannot find a provider by March 1 will be retained in the budget until a provider is found.



# Expenditure Summary

- ❖ Lowest budget increase in the overall budget for at least the past ten years (.26%)
- ❖ Average general fund budget increase over the past ten years has been 4.85% (1.04% proposed)
- ❖ Total increase in expenditures is equal to less than the dollar increase in salaries for employees



# **FY 2007/08 General Fund Revenue**



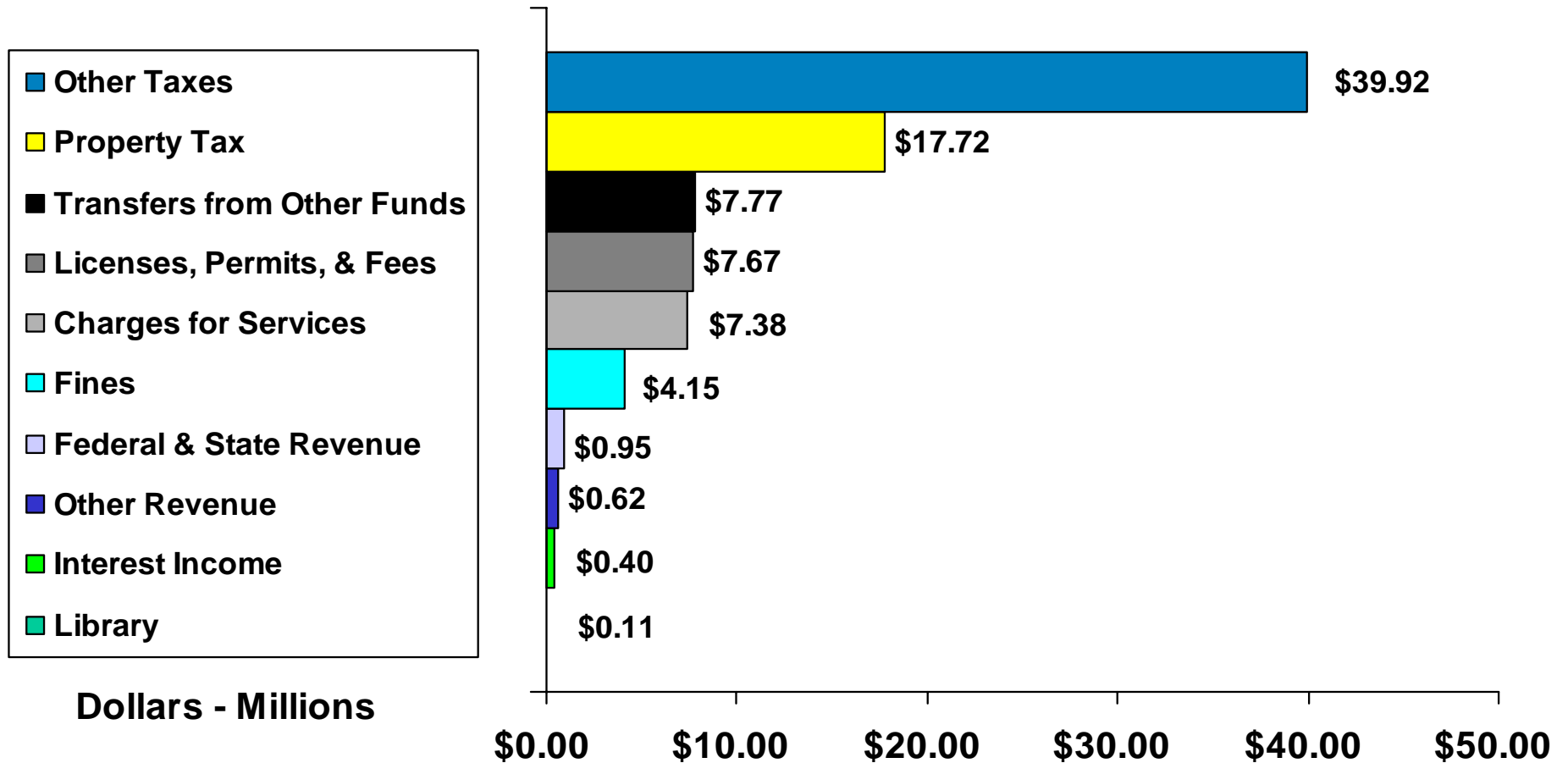
# Revenues

General Fund

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



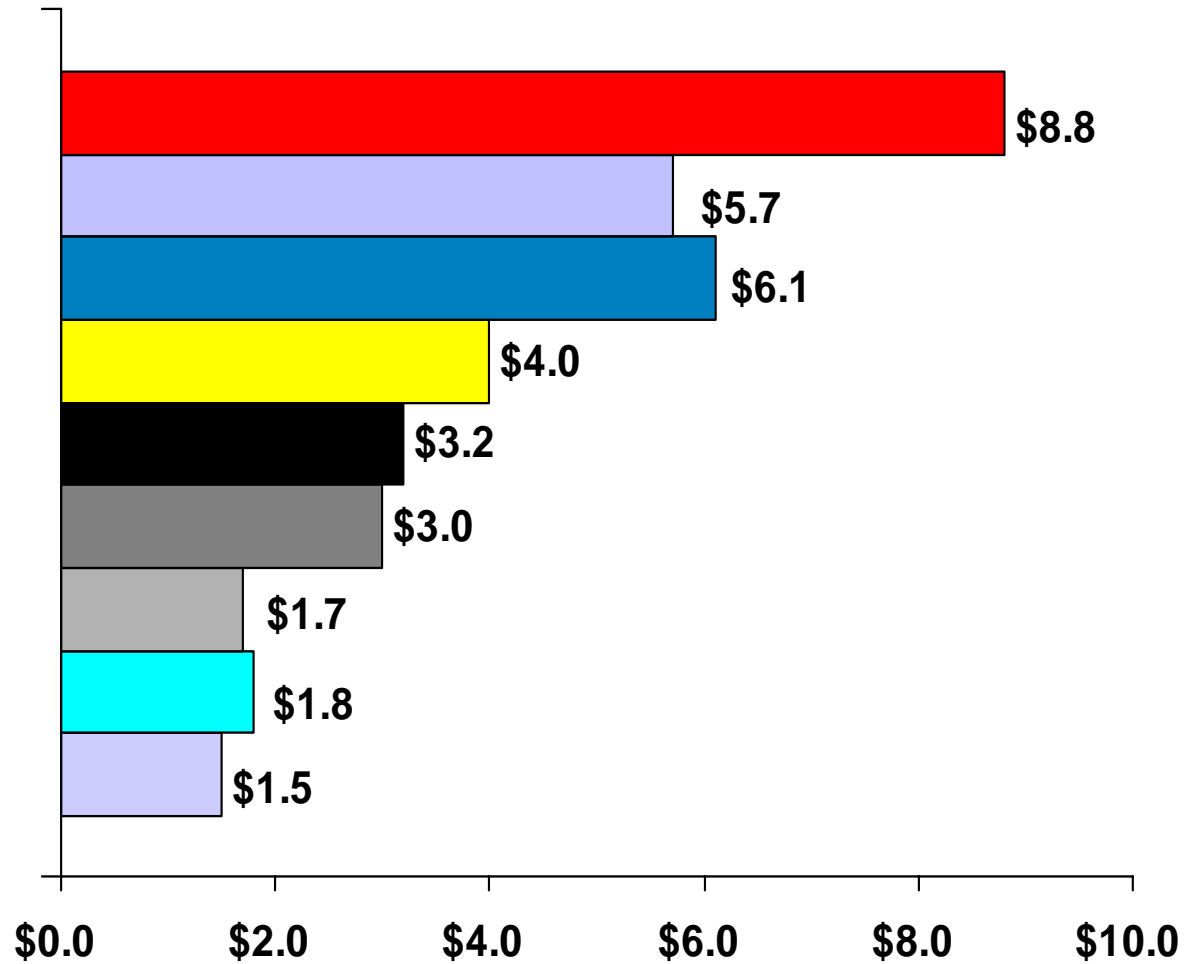
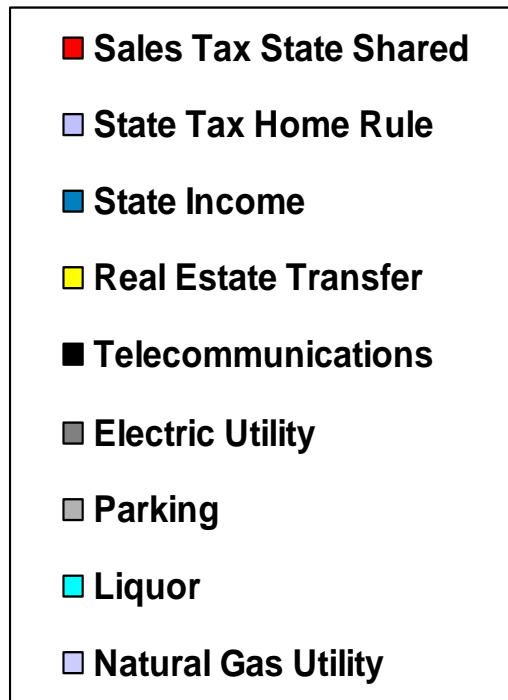
# FY 07/08 Proposed General Fund Revenue





# FY 07/08 Proposed General Fund Revenue

## Other Taxes



Dollars - Millions

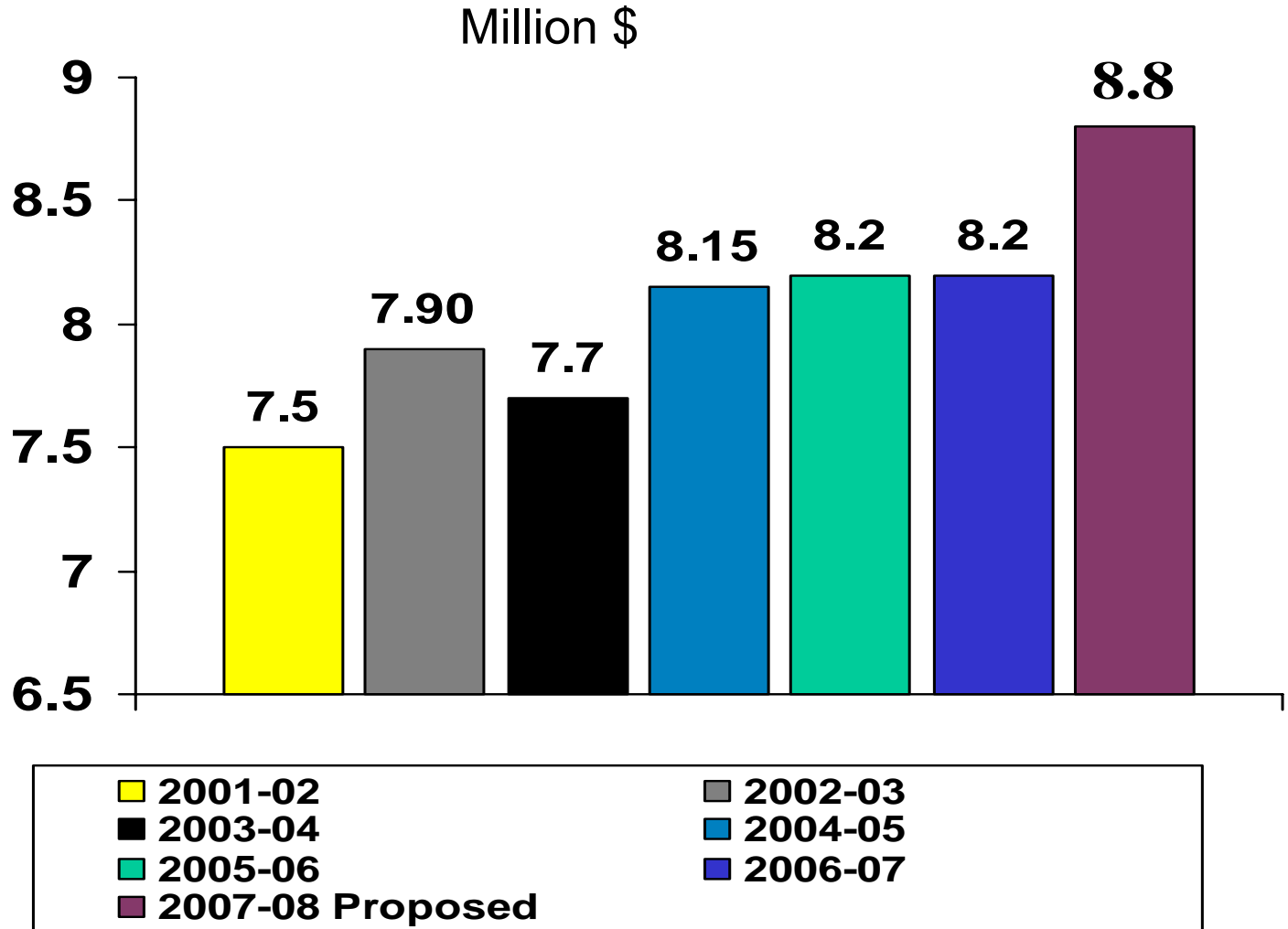




# Sales Tax

## General Fund

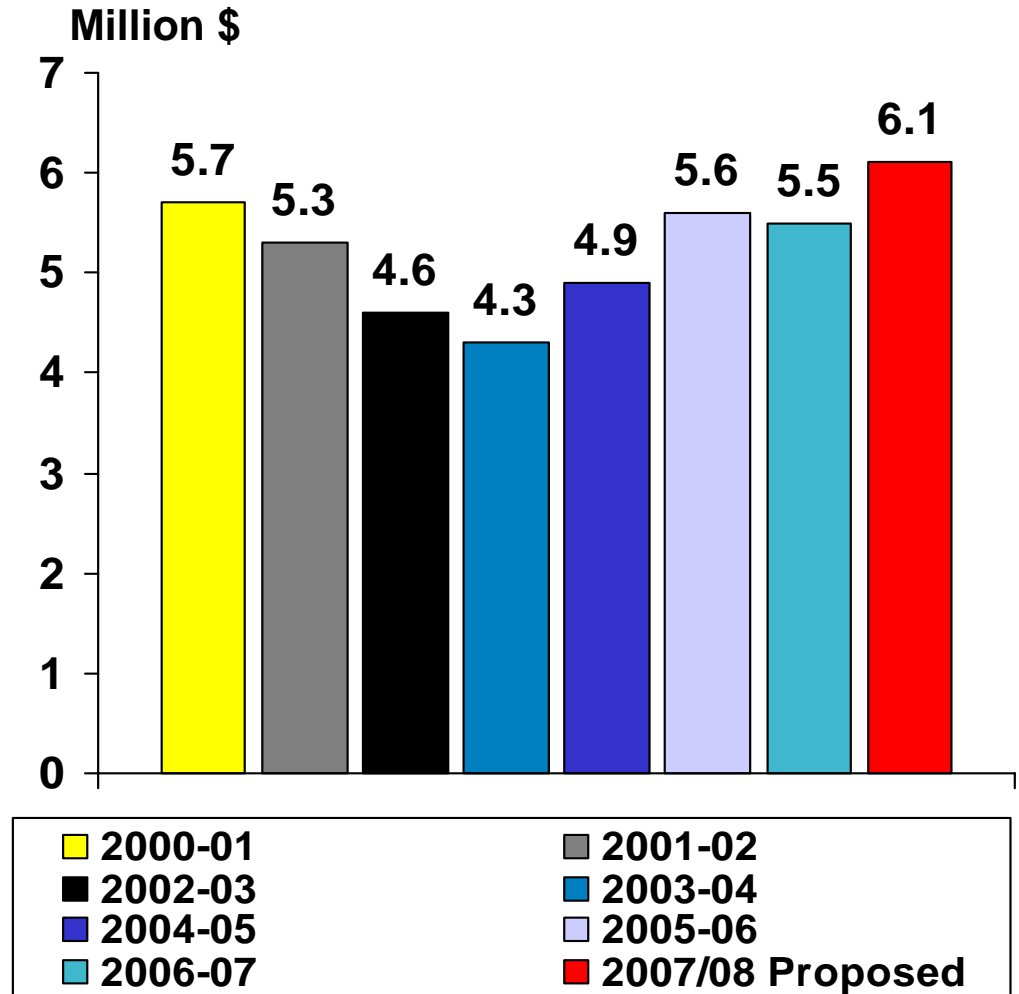
- 1% levied
- Projected \$8,800,000





# State Income Tax

- Allocated by State based on population
- 1/10th of amount collected is allocated to local government
- Project \$6,100,000
- 11% increase from prior year budget.

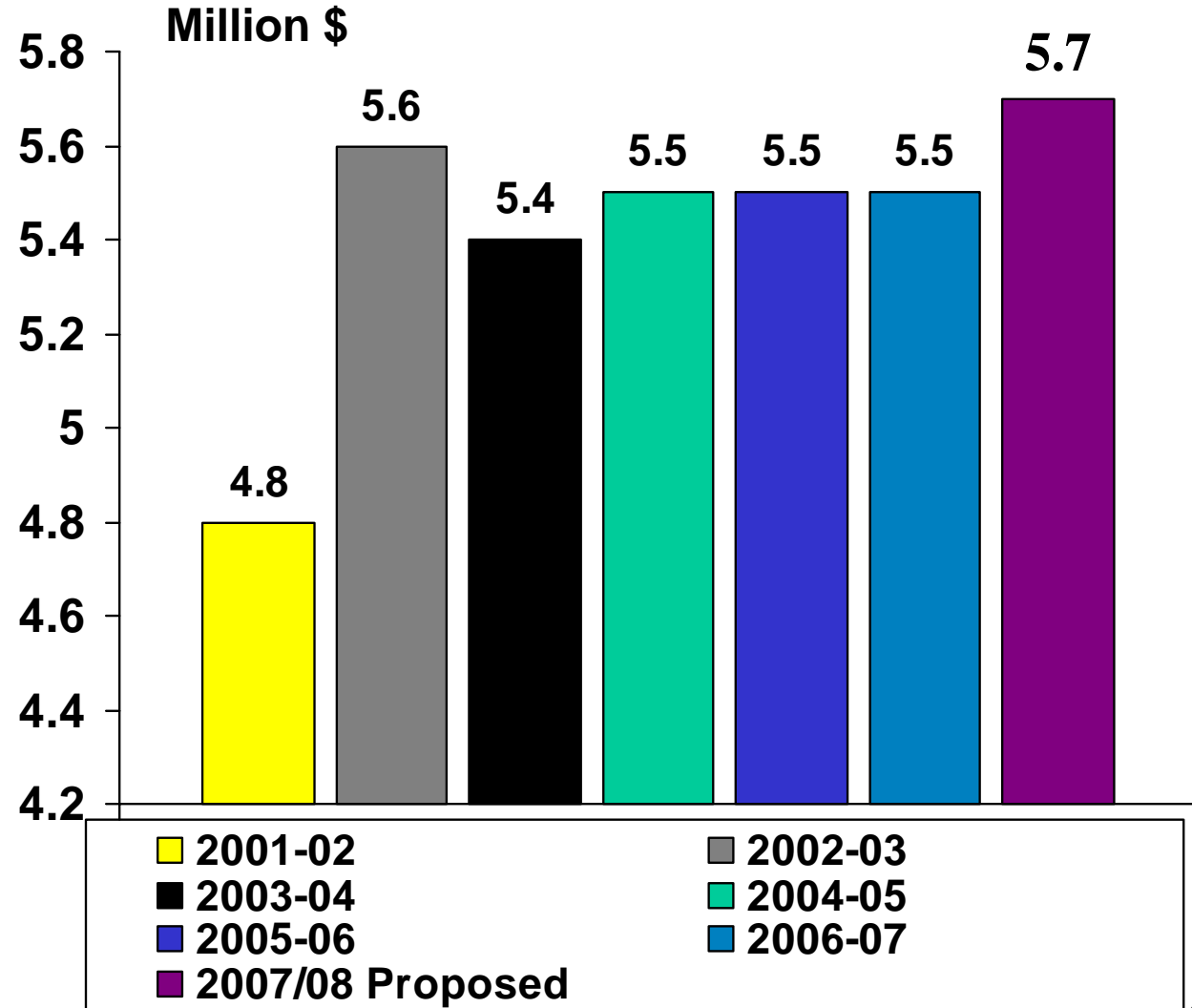




# Home Rule Sales Tax

General Fund

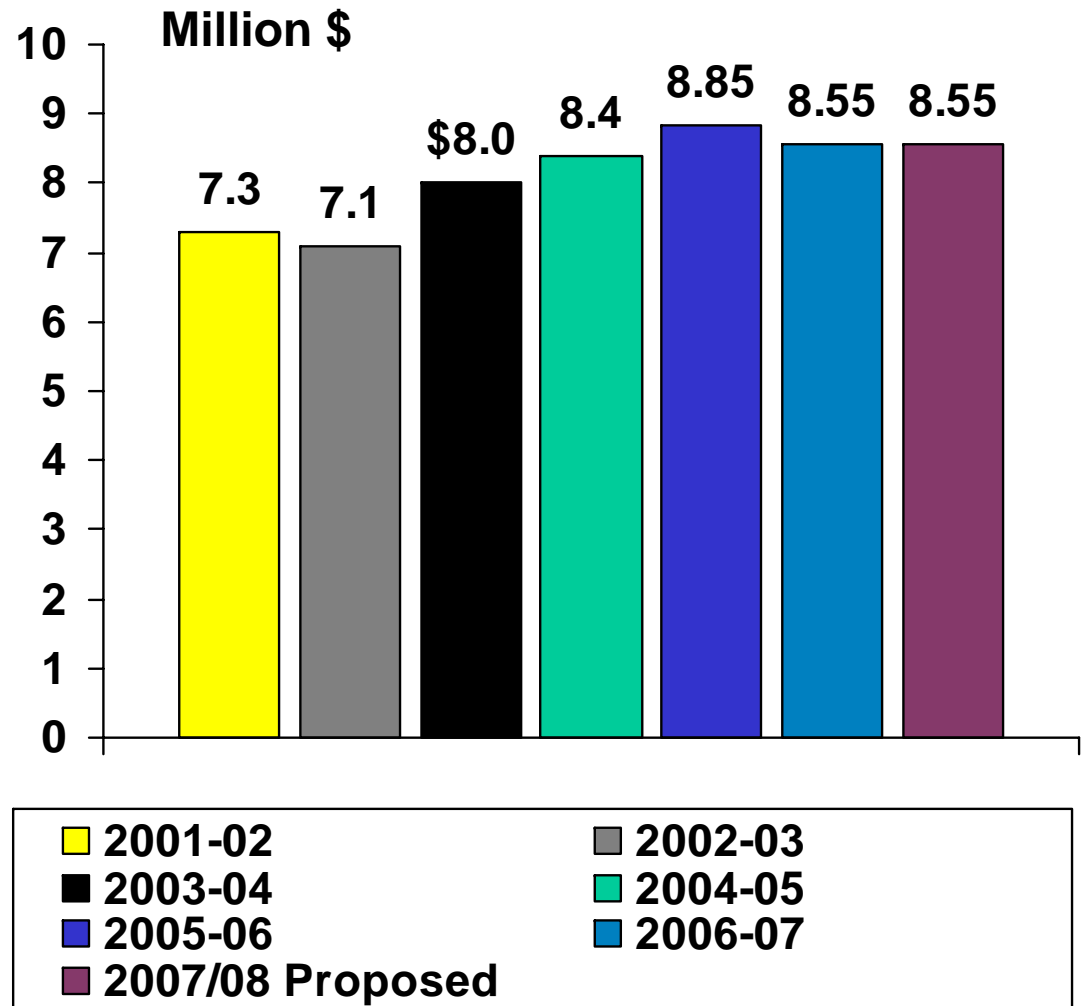
- 1.0% Levied
- Projected  
\$5,700,000





# Utility Taxes

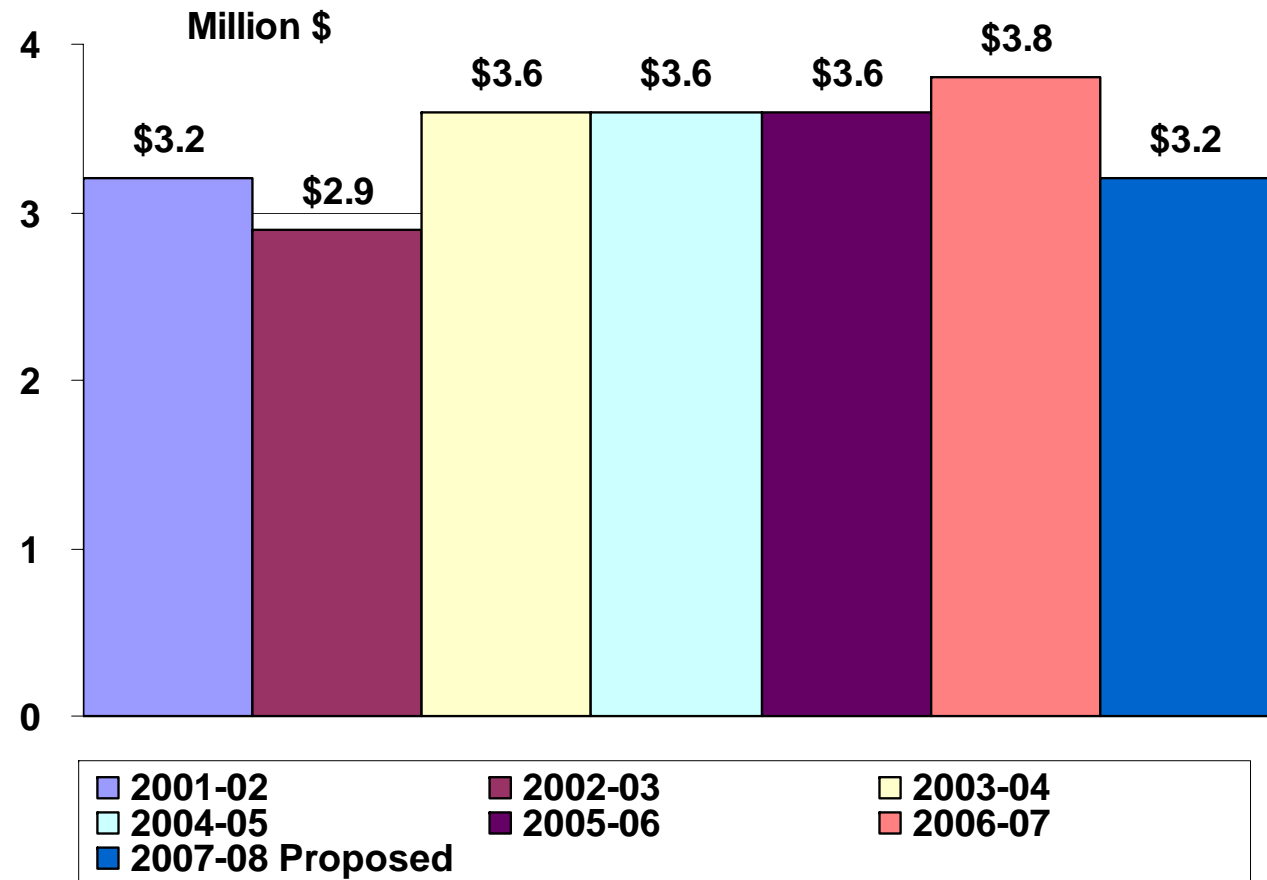
- 5% Tax Rate Electric & Natural Gas
- 6% Telecommunications Tax
- Natural Gas Use Tax
- Proposed \$8,555,000





# Telecommunications Tax

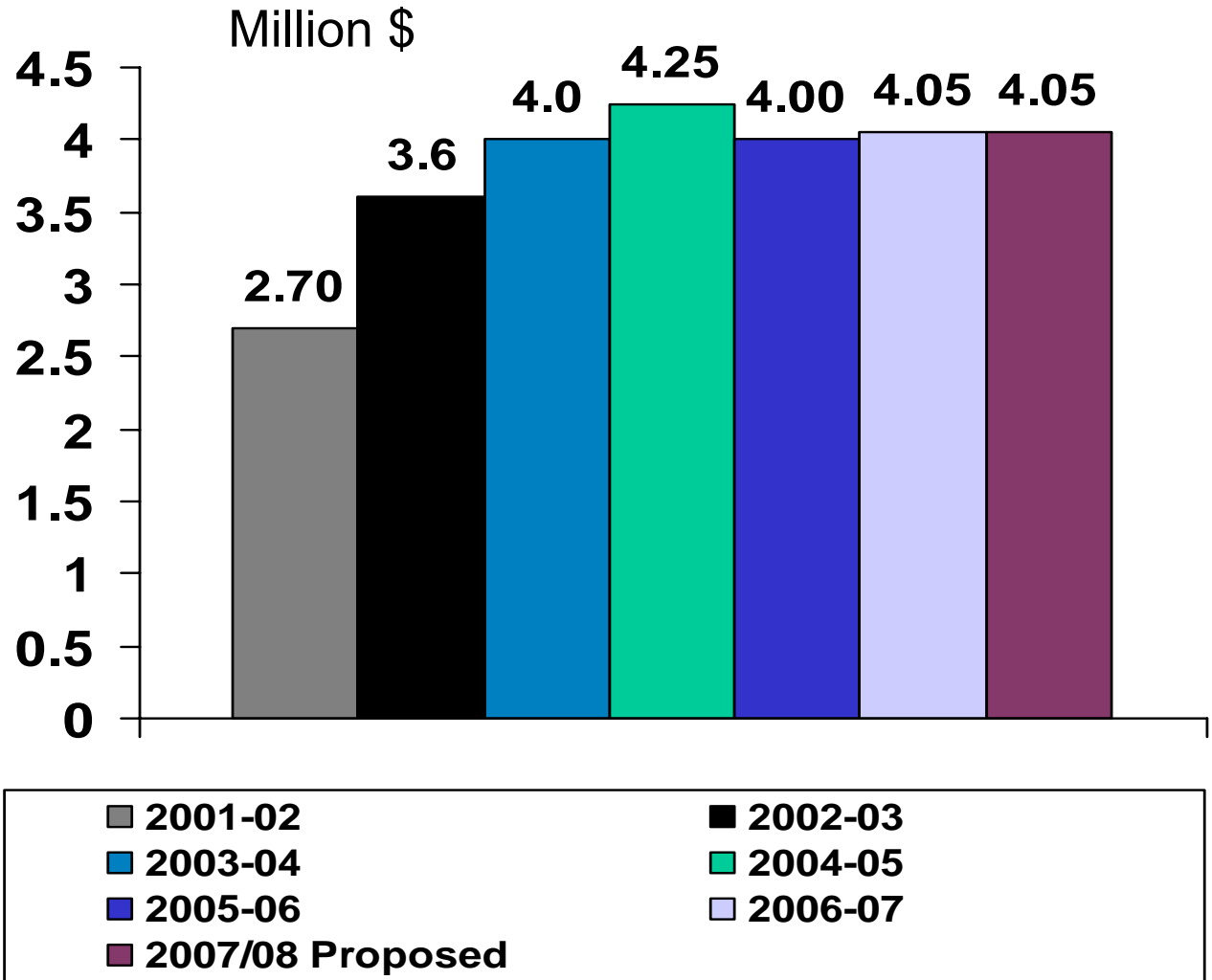
- Projection for 2007-08 = \$3,200,000
- 15.79% decrease from prior year's budget
- Anticipated decrease in this revenue received by the State





# Real Estate Transfer Tax

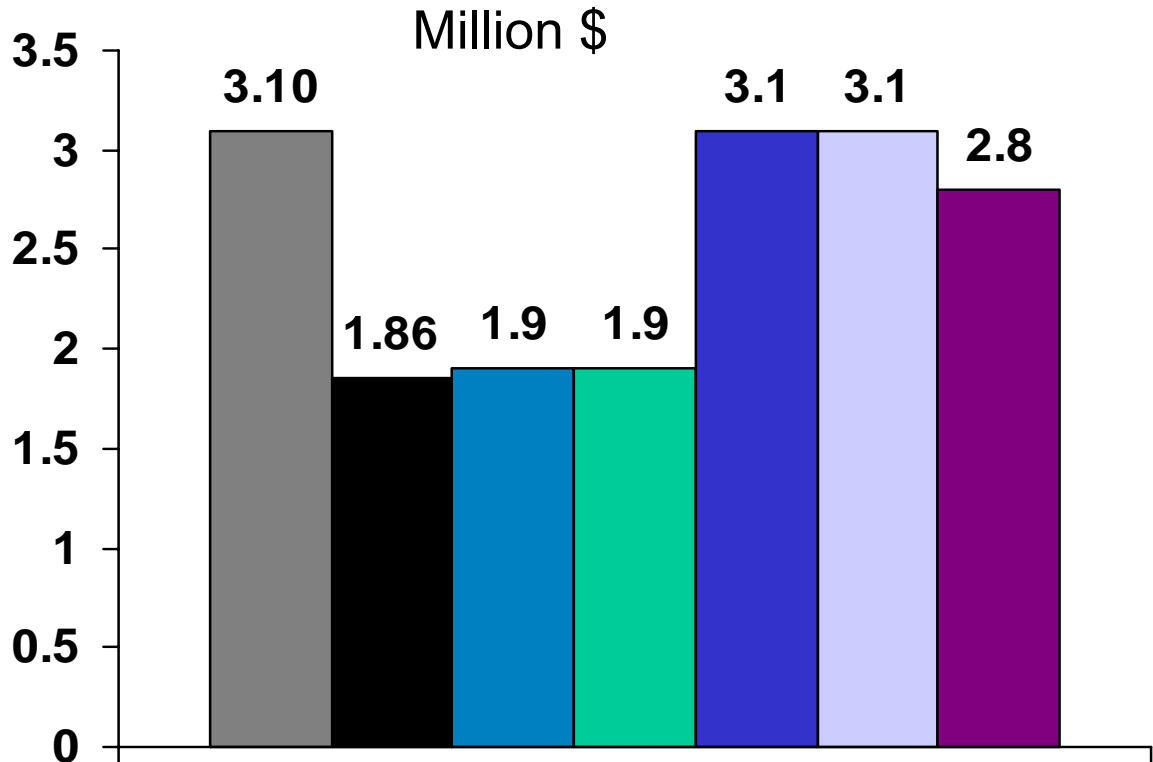
- 0.5% of sales value
- Tax falls on seller
- Average budget and actual 4.0 million since 2003/04





# Building Permit Revenue

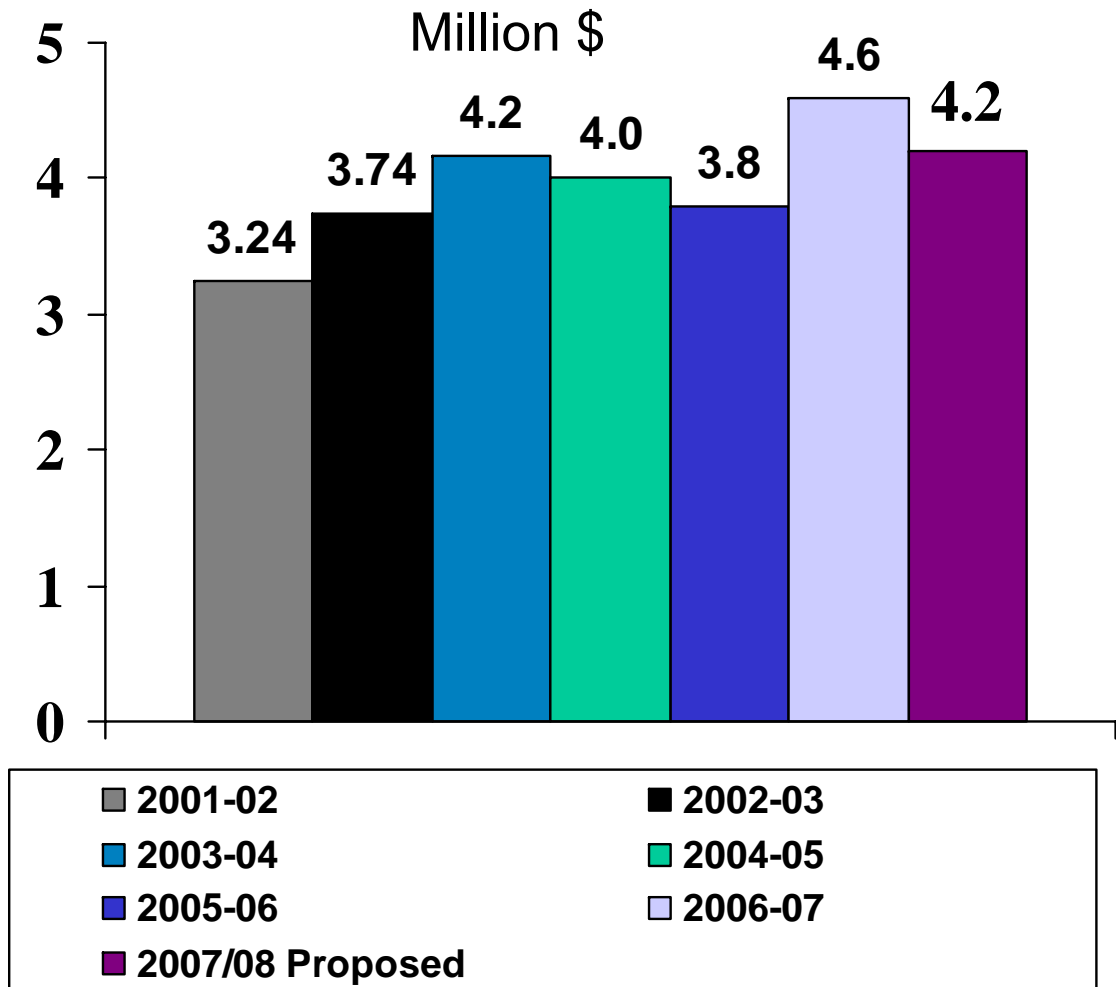
- An economically sensitive revenue that depends heavily on development





# Fines

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

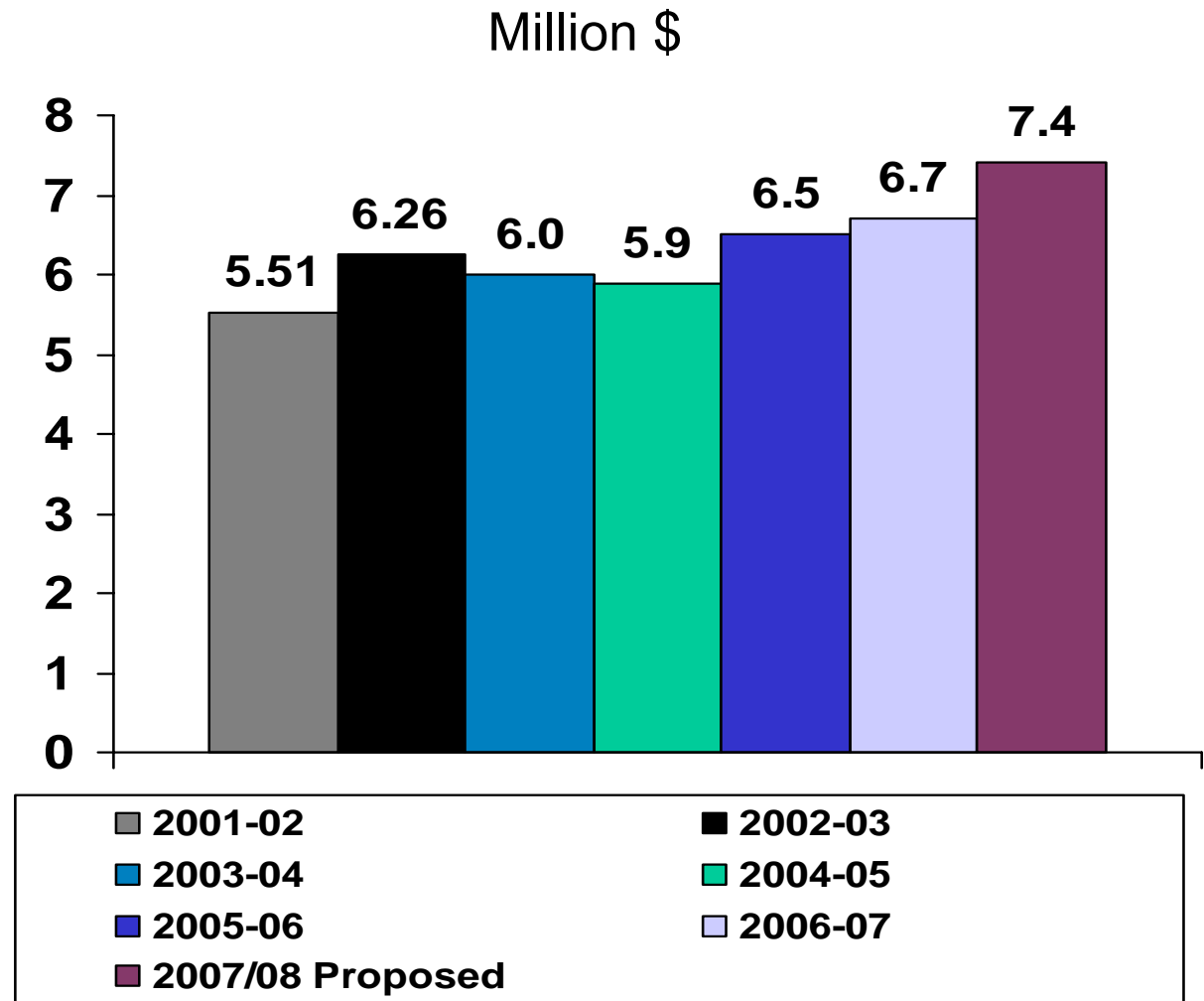






# Charges for Service

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





# Service Charge Proposed Rate Increases

## Service Charges

- Recycling Fee converted into a Sanitation Surcharge  
( Rate changed from \$3.72 to \$5.00 per month.)
- Ambulance Fee proposed increased from \$300 to \$350 for residents and from \$400 to \$450 for non-residents.
- 50/50 Tree Planting Program



## State and Federal Grants used for the General Fund operating budget

---

---

- Community Development Block Grant (CDBG)
  - Reimbursement for some personnel costs –  
\$782,634
- Health Department - (various grants) \$ 696,500
- Other Grants - \$303,000



# Transfers from Other Funds

## ► Cover the Cost of Administration

- Parking Fund
- Emergency Telephone System
- Motor Fuel Tax Fund
- CDBG Fund
- HOME Fund
- Maple Garage Fund
- Water Fund
- Fleet Service Fund
- Economic Development Fund
- Sewer Fund
- Capital Improvement Fund
- Housing Fund
- TIF Funds



# Other Funds



## Other Funds – Insurance

---

---

### Insurance Fund

- Major litigation and liability claims settled.
- Need to begin to build reserve fund for claims below stop loss policy of \$2,000,000.
- Continue to provide more aggressive risk management and training.
- Recruiting for a Risk Manager.



## Other Funds – Police Pension & Firefighters’ Pension

---

---

### **Police and Firefighters’ Pension Funds**

- Actuarially determined contribution requirements.
- Fire Pension Operating Budget = \$5,750,300
  - An 11.4% increase from the 2006-07 appropriation.
- Police Pension Operating Budget = \$5,983,500
  - A 14.86% increase from the 2006-07 appropriation.



## Other Funds – Police & Firefighters’ Pensions

History of City contributions to the Firefighters pension fund.\*

### Annual Required Contribution (ARC) - Firefighters' Pension Fund

Tax Levy Year	Fiscal Year Budget	Timeframe of Collection	Valuation Date	Valuation Completed	Amount	Payments - Fiscal Year	% of Annual Required Contribution	Variance
2005	2005/6	03/01/06 to 02/28/07	03/01/04	02/22/05	\$3,317,158	\$3,317,158	100.00%	\$ -
2004	2004/5	03/01/05 to 02/28/06	03/01/03	03/04/04	\$3,041,911	\$3,513,835	115.51%	\$ 471,924
2003	2003/4	03/01/04 to 02/28/05	03/01/02	11/18/02	\$2,685,046	\$2,531,284	94.27%	\$ (153,762)
2002	2002/3	03/01/03 to 02/28/04	03/01/01	12/17/01	\$2,355,236	\$2,609,487	110.80%	\$ 254,251
2001	2001/2	03/01/02 to 02/28/03	03/01/00	06/21/01	\$2,209,466	\$2,233,400	101.08%	\$ 23,934

\* Contribution for Tax Levy Year 2006 = \$3,921,530





## Other Funds – Police & Firefighters’ Pensions

History of City contributions to the Police pension fund.\*

### Annual Required Contribution (ARC) - Police Pension Fund

Tax Levy Year	Fiscal Year Budget	Timeframe of Collection	Valuation Date	Valuation Completed	Amount	Payments - Fiscal Year	% of Annual Required Contribution	Variance
2005	2005/6	03/01/06 to 02/28/07	03/01/04	02/22/05	\$ 4,071,765	4,071,765	100.00%	\$ -
2004	2004/5	03/01/05 to 02/28/06	03/01/03	03/04/04	\$ 4,274,043	4,469,195	104.57%	\$ 195,152
2003	2003/4	03/01/04 to 02/28/05	03/01/02	11/18/02	\$ 3,505,934	3,295,613	94.00%	\$ (210,321)
2002	2002/3	03/01/03 to 02/28/04	03/01/01	12/17/01	\$ 3,224,902	3,542,591	109.85%	\$ 317,689
2001	2001/2	03/01/02 to 02/28/03	03/01/00	06/21/01	\$ 2,990,038	3,008,181	100.61%	\$ 18,143

\* Contribution for Tax Levy Year 2006 = \$4,301,359



# Other Funds - Parking

---

---

## Parking Fund

- Anticipated expenditures of \$3,777,600
- Rate structure adopted by City Council in Summer of 2004 to keep fund stable.



## Other Funds – Water

---

---

### Water Fund

- No Rate Increase projected for 2007-08
- Operating Budget of \$13,548,200.
- A decrease of \$154,600 or 1.13% from 2006-07 appropriation.
- Funding depreciation adequately.



# Other Funds - Sewer

---

---

## Sewer Fund

- No rate increase projected for 2007-08
- Operating Budget of \$16,442,300
- A decrease of \$206,700 or (1.24%) from the 2006-07 appropriation.



## Other Funds – Fleet Services

---

---

### Fleet Services Fund

- Restricted New Equipment Purchases
- Operating Budget of \$4,399,300
- A decrease of \$758,800 or 14.71% from the 2006-07 appropriation.
- Higher Fuel Costs



## Other Funds

---

---

### **Motor Fuel Tax Fund**

- Operating budget of \$2,552,500; Funded from State of Illinois Motor Fuel Tax Fund.

### **Emergency Telephone**

- Operating Budget of \$2,257,800; Funded from wire and wireless surcharge.

### **CDBG**

- Operating budget of \$2,234,271

### **Economic Development**

- Operating budget of \$1,769,200; Funded by the Hotel and Amusement Tax.



---

# Summary



# Budget Concerns

---

---

- ❖ Increased Pension Funding Requirements
- ❖ Monitor State and Local Economy.
- ❖ Monitor actions of the State Legislature.
- ❖ Escalating cost of goods.
- ❖ Loss of Federal or State Grants due to fund reduction or diversion.





# Summary

- The FY 2007-08 proposed budget represents and effort to begin to reduce the structural financial gap that has affected the City for years.
- The recommendations presented today are difficult but necessary to begin our corrective measures.
- Substantially all services affected will be provided either by other City departments, or will be available by the private sector or other governmental agencies.



# Questions

