



Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Matthew Grady, III
Subject: **Budget Memo # 49: USE of TIF Funds to Cover City Administrative Costs**
Date: February 19, 2007

Question #1: Provide the formula used to fund employees from the TIF funds.

Response:

The City's Finance Department has annually projected the percentage of time expended by professional staff on TIF matters and determines a reasonable estimate or representative portion of certain staff person's involvement in TIF-related activities for administration. The administrative costs include planning, administrative, legal, financial, audit, development advisory, and / or marketing services performed by outside parties. Most of the outside costs (consultants, audit, etc) are allocated directly to the TIF funds while the internal staff costs (planning, legal, administrative) are allocated as a percentage of staff time. During the year and at the conclusion of the year the reimbursements can be adjusted if additional staff works on a TIF project that is extraordinary.

These expenditures and / or transfers to the General Fund have been included in the annual audits of the TIF accounts and reflected in the annual TIF Reports prepared by Kane, McKenna & Associates which are reviewed and distributed at the Joint Review Board and filed with the Illinois Office of the Comptroller. The above-described reimbursement of the City's annual administrative costs is typical of many other Illinois TIF communities in that said costs have been deemed reasonable and necessary and are incidental to single or multiple redevelopment plans and redevelopment projects.

Question #2: Can services or staff be funded out of the two new TIF districts?

Response:

Yes, as long as the charging of costs is in compliance with the State Statute. Section 11-74.4-3 of the Illinois TIF Statute, as amended in 1999, states that annual administrative costs expended on behalf of the City's TIF Districts shall not include costs that would have been incurred by the City if the City had not designated a redevelopment project area (technically, a TIF District). Therefore, the City's approach to funding annual administration or general overhead costs associated with the implementation of its TIF Districts has been in accordance with this statute and standards adhered to by other Illinois TIF communities, and within the norm regarding its methodology for determining.

Over the years, the City has accordingly reimbursed the General Fund from certain TIF Special Tax Allocation Funds for certain administrative tasks (i.e., planning, administrative, legal, financial, audit, development advisory, and/ or marketing services). An example of a direct cost for TIF funding is the additional police beat which has been formed downtown. The

development of Church Street Plaza has necessitated increased police protection. This increased police protection is eligible for TIF payment since additional police services would not have been incurred by the City if the City had not used the TIF to provide incentives for the development.

Any future efforts to allocate existing or future TIF funds to pay for administration or general overhead of any aspect of the City's TIF program should include a determination that, but for the TIF District, said costs would not have been incurred, and if so, said costs should be reimbursed on an as needed, not ongoing, basis.

Question #3: For the two new TIF districts, how much is in them and how much has been allocated to staff?

Response:

The two districts are Howard-Ridge TIF and West Evanston TIF.

- The Howard-Ridge TIF includes a proposed amount of \$114,793 in administrative costs for 2007-08. These costs include administrative expenses provided by the Community Development and Law Departments and the City Manager's Office.
- The West Evanston TIF district is new and administrative costs have not been budgeted for 2007-08.

Question #4: Can dollars be transferred to the Fire Department from TIF.

Response:

At the present time, the answer is no. As indicated in the response to question two, annual administrative costs expended on behalf of the City's TIF Districts cannot include costs that would have been incurred by the City if the City had not designated a redevelopment project area (technically, a TIF District). To illustrate this point, consider Church Street Plaza and its impact on the City's resources. There need for additional police protection was significant enough to merit the creation of an additional police beat. This beat was needed because of the increased amount of human traffic brought through the downtown area because of the movie theatre, restaurants, shopping, parking garage, etc.

For Fire services, there has not been a need that is demonstrably over and above the need that would exist without the TIF districts. For example, there has not been a dramatic increase in Fire/EMS calls to any of the TIF districts. Therefore, the City cannot claim – for any of the TIF districts - that it has incurred costs that would not have been incurred if the areas in question had not been designated redevelopment project areas.

Question #5: What was the formula or method used to determine the \$135,000 should come from Howard-Hartrey to the General Fund?

Response:

The transfer of \$135,000 from Howard-Hartrey to the General Fund is based upon the projection of the percentage of time to be expended by professional staff on issues related to this TIF district. The Finance department worked with the appropriate staff from other departments to determine a reasonable estimate or representative portion of certain staff members' involvement in TIF-related activities, expressed through a percentage that was used to determine a dollar amount, for administrative services. There are approximately five departments that are

anticipated to provide services to this district: City Manager's Office, Community Development, Finance, Legal, and Public Works.

Question #6: Is Facilities Management funded through TIF?

Response:

A portion of Facilities Management has been funded through TIF in the past. For 2006-07, a portion of the transfer to the General Fund from the Downtown II TIF was to reimburse for administrative services provided by the Facilities Management Department.



Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Matthew Grady III, Finance Director
Subject: **Budget Memo # 50: Response to Gerald Gordon's Public Comments on February 12, 2007**
Date: February 15, 2007

Question 1: Based on actual revenues recorded in FY 05-06 for General Fund interest income, has the interest income revenue forecast been underestimated? Can the interest income projections be increased so that the proposed tax levy can decrease?

Response 1: Regarding the interest income for the General Fund (pg. 71 of the Proposed Budget), even though actual revenue generated in interest income in FY 2005-06 was \$575,281, we have budgeted \$400,000 in FY 2007-08 for the reasons listed below.

1. \$575,281 includes unrealized gain/loss in the amount of \$53,827 (pg. 77) which is not cash on hand. After deducting unrealized gain/loss, interest income received in FY 2005-2006 was \$521,454.
2. The average collected for interest income not including unrealized gain/loss over the past four years is \$359,491. Since the market can fluctuate drastically from one year to the next, it would not be prudent to base FY 07-08 projections on the prior year actual alone. The \$400,000 projection is a conservative approach to the forecast when dealing with a volatile market.
3. Interest income is calculated based on cash balances. Since we recommend utilizing General Fund unreserved fund balance to replenish fund reserves in other funds, pay towards the Early Retirement Incentive Program costs, and for unfunded pension obligations, the balance available to collect interest income will be less next fiscal year, resulting in less revenue from interest income.

Question 2: It appears that interest income has been underestimated in other funds such as Debt Service, Maple Garage, and Fire and Police Pension Funds. Can we increase the projections and utilize the additional funds towards the proposed tax levy?

Response 2: Increasing the projections for interest income in the other funds mentioned above, so that funding can be transferred to reduce the tax levy is not recommended for the following reasons:

1. Fire and Police Pension Funds are trust funds. As a result, money cannot be transferred out from these funds to the General Fund. Also, any interest income that stays in the fund is used to offset against the unfunded pension liability calculation.
2. Debt Service Fund is utilized to payback general obligation bonds. The average collected for interest income not including unrealized gain/loss over the past four years in this fund is \$222,095. For FY 2007-08, \$225,000 is budgeted (page 397). The proposed amount appears appropriate.
3. Maple Avenue Garage Fund is responsible for paying the operating expenses and debt service for repayment of the bonds that were issued to fund construction of the Maple Avenue Parking structure. The average collected for interest income not including unrealized gain/loss over the past four years in this fund is \$52,748. For FY 2007-08, \$50,000 is budgeted (page 401). The proposed amount appears appropriate.



Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Matthew Grady III, Finance Director
Subject: **Budget Memo #51: Analysis of Potential Revenue and Expenditure Changes to the General Fund and Property Tax Levy**
Date: February 15, 2007

This memo is provided in response to an aldermanic request for an analysis of the impact of the following scenarios on the General Fund and the Property Tax Levy:

1. Adopting the \$1.28 Refuse Fee increase and lowering the Property Tax Levy by \$300,000 in the General Fund;
2. Utilizing \$350,000 of the funds received from Northwestern University to lower the Property Tax Levy in the General Fund;
3. Utilizing \$350,000 of the funds received from Northwestern University to lower the Property Tax Levy in the General Fund *and* approving the \$1.28 Refuse Fee increase to lower the Property Tax Levy in the General Fund by \$300,000. Total reduction in the levy of \$650,000.
4. Utilizing \$500,000 of the funds received from Northwestern University to lower the property tax levy in the General Fund.
5. Utilizing \$500,000 of the funds received from Northwestern University to lower the property tax levy in the General Fund *and* approving the \$1.28 Refuse Fee increase to lower the Property Tax Levy in the General Fund by \$300,000. Total reduction in levy of \$800,000.

Each scenario is presented on the following pages. Also included is a presentation of where the General Fund and Property Tax Levy stand with none of the changes applied.



Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Matthew A. Grady, III, Director of Finance
Subject: **Budget Memo #52: Response to Alderman Rainey's Email Dated February 16, 2007**
Date: February 19, 2007

Question 1: Please provide actual YTD revenues for Vehicle License Tax, Athletic Tax, Liquor Tax, Cigarette Tax, and other major tax revenues. Compare these figures to FY 07-08 budget and FY 05-06 actual expenditures.

Response 1: The table below compares the FY 07-08 budget to the FY 05-06 and FY 06-07 year-to-date actual revenue collected. The Athletic Contest Tax should be paid before fiscal year end, bringing the actual revenue collected near the budgeted amount. For an analysis on other major revenue sources, please refer to the FY 07-08 Proposed Budget Revenue Changes memo dated February 15, 2007.

	FY2005-06	FY 2006-07	FY 2006-07	FY 2007-08
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>
Athletic Contest Tax	\$ 663,896	\$ 500,000	\$ 97,571	\$ 510,000
Cigarette Tax	\$ 400,492	\$ 550,000	\$ 528,473	\$ 550,000
Liquor Tax	\$ 1,772,039	\$ 1,600,000	\$ 1,598,823	\$ 1,800,000
Vehicle Licenses	\$ 2,128,640	\$ 2,200,000	\$ 2,163,460	\$ 2,200,000

Question 2: Please itemize miscellaneous general fund revenues budgeted in FY 2006-07 at \$5,404,100. (From Budget Memo #48)

Response 2: The table below compares FY 2006-07 budget to year-to date miscellaneous revenues collected as of February 18, 2007.

	<u>FY2005-06</u> <u>ACTUAL</u>	<u>FY 2006-07</u> <u>BUDGET</u>	<u>FY 2006-07</u> <u>ACTUAL</u>	<u>FY 2007-08</u> <u>BUDGET</u>
<u>Miscellaneous Charges - To Other Funds</u>				
Fleet Fund	123,300	171,500	171,500	0
Community Development Fund	936,672	909,500	880,500	782,634
Home Fund	39,288	39,300	41,772	32,700
Emergency Telephone System Fund	170,000	179,000	179,000	126,000
Economic Development Fund	385,300	400,000	400,000	390,000
Parking Fund	688,900	711,500	711,500	602,500
Water Fund - Administrative Expense	1,113,000	1,202,400	1,202,400	765,600
Maple Garage Fund	40,700	43,000	43,000	43,000
Sewer Fund	647,400	543,600	543,600	413,800
Total Charges To Other Funds	\$ 4,144,560	\$ 4,199,800	\$ 4,173,272	\$ 3,156,234
<u>Miscellaneous - Other Revenues</u>				
Property Sales and Rentals	68,950	162,900	62,396	70,000
Damage to City Signage	10,357	5,000	6,169	5,000
Damage to City traffic Signal	23,842	10,000	30,321	20,000
Damage to Street Lights	0	0	0	0
Damage to Other City Property	6,576	50,000	0	8,000
Miscellaneous Revenue	92,867	365,500	239,708	271,673
Reserves	0	571,900	0	0
Payment in Lieu of Taxes	26,898	27,000	25,000	27,000
Parking Permits - Ryan Field	13,020	12,000	17,141	12,000
Mayors Summer Youth Program	0	0	0	0
Total Other Revenues	\$ 242,509	\$ 1,204,300	\$ 380,736	\$ 413,673
Total Miscellaneous	\$ 4,387,070	\$ 5,404,100	\$ 4,554,008	\$ 3,569,907

Question #3: Please clarify the Maple Avenue Garage Fund early debt service payment.

Response #3: The 2000B bond was paid in full from the Maple Avenue Garage Fund. This early full payment of debt occurred for the following two reasons:

- 1) To ensure that the debt was paid off prior to expiration of the Downtown II TIF in FY 2009 -10.
- 2) To take advantage of favorable market rates, resulting in cost savings for the City.



Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Matthew A. Grady, III, Director of Finance
Subject: **Budget Memo #53: Cost for Bond Issue on \$1,050,000**
Date: February 19, 2007

Question: What is the penalty for transferring \$1,050,000 out of the Capital Improvement Program to the General Fund and replacing the money with bond proceeds?

Response: The penalty for transferring \$1,050,000 from CIP to the General Fund is \$614,000, which is the interest that would be paid out. This calculation is based on a 4.5% interest rate over 20 years.