



2020-21 PROPOSED BUDGET

October 4, 2019

Mayor Stephen H. Hagerty and
Members of the City Council:

I am honored to present the Proposed FY 2020-2021 Budget for the City of Evanston, Illinois, for the years of January 1, 2020 through December 31, 2020, and January 1 2021 through December 31, 2021. The budget is a policy document which sets the financial course for the City of Evanston and defines the priorities of services provided to the community. It is the culmination of months of effort by City staff and residents to balance available resources with the actual and desired services required by Evanston residents, businesses, and visitors.

The total Proposed Budget for FY 2020 is \$317,296,978, which includes interfund transfers; this is the total expense for all funds including the Library. This represents a decrease of \$1,868,471 or 0.6% from the 2019 Adopted Budget.

This year, City Council directed staff to create a biennial budget document in order to facilitate better long-term planning. Evanston is one of the first Illinois municipalities to make this change. City Council will adopt a formal budget ordinance and tax levies for only fiscal year 2020. The projected budget for 2021 will serve as a policy guide for the coming year, and will be amended and formally adopted during the fall of 2020. The total Projected Budget for FY 2021 is \$299,358,123.

In September 2019, the City held a series of community roundtable discussions on the budget process. The purpose of these meetings was to present an overview of the City's budget and to gather feedback from residents on the City's current services and 2020 budget process. This feedback is presented in a separate memo on the [City's website](#).

2019-2020 City Council Goals

On April 29, 2019, City Council approved the following goals for 2019-2020:

- Invest in City Infrastructure and Facilities
- Stabilize Long-Term City Finances
- Enhance Community Development and Job Creation Citywide
- Expand Affordable Housing Options
- Ensure Equity in All City Operations

Further detail on these goals can be found in a [report on the City's website](#). Department performance on these goals and upcoming initiatives are detailed in each department's narrative in the General Fund section of this document.

Baseline Budget

The Baseline Budget for the City's General Fund includes expense increases that are known or contractually obligated. Revenues are adjusted based on prior year actuals, current year trends, and policy or economic changes in the upcoming year. All other sections of the budget document reflect baseline General Fund numbers. Other proposed changes to revenues and expenses are tracked in the Budget Balancing Worksheet included later in this transmittal letter.



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Revenue Changes

2020 Baseline Revenue in the General Fund is expected to increase by \$2.1 million from the 2019 Adopted Budget. A summary of changes to major revenue sources is shown in the table below.

Home Rule Sales Tax Increase

On September 23, 2019, City Council approved an increase to the home rule sales tax from 1.0% to 1.25%, effective January 1, 2020. This brings the total sales tax rate on general merchandise to 10.25%, matching the current rate in neighboring Skokie, Chicago, and other nearby communities. The new rate is expected to yield \$1.5 million in new revenue for the General Fund, which is built into the General Fund baseline budget.

Selected Revenue	FY2019 Adopted	FY2020 Proposed	\$ Change	%	Comment
State Use Tax	\$ 2,000,000	\$ 2,100,000	\$ 100,000	5.0%	Estimate increased based on Illinois Municipal League (IML) projections. Increase likely due to enforcement of use tax for online sales.
Home Rule Sales Tax	\$ 6,300,000	\$ 7,800,000	\$ 1,500,000	23.8%	Increase based on new rate of 1.25% effective January 1, 2020.
Athletic Contest Tax	\$ 1,080,000	\$ 1,000,000	\$ (80,000)	-7.4%	Estimate decreased based on Northwestern football home game schedule in 2020.
State Income Tax	\$ 7,210,000	\$ 7,600,000	\$ 390,000	5.4%	Estimate increased based on IML per capita distribution. Increase is likely caused by low unemployment rates and increased state minimum wage.
Evanston Motor Fuel Tax	\$ 1,225,000	\$ 1,300,000	\$ 75,000	6.1%	Estimate is based on historical trends.
Parking Tax	\$ 3,450,000	\$ 3,200,000	\$ (250,000)	-7.2%	Estimate is based on historical trends.
Real Estate Transfer Tax	\$ 4,150,000	\$ 3,800,000	\$ (350,000)	-8.4%	The budget for this revenue was increased in 2019 with the implementation of a higher tax rate on sales over \$1.5 million in value. Proposed budget for 2020 is lower based on 2019 actuals and projected cooling of real estate market.
Telecommunications Tax	\$ 1,920,000	\$ 1,800,000	\$ (120,000)	-6.3%	This tax is diminishing as fewer residents use landline phones in their homes.
Cable Franchise Fee	\$ 1,000,000	\$ 950,000	\$ (50,000)	-5.0%	This tax is diminishing as fewer residents purchase cable television services.
Ambulance Service	\$ 2,150,000	\$ 2,200,000	\$ 50,000	2.3%	Estimate is based on historical trends.
Recreation Program Fees	\$ 5,549,409	\$ 6,473,500	\$ 924,091	16.7%	Increase primarily for new programming and rental fees at new Robert Crown Community Center.
Total of Selected Revenue	\$ 36,034,409	\$ 38,223,500	\$ 2,189,091		



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Salaries and Benefits

In 2019, the City settled contracts with its four employee unions for the years 2019-2022. The contracts include effective general wage increases for the years 2020-2022 as follows:

- American Federation of State, County, and Municipal Employees (AFSCME) - 1.5% in 2020, 2.5% in 2021 and 3% in 2022.
- Fraternal Order of Police (FOP) Sergeants – 1.5% in 2020, 2.5% in 2021 and 3% in 2022.
- Fraternal Order of Police (FOP) Officers - 2.5% in 2020, 2.25% in 2021, 2.25% in 2022.
- International Association of Fire Fighters (IAFF) – 2.5% in 2020, 2.25% in 2021, 2.25% in 2022.

Union employees also receive step increases during their first 7-10 years of service, which vary by grade and contract. Non-union employees are projected to receive general wage increases on track with AFSCME employees. Overall, General Fund salaries will increase by \$1.8 million in 2020 and another \$1.8 million in 2021. Salary expenses will also increase in other funds.

Health insurance expenses in the General Fund are expected to increase by \$180,000 each year. The required contribution for IMRF pensions is increasing from 6.23% of earnings in 2019 to 8.74% in 2020, costing an additional \$584,000 in the General Fund. IMRF pension contributions are required for the majority of AFSCME and non-union employees.

Crown Community Center Operations

The new Robert Crown Community Center is expected to open in January 2020. Thanks to the upgraded and expanded space, the Parks, Recreation, and Community Services department will be able to greatly expand programming and space rental opportunities. As a result, operating expenses and revenues will increase for the new center. The net impact of these increases is neutral to the General Fund as compared to the 2019 adopted budget, with revenues and expenses each increasing by about \$900,000 in 2020. This includes the addition of 4.5 full-time equivalent (FTE) positions.

Included in the expenses is a transfer of \$175,000 to the new Crown Center Maintenance Fund. The Maintenance Fund is intended to build up a balance in order to support major equipment replacements and other maintenance expenses for the new building over time.

Fundraising for the facility by Friends of the Robert Crown Center (FRCC) volunteer organization is on track. To date, over \$12 million of the \$15 million goal has been raised for the construction and financing of the new Center.

Social Services Reorganization

In 2019, the City evaluated social services programs and operations through a Racial Equity Impact Assessment process. The City looked at how inequities in income, health, and other indicators of well-being occur over time and found that these inequalities have been created through systemic bias, public policy, and institutional practices. Recommendations were proposed to City Council in August 2019 after a thorough review that involved multiple roundtable discussions with staff, program participants and the community-at-large. These include moving all social services operations into the Health and Human Services Department in order to provide for a holistic



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approach and improve coordination between the various services being provided, with the goal of improving outcomes citywide. This reorganization has been implemented in the baseline budget.

As part of this reorganization and to affirm the City’s commitment to its most vulnerable residents, all Social Services are being moved out of the General Fund to the Human Services Fund. A new property tax levy would then be created to specifically support these services, in the amount of \$3,310,674. This would allow the corporate levy to be reduced by \$2,550,000 for a net increase of 1.6%, as shown in the Budget Balancing Worksheet. The proposal also includes the addition of new positions and reclassification of existing positions as recommended in the social services review. Organizing the fund in this manner will create a dedicated revenue source for Social Services provided by the City and separate these services from general operations.

Human Services Fund	
	Expenses
Mental Health Board Distribution	736,373
Presence Health Contract	143,333
Other Program Costs	8,000
Baseline Human Services Fund Expenses	\$887,706
Youth & Young Adult Division	1,502,154
Human Services & Community Health Divisions	783,814
New Positions for Social Services Reorganization (3 FTE)	300,000
Proposed Human Services Fund Expenses	\$3,473,674
	Revenues
Human Services Grant Revenue	\$93,000
Transfer from Library Fund	\$70,000
New Human Services Tax Levy	\$3,310,674
Proposed Human Services Fund Revenue	\$3,473,674

Budget Balancing Worksheet

The Budget Balancing Worksheet (BBWS) is a tool used to track and highlight proposed changes to the General Fund. The worksheet starts with the baseline budget revenues and expenses, which includes the items discussed above. Changes to revenues and expenses are then listed below as a package resulting in a balanced budget. Two items included are highlighted below the worksheet. Additional detail on requested changes can be found in the Budget Memos posted on the [City’s website](#).



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Proposed 2020 Budget Balancing Worksheet

<u>General Fund Summary</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Baseline General Fund (includes sales tax increase)	\$118,076,525	\$117,970,285	\$106,240
Proposed General Fund Changes (detail below)	-\$906,000	-\$853,539	-\$52,461
Proposed General Fund Budget	\$117,170,525	\$117,116,746	\$53,779
<u>Proposed General Fund Changes</u>	<u>Revenues</u>	<u>Expenses</u>	
Health & Human Services			
Move consolidated Social Services to Human Services Fund	(93,000)	(2,285,968)	
Remove transfer to Human Services Fund		(828,471)	
Decrease to General Fund Tax Levy	(2,550,000)		
Community Development			
Amusement tax increase (4% to 5%)	75,000		
Self Storage user fee (5%)	50,000		
Electronic plan review and self-service permitting software		150,000	
Administrative Services			
Disaster recovery software		50,000	
New administrative adjudication software		10,000	
Long-term financial forecasting software		40,000	
Increase transfers to Equipment Replacement Fund		200,000	
Parking fine standardization and realignment	75,000		
Police Department			
Increase Police Department overtime budget		500,000	
Increase revenue for overtime reimbursements	400,000		
Administrative Towing Fee	50,000		
Increase expenses for Police Payouts (per union contracts)		400,000	
Hold 3 Police Officer positions vacant		(240,000)	
Elimination of Records Manager position (vacant)		(118,000)	
Reclass Assistant Records Manager to Records Coordinator		10,000	
Hold 1 Commander position vacant (retirement Nov. 2019)		(166,000)	
Increase reimbursement for telecommunicators from E911 Fund	200,000		
Fire Department			
Hold 2 Firefighter positions vacant		(156,500)	
Increase Fire Department overtime budget		100,000	
Emergency incident cost recovery (insurance billing only)	75,000		
Parks, Recreation and Community Services			
Increase seasonal employee budgets for state minimum wage		125,000	
Public Works Agency			
Triannual elm tree innoculation		550,000	
Use of elm tree innoculation reserve funds	500,000		
Move expenses to Motor Fuel Tax Fund		(858,600)	
Increase transfer from Motor Fuel Tax Fund	62,000		
City-Wide Changes			
Contribution to general fund balance		1,500,000	
Exempt employee merit increases and compression adjustments		165,000	
Recreational Cannabis Tax	250,000		
Total General Fund Proposed Changes	-\$906,000	-\$853,539	



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Fund Balance Contribution

In 2018, City Council committed to adopting surplus budgets through 2021 in order to improve the General Fund Balance. The ending 2018 General Fund balance was \$13,632,363, which is 12% of annual expenses. The City's Fund Balance Policy and financial best practices state that fund balance should be 16.6% of operating expenses. The Budget Balancing Worksheet includes a \$1.5 million contribution to fund balance in 2020, which would bring 2019 ending balance to 13% of expenses.

Motor Fuel Tax Funding

As part of the FY2020 Illinois State Budget, the motor fuel tax was increased by 19 cents. A portion of this increase is to be distributed to municipal governments through a new state Transportation Renewal Fund. The City expects to receive approximately \$1,000,000 in new revenue from this source in 2020. These funds will be deposited into the Motor Fuel Tax (MFT) Fund, which is restricted for certain uses related to street maintenance and improvements. The General Fund currently pays for a number of MFT eligible expenses. Staff proposes that these purchases be moved to the MFT fund, creating a savings for the General Fund. An additional \$62,000 will also be transferred from the MFT fund to the General Fund to support street maintenance staff.

Property Tax

The property tax levies for the City and Library combined make up approximately 20% of the total property tax paid by Evanston residents. This 20% goes to multiple funds in the City's budget. The City's tax rate is determined by dividing the tax levy by the equalized assessed value (EAV) of the total taxing district. The EAV is determined by Cook County through the assessment process.

The triennial reassessment in 2019 will be used on tax bills beginning in 2020. Initial projections from Cook County show the EAV for Evanston increasing by up to 60%. With appeals still in progress, staff anticipates that the final increase will be lower than 60%, but still a substantial increase over the prior year's EAV. The reassessment also creates a shift of the property tax burden from residential to commercial properties.

A summary of proposed changes to the City's property tax levy is shown in the table below. The changes to the General Fund Tax Levy and the Human Services Fund are described above. The net increase on these two levies is equal to a 1.6% of the total City and Library Levy. Changes to other tax levies are described below the table.



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	2019 Adopted Budget 2018 Tax Levy	2020 Proposed Budget 2019 Proposed Tax Levy	Proposed Change	Increase as % of total levy
General Fund Tax Levy	11,845,303	9,295,303	(2,550,000)	-5.1%
Human Services Fund	-	3,310,674	3,310,674	6.7%
Solid Waste Fund	820,000	1,332,500	512,500	1.0%
Debt Service Fund	10,879,993	12,521,931	1,641,938	3.3%
Fire Pension Fund	7,986,584	8,967,037	980,453	2.0%
Police Pension Fund	10,177,308	10,900,650	723,342	1.5%
City Total	41,709,188	46,328,095	4,618,907	9.3%
General Assistance Total	900,000	1,080,000	180,000	0.4%
Library Fund	6,750,000	7,252,000	502,000	1.0%
Library Debt Service	353,437	480,145	126,708	0.3%
Library Total	7,103,437	7,732,145	628,708	1.3%
City and Library Total Net Levy	49,712,625	55,140,240	5,427,615	10.9%

Solid Waste Fund

The property tax levy for the Solid Waste Fund is proposed to increase by \$512,500. This is the last of three annual increases that were agreed to by City Council on October 9, 2017 instead of increasing sanitation service charges at that time. This was reaffirmed on November 12, 2018 when City Council approved increases to sanitation charges in addition to the property tax increases. If this revenue were to be raised through increasing sanitation charges rather than property tax, the increase to rates would be 14%. The table below shows the additional annual cost that this would translate to if this option was chosen instead of a property tax increase.

	2019 Monthly	2019 Annual	2020 Monthly	2020 Annual	Additional Annual Cost
Residential - 65 gal roll-out cart	\$9.14	\$109.68	\$10.42	\$125.04	\$15.36
Residential - 95 gal roll-out cart	\$20.64	\$247.68	\$23.53	\$282.36	\$34.68
Condo (per unit)	\$8.85	\$106.20	\$10.09	\$121.07	\$14.87

Debt Service Fund

The property tax levy for Debt Service is proposed to increase by \$1,641,938. This increase is equal to 3.3% of the total City/Library levy. The 2020 payment for 2019 bonds on the new Robert Crown Center will be \$637,500, which make up a portion of the overall increase. An additional \$959,750 is an increase in payments on the 2018C bonds, which refunded 2008 series bonds. This refunding created savings in 2018 which allowed the Debt Service levy to remain flat from the 2018 budget to the 2019 budget. Debt service is also supported by a \$2 million transfer from the General Fund in the Baseline Budget, which was started in 2015 and increased in 2018 and 2019. Staff recommends that the City work to reduce this transfer in future years to allow the debt service levy to reflect true payments on outstanding bonds.

Pension Funds

Tax levies for the Police and Fire Pension funds are proposed to increase by a total of \$1.7 million in 2020. This is the amount recommended based on actuarial valuation reports as of January 2019.



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The increases are recommended due to a change in the mortality rate assumption and lower than assumed investment returns for 2018. The recommended increases would bring annual contributions to \$11.2 million in the Police Pension Fund and \$9.2 million in the Fire Pension Fund. These are \$1.6 million and \$1.5 million higher, respectively, than the required minimum contributions under state statute.

General Assistance Fund

The levy for General Assistance services is proposed to increase by \$180,000 in order to support continuing General Assistance services at current levels.

Library Funds

The Evanston Public Library Board has approved a budget for Library Funds that includes an increase of \$502,000 to the property tax levy. This will support current operations as well as the new library branch opening in the Robert Crown Community Center.

Other Funds

While many of the City's services are funded through the General Fund, the budget includes more than 35 other funds that serve a variety of purposes. Changes to major funds are highlighted below. Further detail on all funds can be found in the Executive Summary and in the Other Funds section of the document.

Capital Improvements

The City continues its work to improve infrastructure and facilities. The new Robert Crown Community Center building will open in January 2020, with demolition of the old building and construction of new turf fields to take place during the spring and summer of 2020. The project is expected to be completed in July 2020. Water main and street resurfacing projects continue across the City, including a major project in the Howard Street Corridor that is partially supported by federal funding and the City of Chicago. Other major capital projects scheduled for 2020 include replacement of the Central Street Bridge, improvements to McCullough Park, and HVAC improvements at City facilities. More detail on the 2020 capital improvements plan can be found in the Capital Improvements Section of this document.

Parking Fund

In the 2019 budget process, City Council adopted an increase in parking meter rates to \$1.50 per hour in 2019 and \$2.00 per hour in 2020. The 2020 proposed budget for the Parking Fund includes this anticipated increase to \$2.00 per hour. The rate increase has enabled the City to undertake significant capital improvements to parking lots and garages, replace single space meters with more efficient and effective pay stations, and expand use of the ParkEvanston mobile app. Additionally, the new rate has supported General Fund operations via an annual transfer of \$2.9 million.

Water & Sewer Funds

In 2020, staff is proposing to increase water rates by 5.4% and decrease sewer rates by 4.46%. This change is neutral to Evanston residents, with the combined water and sewer rate remaining at \$6.13 per 100 cubic feet. Major capital improvements in the Water Fund include the construction of the connection for Lincolnwood water supply, water main replacements on Dodge and Howard Street, and improvements to the downtown feeder line. The City also continues construction of a new



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treated water storage tank at the water treatment plant, funded through low-interest IEPA loans. In 2020, the Sewer Fund will contribute \$1.5 million to the construction of storm water detention infrastructure under the turf fields at the new Crown Community Center.

Looking Forward

The projected 2021 budget for the General Fund shows a deficit of \$2.1 million. Most of this can be attributed to increasing expenses for salary and benefits due to union contracts as discussed above. It is also caused by a loss of \$480,000 in revenue to the General Fund from the Good Neighbor Fund agreement with Northwestern, which is set to expire in 2020. The City will begin discussions with the University in early 2020 with the goal of a renewed financial commitment to the City from Northwestern. If successful, this funding will improve the budget outlook for the coming years.

Property tax, debt levels and City infrastructure remain an ongoing concern. The City has many budget pressures, but also much opportunity. As we move forward, City staff will be focusing efforts on long-term financial planning with a goal of modeling financial stability over the next decade, providing the City Council with different options to balance the budget so that future budget processes can be more proactive than reactive.

In closing, I would like to thank the City's Chief Financial Officer/Treasurer Hitesh Desai for his leadership of the budget process and his efforts to produce a responsible budget which strives to address City needs within the scope of our available resources. Special thanks to Budget Coordinator Kate Lewis-Lakin for her work in preparing this budget document. I would also acknowledge the contributions of Revenue Manager Alex Thorpe, Deputy City Manager Kimberly Richardson and Human Resources Manager Jennifer Lin in the development of the annual budget. Chief Equity Officer Patricia Efiom, Assistant to the City Manager Paulina Martinez, ICMA Fellow Shenicka Hohenkirk, and the Community Engagement group were integral to our outreach and engagement efforts surrounding this year's budget. Many thanks to the Department Directors and their respective staff for their assistance in helping to find solutions to this year's budgetary challenges. Finally, I thank our outgoing City Manager, Wally Bobkiewicz, for his leadership of the City through this and many previous budget processes.

Sincerely,

Erika Storlie
Interim City Manager