



PART I

BUDGET MESSAGE



2021 ADOPTED BUDGET

Budget Transmittal Letter

January 1, 2021

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

I am honored to present the Adopted Fiscal year 2021 Budget for the City of Evanston, Illinois, for the period of January 1, 2021 through December 31, 2021. The budget is a policy document which sets the financial course for the city and defines the priorities of services provided to the community. It is the culmination of months of effort by City staff, residents, and elected officials to balance available resources and provide high-quality services to Evanston residents, businesses, and visitors.

The total Adopted Budget for fiscal year 2021 is \$296,146,105, which includes interfund transfers. This is the total expense for all funds including the Evanston Public Library. This represents a decrease of \$24,563,125 or 7.66% from the 2020 Adopted Budget.

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

Department performance on these goals and upcoming initiatives are detailed in each department's narrative in the General Fund section of this document.

2020 Year-End Estimate

Since March 2020, the world has experienced a pandemic caused by the novel coronavirus known as COVID-19. This crisis has deeply affected the City's priorities and operations. Since day one, employees across the organization have been dedicated to fighting the virus, keeping our residents safe, and continuing to provide vital City services in frequently changing circumstances.

While City employees work harder than ever during the pandemic, the City has experienced catastrophic losses in revenue to fund operations. The revenue losses are due to a contraction of economic activity as a result of the pandemic. Altogether, the City expects about a \$12 million loss in General Fund revenue by the end of 2020. Income tax and sales tax are expected to be 20-25% below budget. Some smaller revenue sources including amusement tax, athletic contest tax, hotel tax, and auto rental tax have been decimated and are showing losses around 80% of budget.



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The City has taken many steps to mitigate the impact of revenue losses and reduce the City's deficit in the current year. Since March, 12 full-time employees have been laid off, and the City Manager has instituted a hiring freeze for all vacant positions. This has led to about 50 vacant positions across all City departments being held open, yielding savings of close to \$4 million. Non-union and AFSCME employees are required to take 10 unpaid furlough days before December 15, some of which will be unpaid holidays for non-union employees. Fire Department employees represented by IAFF have agreed to forgo general wage increases for 2021 and 2022 in lieu of furlough days. The City is still in negotiations with the FOP union to determine comparable savings from the police department. Across the City, expenses have been closely scrutinized and all unnecessary spending has been halted for the year. Together, these steps are expected to save \$10 million in expenses by year end, leaving the City with \$2 million in deficit spending from the General Fund.

The City expects to receive approximately \$4.5 million in grant funding related to COVID-19 response, as listed below. These grants are given on a reimbursement basis, and as of October 8, 2020 about \$1,300,000 has been received. Most grants will carry over into 2021, and appropriate amounts are shown in the 2021 budget. Grants received in 2020 cover increased expenses due to COVID-19 response.

- Federal Emergency Management Agency (FEMA) Public Assistance - \$1,104,026
- COVID-19 Contact Tracing Grant - \$817,632
- Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Funds Cook County - \$619,214
- CARES Act Provider Relief Fund (for EMT) - \$51,631
- COVID-19 Crisis Grant - \$58,457
- National Association of County and City Health Officials (NACCHO) - \$50,000
- Community Development Block Grant (CDBG-CV) - \$1,080,243
- Emergency Solutions Grant (ESG-CV) - \$966,314

2021 Budget Priorities

For the 2021 Budget, the City focused on maintaining core services and ensuring the continued health and safety of our residents. In September 2020, staff hosted four community budget conversations, which gave residents an opportunity to share ideas and concerns related to the 2021 budget. The feedback from these meetings can be found on the [City's Budget webpage](#). Across all meetings, themes emerged related to the importance of human and social services in the face of ongoing pandemic. Residents stated concerns related to affordable housing, food security, support for small businesses, and preventing future COVID-19 outbreaks.



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2021 Baseline Budget

Unfortunately, the COVID-19 crisis has not yet been resolved, and staff anticipates continued safety restrictions and economic impact through 2021. The 2021 budget reflects revenue loss of \$8 million compared to the 2020 budget. A summary of major losses is shown in the table below.

Selected Revenues	2020 Budget	2021 Budget	Loss \$	Loss %
State Income Tax	\$7,600,000	\$6,600,000	\$(1,000,000)	-13%
Sales Tax - Basic	10,250,000	9,750,000	(500,000)	-5%
Sales Tax - Home Rule	7,800,000	7,250,000	(550,000)	-7%
Municipal Hotel Tax	2,390,000	1,200,000	(1,190,000)	-50%
Athletic Contest Tax	1,160,000	500,000	(660,000)	-57%
Real Estate Transfer Tax	3,800,000	3,000,000	(800,000)	-21%
Parking Tax	3,200,000	2,600,000	(600,000)	-19%
Parking Tickets	3,800,000	3,200,000	(600,000)	-16%
Recreation Program Fees	6,473,500	5,616,375	(857,125)	-14%
Transportation Network Tax	680,000	510,000	(170,000)	-25%
Motor Fuel Tax	1,300,000	1,000,000	(300,000)	-23%
Liquor Tax	3,150,000	2,900,000	(250,000)	-8%
Amusement Tax	430,000	200,000	(230,000)	-53%
Telecommunications Tax	1,800,000	1,600,000	(200,000)	-11%
Wheel Tax	3,000,000	2,900,000	(100,000)	-3%
Total Selected Revenues	\$56,833,500	\$48,826,375	\$(8,007,125)	-14%

From this \$8 million in revenue lost, the City faced a 2021 General Fund baseline deficit of \$4.5 million. This is due to the 2020 budget including a surplus of \$1.6 million and the removal of \$2 million in a transfer from the General Fund to the debt service fund. Without the transfer, the necessary increase in the debt service levy is only \$1.4 million thanks to savings accomplished by refunding 2011 and 2012 bonds in August 2020. More discussion of the City's debt and annual debt service can be found in the Charts and Summaries section of this document.

2021 Budget Balancing Worksheet

The Budget Balancing Worksheet on the following pages begins with a General Fund deficit of \$4.5 million. The Worksheet is a tool used to track changes proposed during the budget review process to bring the General Fund to balance. Important items from the worksheet are highlighted below.



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Fund Balance – For 2021, City Council chose to include a \$500,000 draw from reserves in the General Fund budget. This was decided in recognition of the economic hardships faced by the community this year and a desire to keep the impact on the property tax low. This draw is projected to bring the General Fund Balance to \$13,156,086 by December 31, 2021, which is approximately 12% of budgeted expenses. City Council will discuss plans in 2021 to bring fund balance back to the recommended policy level of 16.6% of expenses.

Position Eliminations - The worksheet includes 15 positions to be eliminated, 14 of which were already vacant. These cuts yield savings of \$1.2 million to the General Fund. Most of these positions are in the Police Department, including 11 currently vacant police officer positions. This reduction brings sworn Police staff from 165 to 154 full-time employees. The department is currently operating with 146 sworn officers and command staff.

Positions Held Vacant - As of December 2020, the City has about 50 vacant positions across all departments. For 2021 the City will continue to hold 28 of these positions vacant for the entire year, in addition to the 15 positions eliminated. These positions are not recommended for elimination at this time and will be reconsidered in the 2022 budget. Positions held vacant yield savings of \$2.4 million to the General Fund. Where needed, increases in temporary staff, service contracts, or overtime have been added to ensure that departments have enough staffing to maintain services. The total offsetting cost of these increases is \$350,000. One position in Property Standards is added in the 2021 budget.

Union general wage increases - General wage increases for all represented employees were established in contracts effective from January 1, 2019 through December 31, 2022. These contracts included increases on January 1, 2021 of 2.5% for AFSCME employees and FOP Sergeants and 2.25% for FOP Officers and IAFF employees. With the onset of COVID-19 and revenue losses, all unions were asked to take furlough days or propose other savings. AFSCME agreed to 10 furlough days in 2020 which saved the City \$650,000, and will maintain an increase of 2.5% on January 1, 2021. IAFF chose to forgo raises for 2021 and 2022 rather than take furlough days in 2020. The City will guarantee no IAFF employee layoffs for the duration of the contract, and will grant a wage increase of 5% on December 31, 2022. This change yields savings of \$254,000 in the 2021 budget and an additional \$260,000 in 2022. The City is still in negotiations with the FOP Officer and FOP Sergeant Unions, and general wage increases for these two unions are still budgeted according to contract.



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Non-union employees - Non-union employees were also required to take 10 furlough days in 2020, yielding savings of \$566,000. The budget balancing worksheet includes a non-union pay increase of 1.5% effective July 1, 2021.

Adopted 2021 Budget Balancing Worksheet			
<u>General Fund Summary</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Baseline General Fund	\$110,470,609	\$115,048,660	(\$4,578,051)
Proposed General Fund Changes (detail below)	\$552,000	(\$4,028,469)	\$4,580,469
Proposed General Fund Budget	\$111,022,609	\$111,020,191	\$2,418

<u>Proposed General Fund Changes</u>	<u>Revenues</u>	<u>Expenses</u>
<u>City-Wide Changes</u>		
Add transfer to Human Services Fund (replace HS levy increase)		250,000
Reduce equipment replacement transfer		(900,000)
Use \$500,000 from reserve fund	500,000	
Reduce property tax levy	(1,650,000)	
Non-union GWI - 1.5% on July 1 (reduced from 2.5% on January 1)		(237,000)
Remote work stipend		25,000
<u>CARP Initiatives</u>		
Electric Aggregation Fee	75,000	
Infrastructure Maintenance Fee	485,000	
Billing for franchise electric accounts		485,000
Electricity Savings on Franchise Accounts		(70,000)
<u>City Manager's Office</u>		
Contribution to SSA9 - Move to Solid Waste Fund		(50,000)
Emergency Operations Center - expect 75% grant funded	75,000	100,000
Reduce Service Agreements/Contracts		(10,000)
Hold Vacant - Senior Accountant (1 FTE)		(133,696)
- Part-time Accounting services		50,000
Hold Vacant - Administrative Assistant (1 FTE)		(86,624)
Hold Vacant - Equity and Empowerment Coordinator (1 FTE)		(102,921)
- Hire Equity Consultant - \$100,000 from Good Neighbor Fund		
Eliminate - Art Design Coordinator (1 FTE)		(101,297)
- Graphic design contract expenses		25,000
Hold Vacant - Customer Services Representative (1 FTE) - in Parking Fund		



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<u>Law Department</u>		
Hold Vacant - Assistant City Attorney (1 FTE)		(116,364)
- Temporary contract attorney		50,000
<u>Administrative Services</u>		
Reduce transfer to Equipment Replacement Fund (bond funded)		(350,000)
Anticipated Crossing Guard savings from virtual schooling		(315,000)
D65 funding 50% of Crossing Guards in Fall 2021	150,000	
Reduction in HR Testing Services and Test Admin		(32,000)
Hold Vacant - Digital Services Specialist (1 FTE)		(106,176)
- Increase in IT seasonal for virtual working support		25,000
Hold Vacant - Parking Enforcement Officer PT (0.5 FTE)		(34,302)
Hold Vacant - Facilities Maintenance Worker PT (0.5 FTE)		(32,767)
Hold Vacant - Facilities Maintenance Worker III (1 FTE)		(97,945)
Eliminate - Parking Supervisor (1 FTE)		
Hold Vacant - Parking Operations Coordinator (1 FTE) - in Parking Fund		
Hold Vacant - Parking Maintenance Worker (1 FTE) - in Parking Fund		
<u>Community Development</u>		
Hold Vacant - Structural Inspector/Plan Reviewer (1 FTE)		(103,941)
Hold Vacant - Plan Reviewer (1 FTE)		(103,941)
- Costs for increase in SafeBuilt contractors		50,000
Add Position - Property Maintenance Inspector (1 FTE)		100,000
<u>Health & Human Services</u>		
Hold Vacant - Senior Management Analyst (1 FTE)		(115,317)
- Functions filled by Public Health Data Coordinator		
COVID-19 Contact Tracing Grant - funded programs and positions	420,000	420,000
<u>Police</u>		
D65 funding for School Resource Officers (Fall 2021)	40,000	
D202 funding for School Resource Officers (Fall 2021)	60,000	
Police Union Concessions - currently in negotiations		(140,000)
Eliminate - Records Input Operator (1 FTE)		(90,000)
Hold Vacant - Records Input Operator (1 FTE)		(100,000)
Hold Vacant - Service Desk Officers II (3 FTE)		(218,875)
Hold Vacant - Service Desk Officer I (1 FTE)		(80,000)
Eliminate - Towing Coordinator (1 FTE)		(111,000)



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Hold Vacant - Police Commanders (2 FTE) - 1 held since 2019		(310,146)
Eliminate - Police Officers (11 FTE) (4 held vacant since 2018)		(942,876)
Hold Vacant - Police Officer (1 FTE)		(100,000)
Transfer from Police Department to Human Services Fund		200,000
Eliminate - Assistant Communications Coordinator (1 FTE) - in E911 Fund		
- Telecommunicator (2 FTE) moved to E911 Fund		
<u>Fire</u>		
IAFF GWI - Reduced to 0%. Included in baseline, savings of \$254,000		
Hold Vacant - Administrative Lead (1 FTE)		(86,380)
Administrative support savings		(84,911)
Hold Vacant - Firefighter/Paramedic (2 FTE)		(166,092)
- Increase in Fire Department overtime		100,000
Ground Emergency Medical Transport Grant Revenue	100,000	
<u>Parks, Recreation & Community Services</u>		
Hold Vacant - Data Control Clerk (1 FTE)		(69,664)
Hold Vacant - Facilities Coordinator, Gibbs-Morrison (1 FTE)		(100,989)
Increase in minimum wage (\$1 per hour)		70,000
Increase to Boat Launch Fee	7,000	
Increased demand for boat launch	30,000	
Increased demand for park permits	10,000	
<u>Public Works Agency</u>		
Increase transfer from Water Fund (Lincolnwood water sales)	250,000	
Move to Other Funds - Environmental Services Coordinator (1 FTE)		(129,607)
Hold Vacant - Forestry Worker I (1 FTE)		(82,755)
- Increase expenses for contract tree services		25,000
- Increase expenses for contract greenways services		25,000
Hold Vacant - Streets Supervisor (1 FTE)		(115,884)
Hold Vacant - Greenways Worker III (1 FTE) - in baseline		
Hold Vacant - Management Analyst (1 FTE) - in other funds		
Total General Fund Proposed Changes	552,000	(4,028,469)



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Property Taxes

The proposed increase to the City and Library tax levy is 5.9% of the City's 2019 levy (2020 budget) amount. The increase of \$500,000 for the General Fund will be used to replenish reserves. The increase to the debt service levy replaces a transfer from the General Fund of \$2 million and reflects savings achieved from refunding bonds in 2020. Increases to Fire and Police Pension funds reflect actuarial recommendations.

This proposed increase in levy translates to approximately a \$27 increase in property tax for a house with a market value of \$100,000 or \$135 increase in property tax for a house with a market value of \$500,000. The City and Library tax levy represents about 20% of property taxes paid by Evanston residents and businesses.

	2019 Adopted Tax Levy (2020 Budget)	2020 Adopted Tax Levy (2021 Budget)	Proposed Change	Increase as % of total levy
General Fund Tax Levy	\$9,495,300	\$7,845,300	(\$1,650,000)	-3.0%
Human Services Fund	3,110,000	3,110,000	-	0.0%
Solid Waste Fund	1,332,500	1,332,500	-	0.0%
Debt Service Fund	12,521,921	13,936,263	1,414,342	2.6%
Fire Pension Fund	8,967,037	9,346,778	379,741	0.7%
Police Pension Fund	10,900,650	11,106,461	205,811	0.4%
City Total	\$46,327,408	\$46,677,302	\$349,894	0.6%
General Assistance Total	\$1,080,000	\$1,300,000	\$220,000	0.4%
Library Fund	7,252,000	7,252,000	-	0.0%
Library Debt Service	480,145	482,243	2,098	0.0%
Library Total	\$7,732,145	\$7,734,243	\$2,098	0.0%
City and Library Total Net Levy	\$55,139,553	\$55,711,545	\$571,992	1.0%



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Human Services Fund

The Human Services Fund was expanded in the 2020 budget with the addition of programs that have historically been funded in the General Fund. The fund now includes all of the City's social service functions, including youth and young adult outreach, senior services, and victim advocacy. The City's contract with Amita Health for 24-hour crisis services is paid for through the fund, as are allocations to community organizations given through the Mental Health Board. The Human Services Fund receives revenue from a dedicated property tax levy and applicable grant revenues.

For 2021, the fund saw an increase of baseline expenses of about \$250,000. This includes budgeted general wage increases for employees and increases to health insurance and pension costs. To avoid a property tax increase, this amount will be covered by a new transfer from the General Fund to the Human Services Fund.

The fund will also include a new \$200,000, funded through a transfer from the Police Department, for creating an alternative emergency response program. The Alternative Emergency Response subcommittee will set program guidelines and recommendations for responses to 911 calls that may be better served by mental health professionals and social workers. If successful, the City would examine further financial support for an expanded program in 2022.

Reparations Fund

In 2020, the City created the Reparations Fund, becoming one of the first municipalities in the country to establish a municipal reparations program. City Council committed the first \$10 million of the program to be funded through a 3% municipal tax on recreational cannabis sales which began on July 1, 2020. The fund has also received donations from community members and businesses. The cannabis tax is collected and remitted through the state of Illinois, and the City receives distributions 3 months later than when the tax was collected. Because of this delay, the first distribution to the fund was received in October 2020. The Reparations Subcommittee is charged with housing and economic development assistance programs for African-American/Black Evanston residents and establishing eligibility requirements. Currently, the Committee is finalizing their program recommendations for City Council approval.

Racial Equity Fund

From 2016 through 2020, Northwestern University gave the City a contribution of \$1,000,000 per year to be used on specific programs and services as agreed upon by the University and Mayor through a special Good Neighbor Fund. The University has agreed to continue this gift in 2021 and 2022 at the same level of \$1,000,000 per year. Between 2021 and 2022, \$1,000,000 will be dedicated to funding racial equity programs in the City.



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Implementation of Climate Action and Resilience Plan (CARP)

The City continues to make progress on Evanston's Climate Action and Resilience Plan (CARP) amidst difficult budgets and limited State and Federal support for climate policies. Although 2020 has been a challenging year the City has taken meaningful steps to accelerate climate action in 2021 and beyond.

Goals and priorities for 2021 include adopting new high efficiency building codes, providing universal access to waste reduction services, initiating the phasing out of single use plastics, continuing to explore ways to address community air quality concerns, investing in our natural habitat and urban canopy, and implementing the newly adopted Environmental Justice Resolution. The City will also be releasing a new commercial solid waste request for proposals that will increase waste diversion services for commercial properties in 2021. The City continues to explore ways to bring food waste composting to more Evanston residents in a cost-effective manner.

In order to make meaningful progress on many of these items the City must identify structural funding sources in order to provide the revenue and staffing expertise to meet these goals. The City will begin to make progress towards new funding through the restructuring of the City's municipal electric aggregation program (new revenue), new electric supply contract (savings) and changes in fees (new revenue).

Enterprise Funds

The Parking Fund experienced a \$4.5 million loss in revenue in 2020 due to COVID-19, causing a projected year-end deficit of \$1.7 million. With fund balance depleted, the Parking Fund will issue \$1 million in bonds in 2021 to support Capital Projects.

The Water and Sewer Funds remain stable during the pandemic. In 2020, water sales began to the Village of Lincolnwood, generating an estimated \$500,000 in new revenue for the City.

Staff is proposing increases to residential solid waste fees to yield \$313,250 in additional revenue to the Solid Waste Fund. This new revenue is expected to bring the fund to positive balance by 2022. The increases, as shown below, are \$1-2 per month and would be effective on July 1, 2021.

- Residential refuse fee increases (\$178,750)
 - 65 gallon cart - increase monthly cost from \$9.14 to \$10.15
 - 95 gallon cart - increase monthly cost from \$20.64 to \$22.91
- Condominium refuse fees - increase monthly cost from \$8.85 to \$9.82 per unit (\$33,000)
- Apartment refuse fees - increase monthly cost from \$1.85 to \$2.52 per unit (\$26,500)
- Yard waste fee - Increase annual cost from \$25 to \$35 (\$75,000)



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Planning for the Future

As the City faces the many unknowns of a continuing pandemic and the uncertainty of state or federal aid, there are also opportunities to continue improving service delivery and stabilizing long-term finances.

An opportunity under discussion is right-sizing of and reinvesting in the City's assets. The City owns many buildings and properties across the community, which also comes with high maintenance and capital improvement costs. Making an effort to right-size the number and kinds of assets owned by the City will allow for stronger investments on our most important assets into the future. One building under consideration for sale is the Civic Center, which has been largely vacant since the pandemic began in March and employees in the building were asked to work from home. The building requires a large amount of capital investment to remain functional, and an even greater investment to become a safe working environment in the midst of a pandemic.

A change in sales tax regulations at the state level may have a positive impact on Evanston's revenues. Effective January 1, 2021, if a good ships from outside the state of Illinois to an address in Evanston, it would be subject to the Evanston sales tax rate of 10.25%. Currently, this good is charged at the state use tax rate of 6.25%, of which the City receives a population-based distribution. With the new policy, 1.25% of the total sales tax rate would come to Evanston directly as home rule sales tax, and another 1% would be distributed through the typical state sales tax share. This would be a benefit to the City of Evanston. However, goods that are shipped from inside Illinois are subject to the sales tax rate at the shipping origin, not the destination. This may cause businesses that are currently shipping from outside the state to adjust their logistics to ship from a lower-tax community within Illinois. If this occurs, Evanston would not receive the added sales tax from that purchase and would see lower use tax revenue as well. Due to these potential changes in response to the law, the net impact on the City is still unknown and will be monitored closely during 2021.

In spring 2020, Evanston City Council voted to expand the City's home rule amusement tax to streaming services. This change captures the changing nature of entertainment in the digital era and is one portion of bringing our tax code in closer alignment with the modern economy. The new policy goes into effect on October 1, 2020, and is expected to yield about \$250,000 per year with full compliance. Unfortunately, the amusement tax has been severely depleted as a result of the pandemic, which has closed the movie theater and performance venues across the City. The City hopes to see this revenue source recover in future years and increase due to the streaming tax at that time.



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Closing

The COVID-19 pandemic created major challenges for the City and the budget this year, and I am continually impressed by the ability of our staff and our community to rise to these challenges and exceed expectations. In unprecedented times, our community continues to come together to solve difficult problems and seek ways to better serve all of our residents. Many thanks and appreciation to the City of Evanston staff, elected officials, and residents who have continued to serve the community and keep us safe and healthy in this time.

Thanks to Chief Financial Officer Hitesh Desai and Budget Coordinator Kate Lewis-Lakin for their leadership in this year's budget process. Additional thanks to Interim Assistant City Manager Kimberly Richardson, Interim Deputy City Manager Paulina Martinez, Revenue Manager Alex Thorpe, Management Analyst Tasheik Kerr, ICMA Fellow Shenicka Hohenkirk, and Human Resources Manager Jennifer Lin for their work and support on the budget. Thanks also to the Department Directors and staff for their time and efforts in this budget process.

Sincerely,

Erika Storlie
City Manager