



**Finance and Budget Committee**  
**Tuesday, June 13, 2023**  
**Lorraine H. Morton Civic Center 5:00 PM**  
Join Zoom Meeting

<https://us06web.zoom.us/j/89653652173?pwd=MCtieHlwZ2RaakpRZ3dLM2xVM0RnZz09>

Meeting ID: 896 5365 2173  
Passcode: 008745

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• +1 312 626 6799 US (Chicago)

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Find your local number: <https://us06web.zoom.us/u/kruKrvPTy>

## **AGENDA**

Page

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

**2. PUBLIC COMMENT**

**3. APPROVAL OF MINUTES**

M1. **Approval of the May 9, 2023 Finance and Budget Committee Meeting minutes**

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#### 4. CONSIDERATION

- FB1. **Amending the 2023 Committee Calendar** 5 - 6  
For Action  
**For Action**  
[Amending the 2023 Committee Calendar - Attachment - Pdf](#)

#### 5. DISCUSSION

- D1. **Discussion Regarding Transfer of General Fund Reserves to the Parking and Insurance Funds** 7 - 14  
For Discussion  
**For Discussion**  
[Discussion Regarding Transfer of General Fund Reserves to the Parking and Insurance Funds - Attachment - Pdf](#)
- D2. **Discussion Regarding Draft Public Safety Pension Policy** 15 - 28  
For Discussion  
**For Discussion**  
[Discussion Regarding Draft Public Safety Pension Policy - Attachment - Pdf](#)
- D3. **Discussion on Fund Balances** 29 - 30  
For Discussion  
**For Discussion**  
[Discussion on Fund Balances - Attachment - Pdf](#)

#### 6. ADJOURNMENT



City of  
**Evanston™**  
**MINUTES**

**Finance and Budget Committee**

**Tuesday, May 9, 2023 @ 5:00 PM**

Lorraine H. Morton Civic Center

**COMMITTEE MEMBER  
PRESENT:**

Shari Reiches, Resident, David Livingston, Resident, Leslie McMillan, Resident, Melissa Wynne, Councilmember, Clare Kelly, Councilmember, Jonathan Nieuwsma, Councilmember, and Devon Reid, Councilmember

**COMMITTEE MEMBER  
ABSENT:**

Bobby Burns, Councilmember

**STAFF PRESENT:**

Jessica Tapia, Finance Analyst, Hitesh Desai, Chief Financial Officer/Treasurer, and Clayton Black, Budget Manager

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

Chair David Livingston called the meeting to order at 5:01 PM

**2. PUBLIC COMMENT**

Dave Ellis spoke about the importance of funding public safety pensions.

Jack Mortell references the blue ribbon committee report and recommends the committee follow it.

**3. APPROVAL OF MINUTES**

A. Approval of the April 11, 2023 Finance & Budget Committee Meeting Minutes

Minutes Approved

Moved by Councilmember Kelly

Seconded by Councilmember Reid

**Ayes:** Committee Member Reiches, Committee Member Livingston, Committee Member McMillan, Councilmember Wynne, Councilmember Kelly, Councilmember Nieuwsma, and Councilmember Reid

**Approved 7-0 on a recorded vote**

**4. DISCUSSION**

A. Overview of FY 2022 and FY 2023 General Fund Forecast

A presentation was given by staff regarding the status of the General Fund.

For Discussion

B. Pension Discussion

Item was discussed by the committee and continued to the next Finance & Budget committee meeting.

Staff seeks recommendation on the following items related to pension funding:

1. Assumed interest rates, including current 6.50% or 6.80% (used by Illinois Police Officers' Pension Investment Fund) ,or 7.125% (used by Illinois Firefighter Pension Investment Fund);
2. 90% funding (required by the State) v/s 100% funding by 2040;
3. Funding source(s) like the tax levy, PPRT, General Fund fund balance or any others;
4. Attached proposals from CM Kelly/McMillan and Chair Livingston.

Two different proposals for language to include in a resolution on pension funding have been provided to staff.

**5. ADJOURNMENT**

Meeting was adjourned by Chair David Livingston at 6:32 PM



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
Subject: Amending the 2023 Committee Calendar  
Date: June 13, 2023

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Recommended Action:  
For Action

Committee Action:  
For Action

Summary:  
The calendar of Council meetings excludes the first August meeting to allow for an August break. The intent is for all meetings in the first two weeks of August to be canceled or rescheduled to allow for a summer break for Councilmembers, staff, and the public. The revised calendar is the same one that was approved in December 2022 without the August 8, 2023 date.

Legislative History:  
The 2023 Finance and Budget Committee calendar was approved at the December 13, 2022 meeting.

Attachments:  
[FY 2023 Calendar Revised](#)

**FINANCE AND BUDGET COMMITTEE FY2023 SCHEDULE OF MEETINGS**

**(2ND Tuesday of Month @5:00 PM except August & December)**

January 10

February 14

March 14

April 11

May 9

June 13

July 11

September 12

October 10

November 14



## Memorandum

To: Members of the Finance and Budget Committee  
From: Clayton Black, Budget Manager  
CC: Hitesh Desai, Chief Financial Officer  
Subject: Discussion Regarding Transfer of General Fund Reserves to the Parking and Insurance Funds  
Date: June 13, 2023

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Recommended Action:

For Discussion

Committee Action:

For Discussion

Summary:

The General Fund ended FY 2023 with a net surplus of approximately \$26.5 million resulting in a fund balance of \$57.9 million. To date, the City Council has approved \$16.3 million against this fund balance including (1) \$10.1 million to balance the FY 2023 budget, (2) \$3.3 million to cover overages on four capital projects that came in over budget and (3) \$3 million to cover higher than budgeted wage increases for the Police and Fire Departments.

At the Finance and Budget Committee meeting in May, staff reviewed FY 2023 revenue projections and estimated preliminary upside of approximately \$8 million. When these unbudgeted expenses and the latest revenue projections are considered, the resulting fund balance is \$49.6 million, which is \$27.3 million over the fund balance policy.

In recent months, staff has shared potential uses of these \$27.3 million in additional reserves with the Finance and Budget Committee. This memo provides additional information on these potential uses. If the Finance and Budget Committee agrees, staff can prepare action items for recommendation or address these items as part of the FY 2024 budget.

**Transfer \$4 million to the Insurance Fund**

One potential use is a transfer to the Insurance Fund, which is not meeting its fund balance policy set by the City Council. This would be in accordance with the City's General Fund Reserve Policy which states, "*Any monies over a 16.6% reserve in this fund shall be re-appropriated to other funds that have not met its reserve requirements.*"

The City's Insurance Fund policy states:

*"Health Insurance Reserves should be no less than three months of annual expenses. At least one month of the three-month reserve is required to be kept at the Intergovernmental Personal Benefits Cooperative (IPBC). This reserve will be utilized to cover the claims payable cycle cost which is approximately 45 days, and to provide for reserves in the event of major changes in rates/claims experience. Liability Insurance Reserves are not established to fully fund all potential future claims. As such, cash reserves should be set at a minimum of 25% of outstanding claims payable as defined in the prior year audit or twice the current annual self-insured retention coverage level (currently at \$1,250,000)."*

As of April 30, the Insurance Fund has outstanding claims payable for FY 2022 at \$7.5 million and a negative cash balance of (\$1,968,500). This is approximately \$4 million below the cash balance policy. Some of the items which have contributed to these negative balances are higher legal fees and higher volume/amount of settlements than anticipated. The Insurance Fund is budgeted to be a self-balancing fund with revenues and expenses almost being equal.

#### **Reduce Transfer from Parking Fund to General Fund**

Another potential use is providing relief to the City's Parking Fund, which is not meeting its fund balance policy set by the City Council. The FY 2022 (\$2.3 million) and FY 2023 (\$1.1 million) budgets allocated \$3.4 million in ARPA funding to account for lost revenues to the Parking Fund during the pandemic. The City's Parking Fund policy states:

*"A minimum of 16.6% expenses shall be maintained as a reserve; in addition, a sufficient reserve shall be maintained to meet bond requirements. A portion of the fund reserve shall be used to fund depreciation and capital improvement needs. A minimum of 5% is required, per bond requirements."*

As of April 30, the Parking Fund has a negative fund balance of (\$281,794) and a cash balance of \$726,934. This is approximately \$2 million below the fund balance policy. For the past five years, a transfer of \$3 million per year from the Parking Fund to the General Fund has been budgeted. In order to correct the structural deficit in the fund, this transfer could either be paused in FY 2023 or reduced in the FY 2024 budget.

#### **Transfer to Capital Improvement Fund (to be discussed at future meeting)**

The City Council has approved 2022 and 2023 GO Bond resolutions totaling \$24.2 million in GO Bond funded CIP projects. In lieu of issuing bonds, City has drawn on the Capital Improvement Fund balance, which is comprised of previously obligated bond funds for ongoing projects as well as funds awaiting payment to IDOT. Since bonds were last issued, the City has had \$23.4 million in maturities of GO Bonds.

As of April 30, the CIP Fund has an unaudited fund balance of \$3,450,717 and a cash balance of \$10,713,751. The difference between the cash and fund balance is largely projects where IDOT has not invoiced the city for work completed. In order to further delay or reduce the amount of 2022 and 2023 bonds that need issued, the City Council could transfer \$5 million or more in General Fund reserves to the Capital Improvement Fund.



**Reconsider Increase to General Fund Reserve Balance Policy (to be discussed at future meeting)**

Last fall, staff discussed the potential of increasing the City's Reserve Balance Policy for the General Fund. At just 16.66%, the City's reserve policy is among the lowest across the Chicagoland suburbs. To increase the fund balance policy to 20% would require approximately \$4 million to be set aside.

Attachments:

[F&B Presentation - June 2023](#)

## Approved/Potential Uses of General Fund Reserves Impact on Fund Balance

	FY 2023 Budget	FY 2023 Projection (w/ approved expenses)	FY 2023 Projection (w/ approved/ potential expenses)
Unaudited Fund Balance (1/1/23)	\$57,945,099	\$57,945,099	\$57,945,099
Revenues	117,652,160	125,635,685	125,635,685
Expenses	127,737,614	127,737,614	127,737,614
Approved Additional Spending	-	6,264,226	6,264,226
<b>Transfer to Insurance Fund</b>	-	-	<b>4,000,000</b>
<b>Transfer to Parking Fund</b>	-	-	<b>2,000,000</b>
<b>Surplus/(Deficit)</b>	<b>\$(10,085,454)</b>	<b>\$(8,366,155)</b>	<b>\$(14,366,155)</b>
<b>Projected Ending Unassigned Fund Balance</b>	<b>\$47,859,645</b>	<b>\$49,578,944</b>	<b>\$43,578,944</b>
<b>Remaining Fund Balance Excess/(Shortfall)</b>	<b>\$26,578,559</b>	<b>\$27,254,237</b>	<b>\$21,254,237</b>
Required Fund Balance (16.66%)	\$21,281,086	\$22,324,707	\$22,324,707

## Budgeted and Approved Uses of General Fund Reserves FY 2023

### Budgeted

Item	Cost
Use of Fund Balance to Balance 2023 General Fund	\$10,085,454

### Approved

Item	Cost
Cover Overage on Animal Shelter Project	\$1,500,000
Cover Overage on Skate Park Project	\$92,266
Cover Overage on Oakton Corridor Project	\$806,960
Cover Overage due to Inflation on Main St Project	\$865,000
Higher than Budgeted Wage Increase (Fire)	\$1,400,000
Higher than Budgeted Wage Increase (Police)	\$1,600,000
	<b>\$6,264,226</b>

## Potential Uses of General Fund Reserves FY 2023

<b>Potential</b>	
<b>Item</b>	<b>Cost</b>
Transfer to Insurance Fund per Fund Balance Policy	\$4,000,000
Transfer to Parking Fund per Fund Balance Policy	\$2,000,000
Reconsider increasing GF Fund Reserve Policy to 20% (discuss at future meeting)	\$4,000,000
Transfer to CIP Fund per Fund Balance Policy and Reduce/Delay GO Bonds (discuss at future meeting)	\$5,000,000
Cover Overages due to Inflation on Future CIP Projects	\$2,500,000
Higher than Budgeted Wage Increase (AFSCME)	TBD

## Transfer to Parking Fund

- The Parking Fund Balance policy states:
  - *“A minimum of 16.6% expenses shall be maintained as a reserve; in addition a sufficient reserve shall be maintained to meet bond requirements. A portion of the fund reserve shall be used to fund depreciation and capital improvement needs. A minimum of 5% is required, per bond requirements.”*
- The Parking Fund currently has a negative fund balance of (\$281,794) and a cash balance of \$726,934. This is approximately \$2 million below the fund balance policy.
- The FY 2022 (\$2.3 million) and FY 2023 (\$1.1 million) budget allocated \$3.4 million in ARPA funding to account for lost revenues to the Parking Fund.
- For the past five years, a transfer of \$3 million per year from the Parking Fund to the General Fund has been budgeted. In order to correct the structural, this transfer could be paused for the remainder of 2023 and/or reduced in the 2024 budget.

## Transfer to Insurance Fund

- The Insurance Fund Balance Policy states:
  - *“Health Insurance Reserves should be no less than three months of annual expenses. At least one month of the three-month reserve is required to be kept at the Intergovernmental Personal Benefits Cooperative (IPBC). This reserve will be utilized to cover the claims payable cycle cost which is approximately 45 days, and to provide for reserves in the event of major changes in rates/claims experience. Liability Insurance Reserves are not established to fully fund all potential future claims. As such, cash reserves should be set at a minimum of 25% of outstanding claims payable as defined in the prior year audit or twice the current annual self-insured retention coverage level (currently at \$1,250,000).”*
- The Insurance Fund has a negative cash balance of (\$1,968,500) and outstanding claims of \$7.5 million. This is approximately \$4 million below the cash balance policy.
- Contributing factors include higher legal fees and higher volume/amount of settlements than anticipated.
- The Insurance Fund is structured as a self-balancing fund with revenues equaling expenses.



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
Subject: Discussion Regarding Draft Public Safety Pension Policy  
Date: June 13, 2023

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Recommended Action:  
For Discussion

Committee Action:  
For Discussion

Summary:

One of the focus areas of the Finance and Budget Committee has been pension analysis and planning. Recognizing that future contributions are likely to fluctuate significantly depending on investment returns and a variety of other factors, the City contracted Foster and Foster to provide their best view of the actual annual contributions required to get to 100% in 2040 based on market value of assets, contractual wage increases, and current assumptions. Staff shared the results of this analysis with the Finance and Budget Committee at the May meeting.

Since the last meeting, Chair Livingston and Member Reiches have used the template provided by Foster and Foster to create a draft pension policy which is attached to this item. Staff seeks recommendations on the following items related to pension funding:

1. Assumed investment rate of return, including the current 6.5%, 6.8% (used by Illinois Police Officers' Pension Investment Fund), or 7.125% (used by Illinois Firefighter Pension Investment Fund);
2. 90% funding (required by the State) vs. 100% funding by 2040;
3. Funding source(s) like the property tax levy, PPRT, General Fund fund balance or any others.

Attachments:

[Pension Funding Policy - Draft](#)  
[Foster and Foster Analysis](#)  
[Pension Slides - June 2023](#)

**CITY OF Evanston**  
**Pension Funding Policy**  
**Evanston Police and Firefighters' Pension Plans**  
**\_\_\_\_\_, 2023**

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**I. INTRODUCTION**

Policy Statement

The purpose of this policy is to define how the City of Evanston funds the long-term cost of benefits promised to plan participants and defines the calculation of the City's actuarially determined contribution (ADC) to the Police and Firefighters' Pension Plans.

Policy Goal

The goal of this policy is to ensure that pension benefits can be paid by adopting a long-term funding plan that systematically eliminates any unfunded liabilities while producing a contribution requirement that is predictable and reflected in the City's long term financial forecasts. It is the goal of this Policy to achieve approximately full funding by 2040 as explained further in Section III. 5 below.

**II. GENERAL FUNDING POLICY OBJECTIVES**

The objective of a public employee defined benefit pension plan is to fund the long-term cost of retirement benefits provided to the plan participants. To assure the plan remains sustainable, the plan should accumulate adequate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefiting employees. There can be several objectives to achieving this:

- 1) **Actuarially Determined Contributions** - This should be determined in an actuarially sound manner based on an actuarially determined contribution that incorporates both the cost of current benefits being earned by the active plan participants and the amortization of any unfunded actuarial accrued liability.
- 2) **Funding Discipline** - Funding should be based on a consistent methodology each year that will ensure that adequate funds are contributed on an annual basis.
- 3) **Intergenerational Equity** - Maintain a level of intergenerational equity so that the cost of benefits is paid by the generation of taxpayers who receive services from pension participants during their active employment years.
- 4) **Accountability and Transparency** - Clearly defined reporting of pension funding, including an assessment of whether, how and when the City will ensure sufficient assets will be available to pay benefits as promised.



### III. ACTUARIALLY DETERMINED CONTRIBUTION FUNDING PRINCIPLES

The annual required contribution will be determined as follows:

- 1) The **Actuarially Determined Contribution (ADC)** will be calculated by an enrolled actuary.
- 2) The ADC will include the normal cost, amortization of any unfunded liability, and an estimate of the annual cost to administer the fund.
- 3) The **Actuarial Accrued Liability**, which is the liability accrued in the fund as of the valuation date, and **Normal Cost**, which is the annual cost of pension accruals by the active employees each year, will be calculated using the Entry Age Normal Level Percentage of Payroll Actuarial Cost Method using the following assumptions:
  - a. The investment rate of return assumption will be reconsidered annually by the City Council, or its designated Committee, and take input from the relevant Police and Fire pension boards. The rate shall take into account any suggested rate used by the state administered fund, but would likely be somewhat less than any such rate. If over time the City Council believes that the state administered fund rate is fully supported by recent average asset performance, then any discount to that rate shall be considered and adjusted or eliminated.
  - b. Non-economic assumptions, such as rates of separation, disability, retirement, mortality, etc., shall be determined from experience studies to most accurately reflect current experience.
- 4) The **Actuarial Value of Assets** will be determined using a smoothing method to reduce the effects of market volatility on the City's contributions. A **5-year smoothed market value** method will be used to recognize variances from the actuarial investment rate of return assumption to actual market returns.
- 5) The **Unfunded Actuarial Accrued Liability (UAAL)**, which is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets shall be eliminated by 2040 (the Full Funding Date). Once 100% funding is achieved, the City Council shall consider if funding over 100% is desirable, so as to help ensure the long-term funding status of the pension plans.
- 6) Periodic Reforecasting-- To help ensure that the City is on a path to Full Funding by the Full Funding date, the City shall periodically reforecast the required contributions, and reflect those required contributions into its long-term planning.

### IV. SOURCES OF PENSION CONTRIBUTIONS

The pension contributions required to achieve the plan to the Full Funding Date shall be made from the General Fund. The source of the required pension contributions shall be any one or more of the following:

- 1) A Pension Property Tax levy, unless adjusted per point 4 below, that is consistent with the prior year levy;
- 2) The City Staff shall ensure that the appropriate amount of PPRT is applied to the pension contribution in accordance with any state requirements.
- 3) Additional unrestricted revenues, net of expenses available in the General Fund.
  - a. If the subsequent year budget is in deficit after taking into account the required pension contributions, then the pension contributions may be funded, in part, by any General Fund Reserves in excess of the General Fund required fund balance.
- 4) If there are not excess reserves available to make the full pension contributions, then the City Council shall raise the Pension Property Tax levy in order to fund the pension contributions.
  - a. It is the intent of this Funding Policy that if adequate budget revenues net of expenses or reserves are not available to make the full required pension contribution, then the Pension Property Tax shall be raised in order to provide additional funds to achieve the required contribution.
- 5) The City Council is encouraged to devote a portion of any unrestricted proceeds from asset sales or any other non-recurring revenue sources to fund incremental pension contributions. Any incremental contributions shall then be considered in calculating the required future contributions under this policy.

#### **V. TRANSPARENCY**

Funding of the pension plans shall be transparent to vested parties including plan participants, annuitants, the Pension Boards, the City Council and residents. To achieve this transparency, the following information shall be distributed and/or published on the City's website:

- 1) A copy of the annual actuarial valuation for all plans shall be made available to the City Council and Pension Boards.
- 2) The City's annual operating budget shall clearly state the City's required contribution to the pension plans. As part of the budget process, the required contribution to the fund shall be reviewed and discussed at an open meeting of the City Council.
- 3) The City's Annual Comprehensive Financial Report reflects the City's annual required contribution and the value of the outstanding pension liabilities as directed by the Governmental Accounting Standards Board.

#### **V. REVIEW OF FUNDING POLICY**

Funding a defined benefit pension plan requires a long-term horizon. Assumptions and inputs into the policy should focus on long-term trends, not year-to-year shifts in the economic or noneconomic environments. Generally, assumptions or inputs should be evaluated and changed if long-term economic or non-economic inputs have fundamentally changed or are no longer reasonable. As such, the City will review this policy every four years to determine if changes to this policy are needed to

ensure adequate resources are being accumulated in the pension plans. The City Council reserves the right to make changes to this policy at any time if it is deemed appropriate.

May 1, 2023

Mr. Hitesh D. Desai, CPA  
CFO / Treasurer  
City of Evanston  
E. [hdesai@cityofevanston.org](mailto:hdesai@cityofevanston.org)

Re: 20-Year Projections for the Police and Fire Pension Funds

Dear Mr. Desai,

We have completed the 20-year projections of contribution requirements for each fund based on the January 1, 2022 results. These projections include the following funding policy and interest rate combinations and reflect updated plan assets as of December 31, 2022:

- 100% funding target by the end of 2040, level dollar contributions, and an interest rate of 6.50%.
- 100% funding target by the end of 2040, level dollar contributions, and an interest rate of 6.75%.
- 100% funding target by the end of 2040, level dollar contributions, and an interest rate of 7.00%.

### **Assumptions and Methods**

The assumptions and methods employed for the purpose of this measurement were consistent with the assumptions that were used in the 2022 actuarial valuation reports completed for the funds by Foster & Foster, with the following exceptions:

- For the Fire fund, it is assumed that the active population will remain level throughout the projection period, with new entrants replacing those projected to exit the active ranks from retirements, terminations, etc.
- For the Police fund, it is assumed the active population will increase up to 150 people by 1/1/2025, at which point, the active population will remain level at 150 heads throughout the duration of the projection period.
- The new entrants will have a similar profile to recent new hires, assuming a similar gender mix, hire age and pay level (inflation adjusted).
- The long-term salary scale assumption was increased by 50 basis points in each fund to reflect current salary contracts that are expected to remain consistent throughout the projection period. It was assumed that during 2023, salaries increased across the board by 11% in the Fire fund and 18% in the Police fund.

- The interest rates evaluated were 6.50%, 6.75% and 7.00%. The rates are both the valuation interest rate and the actual return on assets for all years in that scenario.

## **Data**

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of the 2022 actuarial valuation reports, except where otherwise noted. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results.

## **Discussion of Risk and Third-Party Software**

These calculations were determined for the purpose of estimating the potential evolution of the contributions and funded status under different funding targets and interest rate assumptions. Use of the results for other purposes may not be applicable and produce significantly different results. Future actuarial measurements may differ significantly from the current measurements presented in this letter for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position. Measurement of the impact of potential deviation from the actuarial assumptions is outside the scope of this assessment, however, it is important to note that the estimate provided is produced at a single point in time and subject to the demographics as they exist on the valuation date and the actuarial assumptions used to determine the cost impact.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

**Statement of Actuarial Opinion**

The undersigned are familiar with the immediate and long-term aspects of pension calculations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. To the best of our knowledge, the results are complete and accurate, and in our opinion, the techniques and assumptions used are reasonable.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Evanston, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Evanston Firefighters' Pension Fund or City of Evanston Police Pension Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.


Respectfully submitted,

Foster & Foster, Inc.



By:

Jason L. Franken, FSA, EA, MAAA



By:

Heidi E. Andorfer, FSA, EA, MAAA

**Evanston Police and Fire Pension Funds**  
**Projection of Funded Status Assuming Interest of 6.50%**

**100% Funding Target**

Years	Police				Fire			
	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Status	Calendar Year Contribution	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Status	Calendar Year Contribution
2023	285,867,061	165,419,891	57.9%	13,295,458 <sup>1</sup>	212,439,870	108,484,721	51.1%	11,793,978 <sup>1</sup>
2024	305,059,998	175,706,007	57.6%	14,226,645	221,903,269	116,626,933	52.6%	12,387,988
2025	313,576,055	183,751,860	58.6%	15,762,933	227,998,725	123,619,891	54.2%	12,932,822
2026	322,042,378	191,742,504	59.5%	16,254,883	234,110,029	130,194,935	55.6%	13,231,588
2027	330,479,773	197,141,501	59.7%	16,821,773	240,188,435	135,836,211	56.6%	13,599,287
2028	338,815,103	211,214,138	62.3%	17,747,126	246,211,660	146,575,582	59.5%	14,114,791
2029	347,000,159	226,480,807	65.3%	17,772,268	252,138,694	158,058,543	62.7%	14,124,436
2030	355,001,611	242,059,516	68.2%	17,686,455	258,010,255	169,850,596	65.8%	14,077,069
2031	362,734,177	257,775,569	71.1%	17,585,211	263,790,560	181,880,058	68.9%	14,017,783
2032	370,104,420	273,546,303	73.9%	17,471,965	269,466,218	194,159,586	72.1%	13,940,289
2033	377,093,445	289,432,225	76.8%	17,335,000	274,995,460	206,651,056	75.1%	13,846,592
2034	383,696,721	305,384,257	79.6%	17,195,742	280,391,888	219,368,529	78.2%	13,754,904
2035	389,852,743	321,383,075	82.4%	17,050,162	285,591,509	232,259,455	81.3%	13,651,480
2036	395,610,266	337,523,861	85.3%	16,909,823	290,542,101	245,304,941	84.4%	13,536,296
2037	401,076,811	353,907,610	88.2%	16,745,984	295,279,468	258,552,415	87.6%	13,400,484
2038	406,347,362	370,641,353	91.2%	16,555,730	299,797,777	272,008,294	90.7%	13,231,668
2039	411,474,894	387,801,036	94.2%	16,284,389	304,084,262	285,650,720	93.9%	13,000,971
2040	416,555,744	405,393,476	97.3%	15,852,944	308,143,314	299,446,758	97.2%	12,640,736
2041	421,646,352	423,340,399	100.4%	14,790,524	312,022,822	313,315,194	100.4%	11,803,664
2042	426,806,427	441,057,844	103.3%	2,956,628	315,826,068	326,869,015	103.5%	2,578,787
Total				316,301,643				255,665,613

<sup>1</sup> Due to the timing of the contribution calculation and levy timing, the 2023 contribution is calculated as of January 1, 2022 (adjusted for interest) and utilizes the 100% funding target and 6.50% interest rate in all scenarios.

**Evanston Police and Fire Pension Funds**  
**Projection of Funded Status Assuming Interest of 6.75%**

**100% Funding Target**

Years	Police				Fire			
	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Status	Calendar Year Contribution	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Status	Calendar Year Contribution
2023	277,061,656	165,419,891	59.7%	13,295,458 <sup>1</sup>	205,921,120	108,484,721	52.7%	11,793,978 <sup>1</sup>
2024	295,549,357	176,083,038	59.6%	13,309,782	215,077,790	116,876,558	54.3%	11,718,927
2025	303,861,976	183,608,221	60.4%	14,685,128	221,026,989	123,464,940	55.9%	12,175,994
2026	312,131,626	190,904,994	61.2%	15,173,660	226,993,667	129,539,827	57.1%	12,470,668
2027	320,376,116	195,591,016	61.1%	15,752,564	232,931,215	134,666,904	57.8%	12,845,886
2028	328,525,327	208,948,078	63.6%	16,697,477	238,817,756	144,890,422	60.7%	13,371,889
2029	336,531,659	223,506,610	66.4%	16,727,871	244,612,240	155,860,466	63.7%	13,383,033
2030	344,362,644	238,372,155	69.2%	16,644,583	250,354,862	167,134,708	66.8%	13,334,508
2031	351,931,705	253,367,403	72.0%	16,544,743	256,009,816	178,639,049	69.8%	13,273,744
2032	359,146,349	268,408,249	74.7%	16,434,024	261,564,398	190,385,912	72.8%	13,195,231
2033	365,989,976	283,555,953	77.5%	16,300,770	266,977,363	202,337,698	75.8%	13,101,569
2034	372,454,887	298,762,318	80.2%	16,164,178	272,262,132	214,509,614	78.8%	13,009,863
2035	378,480,564	314,006,574	83.0%	16,022,287	277,354,519	226,849,142	81.8%	12,907,094
2036	384,115,320	329,384,589	85.8%	15,884,816	282,203,400	239,338,088	84.8%	12,793,221
2037	389,463,387	344,996,420	88.6%	15,722,868	286,844,392	252,024,642	87.9%	12,659,250
2038	394,618,728	360,948,189	91.5%	15,533,695	291,271,456	264,915,971	91.0%	12,492,645
2039	399,634,054	377,315,266	94.4%	15,264,314	295,471,394	277,990,833	94.1%	12,265,110
2040	404,602,281	394,105,698	97.4%	14,835,522	299,448,065	291,217,483	97.3%	11,909,951
2041	409,579,409	411,242,246	100.4%	13,785,540	303,247,402	304,516,837	100.4%	11,084,886
2042	414,623,683	428,150,651	103.3%	2,626,999	306,971,439	317,508,773	103.4%	2,332,465
Total				297,406,279				242,119,912

<sup>1</sup> Due to the timing of the contribution calculation and levy timing, the 2023 contribution is calculated as of January 1, 2022 (adjusted for interest) and utilizes the 100% funding target and 6.50% interest rate in all scenarios.



**Evanston Police and Fire Pension Funds**  
**Projection of Funded Status Assuming Interest of 7.00%**

**100% Funding Target**

Years	Police				Fire			
	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Status	Calendar Year Contribution	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Status	Calendar Year Contribution
2023	268,722,185	165,419,891	61.6%	13,295,458 <sup>1</sup>	199,743,682	108,484,721	54.3%	11,793,978 <sup>1</sup>
2024	286,545,807	176,460,068	61.6%	12,431,539	208,610,353	117,126,183	56.1%	11,079,270
2025	294,664,254	183,504,145	62.3%	13,651,274	214,419,750	123,339,997	57.5%	11,450,541
2026	302,746,053	190,151,894	62.8%	14,136,368	220,248,167	128,946,633	58.5%	11,741,185
2027	310,806,251	194,169,428	62.5%	14,727,358	226,050,957	133,591,205	59.1%	12,123,900
2028	318,777,523	206,855,055	64.9%	15,691,782	231,806,635	143,330,206	61.8%	12,660,375
2029	326,612,853	220,749,101	67.6%	15,727,151	237,474,121	153,818,283	64.8%	12,672,887
2030	334,280,564	234,944,374	70.3%	15,645,918	243,093,141	164,605,134	67.7%	12,623,059
2031	341,692,912	249,260,665	72.9%	15,547,022	248,627,882	175,614,161	70.6%	12,560,638
2032	348,758,234	263,612,324	75.6%	15,438,216	254,066,279	186,857,439	73.5%	12,480,859
2033	355,462,036	278,061,081	78.2%	15,307,910	259,367,572	198,297,734	76.5%	12,386,876
2034	361,793,669	292,559,328	80.9%	15,173,264	264,545,004	209,951,193	79.4%	12,294,747
2035	367,693,475	307,084,732	83.5%	15,034,184	269,534,179	221,765,173	82.3%	12,192,118
2036	373,209,353	321,733,513	86.2%	14,898,689	274,284,976	233,721,950	85.2%	12,078,919
2037	378,442,451	336,604,582	88.9%	14,737,717	278,832,826	245,870,223	88.2%	11,946,025
2038	383,485,787	351,802,912	91.7%	14,548,608	283,171,497	258,217,634	91.2%	11,780,706
2039	388,391,828	367,402,955	94.6%	14,279,811	287,287,387	270,743,233	94.2%	11,555,108
2040	393,250,352	383,413,359	97.5%	13,851,621	291,183,845	283,415,980	97.3%	11,203,130
2041	398,116,953	399,756,924	100.4%	12,808,990	294,904,993	296,158,025	100.4%	10,385,808
2042	403,048,543	415,865,612	103.2%	2,323,182	298,551,701	308,593,446	103.4%	2,104,892
Total				279,256,062				229,115,021

<sup>1</sup> Due to the timing of the contribution calculation and levy timing, the 2023 contribution is calculated as of January 1, 2022 (adjusted for interest) and utilizes the 100% funding target and 6.50% interest rate in all scenarios.

## Section IV- Sources of Pension Contributions

The source of the required pension contributions is in order:

1. Flat Pension Property Tax levy consistent with prior year
2. Appropriate amount of Personal Property Replacement Tax (PPRT)
3. General Fund operating surplus & excess fund balance (if available)
4. Increase in the Pension Property Tax levy (only if required)
5. Portion of any unrestricted proceeds from asset sales or other non-recurring revenue sources.

## Assumed Rate of Return on Investments

- The plan sponsor [City of Evanston] is responsible for setting assumed rate of return.
- The City Council is authorized to approve the final tax levy for the pension funds.
- The actuary will generally agree to any rate within a broad range, which varies by community.
- Foster and Foster has acknowledged that a rate between 6.25% and 7.125% would be considered “fair”.
- The rate can be revised in future years should market conditions warrant.

# Assumed Rate of Return on Investments – Potential Options

Organization	Rate (2022)
Bartlett	7.25%
Illinois Firefighters' Pension Investment Fund	7.125%
Schaumburg	7.00%
Elk Grove Village	7.00%
Elgin	7.00%
Illinois Police Officers' Pension Investment Fund	6.80%
Algonquin	6.75%
Warrenville	6.75%
Woodridge	6.50%
Illinois Department of Insurance (IDOI)	6.50%
<b>Evanston</b>	<b>6.50%</b>



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
Subject: Discussion on Fund Balances  
Date: June 13, 2023

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Recommended Action:  
For Discussion

Committee Action:  
For Discussion

Summary:

Chair Livingston has asked that staff provide a summary to discuss fund balances in City funds. The Finance Department reports fund and cash balances for each of the City's funds on a monthly basis through the monthly report. All monthly reports are posted on the City's website at <https://www.cityofevanston.org/government/financial-reports>.

Attached is a summary of unaudited fund and cash balances by fund type for 38 of the City's funds as of 4/30/23.

Attachments:  
[Fund Balance Summary](#)

**CITY OF EVANSTON**  
**SUMMARY OF REVENUES, EXPENDITURES AND FUND BALANCE- PRELIMINARY AND UNAUDITED**

	Revenues YTD (4/30/23)	Expenses YTD (4/30/23)	Net	Fund Balance (as of 4/30/23)	Cash Balance (as of 4/30/23)
<b>GENERAL FUND</b>	48,978,993	51,215,376	(2,236,383)	55,756,388	51,161,866
<b>HUMAN SERVICES FUND</b>	1,629,754	941,752	688,002	3,752,063	3,752,063
<b>SPECIAL REVENUE FUNDS</b>					
American Rescue Plan	445,249	912,048	(466,799)	14,128,358	30,915,185
General Assistance Fund	704,800	358,031	346,769	1,333,157	1,333,157
Reparations Fund	901,378	50,158	851,220	1,099,756	1,099,756
Sustainability Fund	235,785	58,110	177,675	562,268	562,268
Good Neighbor Fund	5,589	300,061	(294,472)	438,941	438,941
Motor Fuel Tax Fund	1,097,324	183,388	913,936	6,344,024	6,067,036
Emergency Telephone (E911) Fund	374,776	486,918	(112,142)	1,490,491	1,124,903
CDBG Fund	110,809	282,527	(171,718)	(112,395)	(112,395)
CDBG Loan Fund	46,975	8,564	38,411	417,661	417,661
Neighborhood Improvement Fund	177	2	175	22,470	22,470
HOME Fund	7,303	19,542	(12,239)	(5,386)	(5,386)
Affordable Housing Fund	76,517	185,049	(108,532)	2,493,831	2,642,065
<b>LIBRARY FUNDS</b>					
Library Fund	4,016,285	2,481,977	1,534,308	5,615,335	5,544,818
Library Debt Service Fund	-	-	-	2,782	2,782
Library Capital Improvement Fund	-	253,980	(253,980)	450,409	450,409
<b>DEBT SERVICE FUNDS</b>					
Debt Service Fund	8,016,020	(8,102)	8,024,122	10,131,558	9,989,932
Howard-Ridge TIF Fund	675,610	379,485	296,125	2,392,475	2,492,886
West Evanston TIF Fund	836,466	594,988	241,478	2,726,484	2,705,475
Dempster-Dodge TIF Fund	126,604	63,151	63,453	436,465	436,465
Chicago-Main TIF	673,135	103,616	569,519	2,263,197	2,263,197
Five Fifths TIF	-	140,237	(140,237)	(276,138)	(276,138)
Special Service Area (SSA) #6	121,417	(117,144)	238,560	243,116	464,978
Special Service Area (SSA) #7	77,629	-	77,629	90,064	90,064
Special Service Area (SSA) #8	33,536	-	33,536	38,064	38,064
Special Service Area (SSA) #9	522,721	-	522,721	322,734	322,734
<b>CAPITAL PROJECT FUNDS</b>					
Capital Improvements Fund	2,487,960	933,238	1,554,722	3,450,717	10,713,751
Crown Construction Fund	85,200	318,315	(233,115)	5,072,216	5,072,216
Crown Community Center Maintenance	58,332	-	58,332	548,377	548,377
Special Assessment Fund	113,154	151,804	(38,650)	1,404,201	1,404,201
<b>ENTERPRISE FUNDS</b>					
Parking System Fund	2,892,258	2,994,819	(102,561)	(281,794)	726,934
Sewer Fund	2,575,811	1,813,070	762,741	9,210,600	5,967,220
Solid Waste Fund	2,160,593	1,707,609	452,984	2,367,442	1,677,808
Water Fund	9,475,464	4,883,241	4,592,222	4,337,304	8,407,272
<b>INTERNAL SERVICE FUNDS</b>					
Fleet Services Fund	1,081,476	1,093,037	(11,561)	310,443	(1,208,651)
Equipment Replacement Fund	261,423	617,321	(355,898)	1,828,019	598,454
Insurance Fund	7,164,765	6,805,347	359,418	(4,160,019)	(1,968,500)

\*The City Council has adopted a fund reserve policy for this fund.  
Note that this reflects unaudited information that is subject to revision through the audit process.