



Finance and Budget Committee
Tuesday, October 10, 2023
Lorraine H. Morton Civic Center 5:00 PM
Join Zoom Meeting

<https://us06web.zoom.us/j/89667586860?pwd=waVVNuZ6Zww0EvyNOhVearSqONr17P.1>

Meeting ID: 896 6758 6860
Passcode: 433114

Dial by your location

• +1 312 626 6799 US (Chicago)

Meeting ID: 896 6758 6860
Passcode: 433114

Find your local number: <https://us06web.zoom.us/u/kdlJcZ91js>

AGENDA

Page

1. CALL TO ORDER/DECLARATION OF A QUORUM

2. PUBLIC COMMENT

3. APPROVAL OF MINUTES

M1. **Approval of the September 12, 2023 Finance & Budget Committee**

3 - 5

meeting minutes

[Finance and Budget Committee - Sep 12 2023 - Minutes - Pdf](#)

4. CONSIDERATION

FB1. **Review of the FY 2022 Single Audit** 6 - 25

Staff recommends that the Finance and Budget Committee review the Single Audit Report for 2022 and refer it to the City Council for them to approve and place on file.

For Action

[Review of the FY 2022 Single Audit - Attachment - Pdf](#)

5. DISCUSSION

D1. **FY 2024 Proposed Budget** 26

For Discussion

For Discussion

[FY 2024 Proposed Budget - Attachment - Pdf](#)

D2. **Discussion on Solid Waste Fund Status** 27 - 31

Staff is seeking direction on how to increase revenue in the Solid Waste Fund needed for operational costs and maintaining a positive fund balance.

For Discussion

[Discussion on Solid Waste Fund Status - Attachment - Pdf](#)

D3. **Evanston Affordable Housing Discussion** 32 - 37

This memo is in response to a referral from the Finance & Budget Committee requesting data relating to Evanston's affordable housing needs, the availability of affordable housing, and the capacity of the Affordable Housing Fund to address the unmet needs to inform the Finance & Budget Committee's discussion.

Affordable Housing Fund

For Discussion

[Evanston Affordable Housing Discussion - Attachment - Pdf](#)

6. ADJOURNMENT

Draft



City of
Evanston™
MINUTES

Finance and Budget Committee

Tuesday, September 12, 2023 @ 5:00 PM

Lorraine H. Morton Civic Center

**COMMITTEE MEMBER
PRESENT:**

Shari Reiches, Committee Member, David Livingston, Resident, Leslie McMillan, Committee Member, Clare Kelly, Councilmember, Jonathan Nieuwsma, Councilmember, Bobby Burns, Councilmember, and Devon Reid, Councilmember

**COMMITTEE MEMBER
ABSENT:**

Melissa Wynne, Councilmember

STAFF PRESENT:

Jessica Tapia, Finance Analyst, Hitesh Desai, Chief Financial Officer/Treasurer, Darrell King, Water Production Bureau Chief, Lara Biggs, Capital Planning & Engineering Bureau Chief, and Michael Van Dorpe, Management Analyst

1. CALL TO ORDER/DECLARATION OF A QUORUM

Meeting was called to order at 5:01 PM by Chair Livingston

2. PUBLIC COMMENT

Mike Vasilko commented on the water bonding discussion items

3. APPROVAL OF MINUTES

A. Approval of the July 11, 2023 Finance and Budget Committee meeting minutes

Minutes Approved

Moved by Councilmember Reid

Seconded by Councilmember Nieuwsma

Ayes: Reiches, Livingston, McMillan, Kelly, Nieuwsma, Burns, and Reid

Motion Passed 7-0 on a recorded vote

B. Approval of the August 29, 2023 Finance and Budget Committee meeting minutes

Minutes approved

Moved by Councilmember Reid

Seconded by Councilmember Nieuwsma

Ayes: Reiches, Livingston, McMillan, Kelly, Nieuwsma, Burns, and Reid

Motion Passed 7-0 on a recorded vote

4. DISCUSSION

A. Discussion of Water Fund Bonding for FY 2022, 2023, & 2024

Staff is providing information to the Finance and Budget Committee regarding the next steps to maintain an appropriate positive fund balance in the Water Fund.

Water Production Bureau Chief, Darrell King gave a presentation on water fund bonding. The Water Fund planned to sell bonds in 2022 and 2023. Neither of these bond issues occurred because they are tied to the sale of G.O. Bonds, which has been deferred by the City Council. As a result of the City not selling bonds during 2022 and 2023, the cash reserves in the Water Fund have fallen below the minimum reserve target. It is imperative that the Water Fund maintains a healthy reserve each year in order to receive low-interest loans from the IEPA for funding critical projects. The committee discussed the item and raised several questions. They agreed to continue this item for future discussion.

B. Discussion of Water Fund Status

Water Production Bureau Chief, Darrell King presented on the status of the Water Fund. The Lead Service Line Replacement and Notification Act adopted by the State of Illinois went into effect on January 1, 2022. This act had an immediate impact on the Water Fund by requiring the replacement of any damaged lead service lines and the full replacement of lead service lines during the installation of new water mains. The IEPA has not determined how funding for any lead service line replacement throughout the state will be offered. Staff analyzed several different scenarios of adjusting the water rate to meet these goals. The committee discussed the item and raised several questions. They agreed to continue this item for future discussion.

C. Proposed 2024 Capital Improvement Program Funding

Staff requests that the Finance and Budget Committee provide direction to staff on next steps related to funding for CIP projects.

City Engineer, Lara Biggs presented a draft proposal of the FY 2024 Capital Improvement Plan and possible challenges. She reminded the committee that the City has not issued any bonds in 2022 or 2023 and staff has been drawing upon the fund balance to fund projects already approved in 2022 and 2023. As a result, the council will need to decide on the GO bond amount, using an existing line of credit or identify alternate funding sources.

5. ADJOURNMENT

Meeting was adjourned by Chair David Livingston at 7:01 PM.

Draft

Finance and Budget Committee
September 12, 2023



Memorandum

To: Members of the Finance and Budget Committee
From: Hitesh Desai, Chief Financial Officer/Treasurer
CC: Andrew Villamin
Subject: Review of the FY 2022 Single Audit
Date: October 10, 2023

Recommended Action:

Staff recommends that the Finance and Budget Committee review the Single Audit Report for 2022 and refer it to the City Council for them to approve and place on file.

Committee Action:

For Action

Summary:

The Single Audit Act requires an annual audit of non-Federal entities that expend \$750,000 or more of Federal Financial Assistance in a fiscal year. A Single Audit includes an audit of both the organization's financial statements and compliance with Federal award requirements for those programs identified as major programs. Through the audit process, the auditors determine whether the organization's financial statements fairly present the financial position of the organization and whether they are presented in accordance with Generally Accepted Accounting Principles (GAAP). The Single Audit must be performed by an independent auditor. The City of Evanston retained Prado & Renteria to conduct the single audit, and their final report is attached.

Attachments:

[FY 2022 Single Audit Report](#)

**CITY OF EVANSTON, ILLINOIS
Single Audit Report**

For the Year Ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

The Honorable Daniel Biss, Mayor and
Members of the City Council
Evanston, Illinois

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the accompanying Schedule of Expenditures of Federal Awards of the City of Evanston, Illinois (City), for the year ended December 31, 2022 and the related notes (the financial statement).

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the City for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule of Expenditures of Federal Awards section of our report. We are required to be independent of the City of Evanston, Illinois and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Expenditures of Federal Awards

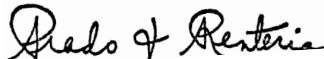
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Evanston, Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Chicago, Illinois
September 28, 2023

CITY OF EVANTSON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal Assistance Listing Number | Identifying Number | Award Date | Passed-Through to Subrecipients | Federal Expenditures |
|--|--|---------------------------------|----------------------------|------------------------------------|-------------------------|
| DEPARTMENT OF AGRICULTURE | | | | | |
| Passed through the Illinois State Board of Education Child and Adult Care Food Program | 10.558 | ISBE 22-4226-00 -05-016-510P-00 | Feb 3, 2022 - Nov 8, 2022 | N/A | 50,813 |
| Passed through the Illinois State Board of Education Summer Food Service Program for Children | 10.559 | ISBE 22-4225-00 -05-016-510P-00 | Jul 1, 2022 - Aug 29, 2022 | N/A | 162,310 |
| Total Department of Agriculture | | | | | 213,123 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | |
| Community Development Block Grants/Entitlement Grants | | | | | |
| Entitlement year 45 | 14.218 | B19MC-170012 | July 22, 2019 | 68,827 | 99,880 |
| Entitlement year 46 | 14.218 | B20MC-170012 | August 21, 2020 | 20,944 | 87,356 |
| Entitlement year 47 | 14.218 | B21MC-170012 | August 3, 2021 | N/A | 539,471 |
| Entitlement year 48 | 14.218 | B22MC-170012 | September 8, 2022 | 280,260 | 1,087,185 |
| Total Community Development Block Grants/Entitlement Grants | | | | 370,031 | 1,813,892 |
| COVID-19 Community Development Block Grants | | | | | |
| Entitlement year 46 | 14.218 | B20MW-170012 | December 10, 2020 | 231,295 | 516,275 |
| Emergency Solutions Grant Program | 14.231 | E22MC-170012 | September 9, 2022 | 119,740 | 128,568 |
| COVID-19 Emergency Solutions Grant Program | 14.231 | E20MW-170012 | July 17, 2020 | 193,122 | 207,290 |
| Home Investment Partnerships Program | 14.239 | M18-MC-170218 | July 31, 2018 | 4,409 | 4,409 |
| Home Investment Partnerships Program | 14.239 | M19-MC-170218 | July 22, 2019 | 34,541 | 34,541 |
| Home Investment Partnerships Program | 14.239 | M20-MC-170218 | August 21, 2020 | 16,254 | 81,807 |
| Home Investment Partnerships Program | 14.239 | M21-MC-170218 | August 3, 2021 | 14,128 | 190,726 |
| Home Investment Partnerships Program | 14.239 | M22-MC-170218 | September 8, 2022 | 29,224 | 43,842 |
| Total Home Investment Partnerships Program | | | | 94,146 | 355,326 |
| COVID-19 Home Investment Partnerships Program | 14.239 | M21MP170218 | September 27, 2021 | N/A | 5,087 |
| Total Department of Housing and Urban Development | | | | | 3,026,438 |
| DEPARTMENT OF TRANSPORTATION | | | | | |
| Passed through Illinois Department of Transportation | | | | | |
| Highway Planning and Construction | 20.205 | HSP # 202001007 | August 30, 2019 | N/A | 141,088 |
| Highway Planning and Construction | 20.205 | C91-306-91 | November 13, 2020 | N/A | 266,807 |
| Total Highway Planning and Construction | | | | | 407,895 |
| Passed through Illinois Department of Transportation | | | | | |
| State and Community Highway Safety | 20.600 | 200HS220057 | August 19, 2021 | N/A | 69,051 |
| State and Community Highway Safety | 20.600 | 300HS230155 | September 12, 2022 | N/A | 8,488 |
| Total State and Community Highway Safety | | | | | 77,539 |
| Total Department of Transportation | | | | | 485,434 |
| DEPARTMENT OF TREASURY | | | | | |
| COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)* | 21.027 | not available | March 11, 2021 | N/A | 2,300,000 |
| COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)* | 21.027 | not available | March 11, 2021 | N/A | 1,600,000 |
| COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)* | 21.027 | not available | March 11, 2021 | 173,000 | 3,622,841 |
| COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)* | 21.027 | not available | March 11, 2021 | N/A | 17,760 |
| COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)* | 21.027 | not available | March 11, 2021 | N/A | 97,803 |
| COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)* | 21.027 | not available | March 11, 2021 | N/A | 21,044 |
| Total Department of Treasury | | | | | 7,659,448 |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY | | | | | |
| Passed through Illinois Environmental Protection Agency | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds* | 66.468 | L175108 | April 7, 2022 | N/A | 195,133 |
| Capitalization Grants for Drinking Water State Revolving Funds* | 66.468 | L175108 | March 4, 2022 | N/A | 326,939 |
| Capitalization Grants for Drinking Water State Revolving Funds* | 66.468 | L175106 | October 31, 2022 | N/A | 4,538,035 |
| Capitalization Grants for Drinking Water State Revolving Funds* | 66.468 | L175241 | October 31, 2022 | N/A | 711,450 |
| Capitalization Grants for Drinking Water State Revolving Funds* | 66.468 | L175241 | December 5, 2022 | N/A | 334,263 |
| Total Department of Environmental Protection Agency | | | | | 6,105,820 |

*Denotes Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF EVANTSON, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal Assistance Listing Number | Identifying Number | Award Date | Passed-Through to Subrecipients | Federal Expenditures |
|---|--|---------------------------|--------------------|------------------------------------|-----------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | |
| Passed through Age Options | | | | | |
| Special Programs for the Aging Title III, Part B Grants For Supportive Services & Senior Centers | 93.044 | CSFA # 402-03-0027 | October 18, 2022 | N/A | 7,500 |
| Special Programs for the Aging, Title III, Part C Nutrition Services | 93.045 | T3C1 | September 30, 2022 | N/A | 49,619 |
| Passed through the Illinois Department of Public Health | | | | | |
| Public Health Emergency Preparedness | 93.069 | 2027180027J / 3037180027K | August 31, 2021 | N/A | 67,420 |
| Public Health Emergency Preparedness - Cities Readiness Prep | 93.069 | 2027580003J / 3037580003K | October 25, 2021 | N/A | 51,621 |
| Total Public Health Emergency Preparedness | | | | | <u>119,041</u> |
| Passed through Public Health Institute of Metropolitan Chicago | | | | | |
| HIV Prevention Activities - Health Dept Based | 93.940 | not available | January 13, 2023 | N/A | 11,860 |
| Total Department of Health and Human Services | | | | | <u>188,020</u> |
| DEPARTMENT OF HOMELAND SECURITY | | | | | |
| Emergency Management Performance Grants | 97.042 | 22EMAEVANS | July 1, 2022 | N/A | 36,282 |
| Total Department of Homeland Security | | | | | <u>36,282</u> |
| INSTITUTE OF MUSEUM & LIBRARY SERVICES | | | | | |
| Passed thru Office of Sec of State - IL State Library | | | | | |
| Grants to States Project Next Generation (PNG) | 45.310 | 22-3024-PNG | July 1, 2021 | N/A | 39,528 |
| National Leadership Grants | | | | | |
| COVID-19 Grants for Museums & Libraries | 45.312 | CAGML-247937-OMLS-20 | September 24, 2020 | N/A | 51,774 |
| Total Institute of Museum & Library Services | | | | | <u>91,302</u> |
| NATIONAL SCIENCE FOUNDATION | | | | | |
| Passed thru Evanston/Skokie District #65 | | | | | |
| STEM Education 2022 Partner Stipend | 47.076 | CNC-1831865 | December 21, 2021 | N/A | 2,540 |
| Total National Science Foundation | | | | | <u>2,540</u> |
| NATIONAL ENDOWMENT FOR THE HUMANITIES | | | | | |
| Passed thru Illinois Humanities Council | | | | | |
| Promotion of the Humanities Federal/State Partnership 2022 Action Grants Full Proposal | 45.129 | A1018 | July 2, 2022 | N/A | 4,250 |
| Total National Endowment For The Humanities | | | | | <u>4,250</u> |
| NATIONAL ENDOWMENT FOR THE ARTS | | | | | |
| Promotion of the Arts Grants to Organizations and Individuals | | | | | |
| American Rescue Plan Local Art Subgranting | 45.024 | 1894640-66-22 | December 17, 2021 | N/A | 190,500 |
| Total National Endowment For The Arts | | | | | <u>190,500</u> |
| Total Expenditures of Federal Awards | | | | | <u>\$ 18,003,156</u> |

* Denotes Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF EVANSTON, ILLINOIS
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022**

NOTE 1 – REPORTING ENTITY

This report on Federal Awards includes the federal awards of the City of Evanston, Illinois. The reporting entity for the city is based upon criteria established by the Governmental Accounting Standards Board (GASB).

The City of Evanston is the primary government according to GASB criteria. On April 30, 2014, the Township was discontinued and dissolved following the March 18, 2014 general election vote taken by the registered voters of the Evanston Township. Pursuant to 60 ILCS 1/27-15 and 1/27-20, effective 12:00 a.m. May 1, 2014, the City of Evanston assumed all rights, powers, assets, property, obligations and duties of the Evanston Township, including the responsibilities of providing the services that were previously provided by the Township. Beginning May 1, 2014, the functions of the Township are reported along with the City.

NOTE 2 – BASIS OF PRESENTATION

The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Evanston provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|--|---------------------------|--|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$370,031 |
| COVID-19 Community Development Block Grants Emergency Solutions Grant Program | 14.218 | \$231,295 |
| Emergency Solutions Grant Program | 14.231 | \$119,740 |

CITY OF EVANSTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 3 – SUBRECIPIENTS - Continued

| | | |
|--|--------|-----------|
| COVID-19 Emergency Solutions Grant Program | 14.231 | \$193,122 |
| HOME Investment Partnerships Program | 14.239 | \$94,146 |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | \$173,000 |

NOTE 4 – PROGRAM INCOME

The City of Evanston received the following program income amounts for the year ended December 31, 2022. The balances of receipts are from letter of credit drawdowns for the program. The program expenditures for the year include expenditures of this program income.

| Program Title | Federal CFDA Number | Amount |
|---|---------------------------|----------|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$85,956 |
| Home Investment Partnerships Program | 14.239 | \$32,162 |

NOTE 5– NOTES RECEIVABLE OUTSTANDING

The City of Evanston has several notes receivable outstanding as of December 31, 2022. These loans are for various uses. The Community Development Block Grants/Entitlement Grants Loan funds a number of programs to make decent housing available and affordable to low- and moderate-income families, and to help low- and moderate-income residents maintain their property. The Home Investment Partnerships Program Loan provides loans to housing developers to acquire, rehab or construct housing for low and moderate income households.

| Program Title | Federal CFDA Number | Amount |
|---|---------------------------|-------------|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$1,956,042 |
| Home Investment Partnerships Program | 14.239 | \$5,300,354 |

The notes receivable balances are not subject to continuing OMB Uniform Guidance compliance requirements.

CITY OF EVANSTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 6– LOANS PAYABLE OUTSTANDING

The City of Evanston has the following loans payable outstanding as of December 31, 2022. These loans are from The Capitalization Grants for Drinking Water and Clean Water State Revolving Funds. Projects funded were the sewer lining at Emerson and Davis streets, rehab of large diameter sewers and rehab of the Cleveland street sewer.

| Program Title | Federal CFDA Number | Amount |
|--|---------------------------|-----------|
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | \$713,015 |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | \$708,596 |

The loan payable balances are not subject to continuing OMB Uniform Guidance compliance requirements.

NOTE 7 – NONCASH ASSISTANCE

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Evanston did not receive any noncash assistance during the year ended December 31, 2022.

NOTE 8 – FEDERAL INSURANCE

The City of Evanston had no federal insurance for the year ended December 31, 2022.

NOTE 9 – INDIRECT COST RATE

The City of Evanston has not elected to use the 10% de minimis indirect cost rate.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Daniel Biss, Mayor and
Members of the City Council
Evanston, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Evanston, Illinois' (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor’s Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

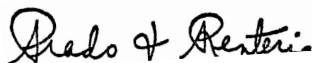
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chicago, Illinois
September 28, 2023

**CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- 1) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
- 2) Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None reported
- 3) Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

- 1) Internal control over major federal programs:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? X Yes _____ None reported
- 2) Type of auditors’ report issued on compliance for major federal programs: **Unmodified**
- 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes _____ No

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 21.027 | COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds |

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low risk auditee? X Yes _____ No

**CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2022-001 Procurement, Suspension and Debarment (Repeat Finding 2021-001)

Federal Agency: Department of the Treasury
Federal Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds
(CSLFRF)

Criteria:

The Department of the Treasury’s Interim Final Rule (Effective May 17, 2021 through March 31, 2022) and the Final Rule (Effective April 1, 2022) encouraged the use of internal Procurement Policies and Procedures when procuring products and/or services.

The Department of the Treasury’s Compliance and Reporting Guidance report (Effective June 24, 2021 through April 30, 2025) required recipients (i.e., City of Evanston) to ensure any procurement using CSLFRF funds to be consistent with the procurement standards set forth in the Uniform Guidance at 2 CFR 200.317 through 2 CFR 200.327 as applicable.

Procurement Standards of Title 2 of the *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) state that all non-federal entities will follow Section 200.318 through Section 200.327.

- A. Section 200.320 identifies four methods of procurement to be followed, among the methods of procurement the below are three identified thresholds:
 - (a) Informal – micro purchases (any amount up to \$10,000)
 - (b) Informal – small purchases (\$10,000.01 to \$249,999.99)
 - (c) Formal – sealed bids (\$250,000 and above)
 - (d) Noncompetitive procurement

- B. The *City of Evanston Purchasing Manual* requires the collection of three written quotes for any purchase between \$2,500 and \$25,000 purchased with federal grant funds, a formal bid process (Bid, RFP, RFQ) for any purchase \$25,000 or above purchased with federal grant funds, and a justification memo for a sole source purchase for any amount above \$2,500 purchased with federal grant funds.

- C. The *City of Evanston Purchasing Manual* requires that for purchases above \$2,500 but less than \$10,000, approval signature must be obtained from the Department Director. All purchases above \$10,000 require approval signature from the City Manager. Purchases above \$25,000 must also be approved by the City Council.

- D. Per Title 2 CFR section 180.300, participant entering into a covered transaction must verify that the person with whom it intends to do business is not excluded or disqualified by:

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

E. Title 2 CFR section 200.303 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Condition/Context:

1. We tested nine purchase orders totaling \$2,408,526. Our procedures revealed the following:
 - a. Two (2) purchase orders in the amount of \$27,739 and \$150,525 respectively, were purchases greater than \$25,000 each, and for which the City of Evanston did not complete a formal procurement process (competitively bid) following its own Purchasing Manual and/or obtain the required three quotations following Section 200.320 of Title 2 of the *Code of Federal Regulations* (CFR).
 - b. For seven (7) purchase orders totaling \$2,391,116, documentation demonstrating that suspension and debarment searches were performed could not be provided by the City of Evanston.
 - c. For one (1) purchase order totaling \$700,405, procurement documentation was not provided nor retained by the City of Evanston from third party procurement service provider.

Cause:

1. The City of Evanston’s procurement policies do not include processes pertaining to monitoring and review procedures of procurement processes conducted by external procurement service providers to ensure compliance with all applicable procurement policies.
2. The City of Evanston’s procurement policies do not include processes pertaining to entity-wide suspension and debarment checks.
3. Where policies are in place for internal procurement they are not being followed.

Effect:

City of Evanston is not in compliance with Title 2 of the *Code of Federal Regulations* (CFR) Part 200 and the requirements outlined in the City of Evanston Purchasing Manual as it relates to purchases above \$25,000. Additionally, the effect of noncompliance can result in questioned costs.

Recommendation:

We recommend that City of Evanston:

- a. Implement structures to monitor external procurement service providers to ensure their procurement methods comply with applicable federal compliance requirements.

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

- b. Further expand Purchasing Manual to include policies and procedures for suspension and debarment searches and retaining support for suspension and debarment check.
- c. Communicate and re-enforce its procurement policies and procedures to ensure compliance with applicable requirements.
- d. Centralize the procurement process to ensure all departments are following applicable procedures in a uniform manner.

Views of Responsible Officials:

The City of Evanston implemented a revised Purchasing Manual as of March 2023. We agree with the auditor's recommendations and will further review and revise the Purchasing Manual and communicate and reinforce policies and procedures to all departments to ensure compliance with applicable requirements.

**CITY OF EVANSTON, ILLINOIS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2022**

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

TYPE OF FINDINGS

| <u>FINDING NUMBER/ DESCRIPTION</u> | Financial Statement | Federal Award | <u>STATUS</u> |
|---|------------------------|------------------|--|
| <u>Coronavirus State and Local Fiscal Recovery Funds, AL 21.027:</u> | | | |
| 2021-001 – Procurement, Suspension and Debarment | | X | The City has not corrected this finding during the current year. |



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**MANAGEMENT'S CORRECTIVE ACTION PLAN
CITY OF EVANSTON, ILLINOIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Finding 2022-001 Procurement, Suspension and Debarment (Repeat Finding 2021-001)

Federal Agency: U.S. Department of the Treasury

Federal Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Questioned Cost: N/A

Corrective Action: We agree with the auditor's comments, and actions stated in the recommendation. The City of Evanston will:

- a. Implement structures to monitor external procurement service providers to ensure their procurement methods comply with applicable federal compliance requirements by: When using an external procurement services provider, Departments will review and retain procurement method and accompanying support, specifically: method of procurement (Bid, RFP, RFQ), history of procurement and accompanying support.
- b. Further expand Purchasing Manual to include policies and procedures for suspension and debarment searches and retaining support for suspension and debarment check by: The Purchasing Manual was revised during 2023 to incorporate procedures relating to suspension and debarment checks. The City will expand the Purchasing Manual to require suspension and debarment check support be retained in the vendor file.
- c. Communicate and reinforce its procurement policies and procedures to ensure compliance with applicable requirements by: Provide revised Purchasing Manual to staff with yearly reminder from Purchasing and Community Development Federal Grants Manager.
- d. Centralize the procurement process to ensure all departments are following applicable procedures in a uniform manner by: City staff will work with the City's Purchasing Department to follow and adhere to applicable Procurement procedures.

Contact Person: Hitesh Desai, Chief Financial Officer

Anticipated Completion Date: December 31, 2023



Memorandum

To: Members of the Finance and Budget Committee
From: Hitesh Desai, Chief Financial Officer/Treasurer
Subject: FY 2024 Proposed Budget
Date: October 10, 2023

Recommended Action:
For Discussion

Committee Action:
For Discussion

Summary:
Staff will have a presentation reviewing the FY2024 Proposed Budget.



Memorandum

To: Members of the Finance and Budget Committee
From: Noel Rodriguez, Public Services Bureau Chief
CC: Edgar Cano, Director of Public Works
Subject: Discussion on Solid Waste Fund Status
Date: October 10, 2023

Recommended Action:

Staff is seeking direction on how to increase revenue in the Solid Waste Fund needed for operational costs and maintaining a positive fund balance.

Committee Action:

For Discussion

Summary:

As part of the budget process, staff is proposing to increase charges for residential refuse carts, condominium refuse collection, multifamily apartment recycling, and yard waste collection effective January 1, 2024, in order to maintain a positive balance in the Solid Waste Fund (SWF).

On August 9, 2022, The Public Works Agency presented multiple Solid Waste rate increase options to the Finance and Budget Committee in order to reduce the SWF's net operating loss and represent a modest step towards a sustainable rate structure. The recommendation of the Committee was to transfer \$1 million from the General Fund to the Solid Waste Fund (SWF), ensuring that the SWF will maintain a positive, albeit shrinking, fund balance through 2024. Also recommended at that meeting were two gradual rate increases of 1.8% in 2023 and 2024, respectively.

Unexpected wage increases associated with the 2023 AFSCME Union Collective Bargaining Agreement and needed repairs to the Solid Waste Agency of Northern Cook County (SWANCC) roof have added increased expenditures that will require additional rate increases in order for the fund to stay sustainable and not run at a deficit.

Background and Analysis:

On September 27th, 2022 the Council adopted Resolution 87-R-22, which authorized the transfer of \$1 million from the General Fund Reserve to the Solid Waste Fund. The resolution also references minor 1.8% service charge increases in 2023 and 2024, as recommended by the Budget and Finance Committee. At the November 21, 2022, meeting, the Council approved the first 1.8% increase, which became effective on January 1, 2023.

As part of the 2024 budget discussion, staff reevaluated the SWF revenues and expenditures and found that the 1.8% service charge increase would leave an annual deficit of approximately \$750,000. This deficit is mainly attributed to wage increases and unforeseen expenditures.

In September of 2023, the AFSCME Union negotiated a 2023 base salary increase of 11%. This is much higher than the 2.5% salary increase projected in 2022 when staff last brought forth recommendations to the Finance and Budget Committee and City Council. Additionally, the Union staff will also receive an additional 3% increase effective January 1, 2024. In addition to paying higher costs for its own staff, the Fund will incur higher vehicle maintenance costs due to Fleet's higher personnel costs.

Adding to the deficit is the capital cost for the 2024 roof replacement project to SWANCC's facility. Evanston's share of the project is anticipated to be \$224,953, due in the fall of 2024. This reflects Evanston's 5.6% allocation percentage of the \$4 million dollar, one-time, project-specific cost in accordance with our Use Agreement.

To offset these increased expenses and maintain adequate reserves, staff has reviewed multiple options and proposes the following rate increase scenarios for consideration.

Scenario 1:

This scenario proposes no additional service charges other than the recommended 1.8% increase recommended at the August 2022 Finance and Budget Committee meeting. This would result in an operating net loss of \$648,925 in 2024 with a year-end fund balance of \$335,345, \$872,103 below its 16.6% target reserve. The total estimated increase in service charge revenue is estimated at \$83,358. This would result in a negative \$6,994 year-end fund balance in 2025.

| Solid Waste Fund | | | | | | |
|---|------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Scenario 1: 1.8% increase in 2024 | | | | | | |
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| % Increase | 1.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Revenue | | | | | | |
| Residential Refuse Charges | 3,583,360 | 3,583,360 | 3,583,360 | 3,583,360 | 3,583,360 | 3,583,360 |
| Apartment Refuse Charges | 201,564 | 201,564 | 201,564 | 201,564 | 201,564 | 201,564 |
| Condo Refuse Charges | 658,646 | 658,646 | 658,646 | 658,646 | 658,646 | 658,646 |
| Yard Waste Charges | 270,788 | 270,788 | 270,788 | 270,788 | 270,788 | 270,788 |
| Service Charge Penalties | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Special Pick Up fees | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Property Taxes | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 |
| Franchise fees | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Bag Tax | 100,000 | 95,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| Other | 58,000 | 59,400 | 60,849 | 62,349 | 63,901 | 65,507 |
| Total Revenue | 6,624,858 | 6,621,258 | 6,617,707 | 6,619,207 | 6,620,759 | 6,622,365 |
| Expenditures | | | | | | |
| Personnel | 1,893,717 | 1,950,529 | 2,009,044 | 2,079,361 | 2,152,139 | 2,227,463 |
| Vehicular | 1,143,600 | 847,251 | 876,905 | 907,596 | 939,362 | 972,240 |
| Contractual Costs | 3,564,802 | 3,456,695 | 3,577,679 | 3,702,898 | 3,832,500 | 3,966,637 |
| Other Costs | 671,664 | 709,122 | 732,367 | 728,707 | 752,636 | 777,404 |
| Total Expenditures | 7,273,783 | 6,963,597 | 7,195,995 | 7,418,562 | 7,676,637 | 7,943,744 |
| Beginning Fund Balance | 984,270 | 335,345 | (6,994) | (585,282) | (1,384,638) | (2,440,516) |
| Net Operating Revenue | (648,925) | (342,339) | (578,288) | (799,355) | (1,055,878) | (1,321,379) |
| Ending Fund Balance | 335,345 | (6,994) | (585,282) | (1,384,638) | (2,440,516) | (3,761,894) |
| Target Fund Balance (Reserve 16.6% of Expenses) | 1,207,448 | 1,155,957 | 1,194,535 | 1,231,481 | 1,274,322 | 1,318,662 |
| Ending Fund Balance above (below) target reserve | (872,103) | (1,162,951) | (1,779,818) | (2,616,119) | (3,714,837) | (5,080,556) |

Scenario 2:

This scenario proposes implementing two service charge increases in 2024 and 2025 sufficient to bring total revenue equal to total expenditures over the two-year period. Refuse, recycling, and yard waste collection charges would each increase by 10% in 2024, which would increase revenue by \$463,100, and would reduce the estimated 2024 net operating loss to \$269,183. This would result in a 2024 end-of-year fund balance of \$715,087, \$492,361 short of the 16.6% target reserve balance. In 2025 a second service charge increase of 4.5% would increase revenue by \$231,780, and would result in positive net operating revenue of \$269,183. This would bring the 2025 end-of-year fund balance up to \$984,270, \$171,687 short of the 16.6% target reserve.

| Solid Waste Fund | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Scenario 2, Average balanced budget 2024-2025. 10.0% increase in 2024 and 4.5% increase in 2025 | | | | | | |
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| % Increase | 10.0% | 4.5% | 0.0% | 0.0% | 0.0% | 0.0% |
| Revenue | | | | | | |
| Residential Refuse Charges | 3,872,000 | 4,048,175 | 4,048,175 | 4,048,175 | 4,048,175 | 4,048,175 |
| Apartment Refuse Charges | 217,800 | 227,710 | 227,710 | 227,710 | 227,710 | 227,710 |
| Condo Refuse Charges | 711,700 | 744,082 | 744,082 | 744,082 | 744,082 | 744,082 |
| Yard Waste Charges | 292,600 | 305,913 | 305,913 | 305,913 | 305,913 | 305,913 |
| Service Charge Penalties | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Special Pick Up fees | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Property Taxes | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 |
| Franchise fees | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Bag Tax | 100,000 | 95,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| Other | 58,000 | 59,400 | 60,849 | 62,349 | 63,901 | 65,507 |
| Total Revenue | 7,004,600 | 7,232,780 | 7,229,229 | 7,230,729 | 7,232,281 | 7,233,887 |
| Expenditures | | | | | | |
| Personnel | 1,893,717 | 1,950,529 | 2,009,044 | 2,079,361 | 2,152,139 | 2,227,463 |
| Vehicular | 1,143,600 | 847,251 | 876,905 | 907,596 | 939,362 | 972,240 |
| Contractual Costs | 3,564,802 | 3,456,695 | 3,577,679 | 3,702,898 | 3,832,500 | 3,966,637 |
| Other Costs | 671,664 | 709,122 | 732,367 | 728,707 | 752,636 | 777,404 |
| Total Expenditures | 7,273,783 | 6,963,597 | 7,195,995 | 7,418,562 | 7,676,637 | 7,943,744 |
| Beginning Fund Balance | 984,270 | 715,087 | 984,270 | 1,017,504 | 829,670 | 385,314 |
| Net Operating Revenue | (269,183) | 269,183 | 33,234 | (187,833) | (444,356) | (709,857) |
| Ending Fund Balance | 715,087 | 984,270 | 1,017,504 | 829,670 | 385,314 | (324,542) |
| Target Fund Balance (Reserve 16.6% of Expenses) | 1,207,448 | 1,155,957 | 1,194,535 | 1,231,481 | 1,274,322 | 1,318,662 |
| Ending Fund Balance above (below) target reserve | (492,361) | (171,687) | (177,032) | (401,811) | (889,007) | (1,643,204) |

Scenario 3:

This scenario proposes a uniform 15.8% increase in FY2024 to the above-mentioned refuse, recycling, and yard waste collection charges. This would result in a balanced budget for 2024 and an ending fund balance of \$984,270, which would be \$223,178 below our target reserve of 16.6% of annual expenses. The total estimated increase in service charge revenue is estimated at \$732,283.

| Solid Waste Fund Scenario 3, Balanced budget 2024. 15.8% increase in 2024 | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| % Increase | 15.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Revenue | | | | | | |
| Residential Refuse Charges | 4,076,605 | 4,076,605 | 4,076,605 | 4,076,605 | 4,076,605 | 4,076,605 |
| Apartment Refuse Charges | 229,309 | 229,309 | 229,309 | 229,309 | 229,309 | 229,309 |
| Condo Refuse Charges | 749,308 | 749,308 | 749,308 | 749,308 | 749,308 | 749,308 |
| Yard Waste Charges | 308,062 | 308,062 | 308,062 | 308,062 | 308,062 | 308,062 |
| Service Charge Penalties | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Special Pick Up fees | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Property Taxes | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 | 1,332,500 |
| Franchise fees | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Bag Tax | 100,000 | 95,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| Other | 58,000 | 59,400 | 60,849 | 62,349 | 63,901 | 65,507 |
| Total Revenue | 7,273,783 | 7,270,183 | 7,266,632 | 7,268,132 | 7,269,684 | 7,271,290 |
| Expenditures | | | | | | |
| Personnel | 1,893,717 | 1,950,529 | 2,009,044 | 2,079,361 | 2,152,139 | 2,227,463 |
| Vehicular | 1,143,600 | 847,251 | 876,905 | 907,596 | 939,362 | 972,240 |
| Contractual Costs | 3,564,802 | 3,456,695 | 3,577,679 | 3,702,898 | 3,832,500 | 3,966,637 |
| Other Costs | 671,664 | 709,122 | 732,367 | 728,707 | 752,636 | 777,404 |
| Total Expenditures | 7,273,783 | 6,963,597 | 7,195,995 | 7,418,562 | 7,676,637 | 7,943,744 |
| Beginning Fund Balance | 984,270 | 984,270 | 1,290,856 | 1,361,493 | 1,211,062 | 804,109 |
| Net Operating Revenue | (0) | 306,586 | 70,637 | (150,430) | (406,953) | (672,454) |
| Ending Fund Balance | 984,270 | 1,290,856 | 1,361,493 | 1,211,062 | 804,109 | 131,656 |
| Target Fund Balance (Reserve 16.6% of Expenses) | 1,207,448 | 1,155,957 | 1,194,535 | 1,231,481 | 1,274,322 | 1,318,662 |
| Ending Fund Balance above (below) target reserve | (223,178) | 134,899 | 166,957 | (20,419) | (470,212) | (1,187,006) |

All of these projections are based on current and projected contract rates. Contracts for the following services are expected to conclude in FY2025:

- Residential - Refuse Collection & Yard Waste Collection & Disposal
- Condominium - Refuse Collection & Disposal
- Food Scrap Collection

Staff will be analyzing these services before issuing Request for Proposals (RFP) from potential haulers. Given the uncertain nature of the cost of the bids received, the need to re-evaluate service costs could be necessary again in FY2025. Staff will seek to have all RFPs for the services listed above out and advertised in mid to late FY2024.



Memorandum

To: Members of the Finance and Budget Committee
 From: Sarah Flax, Community Development Director
 Subject: Evanston Affordable Housing Discussion
 Date: October 10, 2023

Recommended Action:

This memo is in response to a referral from the Finance & Budget Committee requesting data relating to Evanston's affordable housing needs, the availability of affordable housing, and the capacity of the Affordable Housing Fund to address the unmet needs to inform the Finance & Budget Committee's discussion.

Funding Source:

Affordable Housing Fund

Committee Action:

For Discussion

Summary:

Evanston Demographic Changes Evanston's median household income has risen by almost 30% since 2014, from \$68,051 to \$87,345. In 2014, almost 54% of HHs had income below \$75,000; in 2021, the percentage of HHs with incomes under \$75,000 dropped to 44%. At the same time, the percentage of HHs with incomes of \$150,000 or more rose from 20% to almost 30%. The chart below shows HH incomes from the American Community Survey's 5-year estimates for 2010-2014, 2015-2019, and 2017-2021.

| Evanston HH Income | 2010-2014 | | 2015-2019 | | 2017-2021 | |
|---------------------|-----------|---------|-----------|---------|-----------|---------|
| | Count | Percent | Count | Percent | Count | Percent |
| Less than \$25,000 | 5,640 | 19.68% | 5,350 | 18.6% | 4,484 | 14.82% |
| \$25,000-\$49,999 | 5,477 | 19.11% | 5,195 | 18.1% | 4,936 | 16.31% |
| \$50,000-\$74,999 | 4,342 | 15.15% | 3,833 | 13.3% | 3,932 | 13.00% |
| \$75,000-\$99,999 | 2,967 | 10.35% | 3,156 | 11.0% | 3,023 | 9.99% |
| \$100,000-\$149,999 | 4,411 | 15.39% | 4,219 | 14.7% | 4,887 | 16.15% |
| \$150,000 and over | 5,824 | 20.32% | 6,974 | 24.3% | 8,994 | 29.73% |
| Median Income | \$68,051 | | \$74,901 | | \$87,345 | |

Source: American Community Survey 5-year estimates

The chart below shows HH incomes for Chicago, Cook County, and the CMAP region from the 2017-2021 ACS 5-year estimates for comparison. Evanston's median income is higher, its percentage of HHs with incomes < \$25,000 is lower, and its percentage of HHs with incomes > \$150,000 is higher than Chicago, Cook County, and the CMAP region.

Household Income, 2017-2021

| | Chicago | | Cook County | | CMAP Region | |
|------------------------|----------|---------|-------------|---------|-------------|---------|
| | Count | Percent | Count | Percent | Count | Percent |
| Less than \$25,000 | 242,342 | 21.8 | 370,516 | 18.1 | 486,172 | 15.1 |
| \$25,000 to \$49,999 | 204,520 | 18.4 | 368,765 | 18.0 | 532,670 | 16.5 |
| \$50,000 to \$74,999 | 166,043 | 14.9 | 317,344 | 15.5 | 491,960 | 15.3 |
| \$75,000 to \$99,999 | 129,883 | 11.7 | 252,760 | 12.4 | 407,959 | 12.7 |
| \$100,000 to \$149,999 | 163,331 | 14.7 | 330,041 | 16.1 | 575,992 | 17.9 |
| \$150,000 and Over | 206,462 | 18.6 | 405,232 | 19.8 | 725,998 | 22.5 |
| Median Income | \$65,781 | | \$72,121 | | \$81,102 | |
| Per Capita Income* | \$41,821 | | \$41,706 | | \$43,128 | |

Source: 2017-2021 American Community Survey five-year estimates.

Universe: Occupied housing units

*Universe: Total population

In addition, Evanston's racial and ethnic populations continue to change. The number and percentage of Black residents show a decline, while Hispanic/Latino (any race) and Asian show increases. Compared with Chicago and Cook County, the percentage of White residents is significantly higher, and Asian and Other/Multiple races (non-Hispanic) are slightly higher.

The attached chart shows Race/Ethnicity for Evanston in 2014, 2019, and 2021, as well as Chicago and Cook County for 2021.

Changes to Affordable Housing Stock

The Institute of Housing Studies at De Paul University's State of Rental Housing in Cook County documents the loss of affordable rental units to HHs with incomes ≤ 150% of the Poverty level. The chart below shows that the Evanston/Skokie submarket has significantly fewer affordable units for this demographic, resulting in a higher percentage of HHs that are housing cost-burdened. In addition, the percentage of Evanston/Skokie HHs with unaffordable rents also increased at a higher rate from 2014 to 2019 than in Chicago, Suburban Cook County, and Cook County.

| Affordable Supply and Lower-Income Demand in Cook County, Suburban Cook, & Chicago 2012-2014 and 2017-2019 | | | | | | |
|---|---------------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|--|
| | 3-Year Average, 2012-2014 | | | 3-Year Average, 2017-2019 | | |
| | Rental Supply Defined as 'Affordable' | Renters ≤ 150 % of Poverty Level | Renters ≤ 150 % of FPL in Unaffordable Units | Rental Supply Defined as 'Affordable' | Renters ≤ 150 % of Poverty Level | Renters ≤ 150 % of FPL in Unaffordable Units |
| Cook County | 42.4% | 51.6% | 41.4% | 37.5% | 46.8% | 43.8% |
| Suburban Cook | 36.1% | 48.1% | 51.3% | 31.9% | 42.4% | 53.9% |
| City of Chicago | 45.3% | 53.2% | 37.3% | 40.1% | 48.9% | 39.8% |
| Evanston/Skokie | 20.9% | 46.6% | 66.8% | 14.8% | 44.1% | 73.9% |

Source: American Community Survey PUMS Data 1-Year, 2012-2019

Affordable Housing Fund Revenues & Uses

The Affordable Housing Fund (AHF) has two main revenue sources:

- Developer contributions - The city receives \$125,000 each year from the Mather as a public benefit for the under-Davis-Street passage between its two buildings. In 2017, the City received a \$200,000 public benefit for a PD that was approved before the Inclusionary Housing Ordinance (IHO) was revised to include rental development. In 2019, the City received its largest IHO cash contribution, a \$2,400,000 fee-in-lieu of onsite affordable units from the LINK, and a second \$200,000 public benefit for a PD. In 2020, a \$525,000 fee-in-lieu of 5% of the IHO requirement was received from the PD at Ridge and Grove. This is the only fee-in-lieu of affordable units received since the current IHO went into effect on January 1, 2019; that amendment requires at least 5% onsite units and has significant development bonuses and parking reductions to further incentivize onsite units. The IHO will be amended again to take advantage of property tax reductions in the form of tax credits by the State of Illinois to increase the percentage of affordable units. Generating revenue for the AHF from small residential development projects and commercial developments that are currently not covered by the IHO is being evaluated at the same time to generate additional funding to address the City's affordable housing needs.
- Demolition Tax - When residential units are demolished, the Demolition Tax is paid except when affordable housing is being developed on the site, or the current owner/resident of the property is building a residence for their personal use. The Demolition Tax was raised earlier this year to \$20,000 for a single unit. For multi-unit structures, the tax on the first unit is \$20,000, plus \$4,000 for each additional unit up to five units, and \$7,500 per unit for each additional unit above five. For example, the tax for demolishing a two-unit property would be \$24,000, a five-unit property would be \$36,000, and a 10-unit property would be \$73,500. The Demolition Tax fees are indexed to the CPI and adjusted annually on January 1. Demo taxes are unpredictable but in most years have been sufficient to fund the Landlord Tenant Services and IHO Wait List Management.

Affordable Housing Fund Uses:

- Development projects have included the acquisition & rehab of a 2-flat in 2017-18 by Community Partners for Affordable Housing; HOME funds were also used for this project. The largest project funded was the Ann Rainey Apartments in 2020-22, a 60-unit senior project that received \$1.5 M in AHF and \$500,000 in HOME funds. 1808 Hovland Ave was acquired with AHF and is being transferred to CPAH to be rehabbed as homeownership that is permanently affordable. The HODC 33-unit affordable development at 1811 Church Street is being funded with a combination of \$1 M in ARPA and \$1.5 M of AHF and HOME funds.
- As noted above, housing services are also funded with AHF. Hotel vouchers have been moved to the Human Services Fund.
- Senior Services staff is working on a revised Senior Handyman Program and may request AHF to reinstate that service.

The attached chart shows AHF revenues and expenses for 2013 through 2023 year to date.

Bonding for Affordable Housing:

Bonding for affordable housing can provide a significant source of revenue for the development and rehabilitation of affordable housing. GO bonds can be used for affordable housing. Staff recommends consideration of:

- Private Activity Bonds (PABs), which can be issued on behalf of qualified for-profit and non-profit developers to finance low-income multifamily and senior housing projects. PABs are issued by or on behalf of a state or local government but the government generally does not pledge its credit. If the bonds meet specific criteria the interest earned may be tax-exempt.
- CDBG Section 108 loans; the City can borrow up to five times its current CDBG entitlement allocation at below-market rates and can be used in different ways to support housing development.

Attachments:

[Race-Ethnicity - Evanston-Chicago-Cook County](#)

[Affordable Housing Fund 2013 - 2023 YTD](#)

**Race/Ethnicity
Evanston - 2014, 2019 2021
Chicago, Cook County - 2021**

| Evanston Race/Ethnicity | 2010-2014 | | 2015-2019 | | 2017-2021 | |
|-------------------------------------|-----------|---------|-----------|---------|-----------|---------|
| | Count | Percent | Count | Percent | Count | Percent |
| White (Non-Hispanic) | 45,126 | 60.5% | 46,444 | 62.6% | 45,889 | 58.5% |
| Hispanic/Latino (any race) | 7,436 | 10.0% | 4,539 | 6.1% | 9,236 | 11.8% |
| Black (non-Hispanic) | 13,340 | 17.9% | 16,449 | 22.2% | 12,363 | 15.8% |
| Asian (non-Hispanic) | 6,405 | 8.6% | 4,505 | 6.1% | 7,050 | 9.0% |
| Other/Multiple races (non-Hispanic) | 2,312 | 3.1% | 2,302 | 3.1% | 3,916 | 5.0% |
| | 74,619 | | 74,239 | | 78,454 | |

| Chicago Race/Ethnicity | 2017-2021 | |
|-------------------------------------|-----------|---------|
| | Count | Percent |
| White (Non-Hispanic) | 907,499 | 33.1% |
| Hispanic/Latino (any race) | 787,795 | 28.7% |
| Black (non-Hispanic) | 788,673 | 28.8% |
| Asian (non-Hispanic) | 185,202 | 6.8% |
| Other/Multiple races (non-Hispanic) | 72,950 | 2.7% |
| | 2,742,119 | |

| Cook County Race/Ethnicity | 2017-2021 | |
|-------------------------------------|-----------|---------|
| | Count | Percent |
| White (Non-Hispanic) | 2,192,123 | 41.6% |
| Hispanic/Latino (any race) | 1,346,949 | 25.6% |
| Black (non-Hispanic) | 1,192,435 | 22.6% |
| Asian (non-Hispanic) | 392,743 | 7.5% |
| Other/Multiple races (non-Hispanic) | 141,148 | 2.7% |
| | 5,265,398 | |

Source: American Community Survey 5-year estimates

**AFFORDABLE HOUSING FUND
2013 - 2023 YTD**

| YEAR | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 YTD |
|---------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| REVENUES | | | | | | | | | | | |
| Developer contributions | \$ 250,000 | \$ 149,125 | \$ 125,000 | \$ 125,000 | \$ 325,000 | \$ 125,000 | \$ 2,725,000 | \$ 650,000 | \$ 125,000 | \$ 125,000 | \$ 293,750 |
| Demolition Tax | \$ 40,000 | \$ 30,000 | \$ 100,000 | \$ 106,780 | \$ 97,000 | \$ 58,700 | \$ 63,000 | \$ 76,650 | \$ 15,453 | \$ 169,260 | \$ - |
| Interest | \$ 198 | \$ 256 | \$ 111 | \$ 1,392 | \$ 5,623 | \$ 14,449 | \$ 41,125 | \$ 27,280 | \$ 7,428 | \$ 35,081 | \$ 97,836 |
| Miscellaneous | \$ 11,188 | \$ 11,400 | \$ 150 | \$ 323,343 | \$ 8,056 | \$ 9,417 | \$ 12,534 | \$ 547 | \$ 4,167 | \$ 5,000 | \$ 3,750 |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,013 | \$ 255,300 | \$ 623,955 | \$ 335,858 | \$ - |
| TOTALS | \$ 301,386 | \$ 190,781 | \$ 225,261 | \$ 556,515 | \$ 435,679 | \$ 207,566 | \$ 2,852,672 | \$ 1,009,777 | \$ 776,003 | \$ 670,199 | \$ 395,336 |
| EXPENSES | | | | | | | | | | | |
| Development projects | \$ 30,000 | \$ 23,556 | | | \$ 208,575 | \$ 93,112 | | \$ 300,000 | \$ 1,175,436 | \$ 24,564 | \$ 155,318 |
| Other Program costs | \$ 30,692 | \$ 57,000 | \$ 214,074 | \$ 73,645 | \$ 66,526 | \$ 42,690 | \$ 51,256 | \$ 405,723 | \$ 16,875 | \$ 2,830 | \$ 6,875 |
| Landlord-Tenant Services | | | | | | \$ 12,000 | \$ 54,531 | \$ 44,525 | \$ 46,800 | \$ 46,800 | \$ 23,400 |
| HMIS | | | | | | \$ 20,500 | \$ 20,500 | | | | |
| IHO Wait List Management | | | | | | | | \$ 38,675 | \$ 30,000 | \$ 43,000 | \$ 12,500 |
| Handyman Program | | | | \$ 735 | \$ 8,927 | \$ 18,006 | \$ 15,267 | | \$ 16,988 | | |
| Hotel vouchers | | | | | \$ 1,198 | \$ 227 | \$ 5,613 | \$ 829 | \$ 23,207 | \$ 7,619 | |
| Administrative costs | | \$ 393 | \$ 777 | \$ 791 | \$ 19,133 | \$ 48,452 | \$ 6,671 | | \$ 2,394 | \$ 1,651 | \$ 635 |
| Bad Debt expense | | | | \$ 36,721 | | | | | | | |
| Staffing | \$ 1,752 | | | \$ 37,315 | \$ 44,432 | \$ 82,955 | \$ 127,374 | \$ 85,080 | \$ 112,141 | \$ 78,090 | \$ 48,338 |
| Transfer to General Fund | \$ 23,990 | \$ 13,990 | | | | | | | | | |
| TOTALS | \$ 86,434 | \$ 94,939 | \$ 214,851 | \$ 149,207 | \$ 348,791 | \$ 317,942 | \$ 281,212 | \$ 874,832 | \$ 1,423,842 | \$ 204,554 | \$ 247,065 |
| Fund Balance December 31 | \$ 2,451,078 | \$ 2,546,920 | \$ 993,880 | \$ 1,401,188 | \$ 1,476,544 | \$ 1,365,155 | \$ 3,925,603 | \$ 3,801,783 | \$ 2,472,944 | \$ 2,602,363 | NA |