

Police and Fire Pension Fund

Mission Statement

It is the mission of the Police and Fire Pension Funds to provide retirement benefits for retired police officers and firefighters and their beneficiaries through employer and employee contributions and investment earnings.

Primary Functions → The primary function of this non-operating budgetary unit is to finance pensions for employees by both employer and employee contributions combined with interest earnings on those contributions. These three revenue streams, if based on sound actuarial assumptions, should generate sufficient funds for employee retirement without placing either an undue burden on the employer or a risk to the pension due the employee.

Budget Summary

| POLICE PENSION FUND BUDGET SUMMARY | | | | | |
|---|--------------------|---------------------|---------------------|---------------------|--------------------|
| | 2007 | 2008 | 2008 | 2009 | INCREASE |
| APPROPRIATION | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>(DECREASE)</u> |
| PERSONNEL | \$9,455,000 | \$3,608,547 | \$10,232,021 | \$3,733,131 | \$124,584 |
| CONTRACTUAL | 408,487 | 429,000 | 376,982 | 425,650 | (3,350) |
| SUPPLIES | 48 | 200 | 278 | 200 | 0 |
| OTHER | 96,300 | 98,400 | 98,400 | 101,700 | 3,300 |
| TOTAL | 9,959,835 | 4,136,147 | 10,707,681 | 4,260,681 | 124,534 |
| NON-APPROPRIATION | 0 | 6,000,000 | 0 | 7,500,000 | 1,500,000 |
| TOTAL EXPENSE | <u>\$9,959,835</u> | <u>\$10,136,147</u> | <u>\$10,707,681</u> | <u>\$11,760,681</u> | <u>\$1,624,534</u> |
| FUNDING SOURCE | | 2008 | 2008 | 2009 | 2009 |
| | | <u>AMOUNT</u> | <u>PERCENTAGE</u> | <u>AMOUNT</u> | <u>PERCENTAGE</u> |
| POLICE DEPARTMENT TRANSFER | | | | | |
| POLICE PENSION PROPERTY TAX | | \$2,488,547 | 16.2 | \$2,599,131 | 18.8 |
| POLICE PENSION REPLACE TAX | | <u>1,120,000</u> | <u>7.3</u> | <u>1,134,000</u> | <u>8.2</u> |
| TOTAL CITY CONTRIBUTION | | 3,608,547 | 23.5 | 3,733,131 | 27.0 |
| INTEREST INCOME | | 5,700,000 | 37.1 | 4,500,000 | 32.5 |
| FV APPRECIATION(DEPRECIATION) | | <u>4,000,000</u> | <u>26.0</u> | <u>3,500,000</u> | <u>25.3</u> |
| INVESTMENT INCOME | | 9,700,000 | 63.1 | 8,000,000 | 57.8 |
| EMPLOYEE CONTRIBUTIONS | | 2,060,500 | 13.4 | 2,106,600 | 15.2 |
| TOTAL | | <u>15,369,047</u> | <u>100.0</u> | <u>13,839,731</u> | <u>100.0</u> |
| ACTUARY'S CONTRIBUTION | | | | | |
| REQUIREMENT | | 3,608,547 | 23.5 | 3,733,131 | 27.0 |
| AMORTIZATION AMOUNT | | \$5,232,900 | | \$2,079,050 | |
| (SEE TEXT FOR PENSION FINANCING EXPLANATION TO EXPLAIN REVENUE AND EXPENSE DISCREPANCY) | | | | | |

Police and Fire Pension Fund

Budget Summary

| FIRE PENSION FUND BUDGET SUMMARY | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| PERSONNEL | \$10,282,867 | \$5,086,621 | \$11,070,846 | \$5,634,548 | \$547,927 |
| CONTRACTUAL | 447,014 | 415,650 | 405,205 | 403,400 | (12,250) |
| SUPPLIES | 0 | 200 | 102 | 200 | 0 |
| OTHER | <u>96,300</u> | <u>98,400</u> | <u>98,400</u> | <u>101,700</u> | <u>3,300</u> |
| TOTAL | 10,826,181 | 5,600,871 | 11,574,553 | 6,139,848 | 538,977 |
| NON-APPROPRIATION | 0 | <u>5,700,000</u> | 0 | <u>6,400,000</u> | <u>700,000</u> |
| TOTAL EXPENSE | <u>\$10,826,181</u> | <u>\$11,300,871</u> | <u>\$11,574,553</u> | <u>\$12,539,848</u> | <u>\$1,238,977</u> |

| FUNDING SOURCE | 2008 <u>AMOUNT</u> | 2008 <u>PERCENTAGE</u> | 2009 <u>AMOUNT</u> | 2009 <u>PERCENTAGE</u> |
|---|-----------------------|---------------------------|-----------------------|---------------------------|
| FIRE DEPARTMENT TRANSFER | | | | |
| FIRE PENSION PROPERTY TAX | \$3,742,621 | 23.3 | \$4,273,748 | 29.2 |
| FIRE PENSION REPLACE TAX | <u>1,344,000</u> | <u>8.4</u> | <u>1,360,800</u> | <u>9.3</u> |
| TOTAL CITY CONTRIBUTION | 5,086,621 | 31.7 | 5,634,548 | 38.5 |
| INTEREST INCOME | 6,300,000 | 39.2 | 4,300,000 | 29.4 |
| FV APPRECIATION(DEPRECIATION) | <u>2,800,000</u> | <u>17.4</u> | <u>2,800,000</u> | <u>19.2</u> |
| INVESTMENT INCOME | 9,100,000 | 56.6 | 7,100,000 | 48.6 |
| EMPLOYEE CONTRIBUTIONS | 1,881,700 | 11.7 | 1,886,000 | 12.9 |
| TOTAL | <u>16,068,321</u> | <u>100.0</u> | <u>14,620,548</u> | <u>100.0</u> |
| ACTUARY'S CONTRIBUTION REQUIREMENT | 5,086,621 | 31.7 | 5,634,548 | 38.5 |
| AMORTIZATION AMOUNT | \$4,767,450 | | \$2,080,700 | |
| (SEE TEXT FOR PENSION FINANCING EXPLANATION TO EXPLAIN REVENUE AND EXPENSE DISCREPANCY) | | | | |

Budget Analysis

The City utilizes an independent actuary to annually determine the necessary funding for these two plans. Once this is determined, the City funds the plans based on the recommendations of the independent actuary. There were no changes with respect to plan provisions, actuarial methods, or actuarial assumptions from the prior year.

For 2008, the Police plan earned \$1.8 million in interest income while the Fire plan earned \$4.7 million in interest income. In addition, reflecting fair market value adjustments of investments, the Police and Fire Pension Funds recorded depreciation losses of \$20.8 and \$16.9 million respectively. Investment expenses were \$296,000 for Police and \$377,000 for Fire. Approximate annual rates of return were negative for both, (11.9%) for Police and (8.7%) for Fire.

In 1993, the State of Illinois increased the pension benefits for these two plans. This increase not only increased costs for the future but it also significantly increased the unfunded liability for

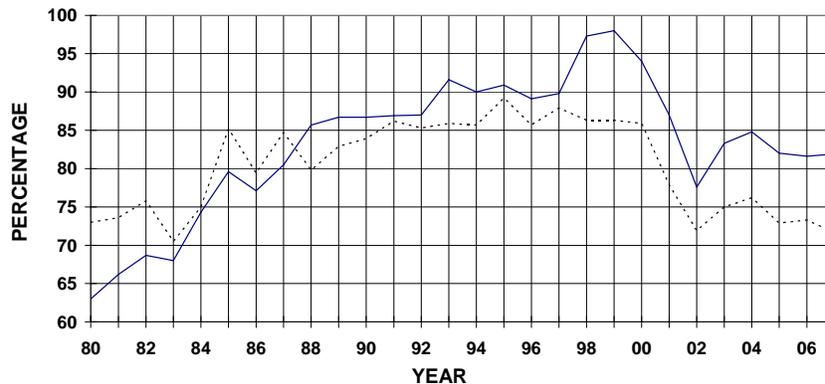
Police and Fire Pension Fund

service already earned. With the member contribution rate increased only marginally, the bulk of the cost of paying for these improved benefits fell to local governments. To mitigate this, the State replaced the existing forty year level dollar amortization schedule begun in 1980 with a new 1993 forty year level percentage schedule. The City has elected, as long as was possible, to fund the annual contribution based on the 1980 schedule. For 2002, the last year that making this additional contribution was possible, this election added \$406,805 to the Police contribution and \$1,002,874 to the Fire contribution. Due to continuing and increasingly severe property tax cap restrictions, the City in 2003 changed and began to recognize the 1993 amortization method. The impact of this change for 2003 was estimated to be \$980,000 for the Police contribution and \$1,750,000 for the Fire contribution.

Effective July 1, 2004, the State changed the surviving spouse formula for the Fire Pension from 54% of ending salary to 100% of ending pension. To help fund this increased benefit, the firefighter contribution from salary was increased from 8.455% to 9.455%, an addition of \$166,400 and the municipal contribution was calculated at \$365,000, 2.1 cents on the tax rate. 30 of the 48 surviving spouses accounted for a first year cost increase of \$215,000. For the future, this will add an additional \$20,000 annually for each new surviving spouse. The State exempted the property tax necessary for this new benefit from the tax cap law.

For the 2009 Police contribution requirement, the amount has increased from \$3,608,547 to \$3,733,131 (\$124,584 – 3.5%). The increase in the contribution requirement is due to the increase in salaries. The percent funded has increased from 81.6% to 81.9%.

**CITY OF ROCKFORD, ILLINOIS
PERCENTAGE RATE OF FULL FUNDING
FOR POLICE & FIRE PENSIONS YEARS FROM 1980**



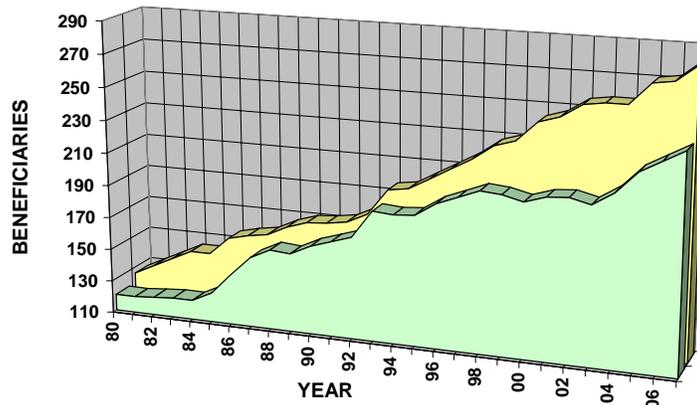
For the 2009 Fire contribution requirement, the amount has increased from \$5,086,621 to \$5,634,548 (\$547,927 – 10.8%). The increase in the contribution requirement is due to the increase in salaries. The percent funded has decreased from 73.3% to 71.6%.

Police and Fire Pension Fund

| ROCKFORD PENSION PLANS | | | |
|----------------------------|---------------|-------------|---|
| | <u>Police</u> | <u>Fire</u> | <u>IMRF/SS</u> |
| Employees | Sworn | Sworn | All Other |
| 2009 Employer Rate | 18.26% | 29.38% | 15.55% |
| 2009 Employee Rate | 9.910% | 9.455% | 10.70% |
| Social Security Included | No | No | Yes (6.2%) |
| Plan Administration | Local | Local | State |
| Retirement Age | 50 | 50 | 55/60 |
| Vesting (Years) | 10 | 10 | 8 |
| Pension (20 Years Service) | 50% | 50% | 35% |
| Pension Limit | 75% | 75% | 75% |
| Years To Achieve Limit | 30 | 30 | 40 |
| Pension Based On | Last Pay | Last Pay | Average of (4) Highest Consecutive Years In Last (10) |

Trends for the two funds include active member percentage decreasing as the number of retirees increase as well as dollar costs rising.

**CITY OF ROCKFORD, ILLINOIS
POLICE & FIRE BENEFICIARIES
YEARS FROM 1980**



49 to 58% of the annual revenues for these two plans are generated from investment earnings. While member contributions have increased to 9.91% for Police in 2000 and 9.455% for Fire in 2005, employee contributions are still the smallest element of the financing equation.

The City contributions are funded from property taxes and state replacement taxes. Pension property taxes are unlimited; however, property tax extension limitations (tax caps) do apply on a total city basis except for the new benefit provision for Fire Pension surviving spouses. For 2009, estimated rates are 13.0 cents for the Police plan and 21.0 cents for the Fire plan. 2008 rates are 12.0 and 18.0 cents respectively. The property tax rate increase is due to the plan cost increase. For the Fire plan, 2.1 cents for both the 2008 and 2009 years is exempt from tax caps.

Both plans utilize the Finance Department's staff. The Police pension fund will also utilize a consultant, \$40,000, and a custodian, \$3,400, as well as seven money managers at an estimated cost

Police and Fire Pension Fund

of \$440,000. The Fire pension uses a consultant, \$60,000, a custodian, \$11,600, and seven money managers at an estimated cost of \$495,000. Each fund pays the State Department of Insurance \$8,000 annually for oversight services.

Five Year Financial Forecast

The 2010-2014 five-year forecast, on a traditional basis, assumes five percent City and employee contribution increases as well as a 7.5% return on investments. The combined impact for the two plans of this increase on the property tax rate would be less than two cents annually. Costs are assumed to rise annually due to three percent pension increases and an annual new retiree group of five. This forecast does not address a number of issues such as mortality, disability, and withdrawal that an actuary would. In addition, it makes no assumptions as to the likelihood of additional benefits gained through the legislative process in Springfield.

However, given the performance of the 2008 equity markets, if there is not a reversal of the year to date performance, then the 2010 contribution requirement will increase approximately \$3.4 million, 37%, for the two plans. This would represent 15¢ on the tax rate and, since the City is subject to the PTELL (tax cap) law, this would require a like dollar amount decrease in the City's other operating activities.

POLICE PENSION FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | \$17,713 | \$18,641 | \$19,630 | \$20,680 | \$21,812 |
| Expenditures | <u>11,259</u> | <u>11,702</u> | <u>12,158</u> | <u>12,628</u> | <u>13,112</u> |
| Excess (Deficit) | <u>6,454</u> | <u>6,939</u> | <u>7,472</u> | <u>8,052</u> | <u>8,701</u> |
| Beginning Balance | <u>143,525</u> | 149,979 | 156,918 | <u>164,390</u> | <u>172,442</u> |
| Ending Balance | <u>\$149,979</u> | <u>\$156,918</u> | <u>\$164,390</u> | <u>\$172,442</u> | <u>\$181,143</u> |
| Property Tax Rates (in cents) | 14.3 | 15.8 | 16.9 | 18.0 | 19.1 |

FIRE PENSION FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | \$18,878 | \$19,922 | \$21,053 | \$22,249 | \$23,544 |
| Expenditures | <u>12,092</u> | <u>12,560</u> | <u>13,042</u> | <u>13,538</u> | <u>14,049</u> |
| Excess (Deficit) | <u>6,785</u> | <u>7,362</u> | <u>8,011</u> | <u>8,711</u> | <u>9,494</u> |
| Beginning Balance | <u>133,916</u> | <u>140,701</u> | <u>148,063</u> | <u>156,073</u> | <u>164,784</u> |
| Ending Balance | <u>\$140,701</u> | <u>\$148,063</u> | <u>\$156,073</u> | <u>\$164,784</u> | <u>\$174,279</u> |
| Property Tax Rates (in cents) | 22.8 | 24.7 | 26.1 | 27.5 | 29.0 |

IMRF Pension Fund

Mission Statement

It is the mission of the Illinois Municipal Retirement Fund to provide retirement benefits for all retired non-sworn City employees and their beneficiaries.

Primary Functions → The primary function of the IMRF Fund is to account for all benefits for retired non-sworn City employees and their beneficiaries through employer and employee contributions.

Fund Highlights

Based on sound professional actuarial advice and adequate funding, former employees are able to draw retirement benefits from the plan.

Budget Summary

| IMRF PENSION FUND BUDGET SUMMARY | | | | | |
|---|-----------------------|---------------------------|-----------------------|---------------------------|------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| PERSONNEL | \$5,585,062 | \$6,306,831 | \$5,947,533 | \$6,432,496 | \$125,665 |
| CONTRACTUAL | 285 | 250 | 317 | 250 | 0 |
| OTHER | 0 | 125,000 | 125,000 | 0 | (125,000) |
| TOTAL | <u>\$5,585,347</u> | <u>\$6,432,081</u> | <u>\$6,072,850</u> | <u>\$6,432,746</u> | <u>\$665</u> |
| RATES APPLIED | | | | | |
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| IMRF | 8.99 | 9.89 | 9.93 | 9.59 | 9.35 |
| SOCIAL SEC | 7.65 | 7.65 | 7.65 | 7.65 | 7.65 |
| TOTAL | <u>16.64</u> | <u>17.54</u> | <u>17.58</u> | <u>17.24</u> | <u>17.00</u> |
| FUNDING SOURCE | | | | | |
| | 2008 <u>AMOUNT</u> | 2008 <u>PERCENTAGE</u> | 2009 <u>AMOUNT</u> | 2009 <u>PERCENTAGE</u> | |
| PROPERTY TAXES | | | | | |
| IMRF FUND | \$3,568,275 | 56.5 | \$3,734,567 | 58.0 | |
| REPLACEMENT TAXES | 496,000 | 7.9 | 433,400 | 6.7 | |
| INTERFUND TRANSFERS | 2,242,806 | 35.5 | 2,264,779 | 35.2 | |
| INTEREST INCOME | 10,000 | 0.1 | 10,000 | 0.1 | |
| TOTAL | <u>\$6,317,081</u> | <u>100.0</u> | <u>\$6,442,746</u> | <u>100.0</u> | |

Budget Analysis

The Social Security rate, last increased in 1990 to 7.65%, remains unchanged for 2009. While the taxable wage base for the 1.45% Medicare portion continues to be unlimited, the ceiling for Social Security (6.2%) increases from 2008's \$102,000 to 2009's \$104,500.

IMRF Pension Fund

The 2009 IMRF rate decreases to 9.35% from 2008's 9.59% (-2.5%). Combining IMRF and Social Security, the 2009 rate is 17.00%, a -1.4% decrease. The City's IMRF plan is 74.8% funded (five year smoothing value – market value). Funding for the City's Police and Fire plans is 81.9% and 71.6% respectively (market value).

The property tax rate for IMRF and Social Security retirement is unlimited by statute. The 2009 estimated rate is 17.6 cents, an increase from the prior year's 17.1 cents.

Five Year Financial Forecast

The 2010-2014 five-year forecast assumes that retirement costs will increase 5% annually due to salary adjustments, that the Social Security and IMRF rates will remain constant, that the Social Security base will continue to increase incrementally and that the revenue mix of property and transfer reimbursements will remain constant.

However, given the performance of the 2008 equity markets, if there is not a reversal of the year to date performance, then the 2010 contribution requirement will increase approximately 34% (IMRF only) and 18% (combined) for the plan. This would represent approximately 3¢ on the tax rate and, since the City is subject to the PTELL (tax cap) law, this would require a like dollar amount decrease in the City's other operating activities.

IMRF FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | \$6,700 | \$7,035 | \$8,442 | \$8,864 | \$9,307 |
| Expenses | <u>6,690</u> | <u>7,025</u> | <u>8,430</u> | <u>8,852</u> | <u>9,295</u> |
| Excess (Deficit) | <u>10</u> | <u>10</u> | <u>12</u> | <u>12</u> | <u>12</u> |
| Beginning Balance | <u>(102)</u> | <u>(92)</u> | <u>(82)</u> | <u>(70)</u> | <u>(58)</u> |
| Ending Balance | <u>(\$92)</u> | <u>(\$82)</u> | <u>(\$70)</u> | <u>(\$58)</u> | <u>(\$46)</u> |
| Property Tax Rates (in cents) | 17.9 | 18.9 | 22.7 | 23.5 | 24.2 |

Health Insurance Fund

Mission Statement

It is the mission of the Health Insurance Fund is to provide health insurance benefits for City employees, City retirees, and outside participants through a self-insured plan (since 1978) financed by employer and partial premiums for employees in addition to those by retirees and outside participants.

Primary Functions → The primary function of the health insurance fund is to account for all health insurance costs including medical dental expenses, administrative expenses and excess coverage policies.

Fund Highlights

With health insurance costs continuing to escalate as a percentage of the City's cost of doing business, the City refined its traditional PPO plan and introduced a new health savings account (HSA) offering in 2007. A multi-year schedule designed to increase employee deductibles and co-pays was approved. For 2009, the City has secured new agreements for the dental, life insurance, health savings account, and flex care programs. With these changes, the City will be able to continue to offer its employees excellent health insurance at a reasonable cost.

The City will work to maintain a 25% reserve for this fund.

Budget Summary

| HEALTH INSURANCE FUND BUDGET SUMMARY | | | | | |
|---|-----------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| CONTRACTUAL | \$17,805,266 | \$19,084,190 | \$19,206,818 | \$20,790,550 | \$1,706,360 |
| SUPPLIES | 549 | 0 | 424 | 250 | 250 |
| OTHER EXPENSE | 98,500 | 98,500 | 100,800 | 103,800 | 5,300 |
| INTEREST EXPENSE | 0 | 0 | 0 | 12,100 | (13,700) |
| TOTAL | <u>\$17,904,315</u> | <u>\$19,182,690</u> | <u>\$19,308,042</u> | <u>\$20,906,700</u> | <u>\$1,698,210</u> |
| FUNDING SOURCE | | 2008 <u>AMOUNT</u> | 2008 <u>PERCENTAGE</u> | 2009 <u>AMOUNT</u> | 2009 <u>PERCENTAGE</u> |
| EMPLOYER CONTRIBUTIONS | | <u>\$16,418,238</u> | <u>81.3</u> | <u>\$17,478,688</u> | <u>83.1</u> |
| TOTAL CITY CONTRIBUTION | | <u>16,418,238</u> | <u>81.3</u> | <u>17,478,688</u> | <u>83.1</u> |
| EMPLOYEE PREMIUMS | | 1,090,801 | 5.4 | 1,129,570 | 5.4 |
| RETIREES | | 2,297,310 | 11.4 | 1,900,000 | 9.0 |
| OUTSIDE AGENCIES | | 242,970 | 1.2 | 29,120 | 0.1 |
| OTHER | | 137,486 | 0.1 | 500,000 | 2.4 |
| | | <u>3,768,567</u> | <u>18.1</u> | <u>3,558,690</u> | <u>16.9</u> |
| INTEREST INCOME | | 0 | 0.0 | 0 | 0.0 |
| TOTAL | | <u>\$20,186,805</u> | <u>99.4</u> | <u>\$21,037,378</u> | <u>100.0</u> |

Health Insurance Fund

Budget Analysis

After several deficit years, 2006 experience, 95.8% ratio (\$770,000 net) was the result of a 15% premium increase. 2007, with the restructuring of the PPO, the introduction of an HSA, and a 10% premium increase, resulted in a net of \$1.42 million (92.7% ratio) reducing the deficit to \$0.63 million. 2009, with a 5% premium increase and increased employee participation offset by increased plan use, finished with a 93.4% ratio (\$1.36 million gain) which resulted in fund solvency after eight negative years. As the schedule below illustrates, the ratio has ranged from 84% to 128%.

| | <u>REVENUE</u> | <u>EXPENSE</u> | <u>NET</u> | <u>BALANCE</u> | <u>BALANCE %</u> | <u>RATIO</u> | <u>% INC(DEC)</u> |
|------|----------------|----------------|-------------|----------------|------------------|--------------|-------------------|
| 1988 | 2,777,020 | 2,549,611 | 227,409 | 560,612 | | 91.8 | 10 ALL |
| 1989 | 3,144,942 | 2,967,420 | 177,522 | 738,134 | 18.9 | 94.4 | 10 ALL |
| 1990 | 3,176,403 | 3,365,489 | (189,086) | 549,048 | 21.9 | 106.0 | 0 |
| 1991 | 3,483,241 | 4,452,611 | (969,370) | (420,322) | 12.3 | 127.8 | 10 ALL |
| 1992 | 4,095,408 | 4,954,672 | (859,264) | (1,279,586) | (8.5) | 121.0 | 25 ALL |
| 1993 | 5,296,853 | 5,404,698 | (107,845) | (1,387,430) | (23.7) | 102.0 | 25 ALL |
| 1994 | 6,392,149 | 5,364,154 | 1,027,995 | (359,435) | (25.9) | 83.9 | 25 ALL |
| 1995 | 6,359,549 | 5,500,937 | 858,612 | 499,177 | (6.5) | 86.5 | 0 |
| 1996 | 6,535,598 | 6,124,402 | 411,196 | 910,373 | 8.2 | 93.7 | 0 |
| 1997 | 7,367,537 | 7,645,259 | (277,722) | 632,651 | 11.9 | 103.8 | 5 ALL |
| 1998 | 7,217,807 | 7,652,194 | (434,387) | 198,264 | 8.3 | 106.0 | 0 |
| 1999 | 7,564,951 | 7,613,746 | (48,795) | 149,468 | 2.6 | 100.6 | 5 ALL |
| 2000 | 8,076,883 | 9,246,188 | (1,169,305) | (1,019,837) | 1.6 | 114.5 | 5 ALL |
| 2001 | 10,042,763 | 10,374,979 | (332,216) | (1,352,053) | (9.8) | 103.3 | 20 ALL |
| 2002 | 11,538,109 | 12,533,560 | (995,451) | (2,347,504) | (10.8) | 108.6 | 20 ALL |
| 2003 | 13,260,622 | 12,542,048 | 718,574 | (1,628,930) | (18.7) | 94.6 | 20 ALL |
| 2004 | 15,020,931 | 15,513,193 | (492,262) | (2,121,192) | (10.5) | 103.3 | 10 ALL |
| 2005 | 16,122,114 | 16,816,537 | (694,423) | (2,815,615) | (12.6) | 104.3 | 5 ALL |
| 2006 | 18,135,153 | 17,364,862 | 770,291 | (2,045,324) | (16.2) | 95.8 | 15 ALL |
| 2007 | 19,324,075 | 17,904,315 | 1,419,760 | (625,564) | (11.4) | 92.7 | 10 ALL |
| 2008 | 20,671,082 | 19,308,042 | 1,363,040 | 737,476 | (3.2) | 93.4 | 5 ALL |
| 2009 | 21,037,378 | 20,906,700 | 130,678 | 868,154 | 3.5 | 99.4 | 5 ALL |
| 2010 | 22,013,850 | 22,640,050 | (626,200) | 241,954 | 3.8 | 102.8 | 5 ALL |
| 2011 | 24,007,450 | 24,611,950 | (604,500) | (362,546) | 1.0 | 102.5 | 10 ALL |
| 2012 | 27,318,750 | 26,771,950 | 546,800 | 184,254 | (1.4) | 98.0 | 15 ALL |
| 2013 | 29,865,850 | 29,121,350 | 744,500 | 928,754 | 0.6 | 97.5 | 10 ALL |
| 2014 | 32,682,050 | 31,697,350 | 984,700 | 1,913,454 | 2.9 | 97.0 | 10 ALL |

Five Year Financial Forecast

The 2010-2014 five year plan assumes that medical costs will increase up to 10% annually and that the revenue mix of employer, employee, and third party contributions will continue to evolve in order to continue a financially viable plan. Revenue increases are anticipated to be 5% to 15% per year for 2010-2014. Full participation in the plan by the two public safety unions would be beneficial for all employees as well as for Rockford taxpayers.

HEALTH INSURANCE FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--------------------|---------------|----------------|---------------|---------------|----------------|
| Revenues | \$22,014 | \$24,007 | \$27,319 | \$29,866 | \$32,682 |
| Expenses | <u>22,640</u> | <u>24,612</u> | <u>26,772</u> | <u>29,121</u> | <u>31,697</u> |
| Excess (Deficit) | (626) | (605) | 547 | 745 | 985 |
| Beginning Balance | 868 | 242 | (363) | 184 | 929 |
| Ending Balance | <u>\$242</u> | <u>(\$363)</u> | <u>\$184</u> | <u>\$929</u> | <u>\$1,914</u> |
| Rate Increase | 5.0 | 10.0 | 15.0 | 10.0 | 10.0 |
| Reserve Percentage | 3.8 | 1.0 | (1.4) | 0.6 | 2.9 |

Unemployment Fund

Mission Statement

It is the mission of the Unemployment Tax Fund to provide services for unemployment costs to former employees.

Primary Functions → The primary function of the Unemployment Tax Fund is to account for all unemployment expenditures.

Fund Highlights

The City will continue to strive to provide this program to former employees while maintaining responsible costs for the taxpayers through its self-insured program.

Budget Summary

| UNEMPLOYMENT TAX FUND BUDGET SUMMARY | | | | | |
|--------------------------------------|-----------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| CONTRACTUAL | <u>\$8,825</u> | <u>\$74,196</u> | <u>\$77,143</u> | <u>\$74,896</u> | <u>\$700</u> |
| TOTAL | <u>\$8,825</u> | <u>\$74,196</u> | <u>\$77,143</u> | <u>\$74,896</u> | <u>\$700</u> |
| FUNDING SOURCE | | 2008 <u>AMOUNT</u> | 2008 <u>PERCENTAGE</u> | 2009 <u>AMOUNT</u> | 2009 <u>PERCENTAGE</u> |
| PROPERTY TAXES | | | | | |
| UNEMPLOYMENT TAX | | \$63,755 | 82.9 | \$64,173 | 82.5 |
| INTERFUND TRANSFERS | | 10,441 | 13.6 | 10,723 | 13.8 |
| INTEREST INCOME | | <u>2,700</u> | <u>3.5</u> | <u>2,900</u> | <u>3.7</u> |
| TOTAL | | <u>\$76,896</u> | <u>100.0</u> | <u>\$77,796</u> | <u>100.0</u> |

Budget Analysis

The City operates a self-insured unemployment tax program with financing provided by premiums charged to departments based on a percentage of the first \$9,000 salary. The property tax rate for unemployment compensation is unlimited by statute. The 2009 estimated rate is 0.3 cents, unchanged from the prior year's rate.

Five Year Financial Forecast

The 2010-2014 five-year forecast assumes that unemployment costs will increase 5% annually and that premiums will be adjusted as necessary during this period.

Unemployment Fund

UNEMPLOYMENT COMPENSATION FUND 2010-2014 FINANCIAL FORECAST (IN \$000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$80 | \$81 | \$81 | \$81 | \$81 |
| Expenses | <u>77</u> | <u>81</u> | <u>85</u> | <u>90</u> | <u>94</u> |
| Excess (Deficit) | <u>3</u> | <u>0</u> | <u>(4)</u> | <u>(9)</u> | <u>(13)</u> |
| Beginning Balance | <u>75</u> | <u>78</u> | <u>78</u> | <u>74</u> | <u>65</u> |
| Ending Balance | <u>\$78</u> | <u>\$78</u> | <u>\$74</u> | <u>\$65</u> | <u>\$52</u> |
| Property Tax Rates (in cents) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |

Worker's Compensation Fund

Mission Statement

It is the mission of the Worker's Compensation Fund to provide for all administrative, reinsurance and benefit expenses associated with employees' worker's compensation claims.

Primary Functions → The primary function is to account for all workers' compensation expenditures.

Budget Summary

| WORKER'S COMPENSATION FUND BUDGET SUMMARY | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| CONTRACTUAL | \$2,504,172 | \$1,754,957 | \$2,331,359 | \$1,993,739 | \$238,782 |
| OTHER EXPENSE | 80,800 | 83,400 | 83,400 | 79,000 | (4,400) |
| RESERVE ADJUST | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u>\$2,584,972</u> | <u>\$1,838,357</u> | <u>\$2,414,759</u> | <u>\$2,072,739</u> | <u>\$234,382</u> |
| FUNDING SOURCE | 2008 | | 2009 | | 2009 |
| PROPERTY TAXES | <u>AMOUNT</u> | <u>PERCENTAGE</u> | <u>AMOUNT</u> | <u>PERCENTAGE</u> | |
| WORKER'S COMP | \$1,667,717 | 90.0 | \$1,884,694 | 90.3 | |
| INTERFUND TRANSFERS | 170,640 | 9.2 | 188,045 | 9.0 | |
| INTEREST INCOME | <u>15,000</u> | <u>0.8</u> | <u>15,000</u> | <u>0.7</u> | |
| TOTAL | <u>\$1,853,357</u> | <u>100.0</u> | <u>\$2,087,739</u> | <u>100.0</u> | |

Budget Analysis

The City operates a self-insured worker's compensation program with financing provided by premiums charged to departments based on job type and likelihood of injury. With employees having three years from the date of injury to file a claim and payments on yet a longer cycle, the fund tends to exhibit a variable pattern. Adjustments to the reserve reflect this, increases for 2005 (\$52,319), 2006 (\$710,348), 2007 (\$346,173), and 2008 (\$264,179), and decreases for 2001 (\$21,122). Incurred claims currently stand at \$3,464,344. Discounting the reserve adjustment, 2007 and 2008 expenses were 121% and 100% of the budget respectively. Rates, decreased 25% in 2000, were increased 25% for 2007 and have again been increased for 2009, 10%, due to increased expenses. The property tax rate for worker's compensation is unlimited by statute. The 2009 estimated rate is 8.9 cents, slightly less than the prior year's 9.1 cents.

Five Year Financial Forecast

The 2010-2014 five-year forecast assumes that worker's compensation costs will increase five percent annually and that the revenue mix of property and transfer reimbursements will remain constant. After 2010, premiums may be increased 10% annually during this period.

Worker's Compensation Fund

WORKER'S COMPENSATION FUND 2010-2014 FINANCIAL FORECAST (IN \$000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | \$2,295 | \$2,523 | \$2,774 | \$3,050 | \$3,353 |
| Expenses | <u>2,176</u> | <u>2,285</u> | <u>2,399</u> | <u>2,519</u> | <u>2,645</u> |
| Excess (Deficit) | <u>119</u> | <u>238</u> | <u>375</u> | <u>531</u> | <u>708</u> |
| Beginning Balance | <u>(2,320)</u> | <u>(2,389)</u> | <u>(2,358)</u> | <u>(2,211)</u> | <u>(1,931)</u> |
| Acctg Int Adjust | <u>(188)</u> | <u>(207)</u> | <u>(228)</u> | <u>(251)</u> | <u>(276)</u> |
| Ending Balance | <u>(\$2,389)</u> | <u>(\$2,358)</u> | <u>(\$2,211)</u> | <u>(\$1,931)</u> | <u>(\$1,499)</u> |
| Property Tax Rates (in cents) | 9.8 | 10.8 | 11.6 | 12.5 | 13.5 |

Auditing Fund

Mission Statement

It is the mission of the Auditing Fund to provide and pay for auditing services in the most efficient and economical manner in order to produce the most accurate financial records.

Primary Functions → The primary function of the Auditing Fund is to pay for all auditing services associated with the City's financial records.

Budget Summary

| AUDITING FUND BUDGET SUMMARY | | | | | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| CONTRACTUAL | \$261,169 | \$264,092 | \$307,732 | \$266,170 | \$2,078 |
| SUPPLIES | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u>\$261,169</u> | <u>\$264,092</u> | <u>\$307,732</u> | <u>\$266,170</u> | <u>\$2,078</u> |
| FUNDING SOURCE | 2008 | | 2009 | | |
| | <u>AMOUNT</u> | <u>PERCENTAGE</u> | <u>AMOUNT</u> | <u>PERCENTAGE</u> | |
| PROPERTY TAXES | | | | | |
| AUDITING | \$237,192 | 89.8 | \$236,250 | 88.8 | |
| INTERFUND TRANSFERS | <u>26,900</u> | <u>10.2</u> | <u>29,920</u> | <u>11.2</u> | |
| TOTAL | <u>\$264,092</u> | <u>100.0</u> | <u>\$266,170</u> | <u>100.0</u> | |

Budget Analysis

The City utilizes an external auditor. In addition, the Fund reimburses the Finance Department for staff costs associated with auditing. 2009 costs include \$76,500 for auditors, \$186,670 for internal staff costs, and \$3,000 for printing the annual report in the newspaper. The property tax rate for auditing is unlimited by statute. The 2009 proposed rate is 1.1 cents, unchanged from the prior year's rate.

Five Year Financial Forecast

The 2010-2014 five year forecast assumes that audit costs will increase three percent annually and that the revenue mix of property taxes and transfer reimbursements will remain constant.

Auditing Fund

AUDITING FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$273 | \$281 | \$289 | \$298 | \$307 |
| Expenses | <u>273</u> | <u>281</u> | <u>289</u> | <u>298</u> | <u>307</u> |
| Excess (Deficit) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Beginning Balance | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Ending Balance | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Property Tax Rates (in cents) | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |

Debt Management

Mission Statement

It is the mission of the Debt Management Fund to account for bonded indebtedness incurred by the City, including all bond and interest payments.

Primary Functions → The primary function of the Debt Management Fund is to retire debt incurred by the City for long-term capital projects and short-term cash flow financing, by making annual payments of interest and principal based upon a planned schedule.

Fund Highlights →

Since 1982 when the first Capital Improvements Program was adopted, the City has gone to the market annually to seek financing for its infrastructure improvements. In addition to retiring debt through property taxes, sales taxes, and water revenues, the City also utilizes tax increment financing (TIF) and special service area (SSA) districts property taxes to retire bonds.

In 2006, the City submitted a referendum question to the voters to determine whether or not they would, rather than financing streets and drainage improvements through voter approved bond issue referendums and the resulting property tax financed debt service, rather pay for infrastructure improvements through a one percent sales tax. While the voters defeated that proposal, they approved the same proposal, but with a five year limitation, in the spring 2007 election. Effective July 1, 2007, the tax is estimated to generate \$16 million annually. Property tax financed debt service will end in 2017.

Currently, the City is in the midst of a four year \$75 million water improvement program that is being financed by bond issues that will be repaid by water revenues. When this program is complete, the City will finance future water improvements on a cash basis.

For the future, the City will only issue bonds for development purposes that are financed by TIF district property tax increment or other non property tax alternate revenue sources.

The City's current bond (long-term debt) and note (short-term debt) ratings are A-1 and MIG-1 respectively from Moody's Investors Service. The bond rating was upgraded during 2000 from A2 to A1. Moody's highlighted three critical factors in their review: (1) the City's economic base will continue to experience moderate growth and diversification improving economic performance; (2) sound financial operations in the City government due to steady revenue growth and conservative financial management; and (3) a moderate debt burden with rapid payout. This improved rating will reduce interest costs for future bond issues. The City plans to continue its efforts in order to insure that it will be able to borrow and borrow at the best interest rate possible.

Debt Management

CITY OF ROCKFORD, ILLINOIS OUTSTANDING AND PROPOSED DEBT ISSUES

| <u>ISSUE AND AMOUNT</u> | <u>PAYMENT SOURCE</u> | <u>FINAL LEVY YEAR</u> |
|--|-----------------------|------------------------|
| 1995 \$1,745,924 Kishwaukee Trunk Sewer (RRWRD) | 7 | 2015 |
| 1997 \$9.105 GOB (Series A-\$5.420 Street, Series A-\$1.000 Drainage, Series B-\$2.335 Water, Series C-\$0.350 Sewer) | 1, 7, 2 | 2009 |
| 1999 \$5.3 Water Alt (Series A-\$2.2, Series B-\$3.1) | 2 | 2011, 2018 |
| 1999 \$28.5 GOB (Series A-\$16.5 (\$7.0 Street, \$9.5 GOB Refunding), Series B-\$7.0 Coronado Theatre Public | 1,6 | 2012, 2018 |
| 2000 \$12.2 GOB (Series A-\$6.0 Street, Series B-\$2.2 Water, Series C-\$4.0 South Rockford TIF) | 1,2,3,6, 9 | 2013, 2020 |
| 2000 \$3.0 GO Alt (Series D-7th Street TIF Project) | 3 | 2014 |
| 2001 \$9.2 GOB (Series A-\$7.0 Street, Series B-\$2.2 Water | 1, 2 | 2013 |
| 2001 \$0.575 GOB Alternate (Lincolnwood Housing TIF) | 3 | 2010 |
| 2002 \$13.2 GOB (Series A-\$8.0 Street, Series B-\$2.2 Water, and Series C-\$3.0 7th Street TIF Project) | 1, 2, 3 | 2014 |
| 2002 \$2.5 GOB Taxable Alternate (Downtown Development) | 3 | 2011 |
| 2002 \$3.360 GOB Alternate and Refunding (Series D-\$2.060 Refunding Sales/Water, \$1.3 Springfield Corners Housing TIF | 2, 3, 7 | 2020 |
| 2003 \$10.4 GOB (Series A-\$8.2 Street, Series B-\$2.2 Water | 1, 2 | 2015 |
| 2004 \$15.9 GOB (Series A-\$8.5 Street, Series B-\$2.2 Water, Series C-\$2.0 7th St Taxable TIF Project, and Series D-\$3.2 Equipment) | 1, 2, 3, 7 | 2016 |
| 2004 \$14.570 GOB Alternate and Refunding, (Alternate, Series E-\$4.65, N Main TIF \$1.65, Airport TIF \$3.0, Refundings, Series F-\$4.375 Street/ Drainage, Series G-\$2.475 Water, Series H-\$3.070 S Rockford TIF) | 1, 2, 3 | 2023 |
| 2005 \$10.9 GOB (Series A-\$8.7 Street, Series B-\$2.2 Water) | 1, 2 | 2017 |
| 2005 \$10.6 GOB (Alternate, Series C-\$7.550, Airport TIF \$0.915, Lincolnwood II TIF \$0.560, Springfield Corners TIF \$1.795, River Oaks \$2.450, Garrison TIF \$1.500, Lincolnwood I Refunding, \$0.530, Series D-\$2.850 Taxable Alternate Southwest Rockford Econ Dev | 3,7 | 2017 |
| 2006 \$17.5 GOB (Series A-\$15.0 Water, Series B-\$2.5 Hope 6 TIF) | 2,3 | 2025 |
| 2007 \$29.865 GOB Alternate and Refunding (\$23.0 Metro Centre Improvements (Series A-\$6.635 Tax Exempt, Series B-\$16.365 Taxable), Series C-\$6.865 GOBA Refunding) | 6,9 | 2026 |
| 2007 \$8.75 GOB Alternate (Series D-\$3.5 Water, Series E-\$1.1 Preston Central TIF, Series F-\$1.1 Sewer, Series G-\$3.05 Library) | 2 | 2026 |
| 2008 \$12.15 GOB Alternate (Series A-\$9.0 Water, Series B-\$1.3 TIF (\$1.1 Airport, \$0.2 Jackson School), Series C-\$1.85 Taxable Parking | 2,3,7,8 | 2026 |
| 2008 \$12.15 GOB Alternate (Series A-\$9.0 Water, Series B-\$1.3 TIF (\$1.1 Airport, \$0.2 Jackson School), Series C-\$1.85 Taxable Parking | 2,3,5 | 2028 |
| 2009 \$2.6 GOB Alternate (Series A-\$1.65 TIF (\$0.35 River North, \$1.3 Main Whitman), Series B-\$0.95 Taxable Global Trade #1) | 3 | 2018 |
| | | 2029, 2024 |

2009 bonds issued

Amounts are in Millions

ALTERNATE - General Obligation Bonds (Alternate)

ALTERNATE CERTIFICATE - General Obligation Certificates

GOB - General Obligation Bonds (Exempt)

GOB TAXABLE - General Obligation Bonds (Taxable)

WRB - Water Revenue Bonds

PAYMENT SOURCES

- | | |
|---|---|
| 1 | Property Taxes |
| 2 | Water Fund Revenues |
| 3 | Tax Increment Financing District Revenues |
| 4 | Special Service Area Property Taxes |
| 5 | Parking Fund Revenues |
| 6 | Redevelopment Fund Revenues |
| 7 | Sales Taxes |
| 8 | Off Track Betting Revenues |
| 9 | Private, Other |

Debt Management

Budget Summary

| DEBT SERVICE FUND BUDGET SUMMARY | | | | | |
|-----------------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-------------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE <u>(DECREASE)</u> |
| BOND INTEREST | \$4,820,903 | \$6,725,120 | \$5,037,849 | \$6,111,173 | (\$613,947) |
| BOND PRINCIPAL | 10,213,026 | 12,420,852 | 11,025,852 | 12,613,764 | 192,912 |
| TOTAL | <u>\$15,033,929</u> | <u>\$19,145,972</u> | <u>\$16,063,701</u> | <u>\$18,724,937</u> | <u>(\$421,035)</u> |
| Actuals exclude water system debt | | | | | |
| FUNDING SOURCE | 2008 <u>AMOUNT</u> | 2008 <u>PERCENTAGE</u> | 2009 <u>AMOUNT</u> | 2009 <u>PERCENTAGE</u> | |
| PROPERTY TAXES | | | | | |
| DEBT SERVICE-CITYWIDE | \$7,666,587 | 40.0 | \$7,092,902 | 37.9 | |
| DEBT SERVICE-SPECIAL DISTRICTS | 0 | 0.0 | 0 | 0.0 | |
| | 7,666,587 | 40.0 | 7,092,902 | 37.9 | |
| ABATEMENTS-TAX EXEMPT | | | | | |
| PUBLIC WORKS WATER DIVISION | 4,845,885 | 25.3 | 4,630,778 | 24.7 | |
| SALES TAX | 671,363 | 3.5 | 617,173 | 3.3 | |
| TIF DISTRICTS | 1,872,203 | 9.8 | 2,123,318 | 11.3 | |
| OFF TRACK BETTING | 0 | 0.0 | 0 | 0.0 | |
| REDEVELOPMENT FUND | 757,655 | 4.0 | 846,905 | 4.5 | |
| OTHER | <u>748,873</u> | <u>3.9</u> | <u>769,770</u> | <u>4.1</u> | |
| | 8,895,979 | 46.5 | 8,987,944 | 47.9 | |
| ABATEMENTS-TAXABLE | | | | | |
| TIF DISTRICTS | 726,916 | 3.8 | 830,655 | 4.4 | |
| SALES TAX | 326,093 | 1.7 | 316,094 | 1.7 | |
| REDEVELOPMENT FUND | 903,825 | 5.5 | 902,625 | 4.8 | |
| PARKING | 160,092 | (15.7) | 123,687 | 0.7 | |
| OTHER | <u>466,481</u> | <u>2.5</u> | <u>471,031</u> | <u>2.5</u> | |
| | 2,583,407 | 11.0 | 2,644,092 | 14.1 | |
| INTEREST INCOME | 0 | 0.0 | 0 | 0.0 | |
| TOTAL | <u>\$19,145,972</u> | <u>97.5</u> | <u>\$18,724,937</u> | <u>99.9</u> | |

Budget Analysis

A \$12.15 million general obligation alternate bond issue was sold on April 7, 2008 for water, \$9.0 million, TIF districts, \$1.3 million ((\$1.1 million in Global Trade Park #1 and \$0.2 million for Jackson School), and taxable parking, \$1.85 million, for acquisition of a parking deck and pay station improvements. The water and parking are twenty year bonds and the TIF portion is ten years. Repayment will be by water revenues, TIF property tax increment, and parking revenues.

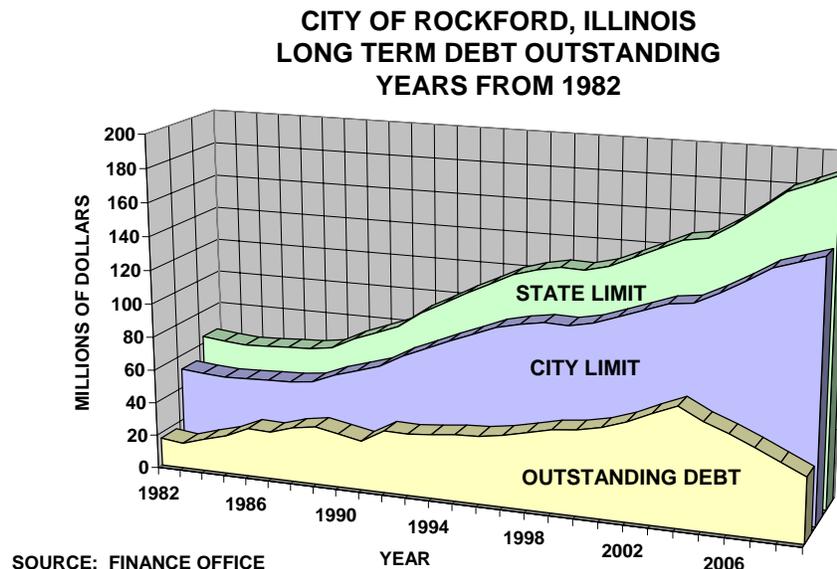
While plans are still being formulated, the City anticipates two 2009 sales, in the early spring and late fall for TIF district development projects. The 2009 spring sale, \$2.6 million, will be two parts, \$1.65 million tax exempt for two housing projects, Valencia (\$0.35 million) in the River North TIF and Rock River Towers (\$1.3 million) in the Main Whitman TIF, and an air cargo facility, \$0.95 million, in the Global Trade Park #1 TIF.

Debt Management

Including the 2008 sale, the City has issued \$27.5 million in the traditional marketplace for the water construction program. For the last half of the water construction program, the City will participate in a State loan program for eligible mitigation activities that will produce considerable interest savings though it will require project scheduling and short term financing considerations. From 2008 through 2012, the City will apply for annual loans, twenty year maturity, of approximately \$8.0 million from the Illinois EPA. While 2008 and 2009 will be pay as you go, since the construction program will end in 2010, the City will need to utilize \$25.0 million in interim financing for 2008 through 2012. The City secured a five year financing vehicle that will mature in 2013. The City intends to make early repayments as allowed by the loan agreement in 2009 (\$8.0 million), 2010 (\$8.0 million), and 2011 (\$9.0 million). Utilizing the State loan program rather than the traditional marketplace should produce net savings to the City of some \$8.0 million. To date, the State has approved \$23.0 million.

The General Fund sales tax transfer for annexation improvements will be \$521,867 (includes \$119,073 for the Kishwaukee Sewer Trunk, a 20 year state loan through the water reclamation district). In addition, the \$3.2 million Equipment issue, averaging \$398,000 per year for 10 years, will be repaid from sales tax. Combined, the 2009 sales tax transfer for debt service will be \$933,267.

With no new general obligation debt proposed for street issues, the 2009 property tax funded debt service will only be for the nine outstanding bond issues. The 2009 gross levy is \$7,164,547, a rate of 32.7 cents. The \$580,000 decrease from the prior year is due primarily to the 2003 \$3.125 million refunding issue debt service ending. With no new referendum debt for street improvements to be proposed, all outstanding debt will be retired by 2017 and the City's debt service tax rate will be eliminated.



The State has a limit of 8.625% of debt to equalized assessed valuation (EAV) for non-home rule units. Applying this percentage to the City, the limit would be \$186.3 million (2008 EAV). With

Debt Management

\$38.3 million outstanding in general obligation bonds and certificates, the City is at 20.6% of the limit and has \$148.0 million in authority remaining. The City Council has adopted a more stringent policy, 20% less than the State limit that allows only \$149.0 million, 6.9% of EAV. Even with the stricter City policy, \$110.7 million in authority is still available.

Five Year Financial Forecast

As part of the annual development of the five year capital improvements program, the City also prepares a bond issue schedule. For the 2010-2014 period, the City plans to sell bonds for redevelopment, annexation, and water improvements varying in size. Actual size and issuance depends upon the development of the annual capital improvements program. As existing street debt is retired, the debt service tax rate should continue to decrease.

DEBT SERVICE FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | \$17,966 | \$17,333 | \$16,114 | \$15,491 | \$14,486 |
| Expenditures | <u>17,966</u> | <u>17,333</u> | <u>16,114</u> | <u>15,491</u> | <u>14,486</u> |
| Excess (Deficit) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Beginning Balance | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> |
| Ending Balance | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> |
| | | | | | |
| GO Bond Issues | 0 | 0 | 0 | 0 | 0 |
| Water Issues | 0 | 0 | 0 | 0 | 0 |
| Alternate Issues | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| Tax Rate (Cents) | 30.4 | 26.6 | 22.8 | 19.5 | 15.8 |

Off-Track Betting Special Projects Fund

Mission Statement

It is the mission of the Off-Track Betting (OTB) Fund to finance projects from off-track betting receipts, as determined by the Mayor and Council.

Primary Functions → The primary function of the OTB Fund is to account for OTB revenues and to allocate those revenues for special projects.

Fund Highlights → The State Legislature approved a horse racing bill in December 1986 that included a provision for race tracks to operate off-track betting parlors in Illinois. A facility was opened in Rockford on November 18, 1987. The City and the County each receives one percent of the handle.

The City utilizes receipts for financing nonrecurring projects, the Rockford arts and property tax relief. Past undertakings have included property tax relief, contribution to the arts, certain road projects and fire station construction.

As part of its City Hall renovation project, the City issued three General Obligation Certificate issues (1990 - \$1,355,000; 1991 - \$4,000,000; and 1992 - \$5,050,000) totaling \$10,405,000. Debt service, 1990-2008, was scheduled to be derived from four revenue streams: the East Side TIF District, off-track betting income, redevelopment sales taxes and existing property taxes.

For the last three remaining debt service payments, 2005 - \$269,298, 2006 - \$403,040, 2007 - \$453,780, the amounts to come from this fund were reduced by \$200,000 for 2005 and \$250,000 annually for 2006 and 2007. Were this not done, this fund would have been negative until 2019. The funding source for the difference was interest earnings and Redevelopment Fund.

Budget Summary

| OTB PROJECTS BUDGET SUMMARY | | | | | |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) |
| DEBT SERVICE/INTEREST | \$203,780 | \$0 | \$7,228 | \$0 | \$0 |
| ARTS | 75,000 | 75,000 | 75,000 | 50,000 | (25,000) |
| TOTAL | \$278,780 | \$75,000 | \$82,228 | \$50,000 | (\$25,000) |
| FUNDING SOURCE | 2008 | | 2009 | | |
| | <u>AMOUNT</u> | <u>PERCENTAGE</u> | <u>AMOUNT</u> | <u>PERCENTAGE</u> | |
| OTB RECEIPTS | \$180,000 | 100.0 | \$140,000 | 100.0 | |
| OTB ADMISSION FEE | 0 | 0.0 | 0 | 0.0 | |
| INTEREST INCOME | 0 | 0.0 | 0 | 0.0 | |
| TOTAL | \$180,000 | 100.0 | \$140,000 | 100.0 | |

Off-Track Betting Special Projects Fund

Budget Analysis

2007 and 2008 income, budgeted at \$180,000 annually, were \$163,895 (91.1%) and \$136,667 (75.9%) respectively. For 2009, the estimate is reduced to \$140,000 for an estimated 360 days of operation. Expense is for the arts contribution, originally budgeted at \$75,000, but reduced to \$50,000.

Five Year Financial Forecast

The 2010-2014 five year forecast assumes marginal revenue growth and expenditure of revenue for the arts and debt service. With debt service completed in 2007, the fund's deficit should be eliminated by 2010. Future excess funds will reimburse the Redevelopment Fund for past advances made in 2005 – 2007.

OTB SPECIAL PROJECTS FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------------|-------------|--------------|--------------|--------------|--------------|
| Revenues | \$140 | \$141 | \$141 | \$142 | \$147 |
| Expenditures | <u>50</u> | <u>50</u> | <u>50</u> | <u>50</u> | <u>50</u> |
| Excess (Deficit) | <u>90</u> | <u>91</u> | <u>91</u> | <u>92</u> | <u>97</u> |
| Beginning Balance | (69) | <u>21</u> | <u>112</u> | <u>203</u> | <u>295</u> |
| Ending Balance | <u>\$21</u> | <u>\$112</u> | <u>\$203</u> | <u>\$295</u> | <u>\$392</u> |

Risk Management Fund

Mission Statement

It is the mission of the Risk Management Fund to provide for costs associated with insurance, legal claims, risk management, and judgements.

Primary Functions → The primary function of the Risk Management Fund is to account for insurance expenses, losses to City owned property, liability claims, and risk management activities.

Fund Highlights →

Implemented in 1996 to comply with Governmental Accounting Standards Board guidelines, the Risk Management Internal Service Fund pays for all insurance, claim settlements, and accidental property losses for the City. Not unlike a premium from an insurance company, departments are assessed a service charge that is based on a cost recovery basis. The annual service charge covers all risk management services received for that year including claim and loss management, insurance premiums, accidental loss of equipment, and the defense and settlement of claims.

The Risk Management Fund transfers risk exposure to outside companies through purchased insurance. This coverage includes liability, surety, fidelity and property protection. Approximately 64 percent of insurance coverage are directly attributable to non-general fund departments and grant-funded programs. Those City activities not covered through purchased insurance, such as the operation of fire, police, and public works vehicles, are covered by the City's self-insurance program in which funds are set aside to cover losses and claims.

Governmental accounting standards require the City to record anticipated liabilities from operations. The frequency and amounts of the liabilities can vary significantly from year to year. For 2007 and 2008, no large claims were paid.

Budget Summary

| RISK MANAGEMENT FUND BUDGET SUMMARY | | | | | | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|---------------------------|------------------------|---------------------------|
| APPROPRIATION | 2007 <u>ACTUAL</u> | 2008 <u>BUDGET</u> | 2008 <u>ACTUAL</u> | 2009 <u>BUDGET</u> | INCREASE (DECREASE) | |
| CONTRACTUAL | \$605,273 | \$1,257,990 | \$671,823 | \$1,321,440 | \$63,450 | |
| OTHER | <u>278,600</u> | <u>292,700</u> | <u>292,700</u> | <u>307,300</u> | <u>14,600</u> | |
| TOTAL | <u>\$883,873</u> | <u>\$1,445,540</u> | <u>\$964,523</u> | <u>\$1,628,740</u> | <u>\$78,050</u> | |
| FUNDING SOURCE | | | 2008 <u>AMOUNT</u> | 2008 <u>PERCENTAGE</u> | 2009 <u>AMOUNT</u> | 2009 <u>PERCENTAGE</u> |
| PROPERTY TAXES | | | | | | |
| JUDGMENTS | | | \$1,138,500 | 72.9 | \$1,178,100 | 71.7 |
| SERVICE CHARGES | | | 360,110 | 23.1 | 400,970 | 24.4 |
| PROPERTY DAMAGE REIMBURSEMENTS | | | <u>63,000</u> | <u>4.0</u> | <u>63,000</u> | <u>3.8</u> |
| TOTAL | | | <u>\$1,561,610</u> | <u>100.0</u> | <u>\$1,642,070</u> | <u>100.0</u> |

Risk Management Fund

Budget Analysis

The Risk Management Fund's budget of \$1,628,740 is \$78,050 more than the prior year's appropriation. The contractual group increases \$63,450. Risk policies increase \$54,700 as a result of premium increases, as well as some small increases in coverage. Claims increases \$3,750 and city losses remains stagnant. Legal expenses increase \$5,000. The other accounts group increases \$14,600 in the purchase of services from the Legal and Finance departments.

Prior to 1996, the Judgments Fund was funded by a Judgments tax levy and expense activity was limited to tax levy funded departments. Since the conversion to an internal service fund, the Risk Management Fund obtains its revenue from service charges and damage reimbursements from other parties. The total General Fund levy to accommodate this change to a service charge remains approximately same as the amount levied to finance the Judgments Fund in prior years.

Due to the nature of the fund, spending can fluctuate greatly from year to year depending on the claims presented against the City. As a result, the property tax rate for risk management is unlimited by statute. The estimated rate for 2009 is 5.7 cents.

In 2008, the Risk Management Fund spent \$964,523 or 66.7% of the budgeted allocation. In the past several years, 61% to 170% of the budget has been spent.

Five Year Financial Forecast

The five-year forecast assumes that primarily small claims will be paid out of this fund with the exception of one to two legal settlements annually. In addition, it is assumed that large claims that cannot be supported by the fund balance will be paid through the issuance of judgment bonds or through structured settlements, because larger claims are not reasonably foreseeable.

Risk Management Fund 2010-2014 Financial Forecast (In 000's)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--------------------|----------------|---------------|--------------|--------------|----------------|
| Revenues | \$1,642 | \$1,647 | \$1,652 | \$1,657 | \$1,662 |
| Expenses | <u>1,147</u> | <u>1,178</u> | <u>1,210</u> | <u>1,243</u> | <u>1,279</u> |
| Excess (Deficit) | 495 | 469 | 442 | 414 | 383 |
| Beginning Balance | <u>(1,000)</u> | <u>(505)</u> | <u>(36)</u> | 406 | 820 |
| Ending Balance | <u>(\$505)</u> | <u>(\$36)</u> | <u>\$406</u> | <u>\$820</u> | <u>\$1,203</u> |
| Property Tax Rates | 5.5 | 5.5 | 5.4 | 5.3 | 5.2 |

Workforce Investment Board

Mission Statement

It is the mission of the Workforce Investment Board is to create a competitive, skilled and educated workforce by providing a system for the Citizens of Boone and Winnebago Counties to gain meaningful employment responsive to the needs of business.

Primary Functions → The primary function of the Workforce Investment Board is to plan and oversee the local workforce development system, negotiate local performance measures with the State, coordinate with economic development agencies and develop employer linkages, and promote the participation of the private sector in the workforce investment system.

Fund Highlights

The City is the designated grant recipient for the federal Workforce Investment Act (WIA) funds for Boone and Winnebago counties. The WIA requires the establishment of a local Workforce Investment Board. This board and the City entered into an intergovernmental agreement in June 2004 that identifies the City as the employer of record and the mechanism for hiring Workforce Investment Board staff.

Budget Summary

| WORKFORCE INVESTMENT BOARD BUDGET SUMMARY | | | | | |
|---|----------------|----------------|--------------------|----------------|------------------------|
| APPROPRIATION | 2007 ACTUAL | 2008 BUDGET | 2008 ACTUAL | 2009 BUDGET | INCREASE (DECREASE) |
| PERSONNEL | \$335,359 | \$493,176 | \$406,417 | \$476,290 | (\$16,886) |
| TOTAL | \$335,359 | \$493,176 | \$406,417 | \$476,290 | (\$16,886) |
| STAFFING REVIEW | 2006 | 2007 | 2008 | 2009 | INCREASE (DECREASE) |
| TOTAL | 3.00 | 5.00 | 6.00 | 6.00 | 0.00 |
| FUNDING SOURCE | | 2008 AMOUNT | 2008 PERCENTAGE | 2009 AMOUNT | 2009 PERCENTAGE |
| FEDERAL | | 493,176 | 100.0 | 476,290 | 100.0 |
| | | \$493,176 | 100.0 | \$476,290 | 100.0 |

Budget Analysis

The budget for 2009 reflects personnel expenses for six staff members. The overall budget of \$476,290 is a 3% decrease from 2008 due to a decrease in health insurance (\$30,000). This change is a result of a vacated position and employees adjusting their plans.

Rockford Metropolitan Agency for Planning

Mission Statement

RMAP primary mission is to perform and carry out a continuing, cooperative, comprehensive transportation planning process for the Rockford Urbanized Area in accordance with applicable Federal laws, policies and procedures, and with the cooperation and assistance of its members and the U.S. Department of Transportation.

2008 Accomplishments →

- A new interagency agreement with all of the RMAP members was developed and approved.
- The RMAP organization successfully hired two new professional staff members. A job description for the Executive Director was rewritten and approved by the RMAP Policy Committee.
- The RMAP organization moved out of Rockford City Hall into new office space at 313 North Main Street and successfully signed a lease agreement with the City.
- RMAP completed a comprehensive Federal audit (Certification Review) for compliance with the US Transportation law (SAFETEA-LU) which is required every four years. Though corrective actions were shown in the final certification report RMAP has crafted planning documents to satisfy the requirements of the corrective actions and is now fully certified.
- RMAP has secured funding to assist in the creation of the Regional Center for Planning & Design (RCDP).
- RMAP has developed a more detailed work program that included expanded relationships with local educational institutions.
- RMAP secured funding to initiate or continue special studies of the following; (a) a comprehensive analysis of freight, urban goods movement, and logistics; (b) a corridor plan in the northeast quadrant of Boone County along Poplar Grove Road; (c) the Kishwaukee Street corridor from downtown Rockford to the Chicago/Rockford International Airport; and (d) the NICTI Alternatives Analysis of commuter transportation options to Elgin Big Timber.
- RMAP participated in the creation of the Winnebago County Rail Authority.
- RMAP assisted the City of Rockford to plan and implement the first large-scale, on-street bike lane facility in the region.

2009 Goals and Objectives →

- Develop an 18-month Strategic Plan that will lay the foundation for the work program. Regional priorities for “value-added” planning tasks will be intertwined with the federally-required planning work tasks to create a vision of planning excellence for the region.

Rockford Metropolitan Agency for Planning

- Complete the NICTI Alternatives Analysis documentation, hold all required public meetings, and advocate for implementation of commuter transportation from Rockford to Elgin Big Timber.
- Advocate at the State and Federal level for comprehensive changes to the way that transportation funds are distributed in the United States and the State of Illinois.
- Incorporate the stand-alone transportation component documents that have been completed in the last 3-4 years, such as the bicycle / pedestrian plan, into the 2010 update of the RMAP Long-Range Transportation Plan.
- Work with the Census Bureau to review and modify the census geometry for the two-county metropolitan area that will be used in the 2010 Census.
- Assist the City of Rockford and the Rockford Area Economic Development Council with the Comprehensive Economic Development Strategy (CEDS) process to create an economic development zone in the Rockford MSA that will allow Economic Development Assistance (EDA) grants to come to the region.
- Initiate the planning work to develop a regional affordable housing plan for all of the RMAP member agencies.
- Analyze field data provided by IDOT from the 2007-2008 comprehensive ground count to produce a regional “congestion map” as one of the primary steps in a regional congestion management process.
- Initiate and evaluate a program for RMAP employees that encourage alternative travel to work, such as walking / running, bicycling, or transit.
- Complete the 1st phase of the office remodeling project to create the new RMAP office space within the greater framework of the RCDP. Complete the 2nd phase if funding is available.
- Incorporate the national goals of climate change into the update of Long Range Transportation Plan.

Rockford Metropolitan Agency for Planning

Budget Summary

| RMAP BUDGET SUMMARY | | | | | |
|--------------------------------|----------------|----------------|--------------------|----------------|-------------------------------|
| APPROPRIATION | 2007 ACTUAL | 2008 BUDGET | 2008 ACTUAL | 2009 BUDGET | INCREASE (DECREASE) |
| PERSONNEL | \$0 | \$230,534 | \$209,334 | \$592,397 | \$361,863 |
| CONTRACTUAL | 0 | 89,665 | 51,724 | 271,950 | 182,285 |
| SUPPLIES | 0 | 8,250 | 37,177 | 11,350 | 3,100 |
| OTHER | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 80,626 | 0 | 269,047 | 188,421 |
| TOTAL | \$0 | \$409,075 | \$298,235 | \$1,144,744 | \$735,669 |
| STAFFING REVIEW | | | | | |
| TOTAL | 2006 0.00 | 2007 0.00 | 2008 4.00 | 2009 6.00 | INCREASE (DECREASE) 2.0 |
| FUNDING SOURCE | | | | | |
| | | 2008 AMOUNT | 2008 PERCENTAGE | 2009 AMOUNT | 2009 PERCENTAGE |
| CURRENT FUNDS | | | | | |
| OTHER FEDERAL/STATE | | 409,075 | 100.0 | 920,000 | 80.4 |
| REPROGRAMMED FUNDS-PRIOR YEARS | | | | | |
| OTHER FEDERAL/STATE | | 0 | 0.0 | 224,744 | 0.0 |
| TOTAL | | \$409,075 | 100.0 | \$1,144,744 | 80.4 |

Budget Analysis

The 2009 budget is \$1,144,744, which is an increase of \$735,700 (179.8%) from the previous year. The former Rockford Area Transportation Study (RATS) section of the Traffic Division was transformed into the Rockford Metropolitan Agency for Planning (RMAP). This transformation included a new interagency agreement with all of the RMAP members that created a full time Executive Director position, four professional planning staff members, and a Senior Administrative Assistant. The change in staffing and reorganization increased personnel costs \$361,900.

Contractual costs increase \$182,300. The supply group has increased \$3,100. Previous year budget numbers were only reflective of six months of expenses. In addition the increases reflect the reorganization of division and relocation of office space.

The new interagency agreement the funding formula for the organization by keeping all Federal and State funds within the organization, and changed the local match formula so that the City of Rockford no longer paid 100% of the local match.

In 2008, RMAP spent \$298,235 or 72.9% of budget of its budget allocation.

Fixed Assets

The 2009 fixed assets budget for \$269,047 includes office remodeling expenses and purchase of a vehicle for the Director.

Rockford Metropolitan Agency for Planning

Personnel Review

| Rockford Metropolitan Agency for Planning | | | | |
|--|--------------------------|----------------------------------|----------------------------------|---------------------------------|
| BENEFITS AND SALARIES | | 2008 | 2009 | INCREASE/ (DECREASE) |
| SALARY | | <u>BUDGET</u> | <u>BUDGET</u> | <u>(DECREASE)</u> |
| PERMANENT | | \$157,168 | \$396,878 | \$239,710 |
| MERIT PAY | | 3,560 | 20,475 | 16,915 |
| SALARY ADJUSTMENT | | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL SALARIES | | <u>\$160,728</u> | <u>\$417,353</u> | <u>\$256,625</u> |
| BENEFITS | | | | |
| ILLINOIS MUNICIPAL RETIREMENT | | \$39,120 | \$70,950 | \$31,830 |
| UNEMPLOYMENT TAX | | 151 | 378 | 227 |
| WORKMEN'S COMPENSATION | | 315 | 918 | 603 |
| HEALTH INSURANCE | | 30,220 | 99,450 | 69,230 |
| LIFE INSURANCE | | 0 | 468 | 468 |
| PARKING BENEFITS | | <u>0</u> | <u>2,880</u> | <u>2,880</u> |
| TOTAL BENEFITS | | <u>\$69,806</u> | <u>\$175,044</u> | <u>\$105,238</u> |
| TOTAL COMPENSATION | | <u>\$230,534</u> | <u>\$592,397</u> | <u>\$361,863</u> |
| | | | | |
| POSITION TITLE | POSTION RANGE | 2008 <u>EMPLOYEES</u> | 2009 <u>EMPLOYEES</u> | INCREASE/ (DECREASE) |
| DIRECTOR | E-11 | 1.00 | 1.00 | 0.00 |
| TRANSP PLANNER II | E-8 | 1.00 | 1.00 | 0.00 |
| TRANSP PLANNER I | E-8 | 0.00 | 1.00 | 1.00 |
| TRANSP ECONOMIST | E-8 | 0.00 | 1.00 | 1.00 |
| TRANSP PLANNER/ENGINEER | E-8 | 1.00 | 1.00 | 0.00 |
| SENIOR ADMIN ASSISTANT | E-6 | <u>1.00</u> | <u>1.00</u> | <u>0.00</u> |
| TOTAL PERSONNEL | | <u>4.00</u> | <u>6.00</u> | <u>2.00</u> |