

To the Citizens of the City of Rockford:

On behalf of the City Council and our dedicated staff, I am proud to present to our citizens the 2008 City of Rockford budget. This budget, as proposed and approved, sets forth the City's continued commitment to provide the highest level of services to our residents, our businesses, and our visitors.

It is our intent, through responsible fiscal management, to provide for our citizens the opportunity to reside and do business in a strong and healthy community; a community that provides safe neighborhoods, strong schools, and a sound infrastructure that invites investment and economic development.

As we work to build a stronger Rockford, we do so with the understanding **that “Excellence Everywhere for Everyone”** is the goal we must achieve. Whether it is through the elimination of property taxes as a funding source for capital improvements or finding more efficient means of delivering city services through the accountability and analysis program “Rockstat” excellence shall always remain in sight.

Thank you,

Lawrence J. Morrissey  
Mayor  
City of Rockford

## **Executive Summary**

The planning for the 2008 budget began with a retreat for elected officials and department heads in August. Elected officials were updated regularly on the status of the City's finances, specifically in regards to elastic revenues. The budget was prepared with the following goals in mind: maintain current staffing and service levels and continue the capital equipment replacement program. With the above principles, we were able to strategically prioritize resources and approve a balanced budget.

### ***Issues and Priorities in 2008***

The services provided by the City are made possible by the resources entrusted to it by the citizens and businesses of Rockford. Elected officials and City staffs are dedicated to using these resources to provide the community with the most efficient and effective services possible. The budget details how resources will be used to maintain and enhance the quality of existing services. Several principles have been established to guide the City during the budget process, including:

- ◆ Planning for the future, setting long-term goals, and providing a sense of direction to the community.
- ◆ Providing economic development efforts in order to retain and expand jobs and investment in the community.
- ◆ Renovating and improving City infrastructure to meet the needs and encouraging development of the commercial, industrial, and residential areas within the City.
- ◆ Providing efficient and effective City services with the resources allocated by the community.
- ◆ Actively search for additional sources of revenue to help fund the redevelopment of neighborhoods in the City of Rockford.

City officials use these objectives to guide their internal organizational decision making process. However, officials must also consider opportunities and challenges presented by the external environment during the development of the budget. Some of the issues the City will focus on in the forthcoming budget year include:

- ◆ Improving the quality of life for residents of the City's older neighborhoods.
- ◆ Investing in the downtown area and encouraging others to develop commercial and residential projects.
- ◆ Continuing investments in information technology to provide improvements in the effectiveness and efficiency of City services.

- ◆ Maintaining the City's solid financial condition.
- ◆ Maintaining a stable tax rate.
- ◆ Making incremental service adjustments to reflect changing community needs.

### ***Challenges for the Community***

While the national economy is showing signs of recovery, the local economic environment and the impact it has on the City's available revenue continues to present a challenge. The City must continue to carefully balance its priorities in order to maintain the quality of services and public infrastructure. Further stagnation in revenues will require the City to reassess the services it provides and make adjustments to maintain a balanced budget.

Financial challenges in upcoming years include fully funding capital equipment as part of the City's annual budget. After not purchasing capital equipment in 2002 and 2003, the City issued \$3.2 million in bonds to cover capital equipment purchases for 2004 and 2005. The 2007 budget addressed capital equipment through various fund revenues and capital project needs through an approved 1% sales tax referendum.

### ***The 2008 General Fund***

The City of Rockford, like many other communities in Illinois and across the United States, has seen moderate growth in its sales, use, income, and replacement taxes, commonly referred to as elastic revenues. These revenue sources increased just over \$4.3 million, or about 8.5%, in 2007.

The 2007 budget process began with the City projecting a large deficit. Over \$3 million in budget reductions were made at the staff level, before the budget was presented in December. Savings were found in every department to keep expenditures down, and improved revenue performance increased revenue projections for the year. A balanced budget was presented which accomplished the priorities of continuing the 2004-2007 capital equipment program, projecting a stable property tax rate, and maintaining existing services.

2008 employee contracts, pensions and health insurance costs make up the largest increases in the budget. The proposed budget included an increase in staff of 6.5 FTE, including a truancy clerk in Legal and additions (6.0) in Library to staff the new Barnes and Noble location.

The City Council passed the 2008 budget in March. This budget allows the City to maintain the necessary fund and cash balances as well as allowing the 2008 budget process to begin on a sound financial footing.

## ***Overview of the 2008 Budget***

The City of Rockford is similar to many municipalities because it has limited resources to devote to the various challenges facing it. However, because Rockford is a non-home rule municipality, we have fewer options than all other cities in Illinois of any size. This was particularly apparent when preparing the budget for 2008. Resource constraints forced City officials to assess the external environment and utilize the budget development principles described above to prioritize among competing needs. The overall goal of this budget is to maintain existing services; however, City officials prioritized several projects to address the issues discussed above. Consistent with a maintenance budget, many of these priorities are a continuation of initiatives from previous years.

The Community Development Department will manage the many TIF districts the City has and their associated development projects. The formation of the new Code Enforcement Division combines resources from the Building and Public Works Departments with the existing Neighborhood Standards Division. This program approach to code enforcement will take a comprehensive, aggressive approach against code violators at little additional cost.

The Human Services Department continues programs transferred from other areas of the City, including Drug Free, Shelter Care, and Supportive Housing.

The Police Department will address recruit testing in 2008 for the department. They will continue efforts towards community policing, using their records management system to better deploy resources and respond to potential problems while continuing to reduce overtime costs.

The Fire Department will address future equipment needs and develop a plan for capital expenditures. They will continue working towards International Accreditation.

The Legal Department will be the lead department in labor negotiations, code enforcement, annexation efforts, and City projects.

The Public Works Department will be aggressive in repairing and improving bridges and roads in the City.

## ***Financial Summary***

With the 2008 budget, the City was able to continue its goal of maintaining a stable property tax rate for citizens. The 2008 budget adopted a property tax rate of \$2.53.

The improved bond rating that was received in a prior year helps the City maintain property tax rate stability. The improvement means lower interest rates for current and future bond issues and the ability to pass those savings on to the taxpayer. There were two bond sales in 2007.

The first issue included \$23 million for Metro Centre improvements as well as refunding outstanding Coronado Theatre debt. The second issue, \$8.75 million, included \$3.5 million for the water rehabilitation project, \$1.1 million for Preston Central TIF economic development, \$1.1 million in sewer improvements, and \$3.05 million in library improvements. In 2008, a bond sale for \$12.15 million is planned, which includes \$1.1 million for Global Park TIF development, \$200,000 for Jackson Park TIF development, \$1.85 million for acquisition of the State and Main Parking Deck as well as pay station equipment, and \$9.0 million for water system rehabilitation.

In addition to financing capital improvements by issuing bonds, the City will continue to utilize dedicated revenue streams for specific purpose projects. Examples of these projects include sanitary sewers, parking facilities, and water improvements. This allows the City to maintain a competitive tax rate, while capturing contributions from those in the community who live outside of the City but use its resources on a regular basis. Dedicated revenue streams also ensure that users pay for the services they receive.

### ***Operational Highlights***

The City's service provision efforts are divided into five program areas including Legislative and Management, Community Development, Human Services, Public Safety, and Public Works. Each of these areas encompasses multiple departments performing specialized activities that collectively compose the functions associated with the program area.

The Legislative and Management departments provide policy direction and administrative services for the rest of the municipal organization. The departments in this area will be engaged in many projects to enhance the operational effectiveness and efficiency of the City. The Mayor's Office will continue to provide leadership and direction to City staff and policy makers. The Legal Department will be the lead department in labor negotiations, code enforcement, annexation efforts, acquisition of properties for the federal courthouse, and City projects. The Information Technology Department will handle a number of large projects, including the acquisition and implementation of a customer service system.

Several activities and projects will be occurring in the Community Development program area. The department will assist in the development of a comprehensive economic development strategy for the City and Winnebago County. The Weed and Seed program will also be continued in 2008.

The City's Human Services Department will remain an important resource to City residents in the coming year. The Head Start program serves approximately 590 children in four different programs which include home base schooling, part day classes, students in full day classes, and family plus. The Department plans to continue this service despite federal funding challenges.

There are a variety of programs that provide assistance to economically disadvantaged families. The energy program focuses on replacing furnaces, cleaning and tuning older

systems, and repairs to electrical, plumbing, and roofing. The department operates the energy assistance program that assists low-income families and individuals with their heating bills.

Public Safety services provided by the City include police and fire protection. The Police Department is utilizing their new records management system to better analyze crime data and allocate resources. The Fire Department continues to upgrade equipment and train its firefighters to better serve the citizens of Rockford. The two departments will continue to develop their new role at the airport. The City is maintaining an Insurance Services Organization (ISO) fire protection rating of two, which places the City in the top one percent of the nation. A lower rating benefits residents and businesses through better rates for fire insurance. In addition, the Fire Department is continuing its certification program.

The Public Works Department will also be active in repairing and improving bridges and roads in the City.

### ***Conclusion***

On March 10, 2008, the City Council adopted the 2008 budget after the Finance and Personnel Committee had finished its review of the proposal. This budget is the result of considerable, careful discussion and deliberation by the City Council, the Finance and Personnel Committee, the Finance Department, and various staff members from every department who contributed to the development of departmental budget requests. I would like to thank them, as well as department heads and staff members, for participating in this important process. This budget serves the public interest in describing and providing the resources for the provision of City services and products to its customers.

## CITIZEN'S BUDGET HIGHLIGHTS

The City's goal in developing the 2008 budget was to continue offering citizens basic services, economic development efforts, a continuing capital improvements program, and fiscal stability. Development and adoption of this budget was premised on maintaining a level of service equivalent to 2007, making incremental improvements where possible, and continuing to comply with the limitations of the Property Tax Extension Limitation Law (Taxcaps).

### PROGRAM EXPENDITURES

The budget appropriation in 2008 is \$208.9 million for all funds, a decrease of \$17.0 million from the 2007 appropriation of \$225.9 million. This decrease reflects the nonrecurring 2007 \$23.0 million Metro Center project. Major program changes for 2008 include:

Community Development's appropriation decreased \$1.4 million. With 2007 the beginning of the Metro Center renovation, a final one-time \$0.9 million operating subsidy was approved for 2007. The remaining decrease is the net change of the twenty-eight budget units in this group.

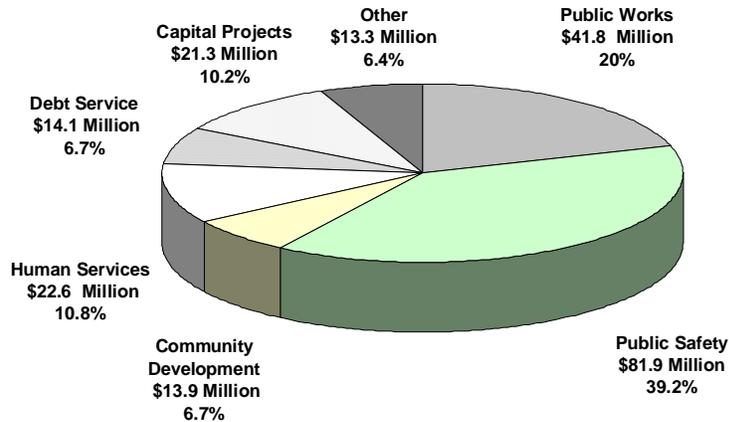
Public Safety's appropriation increased \$3.7 million due to salary increases, fringe benefit increases, particularly in health insurance and pension contributions, which combined accounted for \$1.3 million of the public safety appropriation increase, and contractual and supply increases as well. Contractual increases can be largely attributed to microcomputer expenses related to the increased utilization of technological equipment and software applications by the police and fire departments.

Human Services' appropriation decreased \$1.0 million from 2007 with the majority of the decrease in the Human Services Department. A \$437,100 net decrease occurred in contractual services, mainly due to the absence of one-time flood relief initiative monies, \$0.7 million, budgeted for in the previous fiscal year. The other account group decreased \$0.7 million as well due to a reduction in funding for rental assistance and essential services.

The Public Works budget decreased \$1.3 million from the previous year's budget. The majority of the decrease can be attributed to a \$1.3 million decrease in the Public Works Traffic division for a 2007 comprehensive rail study.

The budget for Debt Service decreases \$1.5 million from 2007 to 2008 primarily due to the City Hall debt service ending. The 2008 budget plan calls for a \$12.15 million bond issue in the spring for water (\$9.0 million), TIF district development (\$1.3 million), and parking deck acquisition (\$1.815 million). Two 2007 bond issues totaling \$38.6 million were offered for Metro Center improvements, Coronado Theatre refunding, water improvements, and TIF district development opportunities.

**City of Rockford, Illinois  
2008 Budget -- Where The Money Goes  
\$208.9 Million -- All Funds**



The Capital Projects Fund budget for 2008 decreased \$14.5 million from the previous year. The 2007 budget included the Metro Center renovation. In 2008 \$20.0 million will be expended on transportation and economic development incentives. \$1.0 million will also be spent on new water projects in 2008. Ongoing projects, already funded in previous years, will continue and incur expenses in 2008 as well. The City placed a referendum before the voters on April 17, 2007 for a one-percent sales tax increase in order to finance capital projects in forthcoming years. Sales tax revenue was sought as a replacement to general obligation bonds issued annually to fund capital projects. In 2008, sales tax revenue will generate \$16.0 million for capital projects. The remainder of funding will come from state motor fuel tax revenue and inter-fund transfers.

In the Other category, the \$0.9 million decrease is due to the changes instituted in the City's health insurance program.

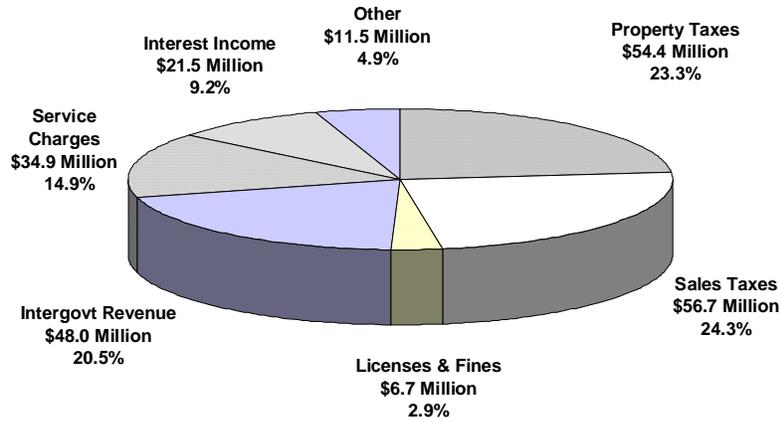
### REVENUES

For 2008, the revenue budget is \$233.6 million for all funds, a decrease of \$8.1 million from 2007's \$241.7 million.

The 2008 revenue budget emphasizes:

- A stable property tax rate.
- Continued emphasis on user fees including systematically updating the rates to keep pace with costs.
- Ongoing efforts to aggressively capture federal and state revenues.

**City of Rockford, Illinois  
2008 Budget -- Where The Money Comes From  
\$233.6 Million -- All Funds**



Major revenue changes for 2008 include:

The amount of the 1% capital program sales tax budgeted increases \$13.0 million, reflecting a full year's collection on this revenue source.

Interest income is projected to increase \$3.1 million, due to anticipated higher balances and yields.

Service charges, primarily water user fees, increase \$1.1 million from the previous year total of \$33.8 million.

Intergovernmental revenues from federal, state, and local governments are projected to decrease \$550,000 from 2007.

Licenses and fines are projected to decrease \$1.1 million from the previous year's budget due to the elimination of the vehicle license.

Property taxes increase \$2.0 million from the 2007 total of \$52.3 million due to an increase in the EAV and increased annexations.

### ACCOUNT EXPENDITURES

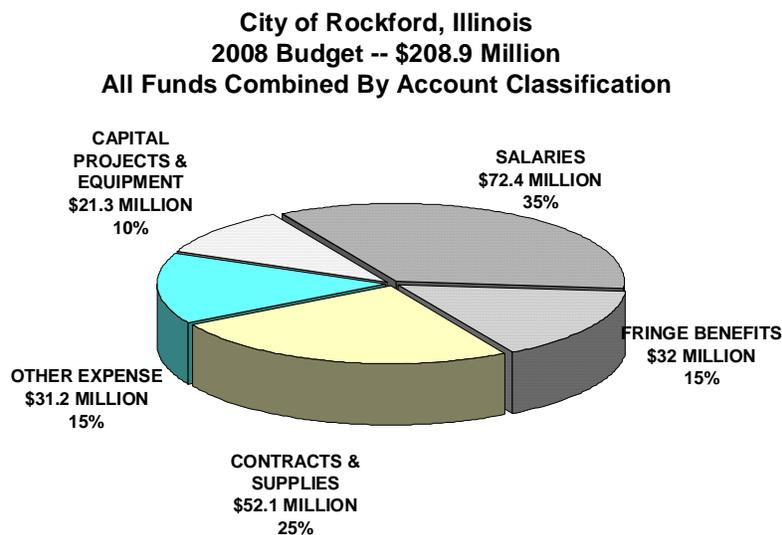
The 2008 City Budget, when viewed from a line item rather than a program perspective, illustrates the fact that almost two-thirds of the budget is attributable to personnel and infrastructure improvements. This reflects the fact that the City is a labor intensive service

organization with 1,200 employees and has a considerable investment in streets, bridges, buildings, and water and sewer systems that must be maintained and renewed.

Major spending changes by account type for 2008 are:

Salaries and fringe benefits increase \$3.3 million as a result of salary adjustments, pensions, and health insurance premium increases.

Contractual and supply accounts decrease \$3.8 million due to reductions across several departments, including an adjusted \$1.5 million decrease occurring in the Public Works Traffic division related to a multi-year comprehensive rail study.



Capital projects decrease by \$14.8 million (Metro Center renovation) from the 2007 budget, with available funding for transportation and economic development initiatives, as well as new and ongoing water projects.

Other expenses are projected to decrease \$1.2 million including \$0.7 million for rental assistance and essential services in Human Services.

#### COUNCIL CHANGES TO THE BUDGET

The Council received the budget on December 17, 2007 and referred it to the Finance Committee. The Committee, after holding budget hearings with departments, approved the budget on March 10, 2008. After the initial budget passed, City Council amended the budget to include funding for the purchase of two additional ambulances, \$360,000, for the Fire Department.

#### WHAT THE 2008 BUDGET WILL COST THE TAXPAYER

The 2008 budget continues stability for the Rockford homeowner. For a homeowner with a \$100,000 home, the rate and cost for 2005, 2006, 2007, and 2008 are shown below.

Property Tax Bill (City Portion Only)  
For Home With \$100,000 Market Value  
2005-2008

<u>Year</u>	<u>Rate</u>	<u>Bill</u>
2005	\$2.58	\$728
2006	2.57	728
2007	2.52	714
2008	2.53	704

The City continues to use and to selectively adjust user fees so that those who use certain services pay for them rather than passing the costs on to all taxpayers through property taxes. Through a combination of property taxes and user charges, quality city services will be offered at a reasonable cost to the residents of Rockford.

## HOW TO USE THIS DOCUMENT

This budget document is intended to provide Rockford Citizens with information about 2008 City government and services.

The Table of Contents lists every subject covered in this document and its' page number. The document is organized under three major headings composed of a total of eight divider sections (Roman Numerals).

### INTRODUCTORY SECTION

- I. Executive Summary
  - Citizen's Budget Highlights
  - How To Use This Document
  - The Budget Process and Document
  - Significant Budget Issues

### PROGRAM SUMMARIES

- II. Legislative and Management Services
- III. Community Development Services
- IV. Human Services
- V. Public Safety Services
- VI. Public Works Services
- VII. Non-Operating Funds

### SUPPORTING INFORMATION

- VIII. Supplemental Section
  - Summary Schedules
  - Financial Policies

This budget is a financial plan relating proposed City services for the year with the estimated means of financing them. The budget is prepared on a basis sufficient to accommodate accounting, legal and management requirements.

The 2008 budget is comprised of sixty-six (66) budgetary units. A budgetary unit can be defined as either a department, such as the Police Department, or a division of a department, such as the Street Division of the Public Works Department. A department, utilized in a managerial fashion by the City, can be by fund, such as the Library Fund or can be part of a fund, like the Fire Department in the General Fund. It also can consist of parts of the General Fund as well as other funds, such as the Community Development and Public Works Departments. An accounting fund(s) can be a department, like the 911 Communications Fund, or a division of a department, such as the Water Fund in Public Works.

Each city budgetary unit, regardless of accounting fund, is assigned to a program category, i.e., Police to Public Safety. For those readers interested in the City budget from a purely fund accounting point of view, the summary schedules in the appendix address that need as does the

Revenue and Financing Changes section in the summary's Significant Budget Issues. Revenues from a program perspective are discussed under each department.

The description of each budgetary unit and its programs is structured as follows:

- Budgetary Unit Summary
  - Mission Statement
  - Primary Functions
  - 2007 Accomplishments
  - 2008 Goals and Objectives
  - Budget Summary  
(2006-2008 Expenditure and 2007-2008 Staffing  
Review, 2007-2008 Funding Analysis)
  - Budget Analysis
  - Information and Statistics
  - Capital Equipment
  - Personnel Review
  - Performance Measures

The City utilizes a cost center budget with a cost center defined as the budget for a specific service being delivered. The primary advantage of cost center budgeting is that it gives policy makers and management exact information concerning a service and its associated costs for the decision making process. The cost center provides a description of the service being provided, how it is being provided and the service unit being delivered. For example, cost centers in the Fire Department budget are categorized by function such as Ambulance or Arson Investigation. The budget for a cost center includes all costs associated with providing the particular service—labor, fringe benefit, contractual, supply, interest and capital expenditures.

Additional information on the City's fiscal affairs is available in the following documents at City Hall:

- City Financial Statements
- City Annual Report
- City Capital Improvements Program

The Finance Department staff is also available to answer any questions citizens may have on the City's financial affairs:

City of Rockford - Finance Department  
425 East State Street  
Rockford, Illinois 61104  
(815) 987-5643

## **BASIS OF BUDGETING**

The City's budget is prepared on the gross, rather than net budgetary basis. In order to associate costs with services, revenues and expenditures for pensions and certain other fringe benefits are budgeted by premium or unit/percentage allocation in departments providing services and are then transferred to funds that provide for the actual expenditures.

All revenues and expenditures that result from transfers between funds are adjusted to eliminate overstatements when all funds are consolidated.

While the 2007 audit is not yet finished, the 2007 actual revenues and/or expenditures used herein are materially correct.

The budget for the City of Rockford general government funds (these include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds) is prepared on a modified accrual basis consistent with Generally Accepted Accounting Principles. This means that expenditures are recorded when the related fund liability (such as an outstanding purchase order) is incurred and revenue is recognized when measurable and available. Expendable trust and agency funds are also prepared on the modified accrual basis.

Enterprise Funds, Internal Service Funds, Non-expendable Trust Funds, Pension Trust Funds, and Component Units are budgeted according to accrual accounting. These funds recognize revenues in the accounting period in which they are earned and become measurable while expenses are recognized in the period they are incurred. Budgeting for these funds is also consistent with Generally Accepted Accounting Principles.

The City attempts to use Generally Accepted Accounting Principles when preparing the budget, one exception is noted:

For budget purposes, Proprietary Funds expense compensated absence liabilities when paid to employees as opposed to GAAP statements which require these liabilities to be accrued as earned.

**CITY OF ROCKFORD, ILLINOIS  
BUDGET TIMELINE  
THE 2008 PROCESS**

2007							
March	April	May	June	July	August	September	October

Finance Department updates the 5 year plan document for 2009-2013.

Based on the Five-Year Plan and year to date performance, Finance prepares preliminary budget estimates and discusses budget policies for the forthcoming year with the Mayor.

Public Works Department begins work on updating the five-year Capital Improvement Program.

**September 26:** 2008 budget planning retreat with elected officials and department heads.

Finance determines budgetary allocations.

Departments receive budget packages.

Finance begins user fee analysis on selected services.

Departments complete and return budget packages to Finance.

Finance conducts departmental budget hearings and prepares budget draft.

**CITY OF ROCKFORD, ILLINOIS  
BUDGET TIMELINE  
THE 2008 PROCESS**

November	December	<b>2008</b> January	February	March	April	May
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Finance presents budget draft to Mayor. Hearings are held with departments and some revenue and expenditure modifications are made.

**December 17:** Mayor submits Capital Improvements Program to Council for Committee review and approval. Council adopts 2008-2012 Capital Improvements Program.

Council refers budget to Finance Committee which holds two budget hearings (January 12, 19) with City Departments.

**March 3:** Finance Committee approves budget. Council holds State Budget Act public hearing for citizen input.

**March 10:** Appropriation Ordinance adopted by Council. Council adopts 2008 Budget Committee Report.

While the Five-Year Improvements Program is prepared separately by Public Works, the first year element is integrated into the budget draft and consideration of it is in the context of being part of the whole.

## FINANCIAL PLANNING — THE KEY TO THE FUTURE

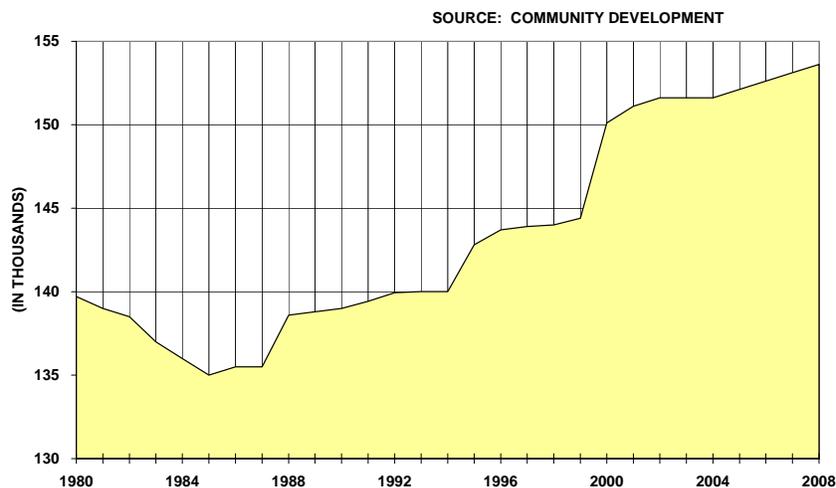
Beginning in 1984 with the General Fund, the City incorporated long-term financial planning into its budget cycle. In 1989, the planning process was expanded to incorporate the balance of the City's budget. Each year the budget staff updates selected trends and the five-year forecast. In conjunction with this, the City has, from time to time, used a financial task force of business and financial executives who review and discuss the trends, assumptions, and proposed forecasts. In addition, the group reviews financial policy proposals that the staff develops for Council approval.

Since their inception, the planning process and the financial advisory group have guided the development of financial policies for budgeting, cash flow management, infrastructure improvement, and investment guidelines. In addition, the planning process has provided policy makers with the opportunity to view the possible future and temper today's decisions accordingly.

### SELECTED TRENDS

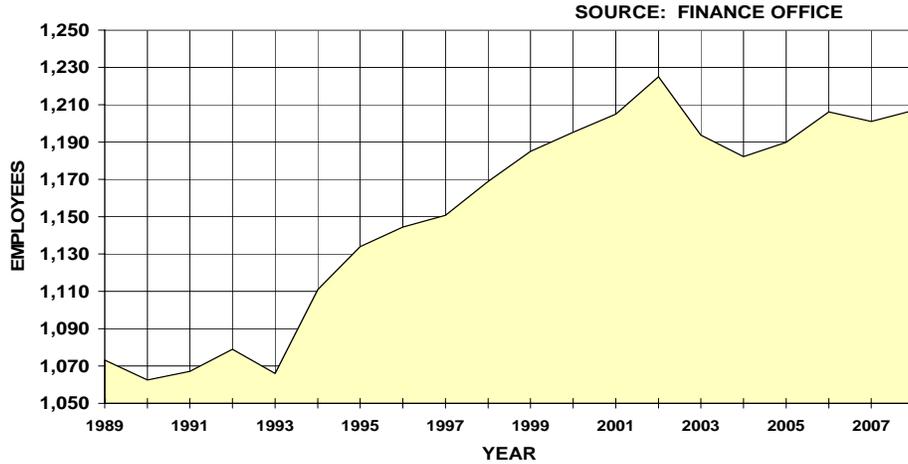
One key to the financial planning process is gathering information about trends that affect the City's financial future. One set of trends the City continually examines is demographics such as population, jobs, and unemployment. The 2000 census of 150,115 was 10,699 (7.7%) greater than the 1990 census of 139,416. The population is expected to increase gradually over the next few years. The transformation of the local economy, the City's ongoing annexation program, and the selection of Rockford as a choice of residence for Chicago suburbanites contribute to the City's increasing population.

#### CITY OF ROCKFORD, ILLINOIS POPULATION FROM 1980



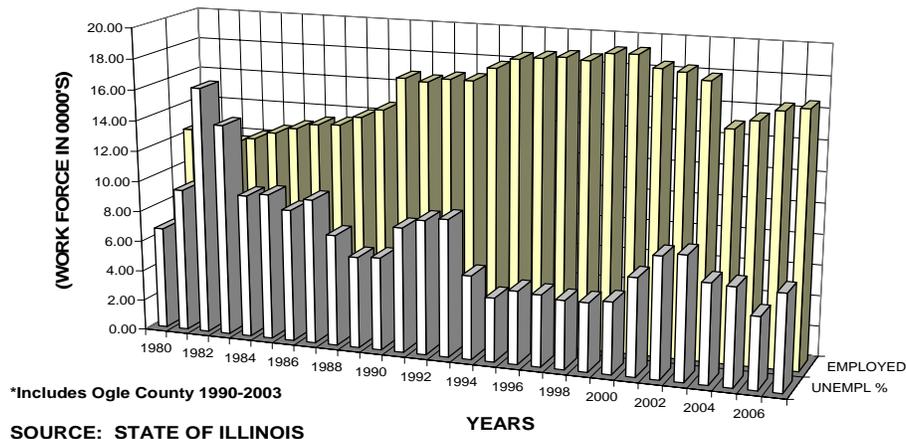
During the 1980's, the City took steps to keep the ratio of its employees and population in proportion. Since then, the City has maintained a constant ratio of employees per thousand residents. This ratio should continue to remain stable in the future as both the population and the City work force incrementally increase.

**CITY OF ROCKFORD, ILLINOIS  
MUNICIPAL EMPLOYMENT 1989-2008**



Although the City continues to attain an increasing population, the last few years have been difficult for the manufacturing industry. Unemployment in the City and County in general has been higher than state and national averages. Strong local economic development efforts by organizations such as the Chamber of Commerce, the Rockford Area Economic Development Council, and the City of Rockford continue to recruit additional employers to help reduce the unemployment rate in the City and surrounding area. The local economy, in the near future, should expand and improve due to the growing influence of the Chicago metropolitan area.

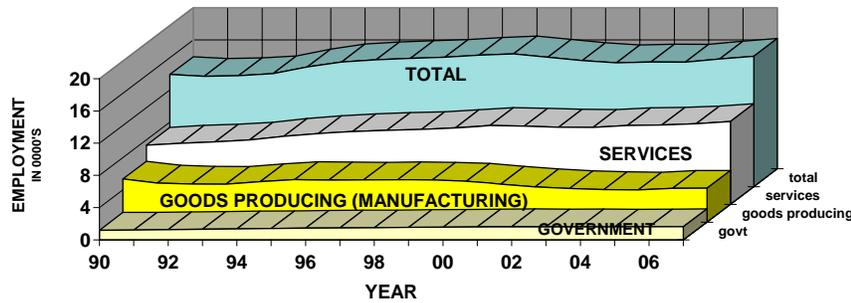
**CITY OF ROCKFORD, ILLINOIS  
JOBS AND UNEMPLOYMENT SINCE 1980  
IN THE ROCKFORD MSA\***



Employment in the Rockford MSA for December 2007 was approximately 161,600, a 3,300 increase from 2006. 42,200 jobs were in goods producing, 102,800 in private service-providing positions, and 15,900 in government positions. Growth from the prior year was 0.2% for goods producing, 2.9% for private service-providing, and 1.8% for government sector. As the manufacturing sector of the employment base has had a steady decline over the past several years, the marginal increase in goods-producing employment for 2007 may be indicative of local industries' economic revival. The service-providing sector of the employment base expanded

40% between 1990 and 2007 while the manufacturing employment in the Rockford MSA has decreased 21%. Overall, total employment increased 16.2% from 1990 to 2007.

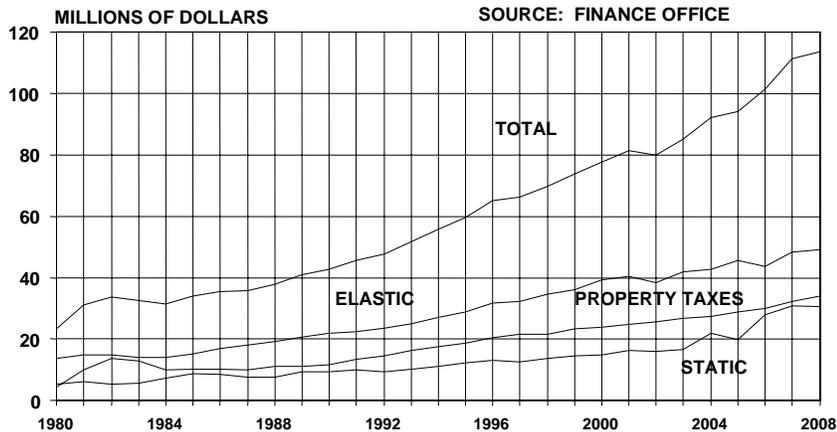
**CITY OF ROCKFORD, ILLINOIS  
NON-AGRICULTURAL EMPLOYMENT HISTORY IN THE  
ROCKFORD MSA 1990-2007**



SOURCE: STATE OF ILLINOIS

In addition to demographic trends, the City also follows revenue trends for its General Fund. All City revenues can be classified as property taxes, elastic revenues, and static revenues. Property taxes are a tax levied on real property. Elastic revenues are defined as those revenues that tend to change with economic conditions, such as sales taxes and income taxes. Static revenues, the balance, are revenues that change only by increased population and/or legislative change. Examples of these are building permits, liquor licenses and magistrate fines.

**CITY OF ROCKFORD, ILLINOIS  
GENERAL FUND REVENUE SOURCE COMPOSITION  
YEARS FROM 1980**



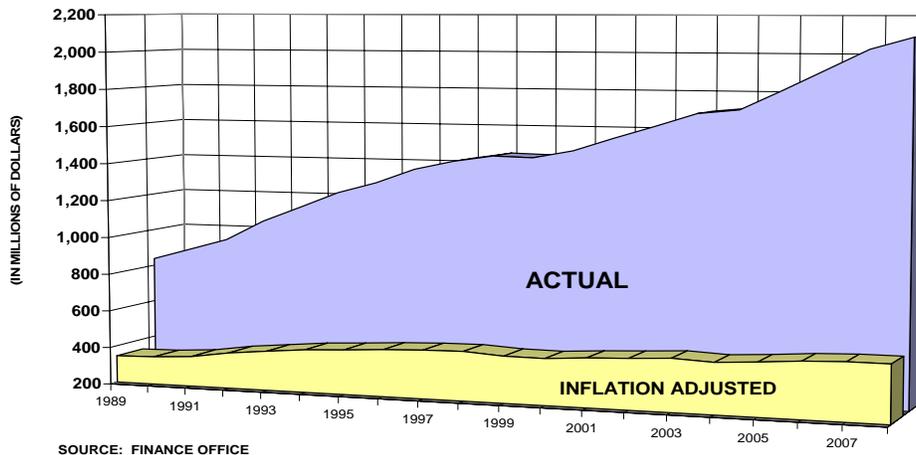
SOURCE: FINANCE OFFICE

An economic expansion or recession would have a greater effect on elastic revenues than on the other two types. The General Fund Revenue Source Composition Graph illustrates this point well. Property tax rates, controlled by elected officials, were flat until the early 1980's when they were increased for several years. After a home rule referendum in 1984 in which voters imposed certain tax rate limitations, property tax rates have decreased and remained relatively

stable ever since. Increases in property tax revenue are a result of growth in the tax base and debt service expenditures approved by referendum.

Elastic revenues increase throughout the period illustrating their ability to grow with the economy. In order to maintain a well-balanced mix of revenue sources, the City needs to continue to emphasize the growth of elastic revenues as well as static revenue sources through economic maintenance and development.

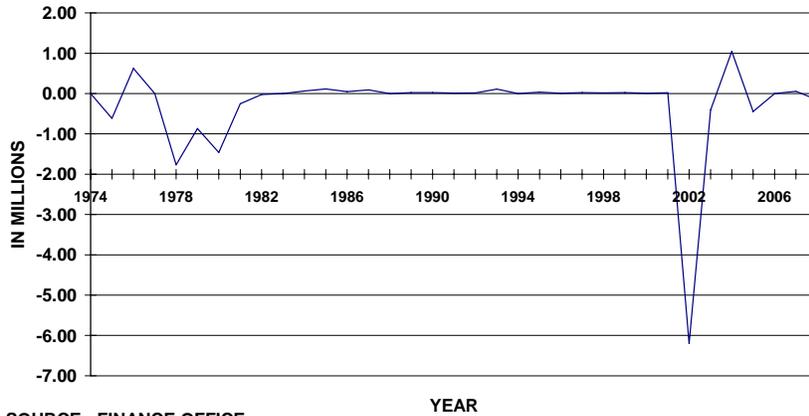
**CITY OF ROCKFORD, ILLINOIS  
EQUALIZED ASSESSED VALUATION  
1974-2008**



For 2008, Rockford's equalized assessed valuation (EAV) is estimated to grow by \$61.4 million (3.0%). 2007 growth was \$107.0 million (5.6%). New growth (annexations and new construction) added \$54.1 million (2.8%) while existing growth increased \$52.9 million (2.7%).

The City has been successfully achieving fiscal management goals since 1981, following the development and implementation of responsive and proactive financial policies. However, the last few years have been more challenging because of lower than anticipated elastic revenues as a result of the slowing economy. After planned and actual budget deficits in the late 1970's, the City has adopted balanced General Fund budgets for 23 of the last 26 years. As a result of current economic conditions, City operations and expenses have been curtailed to avoid deficit spending.

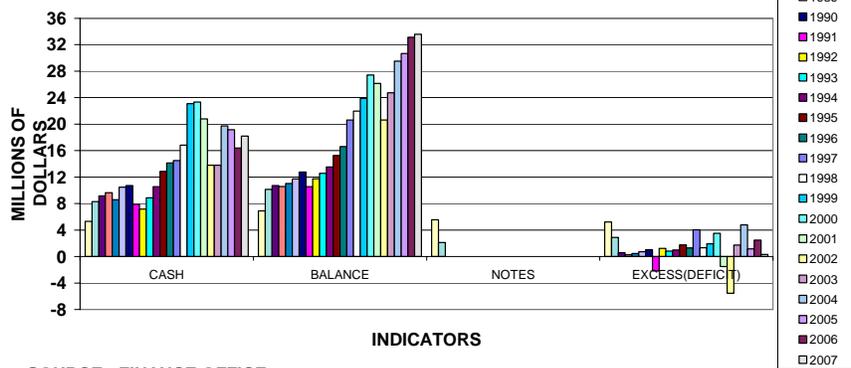
**CITY OF ROCKFORD, ILLINOIS  
GENERAL FUND BUDGET EXCESS (DEFICIT) OF  
REVENUES OVER EXPENDITURES  
YEARS FROM 1974**



SOURCE: FINANCE OFFICE

Added together, these year end surpluses have improved the cash and fund balances of the General Fund from negative to positive. Due to the last minute addition of a second fire ambulance by the Council, 2008 is not a balanced budget year (-\$154,000). It is the City's intention to maintain a positive cash and fund balance by limiting the short-term borrowing of funds and to continue past practices of balancing budgets, avoiding deficits, and maintaining adequate cash in the future.

**CITY OF ROCKFORD, ILLINOIS  
SELECTED YEAR END FINANCIAL INDICATORS  
GENERAL FUND 1984-2007**



SOURCE: FINANCE OFFICE

The financial trends discussed in this section provide the financial advisory group and City policy makers with a sense of direction as they make decisions that affect the City's future. Examining these past trends and extrapolating them into the future gives decision-makers information that allows them to chart a direction for the City.

## ASSUMPTIONS

The City's five-year forecast for the General Fund (one-half of the City budget and the one with the most flexibility as to revenues and services) is based on certain assumptions. Certain important assumptions include:

<u>REVENUES</u>	<u>ASSUMPTION</u>	<u>PERCENT BUDGET SHARE</u>
Assessed Valuation (Percent)	3.0	25.8
Uncollectible Factor	1.0	
Sales and Other Taxes	2.0-4.0	30.9
Cable TV, Gas Licenses	0-2.0	2.1
State Income Tax	4.0	12.2
State Replacement Tax	0.0	6.4
Inspections	3.0	1.4
Federal/State/County	0.0	3.6
All Other	0.0	7.7
Service Reimbursements	3.0-5.0	5.9
Tax Levy Reimbursements	3.0	4.0

## EXPENDITURES

All Salary & Wage Compensation (Percent)	3.0 - 4.0
Fringe Benefits	0.0 – 10.0
Contracts, Supplies, and Other Expense	3.0
Interest Expense	1.0
Capital Expense	5.0

## 2009-2013 PLAN

These assumptions, when applied to General Fund budget estimates for future years, produce the following excesses or deficits of revenues over expenditures.

<u>Year</u>	<u>Excess (Deficit) (In 000's)</u>	<u>Percent of Total Budget</u>	<u>Cash Policy Test (70% Minimum)</u>
2009	(2,320)	-2.0	47
2010	(2,942)	-2.4	38
2011	(3,643)	-2.9	28
2012	(4,423)	-3.3	21
2013	(6,072)	-4.4	6

NOTE: For the revenue and expenditure detail supporting these, refer to the General Fund summary schedule in the Supplemental Section.

Property taxes in Illinois are levied during a budget year but are not collected until the following year after the money has already been spent. At that time, they are collected in two payments, June and September. As will be discussed in the next section, Cash Management, this tax timing issue and the timing issue with State shared revenues require sufficient cash to be on hand to finance operations. If the City does not have sufficient cash reserves, it will have to borrow from outside sources.

While home rule cities simply have one levy for all purposes, non-home rule cities such as Rockford have specific purpose levies. Some of these levies, for example, for retirement purposes, are unlimited; others have specific rate limitations that apply, i.e., corporate (43.75 cents/\$100 EAV), police protection (60), fire protection (60), street (10), sanitation (10), library (60), and library maintenance (2), for specific levies. If a levy divided by the final EAV exceeds the rate limitation, then the County Clerk will reduce that specific levy.

For budget years 1997 and thereafter, voters in Winnebago County approved tax caps for all units of government including the City of Rockford. The tax cap law (Property Tax Extension Limitation Law) can be defined as limiting the proposed budget year's property tax extension increase to the lesser of the consumer price index (CPI) or five percent plus the new money generated by new construction and annexations. While rate limitations are specific to individual levies, tax caps are applied to the overall tax levy extension, excepting referendum approved debt service. Thus, an individual levy could be affected by its rate limitation and the overall City extension could be impacted by tax caps.

For 2008, the estimated property tax revenue loss due to tax caps is \$1,323,000. For the 2009 – 2013 planning period, tax cap losses occur annually and range from \$600,000 to \$978,000.

The 2008 operating tax rate is expected to increase marginally while the debt service rate will decrease. Property tax dollar growth will occur due to new construction and annexations as well as from the dollars generated from the CPI formula. Property tax revenue will increase moderately due to statutes, local economic conditions, and increased annexations into the City. The long term will see the City begin to rely more on user fees as well as making certain service reductions.

Future assumptions are set to insure that revenue production will be maximized; however, expenditures will be planned to match expected revenues.

This five-year budget forecast indicates annual deficits for the entire period. Since the City has operated with a surplus for most of the last two decades, it may be that actual revenues will again exceed budgets and departments will under expend their budgets. This scenario may eliminate these initial deficits.

If this does not occur, then the City's cash policy test, required to be 70% of the General Fund tax levies and tax reimbursements in order for the City to avoid borrowing, will decrease. This would require the City to find alternative cash flow sources either from other city funds or the outside. In either case, this would be an additional expense requiring additional dollars or decreased services.

While the City faces potential deficits in its newest five year plan, the history of its past experience illustrates that, by calling attention early to possible problems, solutions are sought and, as the deficit years get nearer, the size of the problem diminishes.

## CASH MANAGEMENT— MAXIMIZING RESOURCES

Each year the City adopts a budget. At the same time, this budget is converted into a cash budget internally to determine the cash flow for the budget year. Two revenue issues require consideration, property taxes and timing issues with shared revenues from the State. This requires the City to provide interim financing, internal or external, for certain operating funds. These funds and their percentage of revenue that is property tax are as follows.

### PROPERTY TAXES AS A PERCENTAGE OF REVENUE FOR CERTAIN FUNDS

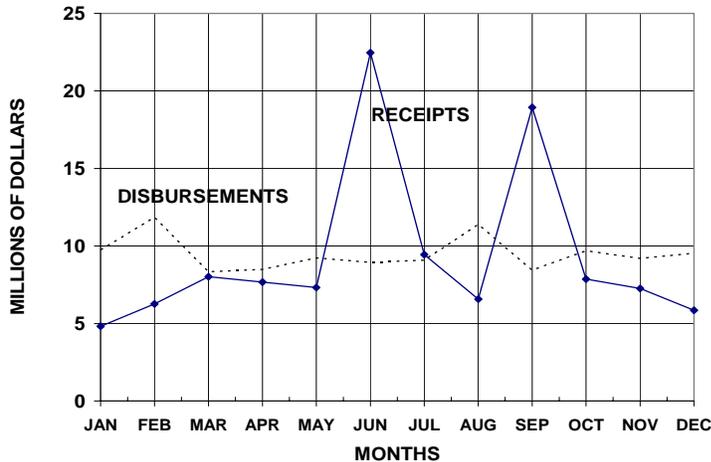
	<u>General</u>	<u>Sanitation</u>	<u>Library</u>
2004	29.7	18.6	87.9
2005	29.9	19.4	88.4
2006	29.6	20.8	83.6
2007	28.8	22.0	82.9
2008	29.8	22.9	81.6

The range of property tax revenue varies from one of every five dollars for the Sanitation Fund to just over four of every five for the Library Fund.

### UNDERSTANDING CASH FLOW

To completely understand the importance that property tax revenues have in cash management, the 2008 cash flow forecast summary for the General Fund graph is useful in illustrating the timing problem.

**CITY OF ROCKFORD, ILLINOIS  
CASH FLOW FORECAST SUMMARY  
2008 GENERAL FUND BUDGET**

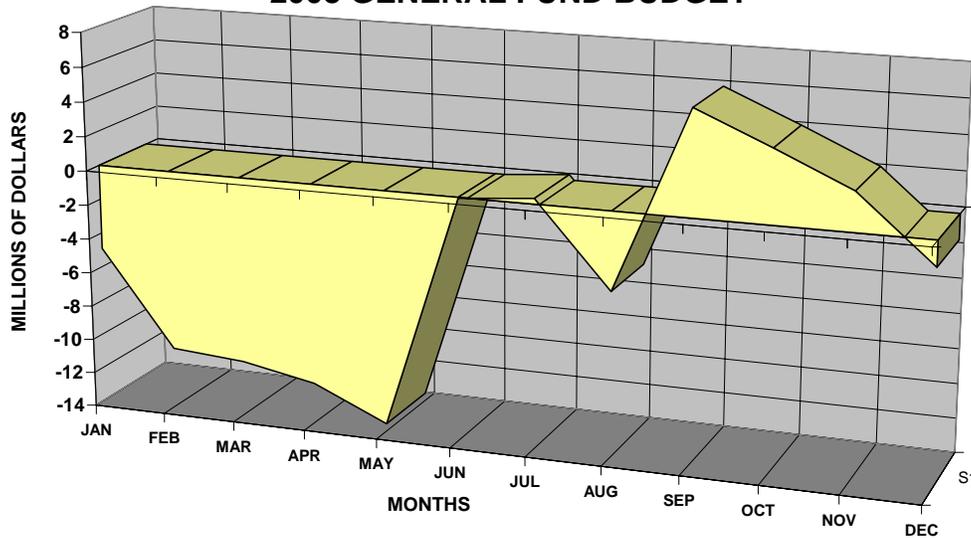


SOURCE: FINANCE OFFICE

Illinois property taxes are collected the year after the budget for which they were authorized in two payments: June and September. As noted above, the collection of over a quarter of the fund's revenues distorts any semblance of an orderly flow of revenue that matches expenditures.

This produces a cash draw down for the first five months of a fiscal year as the monthly cumulative summary illustrates.

### CITY OF ROCKFORD, ILLINOIS MONTHLY CASH FLOW SUMMARY 2008 GENERAL FUND BUDGET



SOURCE: FINANCE OFFICE

For the General Fund, the 30% range for property taxes as a percentage of total fund revenues and the elastic revenue surpluses have generated sufficient cash for internal financing. The Sanitation Fund changed from being financed by property taxes to having approximately eighty percent of the revenue generated from user fees. The result is an almost ideal match of revenues and expenditures. Since 1985, only the Library Fund used short term financing. Due to strong financial management, this practice was ended in 2005.

### CASH POLICY REVIEW

The first City Financial Task Force recommended that the City develop balances that would allow it to accomplish two objectives:

Reduce or eliminate the need to obtain short-term borrowing to cover operating expenses, and;

Offset fluctuations caused by yearly excesses (deficits) of revenues over expenditures.

The current cash balance policy is:

Assure adequate cash balances are available to meet the City's anticipated disbursements. Prior to budget deliberations, the Finance Department will annually develop cash flow analysis and

recommend cash balance goals at specific points in time to meet those disbursements.

For 1987, a minimum cash balance equal to 70% of those levies that support the General Fund is recommended to be in effect at the beginning of the City's fiscal year, January 1.

The Council policy for the use of above 70% excess funds is:

Those funds available in excess of the minimum cash balance may be reappropriated for other municipal purposes by the City Council. The use of these funds should be limited to non-recurring expenditures outside of the City's operating budget. Funds may also be used for abating taxes if the City Council so approves.

In the past, excess funds have been used for capital construction needs. Due to increasing cash flow requirements and decreasing surpluses, excess funds have not been available since 1989. 2008 cash flow demands will absorb all available funds.

#### CASH MANAGEMENT IN 2008

For 2008, no funds will require interim financing.

With General Fund levies increasing \$1.6 million in 2008 and \$1.9 million in 2007, cash needs have increased. The 70% cash test, with 27<sup>th</sup> payroll, has decreased, 61.8% in 2004, 58.4% in 2005, 57.1% in 2007, and 45.1% in 2008.

It is anticipated that excess funds, should they materialize during future years, will be used exclusively to maintain the cash policy percentage of 70%. Management of the necessary cash flow will be the primary concern in the next few years for the City as property tax caps and binding arbitration continue to affect City operations.

<u>2008 ESTIMATED TAX ANTICIPATION NOTE ISSUES/INTERNAL BORROWING</u> <u>OPERATING FUND</u>	<u>AUTHORIZATION</u>	<u>ESTIMATED SALE</u>
General	\$27,130,000	\$0
Sanitation	1,800,000	0
Library	<u>5,770,000</u>	<u>0</u>
	\$34,700,000	\$0

The City will continue to exert strong budget control and place importance on financial planning in 2008 in order to maintain and improve its cash position. The benefits of such efforts, the 2000 bond rating upgrading by Moody's from A2 to A1 and the financial savings that can be passed on to the taxpayers, are too great to not continue.

## EMPLOYEES — THE CITY’S MOST IMPORTANT ASSET

The City, like most local governmental units, provides services and can therefore be classified as a labor-intensive organization. Any organization that provides services can expect a substantial portion of its budget to be allocated for personnel costs. The following chart illustrates the City’s personnel costs.

Key Personnel Statistics		
	General <u>Fund</u>	Total <u>City</u>
Total Budget	\$114.5 Million	\$208.9 Million
Employees	804	1207
Personnel Costs	\$83.6 Million	\$104.4 Million
Percentage		
Personnel	72.9	49.9
Salary	50.4	34.6
Fringe Benefits	22.5	15.3

To help contain personnel costs, the City has taken several steps in the past to economize its use of personnel while maintaining service quality. These steps include:

- eliminating inefficient or ineffective services;
- improving the method of delivery for certain services;
- contracting certain specialized and/or seasonal services to private contractors; and
- adding certain key positions.

As part of the City’s budget preparation process, departments consider the aforementioned means of reducing personnel costs while maintaining service levels and quality. When departments prepare their personnel and dollar budgets, they give consideration to current and future practices in the context of the above factors. The 2008 budget was developed using these steps as guideposts to ensure that quality services are being delivered with the lowest possible personnel costs. All departments and agencies prepared budgets by analyzing their operations in light of the above factors.

## EMPLOYMENT TRENDS

Since 2005, 17.35 full-time equivalent positions have been created and/or filled, an increase of 1.5%, across program lines in legislative and management, public safety, community development, public works, and human services. If 1980 is used as the benchmark, then municipal employment has been reduced 4.7%.

### CITY OF ROCKFORD, ILLINOIS 2008 BUDGET PERSONNEL AUTHORIZATION ALL FUNDS

PROGRAMS AND AGENCIES	<u>2005</u>	<u>2006</u>	<u>2007</u>	2006-2007 INCREASE (DECREASE)	<u>2008</u>	2007-2008 INCREASE (DECREASE)
<b>LEGISLATIVE &amp; MANAGEMENT</b>						
MAYOR	8.00	8.00	8.00	0.00	8.00	0.00
COUNCIL				0.00		0.00
LEGAL	16.60	17.00	19.00	2.00	20.00	1.00
FINANCE	34.00	33.00	33.00	0.00	34.00	1.00
INFORMATION SERVICES	10.00	10.00	10.00	0.00	10.00	0.00
HUMAN RESOURCES	<u>7.00</u>	<u>7.00</u>	<u>7.00</u>	<u>0.00</u>	<u>7.00</u>	<u>0.00</u>
LEGISLATIVE & MGMT TOTAL	<u>75.60</u>	<u>75.00</u>	<u>77.00</u>	<u>2.00</u>	<u>79.00</u>	<u>2.00</u>
<b>COMMUNITY DEVELOPMENT</b>						
CD ADMINISTRATION	1.85	1.85	2.00	0.15	2.50	0.50
CD DEVELOPMENT	19.40	18.40	16.50	(1.90)	8.75	(7.75)
CD CODE ENFORCEMENT					13.00	13.00
CD PLANNING	<u>11.75</u>	<u>11.75</u>	<u>15.50</u>	<u>3.75</u>	<u>11.25</u>	<u>(4.25)</u>
COMM DEV DEPARTMENT	33.00	32.00	34.00	2.00	35.50	1.50
BUILDING INSPECTION	<u>20.00</u>	<u>20.00</u>	<u>21.00</u>	<u>1.00</u>	<u>19.00</u>	<u>(2.00)</u>
COMM DEVELOPMENT TOTAL	<u>53.00</u>	<u>52.00</u>	<u>55.00</u>	<u>3.00</u>	<u>54.50</u>	<u>(0.50)</u>
<b>HUMAN SERVICES</b>						
HUMAN SERVICES	91.75	95.80	92.50	(3.30)	92.50	0.00
DRUG FREE INITIATIVE	1.50	0.00	0.00	0.00	0.00	0.00
TUBERCULOSIS SANITARIUM	0.00	0.00	0.00	0.00	0.00	0.00
LIBRARY	<u>98.00</u>	<u>102.40</u>	<u>103.20</u>	<u>0.80</u>	<u>109.20</u>	<u>6.00</u>
HUMAN SERVICES TOTAL	<u>191.25</u>	<u>198.20</u>	<u>195.70</u>	<u>(2.50)</u>	<u>201.70</u>	<u>6.00</u>
<b>PUBLIC SAFETY</b>						
POLICE	332.00	338.00	338.00	0.00	339.00	1.00
FIRE	280.00	282.00	282.00	0.00	282.00	0.00
911 COMMUNICATIONS	<u>61.00</u>	<u>61.00</u>	<u>53.00</u>	<u>(8.00)</u>	<u>53.00</u>	<u>0.00</u>
PUBLIC SAFETY TOTAL	<u>673.00</u>	<u>681.00</u>	<u>673.00</u>	<u>(8.00)</u>	<u>674.00</u>	<u>1.00</u>
<b>PUBLIC WORKS</b>						
ADMINISTRATION	6.50	6.50	6.50	0.00	6.50	0.00
ENGINEERING	4.70	4.50	4.50	0.00	4.50	0.00
STREETS & SEWERS	40.50	40.50	40.50	0.00	39.50	(1.00)
PROPERTY	0.00	0.00	0.00	0.00	0.00	0.00
TRAFFIC	18.00	18.00	18.00	0.00	18.00	0.00
CAPITAL PROJECT	12.80	15.80	15.80	0.00	15.80	0.00
PARKING SYSTEM	9.00	9.00	9.00	0.00	9.00	0.00
SANITATION	3.00	3.00	3.00	0.00	1.00	(2.00)
PROPERTY & EQUIPMENT	28.00	27.00	28.00	1.00	28.00	0.00
WATER	<u>74.50</u>	<u>75.70</u>	<u>74.70</u>	<u>(1.00)</u>	<u>75.70</u>	<u>1.00</u>
PUBLIC WORKS TOTAL	<u>197.00</u>	<u>200.00</u>	<u>200.00</u>	<u>0.00</u>	<u>198.00</u>	<u>(2.00)</u>
<b>NON OPERATING</b>						
CITY HALL REHAB MGMT	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	<u>1,189.85</u>	<u>1,206.20</u>	<u>1,200.70</u>	<u>(5.50)</u>	<u>1,207.20</u>	<u>6.50</u>

Staffing for 2007 was 1,200.70 positions, a decrease of 5.5 FTE over 2006. 8 positions were eliminated in the 911 center while Human Services increased 2.5 positions.

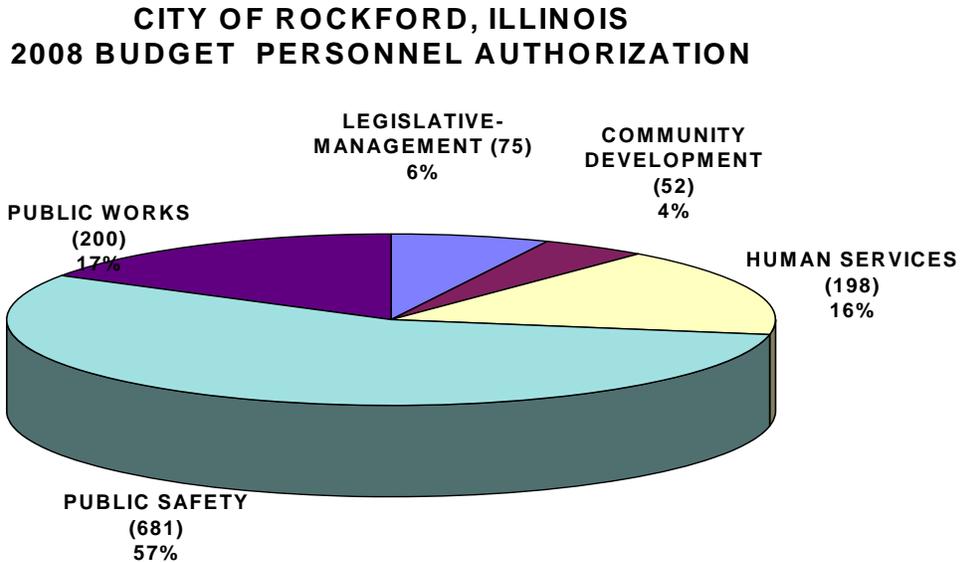
### 2008 EMPLOYMENT

Staffing for the 2008 budget by program is provided in the Personnel Authorization Schedule. Employment has increased to 1,207.20 positions.

The Human Services group saw the largest change. Human Services total FTE increased by 6.00, due to the addition of the Library East Side Branch.

In the Legislative and Management group, there is an overall increase of 2.00 FTE. Additions include an office assistant position in the Legal Division and accountant in the Finance Department. The accountant position was transferred to the Finance Department from Community Development Department.

In the Community Development group, there is an overall decrease of .50 FTE. Additions include a new Code Enforcement Division. The neighborhood enforcement specialists in both Planning and Development were transferred to the new Code Enforcement Division along with two positions from Public Works group.



## 2008 CHANGES IN COMPENSATION

The majority of the City's work force is organized into five collective bargaining units.

### CITY'S EMPLOYEE UNIONS

<u>Unit</u>	<u>Employees</u>	<u>Percentage Of Total</u>
Police Sworn	294.0	31.0%
Fire Sworn	276.0	29.4
Public Works/Clerical (AFSCME)	224.0	24.0
Community Development (AFSCME)	23.0	2.5
Human Services (AFSCME)	52.8	5.7
Library (AFSCME)	<u>69.4</u>	<u>7.4</u>
	939.2	100.0%

Labor agreements are in negotiation for police and fire employee groups in 2008. The AFSCME group receives a 4.0% increase, effective January 1. All non-union groups receive a 2.5% increase, effective January 1.

### 2004-2008 SALARY AND BENEFIT ADJUSTMENTS BY EMPLOYEE GROUP

<u>Year</u>	<u>Police Sworn</u>	<u>Fire Sworn</u>	<u>AFSCME</u>	<u>AFSCME B</u>	<u>Exempt</u>
2004	Varied, avg. 3.5 patrol, 3.25 investigator, 3.0 sergeant	3.50	3.50	3.50	3.50
2005	3.60	3.00/1.00	3.00/1.00	3.00/1.00	3.00
2006	Currently bargaining	Currently bargaining	3.50	3.50	2.50
2007	Currently bargaining	Currently bargaining	3.50	3.50	3.00
2008	Currently bargaining	Currently bargaining	4.00	4.00	2.50

The labor agreement for union Library employees runs through December 31, 2009. It includes a 2.5% wage increase each year of the contract. Exempt library personnel received a 2.5% increase in 2007.

The balance of the City's employees, management and professional personnel as well as certain exempt clerical positions, participate in a merit pool. Under this plan, employees are eligible for merit increases in midyear up to 4%. The program is reviewed on an annual basis.

From the late 1970's to the 1980's the City paid the total cost of health insurance premiums. In 1988, the Community Development AFSCME group and the exempt employees each began contributing to their health insurance costs. In 2004, employee contributions more than doubled as an effort to control rising health insurance costs. In 2007, the City introduced a new health savings (HSA) option in addition to the traditional PPO plan for health insurance premiums. Annual premium costs for the HSA in 2008 are \$6,058 (11.3%) for single, \$12,116 (7.9%) for single plus one, and \$18,174 (6.8%) for family. Annual premium costs for the traditional PPO plan in 2008 are \$6,448 (10.4%) for single, \$12,896 (7.3%) for single plus one, and \$19,370 (6.3%) for family. Library full-time employee's premium percentage for PPO is 10% and HSA is 5% for 2008. Family coverage premium percentage for PPO is 50% and \$25.00 per pay period deduction and HSA is 50% and \$11.54 per pay period deduction.

### EMPLOYEE FRINGE BENEFITS

Total employee compensation includes not only salaries but also all direct fringe benefits necessary to fund a position. Fringe benefits are often not considered during compensation review and the ramifications of this hidden cost are often not realized until later budget years.

For the City, direct dollar fringe benefits average from 43% to 66% of salaries. While fringe benefits vary by employee group, the selection of Police Sworn, Fire Sworn, Finance (office), and Public Works Streets Division (field) illustrates the four typical groups.

### BENEFITS AS A SALARY PERCENTAGE

<u>Benefits</u>	<u>Sworn</u>		<u>Non-Sworn</u>	
	<u>Police</u>	<u>Fire</u>	<u>Office</u>	<u>Field</u>
Pension	20.2	31.6	17.8	17.0
Worker's Comp	3.8	5.2	0.2	4.4
Health	28.5	28.3	24.5	28.8
Other	<u>0.9</u>	<u>0.5</u>	<u>0.9</u>	<u>0.2</u>
Total	53.4	65.6	43.4	50.4

	<u>Average Costs Per Budgeted Position</u>			
	<u>Police</u>	<u>Fire</u>	<u>Office</u>	<u>Field</u>
Salary	\$58,443	\$58,733	\$51,617	\$46,462
Fringe Benefits	<u>31,212</u>	<u>38,521</u>	<u>22,357</u>	<u>23,443</u>
Total	\$89,654	\$97,254	\$73,973	\$69,905

As shown above, 2008 fringe benefits range from 43.4 percent for office personnel to 65.6 percent for fire personnel, while average costs per position range from \$69,905 for field personnel to \$97,254 for firefighters. Costs increase primarily because of salary adjustments, health insurance, and pension increases.

In 2007, fringe benefits ranged from 43.1 percent for office personnel to 55.3 percent for fire personnel, while costs per position ranged from \$71,436 for the field to \$94,107 for fire. In 2006, the fringe benefit range was from 38.7 percent for police personnel to 55.0 percent for fire personnel, while costs per position range from \$68,256 for field to \$87,936 for fire.

Overall, 2008 fringe benefits, except for health insurance, continue to remain fairly stable. IMRF rates increased 5.7% while police and fire pension contributions increased.. These direct fringe benefits are discussed individually in the Non-Operating Funds section of the budget.

In addition to direct fringe benefit costs, certain indirect fringe benefits, such as vacations and sick leave, may add approximately six to eight percent to the fringe benefit percentages. These costs are not, unless additional positions are budgeted to compensate for this lost time, an addition in dollars, rather they represent a loss in service units delivered. Employees, as this section illustrates, are a key component of the City's budget both in terms of delivering services to citizens and as the single largest expense.

## CAPITAL EQUIPMENT AND PROJECTS

Capital equipment and projects, slated at \$21.3 million for 2008, are important elements of the City's service delivery system. Capital equipment, over \$5,000, is used by employees to deliver services such as police and fire protection to the public. Capital projects, whether streets, bridges, wells, sewers, or water mains, serve community residents by providing basic necessities for industrial, commercial, and residential needs and development.

It is City policy to avoid balancing the budget by deferring capital equipment purchases. Doing so may serve an immediate purpose but it becomes a costly deferral in the long run. Failure to purchase necessary capital items can have disastrous consequences. Drawbacks to deferring capital equipment purchases results in acquiring assets whose lives do not match the repayment schedule, accentuating an extremely cyclical equipment replacement schedule, and sharply higher maintenance costs.

Since the early 1980's, capital equipment for operating departments has been funded on a level basis with a goal of minimizing erratic annual spending patterns. With balanced spending patterns, equipment replacement is ideally sought when maintenance and the accompanying loss of employee productivity become greater than the depreciation of the equipment. Certain items, such as quints and ladder trucks used by the Fire Department, are budgeted over the course of several years in order to avoid disrupting replacement schedules for other equipment. City policy dictates acquiring capital equipment if doing so eliminates or stabilizes personnel costs. Capital spending policies are discussed in the Capital Project Fund under the Public Works section and in the Financial Policies under the Supplemental section.

In 2008, 10.2% of the budget is allocated to capital items. Capital items for the City can be divided into equipment and projects. The former can be further divided into the following categories: office equipment, which is primarily office equipment and furniture, building improvements, vehicles and operating equipment, and computer hardware and software.

The \$21,303,956 budgeted for capital equipment and projects in 2008 can be divided into five components: office equipment - \$71,363; building improvements - \$93,456; vehicles and operating equipment - \$1,814,877; computer software and hardware - \$27,000; and for capital projects - \$19,297,260.

Capital equipment from 1996 through 2007 for Police, Fire, and Public Works was \$31.6 million or about \$3.5 million annually (excluding 2002 and 2003 where there were no capital purchases due to budgetary constraints). Police spent \$13.0 million for cars and specialized equipment. The Fire Department spent \$10.0 million for fire trucks, specialized fire equipment, and buildings. Public Works spent \$8.2 million for vehicles and specialized equipment in fiscal years prior to 2006, with no capital expenditures for these functions within the last year. For 2008, the City has restored General Fund Public Works capital spending in the amount of \$300,000.

Office equipment of \$71,363 is allocated to the Election Commission and the Library. The Election Commission's capital dollars will be expended on the purchase of voter registration

system equipment. In addition to making early voting terminals more accessible, the voter registration system will also assist in ensuring ballots are collected and voter registration is completed in the most efficient and effective manner possible. The Library's capital dollars are allocated for the purchase of furniture and a donor recognition sign

Building improvements of \$93,456 are allocated entirely to the Library where it will have improvements done to its main library circulation location and various other branches.

Of the \$1,814,877 in vehicles and operating equipment, four departments, the Library, Police, Fire and Public Works Water represent 100% of that total. The Police Department will purchase numerous vehicles and operating equipment including, seven (7) marked squad cars, and three (3) unmarked police vehicles. A number of police cars currently are over 100,000 miles resulting in higher maintenance costs. With the purchase of new vehicles, the cars will be on the street instead of in the shop being maintained. The fire department's capital budget has funding for the purchase of a pumper, an aerial ladder truck, and two (2) ambulances. PW Streets will be purchasing two (2) riding mowers, (1) wood chipper, and the acquisition of land to be used as a retention area for street sweeping debris in order to comply with EPA regulations. PW Traffic will be purchasing a pickup truck for traffic operations. An OTDR meter and a fusion splicer will also be procured to be used in the installation of fiber optics.

The anticipated capital purchases will replace equipment and vehicles in the existing fleet, and add new vehicles to the fleet as well. The City expects to realize a significant reduction in service and repair costs related to maintaining aging City vehicles. With new vehicle purchases, department vehicles will be used in the field more frequently rather than being out of service.

During 2008, the City will continue efforts to acquire hardware and software that improve productivity and customer service. Of the \$27,000 budgeted in computer hardware and software, the entire balance is allocated to the Library to improve processes and applications, as well as improved accommodations for library patrons.

The capital project portion, \$21.5 million (\$19.3 million capital) includes \$20 million for transportation and economic development initiatives and \$1.0 million for new water system rehabilitation projects. Other ongoing projects, already funded in previous years, will continue and incur expenses in 2008 as well. The water program fell slightly behind in 2007 and will spend 2008 catching up on projects related to the continuation of the multi-year \$75.0 million water system rehabilitation program. This development initiative was designed to address water quality (issues of iron, manganese, and radium), water pressure (inconsistent and low service pressure), and aging infrastructure. The program includes treatment plants, new wells, trunk water main lines, additional high pressure zone, pump station, etc. The program, begun in 2006, is slated to be completed in 2010. Future water improvements after that date will be funded on a pay as you go basis.

The \$20 million budgeted in the capital improvements program supports the traditional transportation and drainage programs funded by sales tax, motor fuel taxes and grants. State motor fuel taxes provide only \$4.0 million of funding while the new local sales tax, which replaced the annual street bond referendum, will generate \$16.0 million in revenue. 2008

represents the first year of the five-year capital improvement program becoming part of the current year's budget. The capital improvements program is City Council approved and funded by a mix of revenues including bond proceeds, state taxes, local taxes, and interfund transfers.

## REVENUE AND FINANCING CHARGES

The 2008 budget estimates revenue of \$233.6 million net of inter-fund charges and transfers for all funds. As discussed in the selected trends section of Financial Planning earlier, the City classifies revenues as property taxes, elastic revenues and static revenues.

For 2008, the City assumes 4% growth in assessed valuation (the basis for property tax revenue), a 4% growth in elastic revenues, and a 3% increase in static revenues.

For accounting purposes, the City classifies programs and operations into the fund structure used for local governments. These funds and how they are financed are shown below.

<u>FUND</u>	<u>FINANCED BY</u>
General Fund	1,2,3,4,5,6,8
Special Revenue	1,2,3,4,5,6,8
Debt Service	1,6,8
Capital Projects	6,7,8
Enterprises	3,4,6
Internal Service	1,3,5,6,8
Pension Trust	1,5,6

- 1 Property Taxes
- 2 Sales Taxes
- 3 Service Charges
- 4 Licenses/Fines
- 5 Intergovernmental Revenue
- 6 Interest Income
- 7 Bond Proceeds
- 8 Other/Transfers

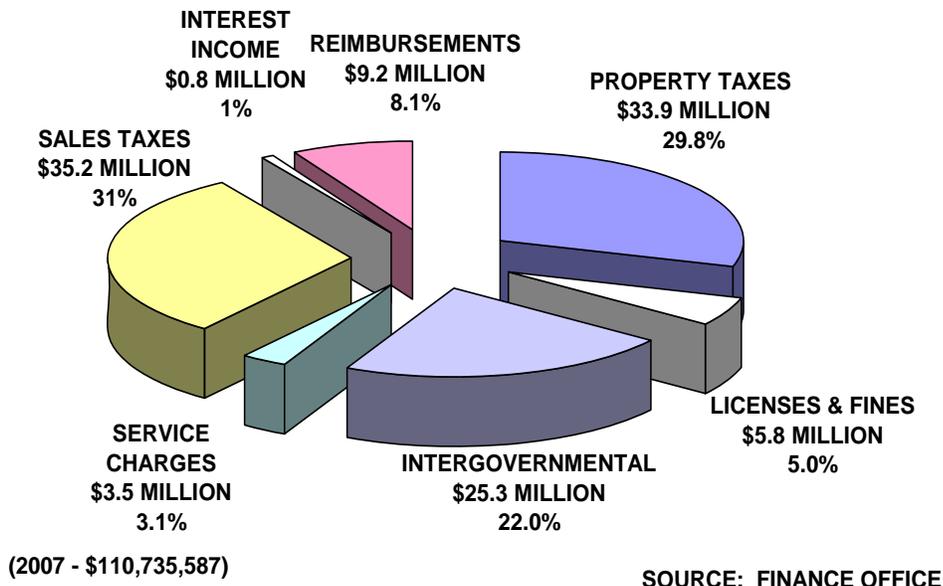
Most of these are self-explanatory. Intergovernmental revenue is income from federal, state, and other local governments. Other income and transfers are miscellaneous items, restricted receipts and transfers. Property taxes are net of accounting adjustments and projected tax cap losses.

### **General Fund Revenues (\$113,773,686)**

General Fund revenues are derived from eight major sources: taxes, licenses, intergovernmental revenues, service charges, fines, interest income, transfers and other miscellaneous income.

Elastic revenues, sales and intergovernmental taxes, account for more than one-half of the fund. With property taxes included, these three sources comprise 80% of the total. The total dollar amount collected for most of these sources has increased from 2007 to 2008. The percentage of the total that each, property taxes, elastic revenues and static revenues, represents has also slightly increased from the prior year.

**CITY OF ROCKFORD, ILLINOIS  
2008 GENERAL FUND REVENUES \$113,773,686**



**The Property Tax**

Property tax revenues are generated by multiplying equalized assessed valuation (EAV), in Illinois one-third of market value less any exemptions, by a tax rate.

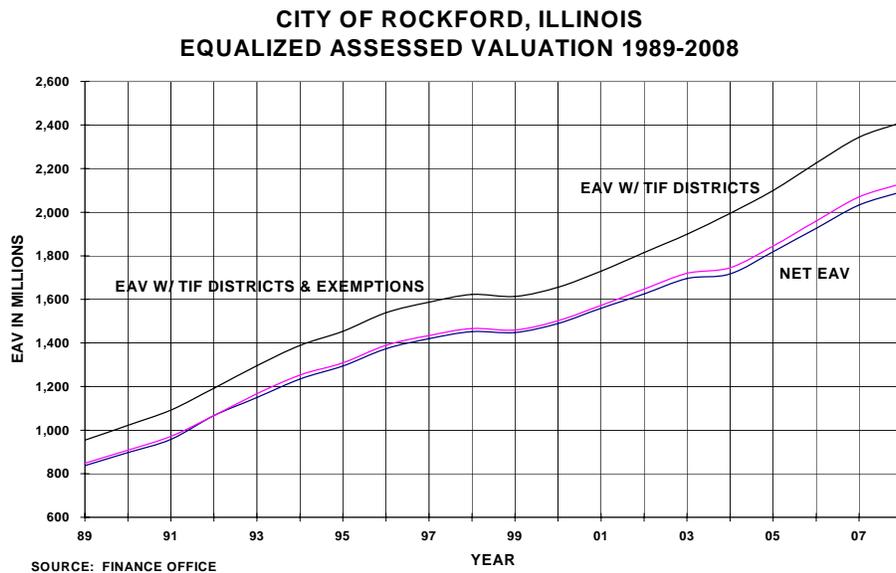
Continuing a long trend, EAV continues to grow. 2008 EAV is estimated at \$2,094,000,000, an increase of 3.0%. 2007 EAV of \$2,032,642,960 certified in the spring of 2008 was a 5.6% increase compared to the previous year's \$1,925,661,337. 2003 (\$69.9 million), 2004 (\$21.2 million), 2005 (\$102.3 million), 2006 (\$106.7 million), and 2007 (\$106.9 million) EAV increases have been the result of annexations, strong commercial activity, a residential influx from the Chicago suburbs and a valuation increase due to the encroachment of the Chicago metropolitan area. New property added \$52.9 million while existing valuations increased the total by \$54.1 million.

Increases in EAV due to annexation of new areas were \$6.9 million for 2003, \$0.6 million for 2004, and \$1.0 million for 2005, \$5.3 million for 2006, and \$6.3 million for 2007. This signifies a stable level of commercial and residential activity. As for 2003-2007, for 2008 and the 2009-2013 planning period, 3% will be used for growth assumptions respectively. In previous years, zero percent was used for 1999-2000, five percent was used for the 1991-1998 period and two percent was utilized prior to 1991.

Exemptions (2004 - \$278.1 million, 2005 - \$280.6 million, 2006 - \$300.0 million, 2007 - \$327.2 million) represent one out of seven dollars of valuation. The exemption process, an unfunded mandate from the State Legislature, singles out certain elements for special treatment.

The State allows homeowner exemptions at \$5,000 and the senior citizen exemption at \$3,000. Exemptions increased \$2.5 million from 2004 to 2005, \$19.4 million from 2005 to 2006, and \$11.3 million from 2006 to 2007.

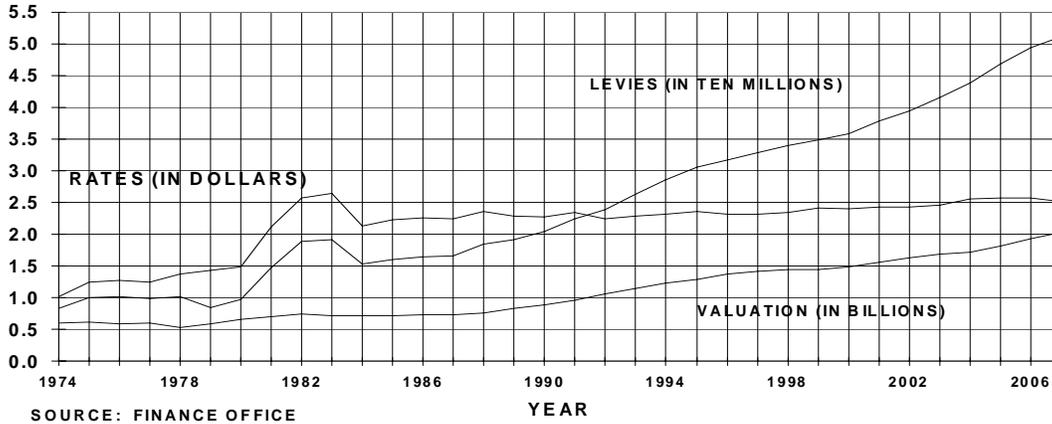
Of the exemptions, only one, the tax increment district (\$37.5 million), serves a common community purpose and benefit by stimulating older commercial areas and producing future economic benefits. The new tax dollars exempted and diverted from other governmental units go towards paying for infrastructure and economic development efforts in the district. At the end of the district's life all tax revenues are once again distributed normally to all taxing districts.



The other exemptions, homeowner (\$195.5 million), senior citizen (\$78.3 million), and all other (\$15.9 million), cause economic distortions in forcing commercial and industrial properties to pay a larger share of the total. In reality, the senior citizen exemptions are shouldered by all other assessment classes. The net effect of this is to force property tax rates up as taxing bodies attempt to recover this lost revenue. In some cases where rates are at statutory limits or tax caps are applicable, the result may be a change to other revenue sources and/or a reduction in services.

The graph below illustrates the relationships. Poor EAV performance puts pressure on the rate if levies are increased to raise revenue. Given the fact that rates are fixed for a number of levies and that the City is at the maximum for many limited levies, this has implications for future budgets.

**CITY OF ROCKFORD, ILLINOIS  
EQUALIZED ASSESSED VALUATIONS, TAX RATES,  
AND EXTENSIONS 1974-2007**

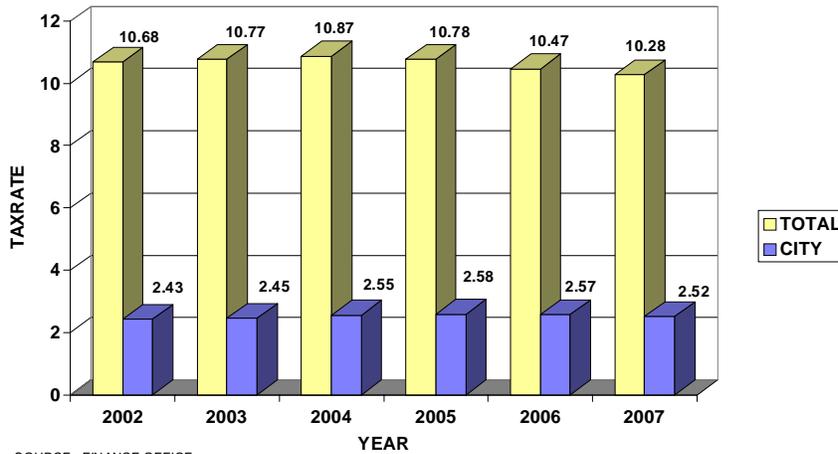


SOURCE: FINANCE OFFICE

As the All City Tax Rate Graph illustrates, tax rates for both the City and all taxing districts decreased a total of \$0.19 in 2007. The City tax rate decreased 5.1 cents. Tax rate changes for the remaining six taxing districts ranged from a decrease of 7.4 cents for the school district to a decrease of 0.1 cents for the township; overall, there was a decrease of 13.6 cents for these units.

The City tax rate change of 5.1 cents is primarily due to decreasing debt service (4.7 cents).

**CITY OF ROCKFORD, ILLINOIS  
ALL CITY TAXING DISTRICTS COMBINED 2002-2007**



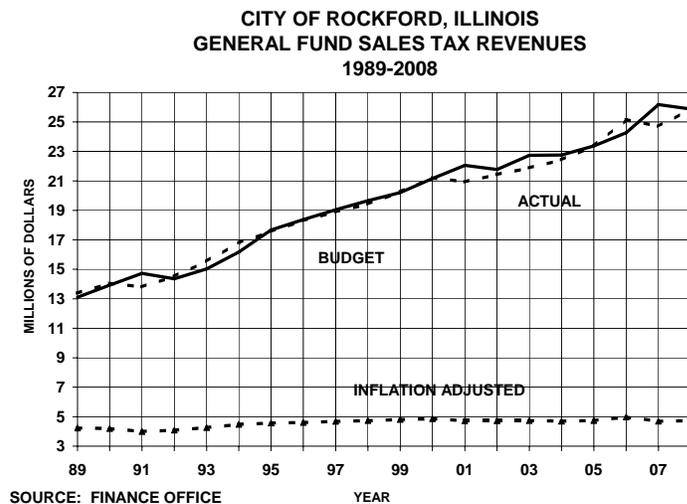
SOURCE: FINANCE OFFICE

The City rate is 24.5% of the total rate. It is the City's goal to maintain a stable tax rate in order to remain competitive with surrounding communities and unincorporated areas in economic development and annexation efforts. While the City's rate is forecast to be \$2.52 for 2008, it is unknown at this time what the rates will be for other taxing districts. Should the EAV increase be greater than 3%, then the rate will be less.

The 2007 City rate estimate, originally \$2.58, changed due to greater than expected annexations and new construction. For property taxes, the City's five year planning process takes into account the impact of both tax rate and tax cap limitation rules. With conservative budgeting and adequate reserves, these regulations can be adhered to.

### The General Fund Sales Tax

Sales tax, retailer's occupation tax, is assessed at one percent on all sales in the municipality and is collected and distributed by the State of Illinois on a monthly basis. The 2008 budget estimates \$25,872,400 which is 1.2% (\$305,900) less than the 2007 budget (\$26,178,300) and 4.7% (\$1,179,878) more than the 2007 actual of \$24,692,522. The 2007 actual was 1.9% less than 2006's actual and \$1,485,778 less than the \$26,178,300 budget. The continuing strong commercial development should help the City meet and perhaps exceed its four percent goal for the year. As the following graph illustrates, this elastic revenue source tends to fluctuate depending on the national and local economies as well as on local economic growth. This tax graph tends to pinpoint economic ups and downs rather well. While sales tax has increased at an average rate of better than five percent in the past, if the increase is adjusted for inflation, then this revenue source has not always held its own for the City. For the future, the City estimates four percent for both the growth and inflation rate.



The City began receiving local use tax on a statewide formula basis during 1990. This is a sales tax collected by the State on sales to Illinois residents by out of state companies. Revenues for 2005, 2006 and 2007 are \$1,821,123, \$1,963,229, and \$2,015,444 respectively. 2008 budgeted revenue is \$2,094,100.

The City receives a 6% phone tax. Revenue, \$5,766,654 for 2006, and \$5,771,186 for 2007, is budgeted at \$6,110,800 for 2008. The 5% water utility tax, implemented in 2003, generated \$865,542 in 2006 and \$1,022,134 in 2007; \$1,120,000 is budgeted for 2008.

## **Other General Fund Revenues**

License and inspection estimates have decreased \$1,085,200 from \$5,063,700 in 2007 to \$3,978,500 in 2008. The elimination of vehicle stickers is reflected in the 2008 budget estimate. Building inspection fees in excess of \$100,000 per project are considered unusual and are not budgeted.

The 2007 actual of \$4,859,097 is \$204,603 under budget, reflecting both increases and decreases in licenses issued. Primary decreases occurred in plan review (\$16,812), building (\$30,265) and vehicle fees (\$171,147). A large increase occurred in cable TV franchise fees (\$47,229).

The 2008 intergovernmental revenue budget estimate is \$25,355,680, a decrease of \$380,299 from 2007's \$25,735,979. Increases occurred in most revenue sources. The most significant were the state income tax (\$395,500), and replacement tax (\$529,000). The largest decrease was from the State of Illinois for a rail study (\$1,415,000). Income taxes are estimated to increase 4.0% from the 2007 budget. Due to the volatile nature of replacement taxes, a fixed growth assumption is not used; rather, annual results are analyzed.

The 2007 intergovernmental actual exceeded the original budget by \$775,461. Replacement taxes, a state revenue source distinguished by its instability since its inception in 1978, came in \$1,600,646 over estimates. This revenue source is allocated by state law to pensions as well as the Library and General Fund. The latter two Funds absorb all annual gains and losses. This is perhaps the most volatile elastic revenue source the City has and, consequently, the most difficult one to forecast. Property forfeitures, \$239,715, Airport public safety reimbursement, \$94,009, and other governments, \$116,707, all exceeded estimates.

Service charges, budgeted at \$3,220,000 for 2007, have increased \$266,800 to \$3,486,800 for 2008. This is primarily due to an increase in ambulance fee revenues.

The 2007 service charges actual of \$3,680,263 was \$460,263 over budget. Increased income from ambulance fees (\$514,919) was the primary reason for this increase. The City is committed to evaluating service charges annually to insure that costs are recovered in part or full per Council policy.

General Fund fine revenue can vary depending on economic conditions. \$1,810,000 is the 2008 estimate (2007 budget - \$1,701,000); the 2007 actual collected was \$1,734,074. An increase in zoning fines, \$60,926, and magistrate fines, \$28,917, is reduced by a decrease in false alarm, \$32,881, and neighborhood fines, \$17,771.

Interest income, budgeted at \$500,000 for 2007, is estimated at \$775,000 for 2008. \$1,194,118 was recorded for 2007.

Other income for the General Fund consists of purchase of service reimbursements (indirect cost allocation) from various funds for administrative, legal, financial, and personnel services provided, various damage, abandoned property, and miscellaneous accounts. The amounts charged to other funds are increased annually to insure that they reflect actual costs. The 2006

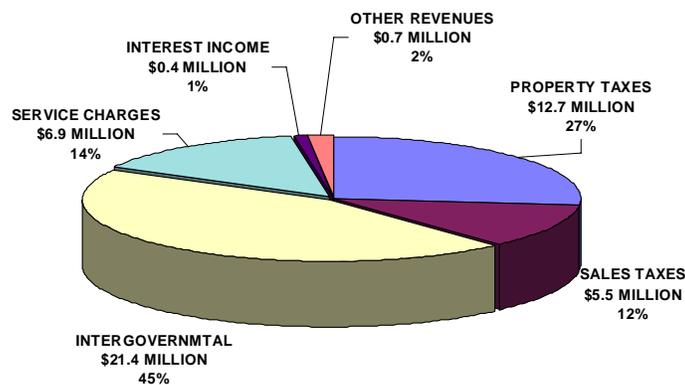
budget and receipts were \$5,839,750 and \$5,830,539 respectively. 2007's budgeted \$6,123,400 is \$283,650 more than the prior year's budget and \$292,861 more than the actual. Purchase of service reimbursements are increased annually to reflect increased costs.

Transfers total \$500,000 this year. The \$500,000 transfer from the Motor Fuel Tax Fund is designed to pay for street lighting. The General Fund, in turn, transfers \$500,000 to the Capital Projects Fund to pay for designated projects.

\$1,268,100 represents re-appropriation from 2007. \$972,377 is for Fire capital encumbrances funded in 2007 while \$295,700 represents phone reimbursement funds received in 2007, which will be used for 2008 fire vehicle laptop project.

### Special Revenue Funds Revenues (\$47,668,355)

**CITY OF ROCKFORD, ILLINOIS  
2008 SPECIAL REVENUE FUNDS' REVENUE  
\$47,668,355**



The City utilizes thirty-one special revenue funds. Although financing for this fund group has decreased slightly from 2007's \$48.6, the revenue mix has been essentially unchanged since 1985.

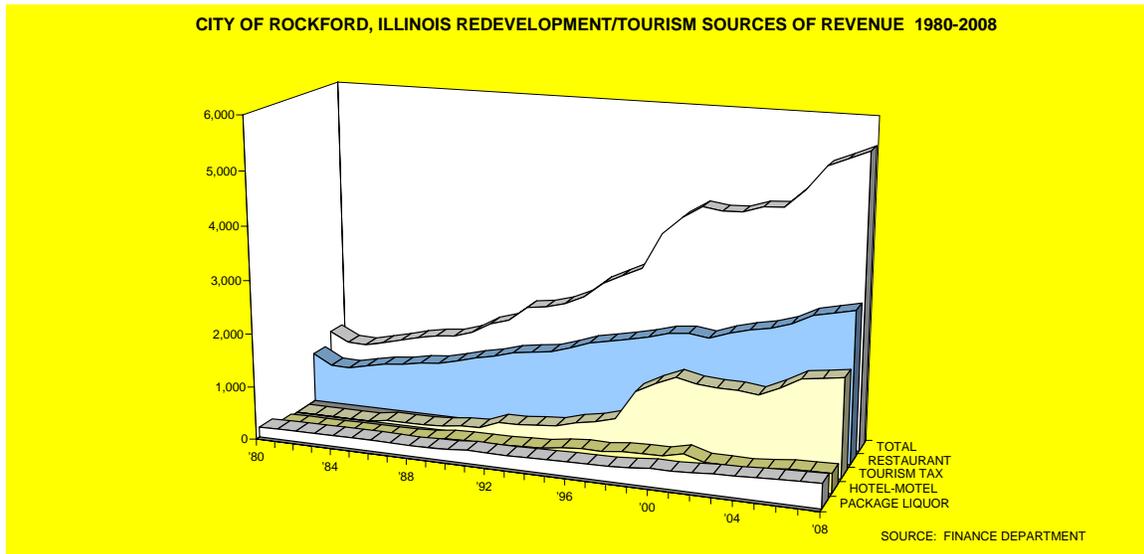
**Motor Fuel Tax Fund** (2008 Budget – \$4,364,000; 2007 Budget - \$4,365,000; 2007 Actual - \$5,121,748; 2006 Actual - \$5,262,907). This fund is financed by shared revenue payments (\$4,250,000) from the State of Illinois on motor fuel (19 cents per gallon) for road building and maintenance purposes. 2007 interest earnings are estimated at \$114,000.

**Sanitation Fund** (2008 Budget - \$8,961,769; 2007 Budget - \$8,841,026; 2007 Actual - \$6,840,753; 2006 Actual - \$8,637,503). This fund is financed by a property tax levy

(\$2,122,000) which at a ten cent rate produces 20% of the fund's revenues and a \$134.40 annual user fee (\$6,840,960) collected on the quarterly water bill which produces the balance. In addition, the fund receives a small amount in rental, interest and fringe benefit expenditure reimbursements.

**Community Development Block Grant Fund** (2008 Budget - \$4,756,606; 2007 Budget - \$4,272,250; 2007 Actual - \$4,758,549; 2006 Actual - \$4,128,316). This fund, primarily involved with economic development and neighborhood rehabilitation, is financed by federal grants (\$4,117,496). It also receives monies from the Redevelopment, TIF, Capital Projects, and General Funds (\$75,000). Program income is estimated at \$155,000. The 2008 carry over of prior year funds and grant authorizations is \$507,729.

**Redevelopment Fund** (2008 Budget - \$3,643,100; 2007 Budget - \$3,543,900; 2007 Actual - \$3,516,164; 2006 Actual - \$3,440,693). This fund, for redevelopment purposes and Metro Center Authority subsidy payments, has four revenue sources: motel/hotel tax (1%) - \$370,700; restaurant/lounge (1%) - \$2,802,200; package liquor (1%) - \$470,200. For 2007, receipts are \$3,516,164, \$27,736 above the estimate; with only package liquor above estimates. This tax, authorized in 1978 and originally designed to expire in 1998, was extended to 2008 in 1990, as a result of the Coronado Theater renovation project, extended to 2018 in 1998, and, as a result of the 2007 Metro Center renovation project, extended to 2028.



**Tourism-Promotion Fund** (2008 Budget - \$1,853,500; 2007 Budget - \$1,784,000; 2007 Actual - \$1,780,810; 2006 Actual - \$1,733,131). This tax, five percent on motels and hotels, was instituted in 1985 to promote tourism. It was increased from one to two percent in 1991, from two to four percent June 1997, and, for the Coronado Theater renovation project, from four to five percent July 1999.

**Tax Increment Financing Districts** - (2008 Budget: East Side - \$464,700, West Side - \$421,200, 7th Street - \$1,128,200, South Rockford - \$146,600; 2007 Budget: East Side - \$516,400, West Side - \$1,433,500, 7<sup>th</sup> Street - \$994,000, South Rockford - \$139,300; 2007

Actual: East Side - \$488,212, West Side - \$421,769, 7<sup>th</sup> Street - \$1,126,838, South Rockford - \$132,669; 2006 Actual: East Side - \$481,195, West Side - \$1,304,531, 7th Street - \$2,967,468 (included bond proceeds), and South Rockford - \$137,332;). TIF districts receive revenues from property taxes, state and local sales taxes, and interest income. In TIF districts, assessment values are frozen at a certain date and the increase, and the increment in assessed values and consequently, property taxes since that date, is to be used for redevelopment purposes in the districts. Property taxes for all districts continue to grow at an incremental pace. For the East and West Side Districts, new state legislation adopted in 1986 allows new sales tax revenue that is generated within the district after a certain date to be used only for district redevelopment purposes just as the property tax increment. The East and West Side TIF's began receiving State and City sales tax revenues in 1987. Due to businesses leaving both Districts, 1992 was the last year for sales tax increments. The City did not apply this sales tax increment provision to the 7th Street District due to its strong economic condition.

**Southeast Housing TIF** (2008 Budget - \$126,000; 2007 Budget - \$119,600; 2007 Actual - \$125,356; 2006 Actual - \$127,873). Created in 1993, this housing tax increment district will utilize property taxes to pay for certain improvements in order to generate affordable housing.

**Lincolnwood Housing TIF** (2008 Budget - \$71,200; 2007 Budget - \$69,300; 2007 Actual - \$69,938; 2006 Actual - \$68,065). Created in 2001, this west side housing tax increment district will utilize property taxes to pay for certain improvements in order to generate affordable housing.

**Lincolnwood II TIF** (2008 Budget - \$40,000; 2007 Budget - \$53,300; 2007 Actual - \$13,635; 2006 Actual - \$80,238). The Lincolnwood II tax increment district was established in 2005 to assist affordable residential development on the City's west-side.

**Springfield Corners TIF** (2008 Budget - \$130,000; 2007 Budget - \$263,300; 2007 Actual - \$115,264; 2006 Actual - \$82,803). This west side housing tax increment district was established in 2002 to utilize property taxes to pay for improvements to generate affordable housing.

**North Main TIF** (2008 Budget - \$31,500; 2007 Budget - \$55,300; 2007 Actual - \$28,624; 2006 Actual - \$6,386). This tax increment district was created in 2004 to aid in redevelopment within the district.

**Rockford Global Trade Park TIF** (2008 Budget - \$500,000; 2007 Budget - \$486,700; 2007 Actual - \$454,051; 2006 Actual - \$389,048). The Rockford Global Trade Park tax increment district was established in 2004 to develop 6,600 acres of land surrounding the Rockford Airport.

**Garrison TIF** (2008 Budget - \$23,300; 2007 Budget - \$11,900; 2007 Actual - \$22,832; 2006 Actual - \$11,865) The Garrison tax increment district was established in 2005 to develop the area surrounding the old Garrison school. Residential development is planned for the area.

**River Oaks TIF** (2008 Budget - \$16,700; 2007 Budget - \$151,500; 2007 Actual - \$166; 2006 Actual - \$89) The River Oaks tax increment district was created in 2005 to assist river front residential development.

**Hope Six TIF** (2008 Budget - \$157,708; 2007 Budget - \$157,984, 2007 Actual - \$75,660, 2006 Actual - \$7,547) The Hope Six tax increment district, created in 2006, was established to assist with residential development.

**Kishwaukee Harrison TIF** (2008 Budget - \$33,405; 2007 Budget - \$52,375, 2007 Actual - \$33,669, 2006 Actual - \$9,087) The Kishwaukee Harrison tax increment district, created in 2006, was established to aid in redevelopment within the district.

**Main Auburn TIF** (2008 Budget - \$10,800; 2007 Budget - \$25,000, 2007 Actual - \$10,291, 2006 Actual - \$0) The Main and Auburn tax increment district, created in 2006, was established to aid in redevelopment within the district.

**Jackson School TIF** (2008 Budget - \$45,500; 2007 Budget - \$25,000, 2007 Actual - \$44,579, 2006 Actual - \$0) The Jackson School tax increment district, created in 2006, was established to aid in redevelopment within the district.

**State Kilburn** (2008 Budget - \$8,400; 2007 Budget - \$25,000, 2007 Actual - \$6,009, 2006 Actual - \$0) The State and Kilburn tax increment district, created in 2006, was established to aid in redevelopment within the district.

**State Central TIF** (2008 Budget - \$112,500; 2007 Budget - \$25,000, 2007 Actual - \$108,383, 2006 Actual - \$0) The State and Central tax increment district, created in 2006, was established to aid in redevelopment within the district.

**Preston Central TIF** (2008 Budget - \$15,200; 2007 Budget - \$25,000, 2007 Actual - \$11,198, 2006 Actual - \$0) The Preston and Central tax increment district, created in 2006, was established to aid in redevelopment within the district.

**State Alpine TIF** (2008 Budget - \$211,900; 2007 Budget - \$47,810, 2007 Actual - \$207,979, 2006 Actual - \$0) The State and Alpine tax increment district, created in 2006, was established to aid in redevelopment within the district.

**Westside II TIF** (2008 Budget - \$3,100; 2007 Budget - \$42,831; 2007 Actual - \$3,040; 2006 Actual - \$0). The Westside II tax increment district, created in 2007, was established to aid in redevelopment within the district.

**Human Services** (2008 Budget - \$12,263,301; 2007 Budget - \$13,909,533; 2007 Actual - \$14,737,163; 2006 Actual - \$16,374,240). This fund is financed by two federal (\$5,457,166) and four state agencies (\$6,495,135) as well as City revenue (\$311,000) to provide services in Community Services, Headstart Preschool, Drug Free, Weatherization and Energy Assistance. Revenues tend to fluctuate based on grants and federal philosophy. In addition to its cash contribution, the City's General Fund contributes over \$100,000 in indirect services annually.

**Tuberculosis Sanitarium** (2008 Budget - \$140,893; 2007 Budget - \$141,400; 2007 Actual - \$145,204; 2006 Actual - \$137,991). Revenues are received from property taxes, user fees, and interest income. The property tax limit is \$991,000; currently the fund is at \$158,600.

**Library Fund** (2008 Budget - \$8,415,002; 2007 Budget - \$7,890,347; 2007 Actual - \$8,512,633; 2006 Actual - \$7,557,642). This fund is financed by property taxes (\$6,233,402), fringe benefit expenditure reimbursements (\$595,618), state replacement taxes (\$984,000), fines (\$145,000), service charges and non-resident fees (\$49,225), grants (\$182,000), interest and rental income (\$81,000) and miscellaneous income (\$95,000). Of any City operating fund, the Library is most heavily dependent on the property tax as the largest source of revenue, 82%.

**OTB Special Projects Fund** (2008 Budget - \$180,000; 2007 Budget - \$180,000; 2007 Actual - \$166,305; 2006 Actual - \$178,970). This fund, used for special projects, receives one percent of the handle from the local off-track betting parlor.

**Debt Service Funds**  
**Revenues (\$19,145,972)**

**Debt Service Funds** (2008 Budget - \$19,145,972 (2008 bonds issued); 2007 Budget - \$21,975,454; 2007 Actual, excluding utility debt - \$16,090,800; 2006 Actual, excluding utility debt - \$14,300,000). These funds are funded by property taxes (\$7,666,587), tax abatements from TIF Districts, development funds, and OTB Special Projects Fund (\$5,475,952), the parking and water utilities (\$5,005,977), and sales tax (\$997,456). For further information, see Debt Service under Non-Operating Fund section.

**Capital Project Funds**  
**Revenues (\$21,500,000)**

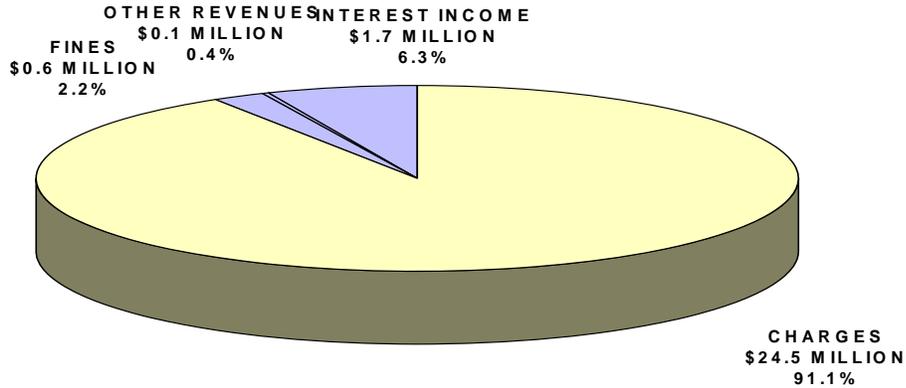
**Capital Project Funds** (2008 Budget - \$21,500,000; 2007 Budget - \$62,500,000; 2007 Actual - \$30,502,285; 2006 Actual - \$20,000,000). These funds are financed transfers from Sales Tax, Motor Fuel Tax, General, and Water Funds. For further information, see Capital Projects under the Public Works section.

**Enterprise Funds**  
**Revenues (\$25,873,450)**

The City utilizes two enterprise funds, Water and Parking in the Public Works Department. The revenue mix has changed little from the previous year.

**Water Fund** (2008 Budget - \$25,355,000; 2007 Budget - \$24,244,500; 2007 Actual - \$22,080,566; 2006 Actual - \$20,216,353). This fund is financed by user fees (\$23,040,000), installations and connections (\$975,000); interest income (\$750,000), and service charges to other funds and governmental agencies (\$590,000). The first of three planned rate increases took effect February 1, 2006 to help fund the water system rehabilitation project.

**CITY OF ROCKFORD, ILLINOIS  
2008 ENTERPRISE FUNDS' REVENUES \$26,908,827**

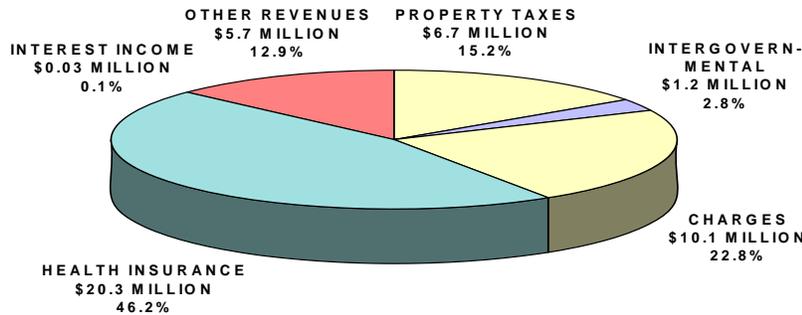


**Parking Fund** (2008 Budget - \$1,553,827; 2007 Budget - \$1,628,950; 2007 Actual - \$1,487,704; 2006 Actual - \$1,550,336). The Parking System is financed by fines (\$592,367), permits and fees (\$907,800), purchase of services (\$20,000), and interest income (\$33,660).

**Internal Service Funds  
Revenues (\$43,876,499)**

The City uses eleven internal service funds. While financing for this fund group has increased from 2007's \$40,820,206 budget, the revenue mix is unchanged.

**CITY OF ROCKFORD, ILLINOIS  
2008 INTERNAL SERVICE FUNDS' REVENUES  
\$43,876,499**



**Property Fund** (2008 Budget - \$3,047,310; 2007 Budget - \$2,763,700; 2007 Actual - \$3,086,903; 2006 Actual - \$3,279,002). This fund, part of the Public Works Property and Equipment Division, provides building maintenance for City Hall, the City Yards and other City facilities.

**Equipment Fund** (2008 Budget - \$3,834,270; 2007 Budget - \$3,218,100; 2007 Actual - \$3,767,451; 2006 Actual - \$2,492,634). The Public Works Department operates garage facilities for vehicle maintenance for City departments and some County agencies at several locations.

**Central Stores Fund** (2008 Budget - \$370,000; 2007 Budget - \$320,000; 2007 Actual - \$320,000; 2006 Actual - \$289,000). This fund, part of the Public Works Property and Equipment Division, provides centralized inventory services for the Property and Equipment Units and the Water Division.

**Information Technology Fund** (2008 Budget - \$2,726,340; 2007 Budget - \$2,208,350; 2007 Actual - \$2,197,110; 2006 Actual - \$2,112,120). This fund finances the Information Technology department, which provides mainframe and microcomputer services to user departments.

**911 Communications Fund** (2008 Budget - \$5,009,769; 2007 Budget - \$4,837,646; 2007 Actual - \$4,721,337; 2006 Actual - \$4,851,286). Providing 911 communication services to public safety departments, this fund is financed by County and City General Fund purchase of services.

**Illinois Municipal Retirement Fund** (2008 Budget - \$6,317,081; 2007 Budget - \$6,106,714; 2007 Actual - \$4,721,337; 2006 Actual - \$5,406,346). The revenues for this fund finance the City pension as well as Social Security contributions. Property taxes are estimated at \$3,568,275; replacement taxes at \$496,000; interfund transfers from non-property tax funds at \$2,242,806 and interest income at \$10,000 for 2008. The property tax rate is unlimited.

**Unemployment Insurance Fund** (2008 Budget - \$74,596; 2007 Budget - \$68,672; 2007 Actual - \$66,428; 2006 Actual - \$68,487). The budget includes \$63,755 in property taxes and \$10,411 in interfund transfers from non-property tax funds. The property tax rate is unlimited.

**Worker's Compensation Fund** (2008 Budget - \$1,853,357; 2007 Budget - \$1,801,529; 2007 Actual - \$1,769,249; 2006 Actual - \$1,390,375). Income for 2008 includes \$1,667,717 in property taxes, \$170,640 in interfund transfers from non-property tax funds, and \$15,000 in interest income. The property tax rate is unlimited for this purpose.

**Auditing Fund** (2008 Budget - \$264,092; 2007 Budget - \$236,692; 2007 Actual - \$261,169; 2006 Actual - \$225,723). This fund is financed by property taxes (\$237,192) and interfund transfers from non-property tax funds (\$26,900). The property tax rate is unlimited for this purpose.

**Health Insurance Fund** (2008 Budget - \$20,275,375; 2007 Budget - \$19,187,578; 2007 Actual - \$19,297,183; 2006 Actual - \$18,136,071). The City operates a self-insured plan for active employees, retirees, and several outside groups. The City's share of \$17,039,238 is supplemented by employees, retired employees, and outside agency contributions of \$3,631,081. The revenue structure, premiums as well as deductibles and copays, was changed for 2008.

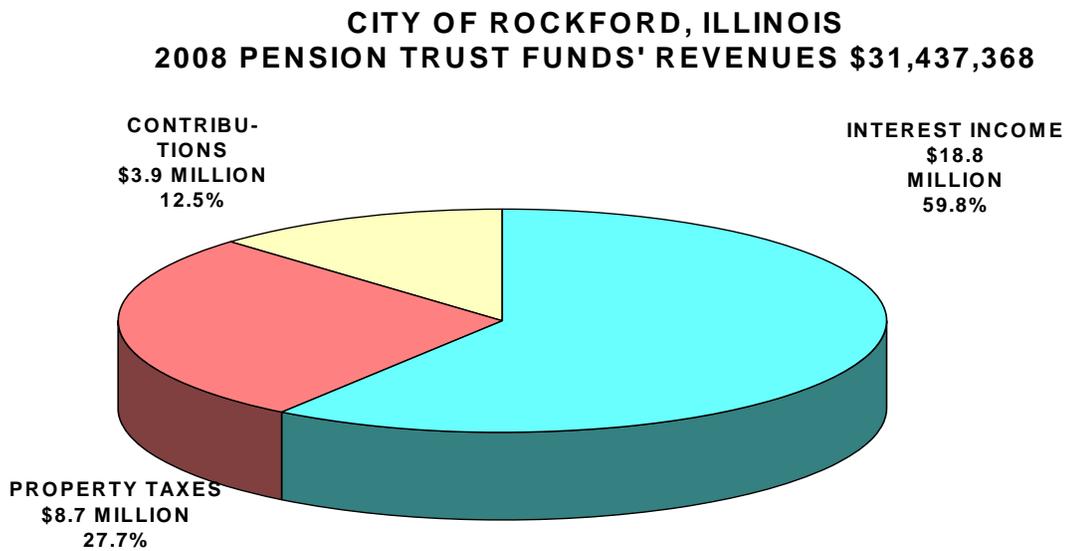
**Risk Management Fund** (2008 Budget - \$1,561,610; 2007 Budget - \$1,502,370; 2007 Actual - \$1,015,281; 2006 Actual - \$1,184,465). This fund, used for the payment of claims, judgments

and general self-insured losses, is financed by an unlimited levy (\$1,138,500), departmental charges (\$360,110), and insurance reimbursements (\$63,000).

**Pension Funds  
Revenues (\$31,437,368)**

The City operates local pension plans for sworn police and fire officers.

**Police Pension Fund** (2008 Budget - \$15,369,047; 2007 Budget - \$13,205,776; 2007 Actual - \$17,467,582; 2006 Actual - \$17,351,083). This fund is financed by a contribution from the General Fund (property taxes, \$2,488,547 and state replacement taxes, \$1,120,000), member contributions (\$2,060,500), investment income (\$5,700,000), and fair value appreciation (\$4,000,000). The interest rate assumption for 2008 is 7.5% (2007 Actual 8.2% earnings).



**Fire Pension Fund** (2008 Budget - \$16,068,321; 2007 Budget - \$14,835,841; 2007 Actual - \$16,875,008; 2006 Actual - \$16,965,642). This fund is financed by a contribution from the General Fund (property taxes, \$3,742,621 and state replacement taxes, \$1,344,000), member contributions (\$1,881,700) and investment income (\$6,300,000), and fair value appreciation (\$2,800,000). The interest rate assumption for 2008 is 7.5% (2007 Actual 7.8% earnings).

**DEPARTMENT FUNDING MATRIX**

The table on the following two pages shows the funds listed in the preceding pages and the City departments that they fund. This matrix helps to illustrate how the financial structure of the City relates to the budgetary units that will be described in more detail in the rest of the budget book.





## YEAR END FINANCIAL CONDITION

Fund balances for the 2008 budget year ending December 31, 2008 are deemed to be sufficient to insure a healthy financial condition for the City. Of the seventeen funds projected to have year-end deficits, none are considered to be of concern.

Certain funds are project, rather than service oriented. In these funds, the practice can be to appropriate all available funds, current plus certain future amounts, for one or more potential projects. The thirteen TIF districts with deficits are examples of this. Two other funds, Redevelopment, and OTB Special Projects, can also be included. All of these project funds will turn positive before their current legal authority ends.

The Risk Management and Workers' Compensation Funds carry deficits due to incurred claim estimates that are adjusted annually. The City has a long term funding plan in place to fund future claims.

The Worker's Compensation Fund deficit is being reduced by plan over a several year period.

With these actions, these funds should again be in good condition.

CITY OF ROCKFORD, ILLINOIS SCHEDULE OF ANTICIPATED ENDING FUND BALANCES 2008 BUDGET						
FUND	BEGINNING BALANCE (Unaudited) 01/01/08	REVENUES	APPROPRIATION	EXCESS (DEFICIT)	ADJUSTMENTS	ENDING BALANCE 12/31/08
GENERAL-OPERATING	\$33,310,346	\$113,773,686	\$114,530,781	(\$757,095)	(\$665,649)	\$31,887,602
SPECIAL REVENUE						
MOTOR FUEL TAX	4,627,319	4,364,000	4,500,000	(136,000)		4,491,319
SANITATION	2,472,287	8,961,769	9,129,602	(167,833)		2,304,454
COMMUNITY DEVELOPMENT	1,968,062	4,248,877	4,756,606	(507,729)		1,460,333
REDEVELOPMENT TAX	(4,492,971)	3,643,100	3,602,271	40,829		(4,452,142)
TOURISM PROMOTION TAX	77,001	1,853,500	1,853,500	0		77,001
TAX INCREMENT DISTRICTS	395,310	3,697,913	5,450,974	(1,753,061)		(1,357,751)
HUMAN SERVICES	897,655	12,263,301	12,799,494	(536,193)		361,462
TUBERCULOSIS SANITARIUM	53,206	140,893	160,200	(19,307)		33,899
LIBRARY	3,790,461	8,415,002	8,365,245	49,757		3,840,218
OTB SPECIAL PROJECTS	(202,674)	180,000	75,000	105,000		(97,674)
UST REMOVAL	86,438	0	0	0		86,438
DEBT SERVICE	9,489,462	14,061,113	18,192,937	(4,131,824)	4,131,824	9,489,462
CAPITAL PROJECT	2,796,252	21,500,000	21,500,000	0		2,796,252
ENTERPRISE						
WATER SYSTEM	106,473,352	25,355,000	19,706,424	5,648,576		112,121,928
PARKING SYSTEM	18,444,894	1,553,827	2,301,880	(748,053)		17,696,841
INTERNAL SERVICE						
PUBLIC WORKS PROPERTY	134,825	3,047,310	2,895,153	152,157		286,982
PUBLIC WORKS EQUIPMENT	633,970	3,834,270	3,778,796	55,474		689,444
PUBLIC WORKS CENTRAL STORES	28,157	370,000	362,888	7,112		35,269
911 COMMUNICATIONS	0	5,009,769	5,009,769	0		0
IMRF PENSION	168,976	6,317,081	6,432,081	(115,000)		53,976
UNEMPLOYMENT INSURANCE	66,361	74,596	74,196	400		66,761
WORKER'S COMPENSATION	(2,131,506)	1,853,357	1,838,357	15,000		(2,116,506)
AUDITING	0	264,092	264,092	0		0
RISK MANAGEMENT	(1,239,748)	1,561,610	1,550,690	10,920		(1,228,828)
INFORMATION TECHNOLOGY	903,051	2,726,340	2,674,627	51,713		954,764
HEALTH INSURANCE	(652,456)	20,275,375	18,701,340	1,574,035		921,579
PENSION						
POLICE PENSION	161,674,222	15,369,047	4,136,147	11,232,900	(6,000,000)	166,907,122
FIRE PENSION	144,586,940	16,068,321	5,600,871	10,467,450	(5,700,000)	149,354,390
ELIMINATIONS & ADJUSTMENTS	0	(65,633,550)	(69,765,374)	4,131,824	(4,131,824)	0
		<u>\$235,149,599</u>	<u>\$210,478,547</u>	<u>\$24,671,052</u>	<u>(\$12,365,649)</u>	<u>\$496,664,595</u>