

Police and Fire Pension Fund

Mission Statement

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

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

Budget Summary

POLICE PENSION FUND BUDGET SUMMARY					
APPROPRIATION	2003 ACTUAL	2004 BUDGET	2004 ACTUAL	2005 BUDGET	INCREASE (DECREASE)
PERSONNEL	\$6,478,473	\$3,062,182	\$7,114,215	\$2,787,807	(\$274,375)
CONTRACTUAL	457,254	428,850	407,485	409,060	(19,790)
SUPPLIES	63	300	0	300	0
OTHER	<u>82,920</u>	<u>86,640</u>	<u>86,640</u>	<u>91,200</u>	<u>4,560</u>
TOTAL	7,018,710	3,577,972	7,608,340	3,288,367	(289,605)
NON-APPROPRIATION	<u>0</u>	<u>4,100,000</u>	<u>0</u>	<u>4,500,000</u>	<u>400,000</u>
TOTAL EXPENSE	<u>\$7,018,710</u>	<u>\$7,677,972</u>	<u>\$7,608,340</u>	<u>\$7,788,367</u>	<u>\$110,395</u>

FUNDING SOURCE	2004 AMOUNT	2004 PERCENTAGE	2005 AMOUNT	2005 PERCENTAGE
POLICE DEPARTMENT TRANSFER				
POLICE PENSION PROPERTY TAX	\$2,516,182	18.0	\$2,157,807	20.3
POLICE PENSION REPLACE TAX	<u>546,000</u>	<u>3.9</u>	<u>630,000</u>	<u>5.9</u>
TOTAL CITY CONTRIBUTION	3,062,182	21.9	2,787,807	26.2
INTEREST INCOME	4,200,000	30.0	4,000,000	37.7
FV APPRECIATION(DEPRECIATION)	<u>5,000,000</u>	<u>35.7</u>	<u>2,000,000</u>	<u>18.9</u>
INVESTMENT INCOME	9,200,000	65.7	6,000,000	56.6
EMPLOYEE CONTRIBUTIONS	<u>1,749,100</u>	<u>12.4</u>	<u>1,820,500</u>	<u>17.2</u>
TOTAL	<u>14,011,282</u>	<u>100.0</u>	<u>10,608,307</u>	<u>100.0</u>
ACTUARY'S CONTRIBUTION REQUIREMENT	3,062,182	21.9	2,787,807	26.3
AMORTIZATION AMOUNT	\$6,333,310		\$2,819,940	

(SEE TEXT FOR PENSION FINANCING EXPLANATION TO EXPLAIN REVENUE AND EXPENSE DISCREPANCY)

Police and Fire Pension Fund

Budget Summary

FIRE PENSION FUND BUDGET SUMMARY					
APPROPRIATION	2003 <u>ACTUAL</u>	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2005 <u>BUDGET</u>	INCREASE (DECREASE)
PERSONNEL	\$7,683,198	\$4,186,613	\$8,305,496	\$4,185,653	(\$960)
CONTRACTUAL	385,830	363,600	367,124	380,650	17,050
SUPPLIES	0	500	0	300	(200)
OTHER	<u>82,200</u>	<u>86,220</u>	<u>86,220</u>	<u>90,000</u>	<u>3,780</u>
TOTAL	8,151,228	4,636,933	8,758,840	4,656,603	19,670
NON-APPROPRIATION	<u>0</u>	<u>5,100,000</u>	<u>0</u>	<u>4,400,000</u>	<u>(700,000)</u>
TOTAL EXPENSE	<u>\$8,151,228</u>	<u>\$9,736,933</u>	<u>\$8,758,840</u>	<u>\$9,056,603</u>	<u>(\$680,330)</u>

FUNDING SOURCE	2004 <u>AMOUNT</u>	2004 <u>PERCENTAGE</u>	2005 <u>AMOUNT</u>	2005 <u>PERCENTAGE</u>	
FIRE DEPARTMENT TRANSFER					
FIRE PENSION PROPERTY TAX	\$3,531,413	25.2	\$3,429,653	25.2	
FIRE PENSION REPLACE TAX	<u>655,200</u>	<u>4.7</u>	<u>756,000</u>	<u>5.6</u>	
TOTAL CITY CONTRIBUTION	4,186,613	29.9	4,185,653	30.8	
INTEREST INCOME	4,000,000	28.6	6,000,000	44.1	
FV APPRECIATION(DEPRECIATION)	<u>4,500,000</u>	<u>32.1</u>	<u>2,000,000</u>	<u>14.7</u>	
INVESTMENT INCOME	8,500,000	60.7	8,000,000	58.9	
EMPLOYEE CONTRIBUTIONS	<u>1,316,400</u>	<u>9.4</u>	<u>1,406,900</u>	<u>10.3</u>	
TOTAL	<u>14,003,013</u>	<u>100.0</u>	<u>13,592,553</u>	<u>100.0</u>	
ACTUARY'S CONTRIBUTION REQUIREMENT	4,186,613	29.9	4,185,653	30.8	
AMORTIZATION AMOUNT	\$5,851,785		\$4,535,950		
(SEE TEXT FOR PENSION FINANCING EXPLANATION TO EXPLAIN REVENUE AND EXPENSE DISCREPANCY)					

Budget Analysis

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

For 2004, the Police plan earned \$1.6 million in interest income while the Fire plan earned \$4.1 million in interest income. In addition, reflecting fair market value adjustments of investments, the Police and Fire Pension Funds recorded appreciation gains of \$11.0 and \$5.8 million respectively. Investment expenses were \$330,651 for Police and \$310,831 for Fire. Approximate annual rates of return were positive for both, Police 9.8% and Fire 8.4%.

In 1993, the State of Illinois increased the pension benefits for these two plans. This increase not only increased costs for the future but it also significantly increased the unfunded liability for service already earned. With the member contribution rate increased only marginally, the bulk of the cost of paying for these improved benefits fell to local governments. To mitigate this, the State replaced the existing forty year level dollar amortization schedule begun in 1980 with a new 1993 forty year level percentage schedule. The City has elected, as long as was possible, to fund the annual contribution based on the 1980 schedule. For 2002, the last year that making this additional contribution was possible, this election added \$406,805 to the Police contribution and \$1,002,874 to

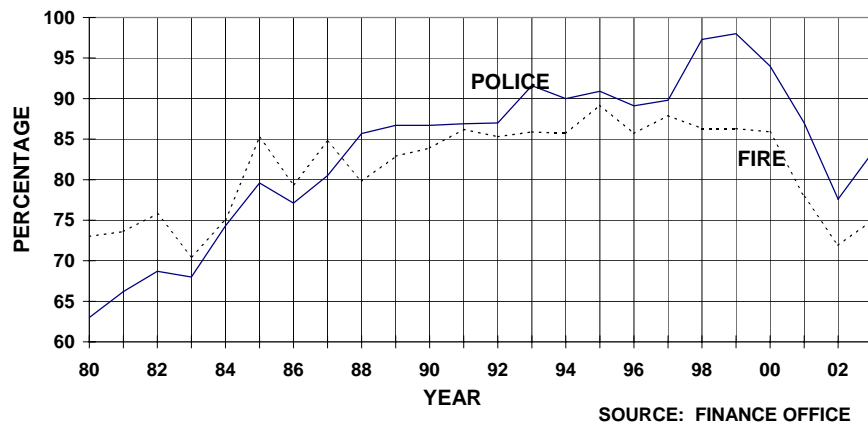
Police and Fire Pension Fund

the Fire contribution. Due to continuing and increasingly severe property tax cap restrictions, the City in 2003 changed and began to recognize the 1993 amortization method. The impact of this change for 2003 was estimated to be \$980,000 for the Police contribution and \$1,750,000 for the Fire contribution.

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

For the 2005 Police contribution requirement, the amount has decreased from \$3,062,182 to \$2,787,807 (-\$274,375 - 9.0%). The decrease in the contribution requirement is due to the investment return being greater than expected. The percent funded has increased from 77.6% to 83.3%.

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



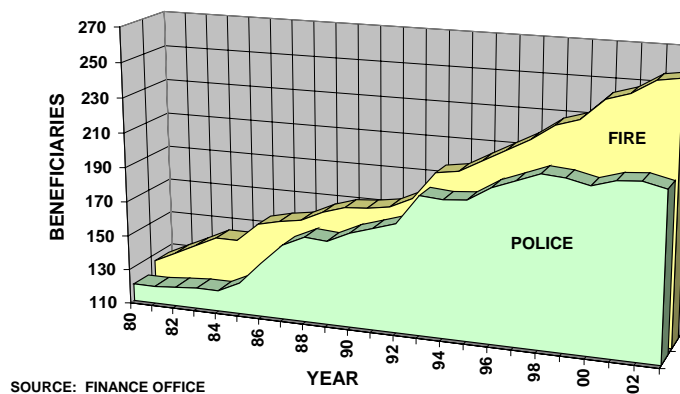
For the 2005 Fire contribution requirement, the amount has decreased from \$4,186,613 to \$4,185,653 (-\$960 - 0.0%). The decrease in the contribution requirement is due to the investment return being greater than expected. The percent funded has increased from 71.9% to 75.0%.

Police and Fire Pension Fund

ROCKFORD PENSION PLANS			
	<u>Police</u>	<u>Fire</u>	<u>IMRF/SS</u>
Employees	Sworn	Sworn	All Other
2005 Employer Rate	15.18%	25.15%	15.19%
2005 Employee Rate	9.910%	9.455%	10.70%
Social Security Included	No	No	Yes (6.2%)
Plan Administration	Local	Local	State
Retirement Age	50	50	55/60
Vesting (Years)	10	10	8
Pension (20 Years Service)	50%	50%	35%
Pension Limit	75%	75%	75%
Years To Achieve Limit	30	30	40
Pension Based On	Last Pay	Last Pay	Average of (4) Highest Consecutive Years In Last (10)

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

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



60 to 70% of the annual revenues for these two plans are generated from investment earnings. While member contributions have increased to 9.91% for Police in 2000 and 9.455% for Fire in 2005, employee contributions are still the smallest element of the financing equation.

The City contributions are funded from property taxes and state replacement taxes. Pension property taxes are unlimited; however, property tax extension limitations (tax caps) do apply on a total city basis except for the new benefit provision for Fire Pension surviving spouses. For 2005, estimated rates are 12.3 cents for the Police plan and 19.6 cents for the Fire plan. 2004 rates were 14.8 and 20.8 cents respectively. For the Fire plan, 2.1 cents and 2.0 cents respectively for the 2004 and 2005 years are exempt from tax caps.

Both plans utilize the Finance Department's staff. The Police pension fund will also utilize a consultant, \$37,000, and a custodian, \$3,400, as well as six money managers at an estimated cost of \$407,300. The Fire pension uses a consultant, \$44,000, a custodian, \$10,500, and six money

Police and Fire Pension Fund

managers at an estimated cost of \$450,600. Each fund pays the State Department of Insurance \$8,000 annually for oversight services.

Five Year Financial Forecast

The 2006-2010 five-year forecast assumes five percent City and employee contribution increases as well as a 7.5% return on investments. The combined impact for the two plans of this increase on the property tax rate would be less than one cent annually. Costs are assumed to rise annually due to three percent pension increases and an annual new retiree group of five. This forecast does not address a number of issues such as mortality, disability, and withdrawal that an actuary would. In addition, it makes no assumptions as to the likelihood of additional benefits gained through the legislative process in Springfield.

POLICE PENSION FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$17,059	\$18,146	\$19,310	\$20,542	\$21,874
Expenditures	<u>7,934</u>	<u>8,277</u>	<u>8,630</u>	<u>8,994</u>	<u>9,369</u>
Excess (Deficit)	<u>9,125</u>	<u>9,869</u>	<u>10,680</u>	<u>11,548</u>	<u>12,505</u>
Beginning Balance	150,601	159,725	169,594	180,274	191,822
Ending Balance	<u>\$159,725</u>	<u>\$169,594</u>	<u>\$180,274</u>	<u>\$191,822</u>	<u>\$204,327</u>
Property Tax Rates (in cents)	13.2	14.1	15.0	15.9	16.8

FIRE PENSION FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$17,117	\$18,154	\$19,282	\$20,481	\$21,773
Expenditures	<u>9,164</u>	<u>9,544</u>	<u>9,936</u>	<u>10,339</u>	<u>10,754</u>
Excess (Deficit)	<u>7,952</u>	<u>8,610</u>	<u>9,346</u>	<u>10,142</u>	<u>11,019</u>
Beginning Balance	136,181	144,134	152,744	162,090	172,232
Ending Balance	<u>\$144,134</u>	<u>\$152,744</u>	<u>\$162,090</u>	<u>\$172,232</u>	<u>\$183,251</u>
Property Tax Rates (in cents)	20.7	21.7	22.8	23.8	24.9

IMRF Pension Fund

Mission Statement

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

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

Fund Highlights

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

Budget Summary

IMRF PENSION FUND BUDGET SUMMARY					
APPROPRIATION	2003	2004	2004	2005	INCREASE
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>(DECREASE)</u>
PERSONNEL	\$4,005,757	\$4,711,485	\$4,574,315	\$5,103,208	\$391,723
CONTRACTUAL	93	250	250	250	0
OTHER	0	0	110,000	0	0
TOTAL	<u>\$4,005,850</u>	<u>\$4,711,735</u>	<u>\$4,684,565</u>	<u>\$5,103,458</u>	<u>\$391,723</u>
RATES APPLIED					
	2001	2002	2003	2004	2005
IMRF	7.77	6.82	6.81	8.48	8.99
SOCIAL SEC	7.65	7.65	7.65	7.65	7.65
TOTAL	<u>15.42</u>	<u>14.47</u>	<u>14.46</u>	<u>16.13</u>	<u>16.64</u>
FUNDING SOURCE					
	2004	2004	2005	2005	
	<u>AMOUNT</u>	<u>PERCENTAGE</u>	<u>AMOUNT</u>	<u>PERCENTAGE</u>	
PROPERTY TAXES					
IMRF FUND	\$2,516,605	53.3	\$2,686,988	52.5	
REPLACEMENT TAXES	241,800	5.1	279,000	5.5	
INTERFUND TRANSFERS	1,953,330	41.4	2,137,470	41.8	
INTEREST INCOME	10,000	0.2	10,000	0.2	
TOTAL	<u>\$4,721,735</u>	<u>100.0</u>	<u>\$5,113,458</u>	<u>100.0</u>	

Budget Analysis

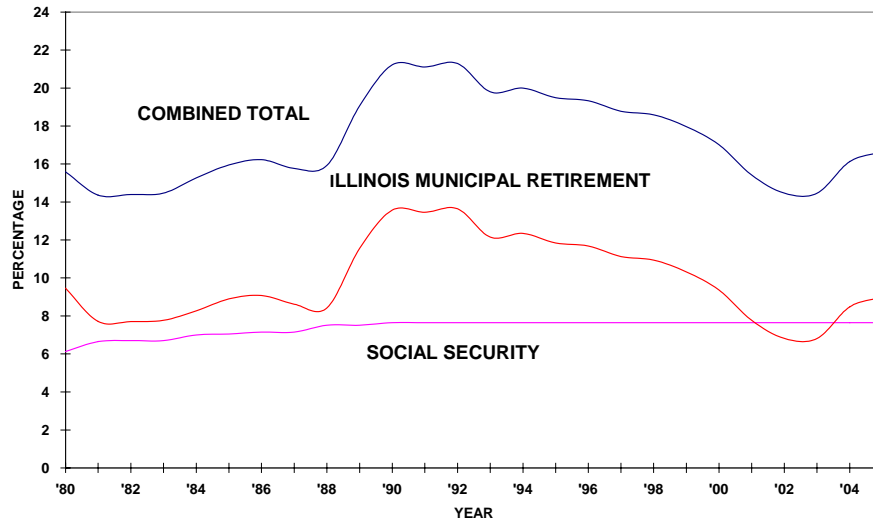
The Social Security rate, last increased in 1990 to 7.65%, remains unchanged for 2005. While the taxable wage base for the 1.45% Medicare portion continues to be unlimited, the ceiling for Social Security (6.2%) increases from 2004's \$87,900 to 2005's \$90,000.

The 2005 IMRF rate increases to 8.99% from 2004's 8.48% (6.0%). Combining IMRF and Social Security, the 2005 rate is 16.64%, a 3.2% increase. The City's IMRF plan is 92.7% funded (five year smoothing value – market value). Funding for the City's Police and Fire plans is 83.3% and 75.0% respectively (market value).

IMRF Pension Fund

The property tax rate for IMRF and Social Security retirement is unlimited by statute. The 2005 estimated rate is 15.4 cents, an increase from the prior year's 14.8 cents.

CITY OF ROCKFORD, ILLINOIS CITY PENSION CONTRIBUTIONS FOR ALL NONSWORN PERSONNEL YEARS FROM 1980



SOURCE: FINANCE OFFICE

Five Year Financial Forecast

The 2006-2010 five-year forecast assumes that retirement costs will increase 5% annually due to salary adjustments, that the Social Security and IMRF rates will remain constant, that the Social Security base will continue to increase incrementally and that the revenue mix of property and transfer reimbursements will remain constant.

IMRF FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$5,318	\$5,584	\$5,863	\$6,156	\$6,464
Expenses	<u>5,308</u>	<u>5,573</u>	<u>5,852</u>	<u>6,145</u>	<u>6,452</u>
Excess (Deficit)	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>12</u>
Beginning Balance	(49)	(39)	(28)	(17)	(6)
Ending Balance	<u>(\$39)</u>	<u>(\$28)</u>	<u>(\$17)</u>	<u>(\$6)</u>	<u>\$6</u>
Property Tax Rates (in cents)	15.1	15.4	15.7	16.1	16.4

Health Insurance Fund

Mission Statement

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

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

Fund Highlights

Premium cost sharing, begun in 1988, continues for employees. Annual contributions, \$300 for single coverage and \$420 for family coverage, increased to \$650 and \$910 respectively for 2004.

The City will continue to work with employees to improve the plan's features, to share costs, and to stabilize expenses.

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

Budget Summary

HEALTH INSURANCE FUND BUDGET SUMMARY					
APPROPRIATION	2003 ACTUAL	2004 BUDGET	2004 ACTUAL	2005 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$12,471,117	\$13,239,146	\$15,418,000	\$15,947,260	\$2,708,114
SUPPLIES	0	0	6,901	0	0
OTHER EXPENSE	<u>70,931</u>	<u>76,900</u>	<u>88,292</u>	<u>82,800</u>	<u>5,900</u>
TOTAL	<u>\$12,542,048</u>	<u>\$13,316,046</u>	<u>\$15,513,193</u>	<u>\$16,030,060</u>	<u>\$2,714,014</u>
FUNDING SOURCE	2004 AMOUNT	2004 PERCENTAGE	2005 AMOUNT	2005 PERCENTAGE	
EMPLOYER CONTRIBUTIONS					
HEALTH PREMIUMS	\$12,086,921	75.8	\$12,086,921	75.8	
LIFE PREMIUMS	<u>8,760</u>	<u>0.1</u>	<u>8,760</u>	<u>0.1</u>	
TOTAL CITY CONTRIBUTION	<u>12,095,681</u>	<u>75.9</u>	<u>12,095,681</u>	<u>75.9</u>	
EMPLOYEE PREMIUMS	996,404	6.3	996,404	6.3	
RETIREES	2,633,769	16.5	2,633,769	16.5	
OUTSIDE AGENCIES	177,255	1.1	177,255	1.1	
OTHER	<u>32,381</u>	<u>1.1</u>	<u>32,381</u>	<u>0.2</u>	
	<u>3,839,809</u>	<u>25.0</u>	<u>3,839,809</u>	<u>24.1</u>	
INTEREST INCOME	0	0.0	0	0.0	
TOTAL	<u>\$15,935,490</u>	<u>100.9</u>	<u>\$15,935,490</u>	<u>100.0</u>	

Budget Analysis

2003, featuring the last of three 20% rate increases designed to recover losses and to increase the premium base, had an expenditure to premium ratio of 95% (\$718,574). This reduced the ending

Health Insurance Fund

balance deficit to \$1.63 million. 2004 experience is 103% ratio (\$0.5 million deficit) due in large part to several unusual cases as well as coverage of a new procedure. This cost level should not continue into 2005; overall costs are expected to increase by \$500,000 over actual. In prior years, the ratio has ranged from 72% to 134%. The 2005 rate increase is 5%.

The employee cost sharing value is \$979,000. Employee share 10.7% of the single premium and 6.7% of the family premium.

Five Year Financial Forecast

The 2006-2010 five year plan assumes that medical costs will increase 10% annually and that the revenue mix of employer, employee, and third party contributions will remain constant. Revenue increases are anticipated to be 15% per year for 2006 – 2008 and 10% per year for 2009 - 2010.

HEALTH INSURANCE FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$18,180	\$20,760	\$23,728	\$26,101	\$28,744
Expenses	<u>17,717</u>	<u>19,421</u>	<u>21,253</u>	<u>23,313</u>	<u>25,606</u>
Excess (Deficit)	463	1,339	2,475	2,788	3,138
Beginning Balance	<u>(2,322)</u>	<u>(1,859)</u>	<u>(520)</u>	1,955	4,743
Ending Balance	<u>(\$1,859)</u>	<u>(\$520)</u>	<u>\$1,955</u>	<u>\$4,743</u>	<u>\$7,881</u>
Rate Increase	15.0	15.0	15.0	10.0	10.0
Reserve Percentage	(13.1)	(9.6)	(2.4)	8.4	18.5

Unemployment Fund

Mission Statement

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

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

Fund Highlights

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

Budget Summary

UNEMPLOYMENT TAX FUND BUDGET SUMMARY					
APPROPRIATION	2003 ACTUAL	2004 BUDGET	2004 ACTUAL	2005 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$114,298	\$50,250	\$21,868	\$70,250	\$20,000
TOTAL	\$114,298	\$50,250	\$21,868	\$70,250	\$20,000
FUNDING SOURCE	2004 AMOUNT		2004 PERCENTAGE	2005 AMOUNT	2005 PERCENTAGE
PROPERTY TAXES					
UNEMPLOYMENT TAX	\$0		0.0	\$63,817	86.0
INTERFUND TRANSFERS	250		100.0	10,414	14.0
INTEREST INCOME	0		0.0	0	0.0
TOTAL	\$250		100.0	\$74,231	100.0

Budget Analysis

The City operates a self-insured unemployment tax program with financing provided by premiums charged to departments based on a percentage of the first \$9,000 salary. The property tax rate for unemployment compensation is unlimited by statute. The 2005 estimated rate is 0.4 cents; there was no levy filed for 2004.

2004 revenues and expenses were \$0 and \$21,868 respectively.

Five Year Financial Forecast

The 2006-2010 five-year forecast assumes that unemployment costs will increase 5% annually and that premiums will be adjusted as necessary during this period.

Unemployment Fund

UNEMPLOYMENT COMPENSATION FUND 2006-2010 FINANCIAL FORECAST (IN \$000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$80	\$80	\$81	\$82	\$69
Expenses	<u>53</u>	<u>55</u>	<u>58</u>	<u>61</u>	<u>64</u>
Excess (Deficit)	<u>27</u>	<u>25</u>	<u>23</u>	<u>21</u>	<u>5</u>
Beginning Balance	<u>(70)</u>	<u>(43)</u>	<u>(18)</u>	<u>5</u>	<u>26</u>
Ending Balance	<u>(\$43)</u>	<u>(\$18)</u>	<u>\$5</u>	<u>\$26</u>	<u>\$31</u>
Property Tax Rates (in cents)	0.4	0.4	0.4	0.4	0.3

Worker's Compensation Fund

Mission Statement

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

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

Budget Summary

WORKER'S COMPENSATION FUND BUDGET SUMMARY					
APPROPRIATION	2003 ACTUAL	2004 BUDGET	2004 ACTUAL	2005 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$1,449,221	\$1,221,193	\$1,340,290	\$1,241,607	\$20,414
OTHER EXPENSE	0	63,000	143,000	67,700	4,700
RESERVE ADJUST	321,680	0	298,211	0	0
TOTAL	<u>\$1,770,901</u>	<u>\$1,284,193</u>	<u>\$1,781,501</u>	<u>\$1,309,307</u>	<u>\$25,114</u>
FUNDING SOURCE	2004		2005		2005
PROPERTY TAXES	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	
WORKER'S COMP	\$1,181,894	89.2	\$1,181,894	89.2	
INTERFUND TRANSFERS	127,413	9.6	127,413	9.6	
INTEREST INCOME	15,000	1.2	15,000	1.2	
TOTAL	<u>\$1,324,307</u>	<u>100.0</u>	<u>\$1,324,307</u>	<u>100.0</u>	

Budget Analysis

The City operates a self-insured worker's compensation program with financing provided by premiums charged to departments based on job type and likelihood of injury. With employees having three years from the date of injury to file a claim and payments on yet a longer cycle, the fund tends to exhibit a variable pattern. Adjustments to the reserve reflect this, increases for 2000 (\$36,021), 2002 (\$165,405), 2003 (\$321,680), and 2004 (\$298,211), decreases for 2001 (\$21,122). Incurred claims currently stand at \$2,047,873. Discounting the reserve adjustment, 2003 and 2004 expenses were 114% and 127% of the budget respectively. Rates, decreased 25% in 2000, remain unchanged for 2005. The property tax rate for worker's compensation is unlimited by statute. The 2005 estimated rate is 6.8 cents, slightly increased from 2004's 6.7 cents.

Five Year Financial Forecast

The 2006-2010 five-year forecast assumes that worker's compensation costs will increase five percent annually and that the revenue mix of property and transfer reimbursements will remain constant. Premiums will be adjusted as necessary during this period.

Worker's Compensation Fund

WORKER'S COMPENSATION FUND 2006-2010 FINANCIAL FORECAST (IN \$000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$1,390	\$1,459	\$1,531	\$1,606	\$1,686
Expenses	<u>1,375</u>	<u>1,444</u>	<u>1,516</u>	<u>1,592</u>	<u>1,672</u>
Excess (Deficit)	<u>15</u>	<u>15</u>	<u>15</u>	<u>14</u>	<u>14</u>
Beginning Balance	<u>58</u>	<u>14</u>	<u>(33)</u>	<u>(83)</u>	<u>(137)</u>
Acctg Int Adjust	<u>(59)</u>	<u>(62)</u>	<u>(65)</u>	<u>(68)</u>	<u>(72)</u>
Ending Balance	<u>\$14</u>	<u>(\$33)</u>	<u>(\$83)</u>	<u>(\$137)</u>	<u>(\$195)</u>
Property Tax Rates (in cents)	6.9	7.0	7.2	7.3	7.4

Auditing Fund

Mission Statement

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

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

Budget Summary

AUDITING FUND BUDGET SUMMARY					
APPROPRIATION	2003 ACTUAL	2004 BUDGET	2004 ACTUAL	2005 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$193,811	\$205,564	\$205,977	\$212,417	\$6,853
SUPPLIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$193,811</u>	<u>\$205,564</u>	<u>\$205,977</u>	<u>\$212,417</u>	<u>\$6,853</u>
FUNDING SOURCE	2004 AMOUNT	2004 PERCENTAGE	2005 AMOUNT	2005 PERCENTAGE	
PROPERTY TAXES					
AUDITING	\$190,697	89.8	\$190,697	89.8	
INTERFUND TRANSFERS	<u>21,720</u>	<u>10.2</u>	<u>21,720</u>	<u>10.2</u>	
TOTAL	<u>\$212,417</u>	<u>100.0</u>	<u>\$212,417</u>	<u>100.0</u>	

Budget Analysis

The City utilizes an external auditor. In addition, the Fund reimburses the Finance Department for staff costs associated with auditing. 2005 costs include \$66,000 for auditors, \$142,417 for internal staff costs, and \$3,000 for printing the annual report in the newspaper. The property tax rate for auditing is unlimited by statute. The 2005 proposed rate is 1.1 cents.

Five Year Financial Forecast

The 2006-2010 five year forecast assumes that audit costs will increase three percent annually and that the revenue mix of property taxes and transfer reimbursements will remain constant.

AUDITING FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$219	\$226	\$233	\$240	\$247
Expenses	<u>219</u>	<u>226</u>	<u>233</u>	<u>240</u>	<u>247</u>
Excess (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Property Tax Rates (in cents)	1.1	1.1	1.1	1.1	1.1

Debt Management

Mission Statement

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

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

Fund Highlights →

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

When a TIF is created the assessed valuation of that district is frozen. As redevelopment takes place, the additional property tax revenue, the increment, is used for public improvements in those districts. SSA property tax revenues are taxes levied solely in an area for its improvements similar to a special assessment roll district. The City has utilized TIF financing for improvements in six districts, East Side, West Side, Seventh Street, South Rockford, Lincolnwood, and Springfield Corners. Four SSA districts have been created since 1980, Broadway, Indian Terrace, East State Street, and Manchester Drive.

Prior to the loss of home rule in 1983, the City did not issue water revenue bonds. Rather, it issued general obligation bonds in order to secure lower rates and then abated the levies with water revenues. With the loss of home rule, the City submits all general obligation bond issues to the voters for approval. Revenue and alternative bond issues can be approved by the Council.

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

Debt Management

CITY OF ROCKFORD, ILLINOIS OUTSTANDING AND PROPOSED DEBT ISSUES

<u>ISSUE AND AMOUNT</u>	<u>PAYMENT SOURCE</u>	<u>FINAL LEVY YEAR</u>
1995 \$1,745,924 Kishwaukee Trunk Sewer (RRWRD)	7	2015
1997 \$13.210 GOB Refunding (Series A-\$5.650 Water Refunding, Series B-\$7.560 Certificate Refunding)	2, 3, 8	2007
1997 \$9.105 GOB (Series A-\$5.420 Street, Series A-\$1.000 Drainage, Series B-\$2.335 Water, Series C-\$0.350 Sewer)	1, 7, 2	2009
1999 \$5.3 Water Alt (Series A-\$2.2, Series B-\$3.1)	2	2011, 2018
1999 \$28.5 GOB (Series A-\$16.5 (\$7.0 Street, \$9.5 GOB Refunding), Series B-\$7.0 Coronado Theatre Public)	1,6	2012, 2018
2000 \$12.2 GOB (Series A-\$6.0 Street, Series B-\$2.2 Water, Series C-\$4.0 South Rockford TIF)	1,2,3,6, 9	2013, 2020
2000 \$3.0 GO Alt (Series D-7th Street TIF Project)	3	2014
2001 \$9.2 GOB (Series A-\$7.0 Street, Series B-\$2.2 Water)	1, 2	2013
2001 \$0.575 GOB Alternate (Lincolnwood Housing TIF)	3	2010
2001 \$8.785 GOB Refunding (Series A-\$6.53 Non-BQ and Series B-\$2.255 BQ)	1, 7, 2	2008, 2007
2002 \$13.2 GOB (Series A-\$8.0 Street, Series B-\$2.2 Water, and Series C-\$3.0 7th Street TIF Project)	1, 2, 3	2014
2002 \$2.5 GOB Taxable Alternate (Downtown Development)	3	2011
2002 \$3.360 GOB Alternate and Refunding (Series D-\$2.060 Refunding Sales/Water, \$1.3 Springfield Corners Housing TIF)	2, 3, 7	2020
2003 \$10.4 GOB (Series A-\$8.2 Street, Series B-\$2.2 Water)	1, 2	2015
2003 \$5.855 GOB Refunding (Series 1-\$3.125 BQ, Series 2-\$1.365 BQ, Series 3-\$0.285 BQ, and Series 4-\$1.080 Taxable GOB Refunding)	1, 2, 7, 3, 5, 6	2008
2004 \$15.9 GOB (Series A-\$8.5 Street, Series B-\$2.2 Water, Series C-\$2.0 7th St Taxable TIF Project, and Series D-\$3.2 Equipment)	1, 2, 3, 7	2016
2004 \$15.9 GOB (Series A-\$8.5 Street, Series B-\$2.2 Water, Series C-\$2.0 7th St Taxable TIF Project, and Series D-\$3.2 Equipment)	1, 2, 3, 7	2016
2004 \$14.570 GOB Alternate and Refunding, (Alternate, Series E-\$4.65, N Main TIF \$1.65, Airport TIF \$3.0, Refundings, Series F-\$4.375 Street/ Drainage, Series G-\$2.475 Water, Series H-\$3.070 S Rockford TIF)	1, 2, 3	2023
2005 \$10.9 GOB (Series A-\$8.7 Street, Series B-\$2.2 Water)	1, 2	2017

2005 bonds issued

Amounts are in Millions

- ALTERNATE - General Obligation Bonds (Alternate)
- ALTERNATE CERTIFICATE - General Obligation Certificates
- GOB - General Obligation Bonds (Exempt)
- GOB TAXABLE - General Obligation Bonds (Taxable)
- WRB - Water Revenue Bonds

PAYMENT SOURCES

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

Debt Management

Budget Summary

DEBT SERVICE FUND BUDGET SUMMARY					
APPROPRIATION	2003 <u>ACTUAL</u>	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2005 <u>BUDGET</u>	INCREASE (DECREASE)
BOND INTEREST	\$3,859,721	\$5,144,940	\$3,871,126	\$4,982,260	(\$162,680)
BOND PRINCIPAL	<u>11,442,532</u>	<u>11,147,622</u>	<u>14,530,039</u>	<u>11,990,284</u>	<u>842,662</u>
TOTAL	<u>\$15,302,253</u>	<u>\$16,292,562</u>	<u>\$18,401,165</u>	<u>\$16,972,544</u>	<u>\$679,982</u>
Actuals exclude water system debt and reflect 2004 refunding.					
FUNDING SOURCE	2004 <u>AMOUNT</u>	2004 <u>PERCENTAGE</u>	2005 <u>AMOUNT</u>	2005 <u>PERCENTAGE</u>	
PROPERTY TAXES					
DEBT SERVICE-CITYWIDE	\$7,712,139	47.3	\$8,594,945	50.6	
DEBT SERVICE-SPECIAL DISTRICTS	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	
	7,712,139	47.3	8,594,945	50.6	
ABATEMENTS-TAX EXEMPT					
PUBLIC WORKS WATER DIVISION	4,673,808	28.7	4,284,575	25.2	
SALES TAX	832,005	5.1	875,585	5.2	
TIF DISTRICTS	892,033	5.5	895,588	5.3	
OFF TRACK BETTING	280,085	1.7	269,298	1.6	
DEVELOPMENT GROUP FUNDS	1,517,118	9.3	1,597,067	9.4	
CORONADO AMUSEMENT/PARKING	<u>57,600</u>	<u>0.4</u>	<u>129,600</u>	<u>0.8</u>	
	8,252,649	50.7	8,051,713	47.5	
ABATEMENTS-TAXABLE					
TIF DISTRICTS	327,774	2.0	325,886	1.9	
REDEVELOPMENT FUND	0	0.0	0	0.0	
PARKING SYSTEM	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	
	327,774	2.0	325,886	1.9	
INTEREST INCOME	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	
TOTAL	<u>\$16,292,562</u>	<u>100.0</u>	<u>\$16,972,544</u>	<u>100.0</u>	

Budget Analysis

Two bond issues were sold during 2004, a \$15.9 million multipurpose issue in April and a \$4.65 million TIF district development issue in December. The spring issue included four series, \$8.5 million for streets, \$2.2 million for water, \$2.0 million for 7th Street TIF District improvements, and \$3.2 million for General Fund capital equipment. Duration for the first two is 13 years while the TIF and Equipment bonds are 12 and 10 years respectively. The street bonds will be repaid by property taxes while repayment for the remaining three series will come from water revenues, TIF District increment, and sales taxes respectively. The December sale included \$1.65 million for the North Main TIF for acquisition and redevelopment of a former Kmart property and \$3.0 million for infrastructure improvements for the Global Trade Park TIF at the airport. Repayment will come from TIF increment generated.

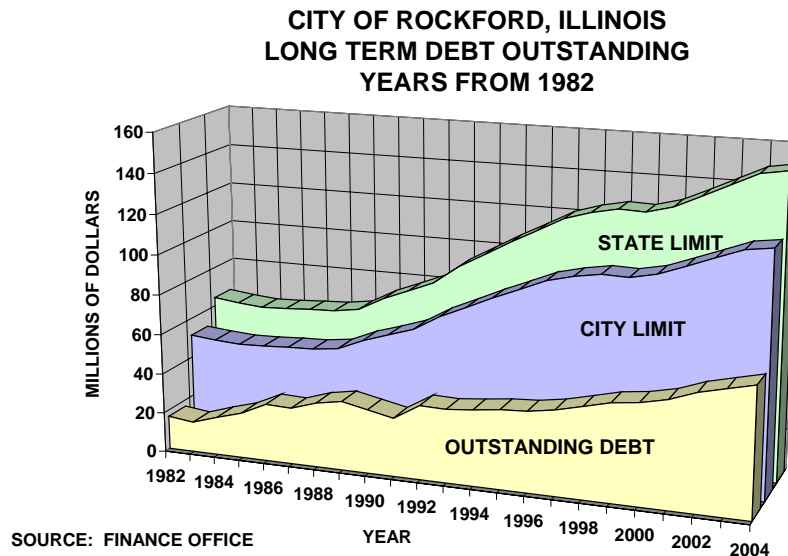
The 2005 plan calls for a \$10.9 million multipurpose issue in April to include two 13 year series, \$8.7 million for streets and \$2.2 million for water. The street and water bonds will be repaid by property taxes and water revenues respectively. The street issue, approved by referendum April 5th, adds \$773,961 to the tax levy and 4.4 cents to the tax rate for 2005. While the levy will remain approximately \$887,400 during the 13 year life of this bond issue, the rate will decrease from

Debt Management

2005's 4.4 cents to 2017's 3.6 cents. The 2005 property tax rate for debt service is projected to be 49.1 cents; if the 2005 street issue had not been approved, the rate would have dropped to 44.7 cents, a decrease of 0.3 cents from 2004 though debt service would increase by \$187,981. With voter approval, the 2005 debt service rate of 49.1 cents represents a tax rate increase of 4.1 cents and a levy increase of \$961,942. While there are a number of issues changing and one being retired, this change occurs primarily due to the addition of the 2005 street issue.

For water, annual debt service averages \$224,800 and will be financed by the annual 3% water rate increase. Water debt service decreases \$389,200 due primarily to the effect of this issue offset by a significant drop in the 2001 refunding issue.

The General Fund sales tax transfer for annexation improvements will be \$479,410 (includes \$119,073 for the Kishwaukee Sewer Trunk, a 20 year state loan through the water reclamation district). In addition, the \$3.2 million Equipment issue, averaging \$398,000 per year for 10 years, will be repaid from sales tax. Combined, the 2005 sales tax transfer for debt service will be \$875,585.



The State has a limit of 8.625% of debt to equalized assessed valuation (EAV) for non-home rule units. Applying this percentage to the City, the limit would be \$150.6 million (2004 EAV). With \$67.7 million outstanding in general obligation bonds and certificates, the City is at 42% of the limit and has \$82.9 million in authority remaining. The City Council has adopted a more stringent policy, 20% less than the State limit that allows only \$120.4 million, 6.9% of EAV. Even with the stricter City policy, \$52.7 million in authority is still available.

Five Year Financial Forecast

As part of the annual development of the five year capital improvements program, the City also prepares a bond issue schedule. For the 2006-2010 period, the City plans to sell bonds for street, redevelopment, annexation, and water improvements varying in size. Actual size and issuance

Debt Management

depends upon the development of the annual capital improvements program and, for the general obligation bond issues, voter approval.

DEBT SERVICE FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$18,493	\$18,713	\$17,445	\$17,954	\$18,722
Expenditures	<u>18,493</u>	<u>18,713</u>	<u>17,445</u>	<u>17,954</u>	<u>18,722</u>
Excess (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning Balance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Ending Balance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
GO Bond Issues	8,900	9,100	9,300	9,500	9,700
Water Issues	2,200	2,200	2,200	2,200	2,200
Alternate Issues					
Tax Rate (Cents)	53.9	55.1	55.6	56.3	56.7

Off-Track Betting Special Projects Fund

Mission Statement

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

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

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

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

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

Budget Summary

OTB PROJECTS BUDGET SUMMARY					
APPROPRIATION	2003 <u>ACTUAL</u>	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2005 <u>BUDGET</u>	INCREASE (DECREASE)
DEBT SERVICE	\$93,041	\$280,085	\$280,085	\$269,298	(\$10,787)
ARTS	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>0</u>
TOTAL	<u>\$168,041</u>	<u>\$355,085</u>	<u>\$355,085</u>	<u>\$344,298</u>	<u>(\$10,787)</u>
FUNDING SOURCE	2004 <u>AMOUNT</u>		2004 <u>PERCENTAGE</u>	2005 <u>AMOUNT</u>	2005 <u>PERCENTAGE</u>
OTB RECEIPTS	\$225,000		100.0	\$180,000	100.0
OTB ADMISSION FEE	0		0.0	0	0.0
INTEREST INCOME	<u>0</u>		<u>0.0</u>	<u>0</u>	<u>0.0</u>
TOTAL	<u>\$225,000</u>		<u>100.0</u>	<u>\$180,000</u>	<u>100.0</u>

Budget Analysis

2003 and 2004 income, budgeted at \$225,000 and \$180,000, were \$193,985 (86.2%) and \$176,082 (97.8%) respectively. The 2005 budget estimate of \$180,000 is based on the 2004 fall estimate with no growth for an estimated 360 days of operation. 2005 debt service for the City Hall renovation project will total \$269,298. The only additional expense will be the \$75,000 arts contribution.

Off-Track Betting Special Projects Fund

Five Year Financial Forecast

The 2006-2010 five year forecast assumes marginal revenue growth and expenditure of revenue for the arts and debt service. With debt service completed in 2007, the fund's deficit should be eliminated by 2019.

OTB SPECIAL PROJECTS FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$180	\$180	\$180	\$180	\$180
Expenditures	478	529	75	75	75
Excess (Deficit)	<u>(298)</u>	<u>(349)</u>	<u>105</u>	<u>105</u>	<u>105</u>
Beginning Balance	<u>(239)</u>	<u>(537)</u>	<u>(885)</u>	<u>(780)</u>	<u>(675)</u>
Ending Balance	<u>(\$537)</u>	<u>(\$885)</u>	<u>(\$780)</u>	<u>(\$675)</u>	<u>(\$570)</u>

Risk Management Fund

Mission Statement

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

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

Fund Highlights →

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

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

Governmental accounting standards require the City to record anticipated liabilities from operations. The frequency and amounts of the liabilities can vary significantly from year to year. For 2004, the City settled large claims of \$165,000 and \$49,000. The City settled claims for \$20,000 and \$16,000 in 2003.

Budget Summary

RISK MANAGEMENT FUND BUDGET SUMMARY					
APPROPRIATION	2003 <u>ACTUAL</u>	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2005 <u>BUDGET</u>	INCREASE <u>(DECREASE)</u>
CONTRACTUAL	\$1,128,848	\$1,215,540	\$2,265,065	\$1,202,490	(\$13,050)
SUPPLIES	0	200	0	200	0
OTHER	<u>268,250</u>	<u>229,800</u>	<u>229,800</u>	<u>250,900</u>	<u>21,100</u>
TOTAL	<u>\$1,397,098</u>	<u>\$1,445,540</u>	<u>\$2,494,865</u>	<u>\$1,453,590</u>	<u>\$8,050</u>
FUNDING SOURCE	2004 <u>AMOUNT</u>	2004 <u>PERCENTAGE</u>	2005 <u>AMOUNT</u>	2005 <u>PERCENTAGE</u>	
PROPERTY TAXES					
JUDGMENTS	\$1,045,652	71.8	\$1,023,932	70.2	
SERVICE CHARGES	329,880	22.7	371,460	25.5	
PROPERTY DAMAGE REIMBURSEMENTS	<u>80,000</u>	<u>5.5</u>	<u>63,000</u>	<u>4.3</u>	
TOTAL	<u>\$1,455,532</u>	<u>100.0</u>	<u>\$1,458,392</u>	<u>100.0</u>	

Risk Management Fund

Budget Analysis

The Risk Management Fund's budget of \$1,453,590 is \$8,050 more than the prior year's appropriation. The contractual group decreases \$13,100. The risk claims amount is reduced \$28,000 to reflect historical claim activity. Risk policies increase 14,900 as a result of increased premiums on several insurance policies. The other accounts group increases \$21,000 all in the purchase of services from the Legal and Finance departments.

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

Due to the nature of the fund, spending can fluctuate greatly from year to year depending on the claims presented against the City. As a result, the property tax rate for risk management is unlimited by statute. In 2004, actual expenditures totaled \$2,494,865 including a pending settlement for \$425,000 and \$958,000 for incurred claims. The estimated rate for 2005 is 5.9 cents.

Five Year Financial Forecast

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

Risk Management Fund 2006-2010 Financial Forecast (In 000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues	\$1,484	\$1,489	\$1,494	\$1,499	\$1,504
Expenses	<u>704</u>	<u>723</u>	<u>735</u>	<u>747</u>	<u>760</u>
Excess (Deficit)	<u>780</u>	<u>766</u>	<u>759</u>	<u>752</u>	<u>744</u>
Beginning Balance	(3,735)	(2,955)	(2,189)	(1,430)	(678)
Ending Balance	<u>(\$2,955)</u>	<u>(\$2,189)</u>	<u>(\$1,430)</u>	<u>(\$678)</u>	<u>\$66</u>
Property Tax Rates	5.8	5.6	5.4	5.3	5.1

Underground Storage Tank Removal Fund

Mission Statement

It is the mission of the Underground Storage Tank (UST) Removal Fund to remove tanks located at the City Yards complex, and, if necessary, provide a cleanup effort.

Primary Functions → The primary function of the UST Fund is to account for the expenditures incurred with removing underground storage tank removal and the cleanup of contaminants.

Fund Highlights → A majority of the City's Public Works Department's operations are located at the City Yards complex. This facility, given to the City in the late Sixties, dates back to the late nineteenth century and was used by a number of industrial concerns, the latest being the Case Company. Seventeen underground storage tanks were located on the grounds of this facility dating back as far as 1905.

Under new standards and regulations from both the Federal and Illinois EPA agencies, underground storage tanks need to be registered, monitored for leaks, and removed if inactive for a year. Sites, if contaminated, must be cleaned up. To aid these efforts, a new State law, effective January 1, 1990, added three-tenths of a cent on a gallon of fuel to fund a state cleanup fund. On a contaminated site, State funds, if available, would cover all approved costs over the first \$15,000.

Budget Summary

UNDERGROUND STORAGE TANK REMOVAL FUND					
APPROPRIATION	2003 <u>ACTUAL</u>	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2005 <u>BUDGET</u>	INCREASE (DECREASE)
TANK REMOVAL	\$25,464	\$20,000	\$0	\$15,000	(\$5,000)
INTEREST	0	0	0	0	0
TOTAL	<u>\$25,464</u>	<u>\$20,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>(\$5,000)</u>
FUNDING SOURCE		2004 <u>AMOUNT</u>	2004 <u>PERCENTAGE</u>	2005 <u>AMOUNT</u>	2005 <u>PERCENTAGE</u>
PROPERTY TAXES					
CORPORATE					
STATE OF ILLINOIS		\$0	0.0	\$12,500	0.0
INTEREST		0	0.0	0	0.0
TOTAL		<u>\$0</u>	<u>0.0</u>	<u>\$12,500</u>	<u>0.0</u>

This project has had three phases. During the first phase, completed in 1990, the seventeen tanks after registration were emptied of product and removed. Phase II, begun in 1991 to determine the type and magnitude of ground pollution by drilling and sampling, has been completed. Testing the area by drilling holes in selective sites for sampling, the consultant continued taking borings until clean soil defined the limits of the plume. Analyzing the results and applying current regulations, the consultant has determined that we can ask the State for closure. With a public water supply available and the plume stationary, the third phase, remediation, is not necessary. The City entered the Site Remediation Program in late 2004 and will seal and blacktop the affected areas in 2005. After 15 years, this project will be complete.

Underground Storage Tank Removal Fund

Budget Analysis

No costs were incurred in 2004. The total project cost of \$891,000 has been offset by property tax loans, \$394,400, state reimbursements, \$544,500, and interest income, \$29,100.

During the first two years of the project, 1990-1991, \$200,000 of Corporate property taxes were levied annually for this project with the understanding that if and when State reimbursements are received, they will be used to lower or abate property taxes after the project has been completed. For 1992 and years thereafter, State reimbursements have funded the activity.

To complete the project, \$15,000 is budgeted for 2005 to seal and blacktop the affected areas. Sign off on the completion of this project by the State IEPA is expected during the year. State reimbursement of \$12,500 is expected and approximately \$75,000 should be available to reimburse the General Fund when this project is complete.

Five Year Financial Forecast

This fund is scheduled to be closed out this year.

Workforce Investment Board

Mission Statement

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

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

Fund Highlights

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

Budget Summary

WORKFORCE INVESTMENT BOARD BUDGET SUMMARY					
APPROPRIATION	2003 <u>ACTUAL</u>	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2005 <u>BUDGET</u>	INCREASE <u>(DECREASE)</u>
PERSONNEL	\$0	\$82,260	\$104,061	\$212,270	\$108,209
CONTRACTUAL	0	0	0	0	0
SUPPLIES	0	0	0	0	0
TOTAL	\$0	\$82,260	\$104,061	\$212,270	\$108,209
STAFFING REVIEW					
TOTAL	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	INCREASE <u>(DECREASE)</u>
	0.00	0.00	2.00	3.00	1.00
FUNDING SOURCE					
		2004 <u>AMOUNT</u>	2004 <u>PERCENTAGE</u>	2005 <u>AMOUNT</u>	2005 <u>PERCENTAGE</u>
FEDERAL		82,260	100.0	212,270	100.0
		\$82,260	100.0	\$212,270	100.0

Budget Analysis

2004 is the first year for which data is available. In 2004, the City began paying the salary of the WIB Director in April, then the Assistant in July. The salary and benefits budget was added as a part of the supplemental appropriation ordinance. Data for 2004, therefore, does not represent the entire year. The budget for 2005 reflects personnel expenses for three staff members for the entire year. The Board plans to hire a Business Account Manager for 2005.