

Friday, April 1, 2005

To the citizens of the City of Rockford:

On behalf of the City Council and myself, I am pleased to present you with the 2005 City budget. This budget, as proposed and approved, represents the City's continued commitment to provide excellent services to residents, businesses, and visitors. The City's intent during the development of this budget was to maintain or increase current service levels when appropriate but also identify areas that could be adjusted or made more efficient in response to the challenges posed by the still-difficult economic environment.

The recommended budget is a comprehensive document that details the revenue and expenditures for all entities operated by the City.

The planning for the 2005 budget began with a retreat for elected officials and department heads in August of last year. 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, continue the capital equipment replacement program and do not increase taxes. With the above principles, we were able to strategically prioritize resources and approve a balanced budget.

Issues and Priorities in 2005

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 staff 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 principles 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 restoring 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. In addition, the City may also need to address facility needs for the Police and Fire departments resulting from population growth and expansion of the City's east side.

The 2005 General Fund

The City of Rockford, like many other communities in Illinois and across the United States, has seen a downturn in recent years in its sales, use, income, and replacement taxes, commonly referred to as elastic revenues. After three years of declining income, these revenue sources increased just over \$1 million, or about 2.7%, in 2004.

Beginning the 2004 process at the August 2003 Council retreat, the General Fund, were the \$3.0 million in annual capital allocation restored, would have a \$4.6 million 2004 deficit. After

considerable discussion at this retreat and in subsequent months, consensus was reached that the City would manage within its existing revenue base, that capital equipment would be restored, and that a balanced budget would be presented. In February 2004, the Council approved the proposed budget after reducing the \$4.5 million equipment issue to \$3.2 million for fire and public works equipment and budgeting \$555,000 from current income to pay for police cars.

The 2005 budget process began with the City in a slightly better situation. \$750,000 in budget reductions and revenue enhancements were made at the staff level, before the budget was presented in December. This included an early retirement program for City staff, which provides retirees \$4,000 per year for five years to offset the cost of health insurance. Approximately sixty employees will participate in the program, resulting in a \$500,000 savings over five years. 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 2004-2005 capital equipment program, projecting a stable property tax rate, and maintaining existing services.

2005 employee contracts, pensions and health insurance costs make up the largest increases in the budget. The positive shift in the bottom line enabled the City to increase the number of employees by seven, including a Green Communities Coordinator, Special Projects Coordinator, Grant Writer, a Database Specialist, Industrial Development Coordinator, three firefighters, and a part time Courthouse Clerk.

The City Council passed the 2005 budget in February with minimal revisions from the original proposed budget. Staff reviewed all revenues and expenditures, changes were made as necessary, and a balanced General Fund GAAP budget was adopted. This budget allows the City to maintain the necessary fund and cash balances as well as allowing the 2006 budget process to begin on a sound financial footing.

Overview of the 2005 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 less options than all other cities in Illinois of any size. This was particularly apparent when preparing the budget for 2005. 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 City's plans for 2005 include moving forward with the Rockford Global Tradepark, the redevelopment of the Ingersoll and Barber Colman properties, Metro Center and other downtown improvements, and the fiber ring project.

The Community Development Department will move to complete all projects associated with last year's 7th Street TIF District bond issue, seek funding for and begin revitalization activities in the North Main-Auburn business district and complete the South Main Focus Area plan.

The Human Services Department this year will complete a report on a Local Dialogue on Poverty, relocate its LIHEAP offices to a separate location and continue implementation of a strategic plan.

Our Police Department took delivery of 27 new vehicles last year and plans to purchase 18 more in 2005. There will be 20 new police officers hired this year to replace the officers retiring during the calendar year.

The Fire Department's most recent recruit class has 21 members. The Department took delivery of new equipment in early 2005, including four pumpers and two ambulances, made possible through last year's Capital Equipment bond issue. Three firefighters were added to assist with additional duties at the Rockford Airport and meet overtime requirements created by the early retirement program.

Financial Summary

With the 2005 budget, the City was able to continue its goal of maintaining a stable property tax rate for citizens. The 2005 budget adopted a property tax rate ranging from \$2.53 to \$2.58, depending on passage of the capital improvements referendum.

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 issues in 2004. The spring \$15.9 million issue included \$8.5 million for street improvements, \$2.2 million for water system improvements, \$3.2 million for capital purchases, and \$2.0 million for economic development efforts. The fall \$14.57 million issue was a combination \$4.65 million TIF district development sale and a \$9.92 million refunding. In 2005, two sales are planned, the spring \$10.9 million street (\$8.7 million) and water system (\$2.2 million) improvements.

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.

Several activities and projects will be occurring in the Community Development program area. As noted earlier, the Department will be active in the South Main Redevelopment project, the Barber Colman Village Redevelopment, develop the Rockford Global Tradepark Redevelopment Planning Area and establish the related TIF districts, and continue with redevelopment efforts in the Seventh Street area. In the North Main TIF district, construction of condominiums is moving forward at the old K-Mart site.

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 expand this service by providing more full day services by moving to a larger facility and closing an existing location. 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 and is reconfiguring that program to reduce congestion at the Administration building.

Public Safety services provided by the City include police and fire protection. The Police department continues to improve their communications system with radio tower repairs and upgrades. They are also progressing through an accreditation process, with expected completion in fall 2005. 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.

The Public Works Department will also be active in repairing and improving bridges and roads in the City. This year the City will issue \$8.7 million in bonds for street improvements and these funds will be used to resurface and reconstruct portions of many arterial roads.

The Water Division of Public Works, which is an Enterprise Fund that derives its revenues on a fee for service basis, will continue installing radio frequency meters throughout the City. This program, to be completed in 2006, will allow a meter to be read without entry into the home of a water customer. This is less intrusive and has resulted in more efficient completion of meter

reading routes. The Water Division also has a major water main replacement project planned for Clifton Avenue, as well as water main replacements on residential construction projects.

Conclusion

On February 22, 2005, the City Council adopted the 2005 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.

Very Truly Yours,

Doug Scott
Mayor
City of Rockford