

**For the City Council Meeting of January 24, 2011
3rd Quarter Financial Report**



Memorandum

To: Honorable Mayor and Members of the City Council

From: Joellen Earl, Administrative Services Director
Louis Gergits, Senior Management Analyst

CC: Wally Bobkiewicz, City Manager
Marty Lyons, Assistant City Manager

Subject: 3rd Quarter Financial Report for Fiscal Year 2010-11

Date: January 20, 2012

Recommended Action:

Staff recommends City Council accept and place the 3rd Quarter Financial Report on file.

Funding Source:

N/A

Summary:

The City ended the 3rd Quarter of fiscal year 2010-11 in stable financial condition. The City's financial performance is the result of revenues remaining relatively consistent with budget targets and expenditures holding below budgeted levels.

Attached are summaries of the City's funds for Fiscal Year 2010-11. In reviewing this report, please note the following:

1. A majority of the revenues are recorded at the time they are actually received (permits, property taxes, fees, etc.), however, some revenues are recorded at the time of notification of the revenue being earned by the City (sales, income, telecommunications taxes, etc).
2. State revenue sources are delayed by one to three months based on the revenue in question.
3. While some revenues are received on a monthly basis, other revenues are received less uniformly over the year. An example is property taxes, which are billed bi-annually and then distributed by the County as payments are received. This disbursal method contrasts with other revenue sources such as sales taxes, which are collected by the State and distributed on a monthly basis.

4. Operating expenses are reported at the time they are incurred during the year. At year-end, the City receives invoices after the close of the year, for services used or items purchased during the year. These expenses are recorded into the previous year for which they were incurred.
5. Operating expenses are incurred on a uniform basis for items such as payroll, utilities, fuel, etc., and on an as needed basis for supplies, equipment and specific outsourced services.

A brief summary of the issues impacting our revenues and expenditures in the General Fund and selected enterprise funds is provided immediately below.

General Fund Revenues:

Through the 3rd Quarter, General Fund revenues are \$60,299,463, or 69.4% of Fiscal Year 2010-11 Budget. Last year at this time, General Fund revenues collected for the same period were \$58,617,789. Thus, through third quarter, FY10-11 General Fund revenues are \$1,681,674 or 2.9% greater than prior year. Assuming the State does pay income tax revenues, 3rd Quarter results are fairly close to budget.

- Through November 30, 2010, approximately \$9.3M of property tax revenue has been received, although \$1.5M of this amount was recorded in February, 2010 and credited to the prior fiscal year. For the current fiscal year, \$7.7M has been received, which is 47% of the budgeted amount. Staff anticipates an additional \$7M in property taxes will be collected in FY11, totaling \$14.7M. While the 2009 property tax levy was \$16.9M, a delay in property tax disbursement payments by Cook County could result in the remaining balance of this revenue being collected and reported in FY11. Staff will continue to monitor property tax collections and will provide updates to the City Council.
- State income tax was recorded in the amount of \$4,448,156 through November 30, 2010, achieving approximately 78% of the budget target for this revenue item. State income tax is typically received in arrears by one or two months. However, longer delays in State disbursements have been experienced this year. Currently, the State is six months behind in their payments which amounts to \$2.7M.
- Sales tax is currently at 81% of FY11 budgeted revenue or \$903,713 over the 75% budget target year to date. Other communities operating on a May 1 fiscal year are projecting increases in sales tax revenue for their 2011-12 fiscal year as well. The State has not fallen behind in sales tax payments to the City and the lag between collection by the State and payment to the City is still at three months.
- Real estate transfer tax through November 30, 2010 totaled \$1,514,277,

achieving 95% of the budget target for this item. Based on preliminary December, 2010 revenue data, staff anticipates that real estate transfer tax collections will exceed FY10-11 budget estimates. However, It should be noted that real estate sales typically slow later in the year, so staff will continue to monitor this item.

- Licenses, permits, and fees are approximately 18% below the targeted budget amount in spite of permit receipts exceeding the budgeted amount. Permit revenue is \$2,598,000 or 80% of target budget. In comparison, license revenue is \$1,369,000 or 35% of target budget. This is primarily due to the seasonal nature of vehicle licenses. Between December and February, the City will receive approximately \$2.4M in vehicle sticker revenue. We anticipate Vehicle Sticker revenue to come in at budget and therefore these revenues should come in at or above budget for the year.
- Other revenues appear to be on target with budget. Staff will continue to monitor these items and provide periodic reports throughout the year.

General Fund Expenditures:

Through the 3rd quarter, General Fund expenditures are \$62,280,524 or 72% of budget. During a similar period last year, General Fund expenditures were \$63,384,272. Thus, through third quarter, FY10-11 General Fund expenditures are down \$1,103,748 or 1.7%. It is important to note that for the General Fund, many expenditures / disbursements are not made evenly over the course of the year. For example, certain overtime wages in the Public Works Department for such services as snow removal are usually charged in the 4th quarter.

To ensure that the City of Evanston successfully achieves its target budget for expenditures in fiscal year 2010-11, the following steps have been implemented:

- Hiring Freeze – Involving targeted positions.
- Implement Reorganizations – Continue to evaluate opportunities to consolidate positions through attrition to achieve additional cost savings.
- Spending Freeze – All non-essential spending will be curtailed for the remainder of the year.
- Expenditure Control – Expenditures over \$1,000 will require approval from the City Manager's Office.
- Training and Travel – All requests for training and travel must be justified. Out-of-state travel requires approval from the City Manager's Office.

- Overtime Analysis – Work with departments experiencing high overtime and callback costs to minimize expenditures and pursue long-term solutions to reduce outlays.

Enterprise Funds:

The Parking Fund currently shows a large surplus for fiscal year 2010-11 however debt service payments are made in the final quarter of the fiscal year, and this will reduce the surplus substantially. The Parking Fund is also scheduled for major capital improvements for the parking decks in 2011, which will also reduce surpluses over current levels.

The Water Fund includes \$3.5 million in bond proceed revenues. Given the delay in the adoption of the 2010-11 CIP, not all capital expenses will be made this year. Staff will be providing an update of capital costs on February 14, 2011 when adoption of the 2011 Capital Improvements Plan is anticipated and the 2011 Budget is amended to cover final capital costs reviewed by the City Council. At the present time the Water Fund has a fund balance of just over \$8.1 million so the amount of bonds issued will most likely decrease or be deferred.

The Sewer Fund still shows operating revenues below operating expenses through 11/30/10. Although the fund has \$1.4 million in fund balance as of this date, debt service payments will eliminate this reserve prior to the end of the fiscal year, and additional funds will be required through the issuance of bonds to maintain minimum fund balances by 2/28/11.

Insurance Fund:

Through November 30, 2010, revenues for the Insurance Fund are \$11,760,288, which is approximately 74% of the FY10-11 budget. Additionally, Insurance Fund expenses through 3rd quarter are \$12,601,971, which is 79% of budget. This has resulted in a net \$841,683 deficit for the Insurance Fund through 3rd quarter. Through November 30, 2010, the Insurance Fund has a negative balance of \$4,969,886.

A large portion of this negative fund balance is due to insurance reserves for potential claims payable. These claims/cases have not been settled, and therefore there is no guarantee the City will actually experience this negative fund balance as estimated. That being said, the 2011 budget includes increased transfers from all departments and funds to cover our liability and benefit insurance costs to reduce this deficit. As an Internal Service Fund, the Insurance Fund reserves or deficits are for all intents and purposes reviewed as a part of the General Fund. As such, it is imperative that the City reduce these deficits to avoid any negative impact to General Fund operations.

City of Evanston
 Report of Budget-to-Actual Revenues and Expenditures
 As of November 30, 2010

	General Fund			Parking Fund			Water Fund			Sewer Fund		
	Budget	Actual	% of Budget	Budget	Actual	% of Budget	Budget	Actual	% of Budget	Budget	Actual	% of Budget
Revenues												
Property Tax	\$ 16,549,600	\$ 7,772,879	47.0%	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	
Sales Tax	14,434,000	11,729,213	81.3%									
State Income Tax	5,717,000	4,448,156	77.8%									
Utility Tax	8,484,000	3,320,585	39.1%									
Real Estate Transfer Tax	1,600,000	1,514,277	94.6%									
Liquor Tax	2,050,000	1,618,774	79.0%									
Other Taxes	5,176,700	5,531,510	106.9%									
Licenses, Permits, Fees	8,319,900	4,758,065	57.2%									
Charges for Services	10,516,700	7,733,343	73.5%	6,607,000	4,596,336	69.6%	12,465,000	9,883,706	79.3%	14,284,000	10,374,686	72.6%
Intergovernmental Revenues	785,500	569,074	72.4%	3,385,900	2,539,422	75.0%						
Interfund Transfers	7,336,200	5,527,916	75.4%									
Other Non-Tax Revenue	5,904,300	5,775,671	97.8%	2,078,900	4,001	0.2%	4,990,781	527,702	10.6%	4,000	24,947	623.7%
Total Revenues	\$ 86,873,900	\$60,299,463	69.4%	\$ 12,071,800	\$ 7,139,759	59.1%	\$ 17,455,781	\$ 10,411,408	59.6%	\$ 14,288,000	\$ 10,399,633	72.8%
Expenditures												
Legislative	\$ 603,194	\$ 442,530	73.4%	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	
City Administration	1,952,348	1,090,023	55.8%									
Legal	1,026,853	704,594	68.6%									
Administrative Services	8,770,765	6,351,340	72.4%									
Community Development	3,885,366	2,872,126	73.9%									
Police	21,776,503	16,445,224	75.5%									
Fire	12,329,910	9,292,192	75.4%									
Health	2,307,906	1,429,021	61.9%									
Public Works- Operating	12,899,123	8,590,479	66.6%	11,357,117	3,995,356	35.2%	12,331,480	7,621,455	61.8%	16,807,580	11,373,156	67.7%
Public Works- Capital Outlay							7,755,581	2,700,011	34.8%	700,000	231,513	33.1%
Library	4,217,872	2,969,316	70.4%									
Parks, Recreation & Comm. Services	16,808,920	12,093,679	71.9%									
Total Expenditures	\$ 86,578,760	\$62,280,524	71.9%	\$ 11,357,117	\$ 3,995,356	35.2%	\$ 20,087,061	\$ 10,321,466	51.4%	\$ 17,507,580	\$ 11,604,669	66.3%

**City of Evanston
General Fund
As of November 30, 2010**

	2009-2010 Budget <u>Adopted</u>	2009-2010 Audited <u>Actual</u>	2010-2011 Budget <u>Adopted</u>	2010-2011 YTD <u>Actual</u>	2011 Budget <u>Adopted</u>
Tax - Property	\$ 15,087,883	\$ 16,450,938	\$ 16,549,600	7,772,879	\$ 16,516,200
Tax - State Use	1,142,000	870,430	1,095,000	727,708	677,877
Tax - Sales Tax (ROT)	9,176,000	8,546,173	8,914,000	6,662,721	7,300,000
Tax - Sales Tax Home Rule	5,776,000	5,463,561	5,520,000	4,338,784	4,552,968
Tax - Auto Rental	35,000	35,201	35,000	27,019	29,155
Tax - Athletic Contest	575,000	567,744	650,200	151,832	550,167
Tax - State Income	7,050,000	5,912,082	5,717,000	4,448,156	4,635,565
Tax - Foreign Fire	90,000	113,738	-	-	180,000
Tax - Electric Utility	2,798,900	2,650,134	2,802,000	2,084,841	2,196,333
Tax - Natural Gas Distribution	1,845,000	1,112,580	1,583,000	786,104	1,385,130
Tax - Natural Gas Use	858,700	778,813	869,000	449,640	709,044
Tax - Cigarette	485,000	354,340	485,000	285,420	295,284
Tax - Local Gasoline	401,000	510,739	450,000	408,467	550,378
Tax - Liquor	2,040,000	1,953,005	2,050,000	1,618,774	1,623,754
Tax - Parking	1,800,000	2,629,532	1,785,000	1,781,618	1,800,000
Tax - Personal Property Replacement	719,000	668,740	676,500	490,857	441,166
Tax - Real Estate Transfer	3,000,000	1,640,274	1,600,000	1,514,277	1,500,000
Tax - Telecommunications	3,655,400	3,314,895	3,230,000	2,386,297	2,691,667
License Fees - Vehicles	2,700,000	2,514,920	2,700,000	850,258	1,799,820
License Fees - Other	1,299,300	1,136,410	1,163,600	519,622	814,720
Other Fees	1,138,500	1,102,335	1,214,500	789,720	1,092,617
Permit Fees - Building	2,500,000	1,480,739	2,200,000	1,655,814	2,500,000
Permit Fees - Other	1,307,300	1,052,222	1,041,800	942,651	1,086,400
Fines and Forfeiture Revenue	4,256,500	4,150,610	4,403,500	3,204,052	3,716,864
Charges for Services Revenue	8,806,600	8,650,976	10,516,700	7,733,343	6,404,402
Other Revenue	973,217	1,464,080	1,400,800	2,562,477	1,089,183
Intergovernmental Revenue	945,600	1,129,803	785,500	569,074	802,239
Interfund Transfers In (Other Funds)	8,757,300	8,822,296	7,336,200	5,527,916	6,920,549
Interest Income	450,000	17,048	100,000	9,142	12,000
Total Revenue	<u>89,669,200</u>	<u>85,094,358</u>	<u>86,873,900</u>	<u>60,299,463</u>	<u>73,873,482</u>
Legislative	628,000	624,356	603,194	442,530	524,395
City Administration	4,964,500	4,401,775	1,952,348	1,090,023	1,768,239
Legal	698,800	685,083	1,026,853	704,594	805,711
Human Resources	-	-	-	-	-
Finance	-	-	-	-	-
Administrative Services (Note 1)	7,543,500	6,796,982	8,770,765	6,351,340	8,194,402
Community and Economic Development	3,461,800	3,332,819	3,885,366	2,872,126	2,863,780
Police	20,599,400	21,772,625	21,776,503	16,445,224	20,365,416
Fire	11,877,100	12,427,966	12,329,910	9,292,192	11,221,528
Health	4,084,500	3,940,325	2,307,906	1,429,021	2,243,254
Public Works	14,265,300	12,857,585	12,899,123	8,590,479	6,626,203
Library	5,012,100	4,814,076	4,217,872	2,969,316	3,724,051
Parks, Recreation & Community Services	16,534,200	15,374,250	16,808,920	12,093,679	15,536,503
Total Expenditures	<u>89,669,200</u>	<u>87,027,842</u>	<u>86,578,760</u>	<u>62,280,524</u>	<u>73,873,482</u>
Net Surplus (Deficit)	<u>\$ -</u>	<u>\$ (1,933,484)</u>	<u>\$ 295,140</u>	<u>\$ (1,981,061)</u>	<u>\$ -</u>
Beginning Unreserved/Undesignated Fund Balance		14,325,341		13,175,781	
Adjustment (Note 2)		783,924			
Ending Unreserved Fund Balance		<u>\$ 13,175,781</u>		<u>\$ 11,194,720</u>	

Note 1: Administrative Services is a new department in FY10/11 and includes Human Resources, Information Technology and Finance

Note 2: Adjustment reflects reconciliation between budgetary basis and GAAP basis