THE CITY OF ROCKFORD ILLINOIS, USA

Lawrence J. Morrissey
Mayor
Office of the Mayor

February, 2015

Dear Citizens of the City of Rockford,

On behalf of the Rockford City Council and our dedicated staff, I am proud to present the 2015 City of Rockford Budget. Our 2015 Budget demonstrates our goal of providing the best value and service to our residents, our businesses, and our visitors.

Our 2015 Budget focuses on two major themes: public safety and capital investment. Our public safety investment represents the largest portion of our budget. Through responsible fiscal management and successes in collective bargaining during the past year, our 2015 Budget maintains our police force to 290 sworn officers. In addition, construction on our three police district stations will commence this year, which will increase our focus on community-oriented policing. We'll also continue our public safety partnership with other local, state, and federal partners through the Winnebago County Violent Crime Task Force. In June of this year, our new Fire Station 3 will open, increasing efficiency and coverage in the southwest quadrant of the City. In the area of capital investment, the City is on pace to have its largest capital investment in over 50 years, with significant investment in our transportation and water systems. This capital investment is leveraging major public-private investment, notably in the downtown and at Rockford Global Tradepark.

Through this historic investment in public safety and infrastructure, and despite our economic challenges, the Rockford City Council has been fiscally responsible by maintaining the amount of property tax receipts we have collected at 2013 levels.

This year, we will continue the difficult work of navigating the challenging economy. As we work on our day-to-day operations, as well as the City's long range plans, we appreciate the support of our citizens and community-wide efforts such as "Transform Rockford". We look forward to hearing from you as we strive to do together what we cannot do alone. Thank you for your support.

Very truly yours,

Lawrence J. Morrissey
Mayor, City of Rockford, Illinois

City of Rockford, Illinois USA

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Executive Summary

The planning for the 2015 budget began with a retreat for elected officials and department heads in September. 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 goals of maintaining staffing and service levels. With the above principles, we were able to strategically prioritize resources and approve a balanced budget.

Issues and Priorities in 2015

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 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.
- Assessing City services for efficiency and possible cost saving measures.
- Continuing investments in information technology to provide improvements in the effectiveness and efficiency of City services.

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- Maintaining the City's solid financial condition.
- Maintaining a stable tax rate.
- Making incremental service adjustments to reflect changing community needs.
- Adjusting to possible reductions in shared State funds.

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. The 2011 and 2012 budgets required capital equipment purchases due to equipment reaching its life expectancy. The City Council approved a vehicle leasing policy that will implement the replacement of vehicles over a four-year period for all City departments to meet the needs of the aging fleet. The vehicle leasing policy was amended to extend the vehicle replacement out an additional two years in early 2014 and extended an additional two years for 2015.

The 2015 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 $2 million, or about 5%, in 2013.

The 2015 budget process began with the City projecting a $2.8 million deficit. A status-quo budget was presented in September followed by recommendations to reduce the deficit to work towards a balanced budget that would be approved by the end of 2014. The local economic environment and the impact it has on the City's available revenue continues to present a challenge.

2015 fringe benefit costs make up the largest increases in the budget, due to planned reductions in 2014 to address the budget deficit.

The City Council passed the 2015 budget in December 2014. This budget allows the City to maintain the necessary fund and cash balances as well as allowing the 2016 budget process to begin on a sound financial footing.

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Overview of the 2015 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 2015. 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 Construction and Development Services Division continues to address violation of ordinances, zoning regulations, and public safety concerns and will manage a significant volume of demolition activity in 2015.

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

The Police Department will address continued efforts towards geographic community policing programs, using crime data to better deploy resources and respond to potential problems while continuing to reduce overtime costs. The transition to three police stations will begin in 2015.

The Fire Department will continue to maintain certifications and accreditation requirements and expand public education activities, while adjusting to new manning levels.

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, addressing forestry needs, and maintaining the city-wide vehicle leasing program.

Financial Summary

With the 2015 budget, the City was able to continue its goal of maintaining a stable operating property tax rate for citizens with declining debt service rate as a result of the 1% infrastructure sales tax referendum. The 2015 budget adopted an estimated property tax rate of $3.29.

In addition to financing capital improvements through sales tax revenues, 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.

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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 construction projects, and City projects. The Information Technology Department will handle a number of large projects, including completing implementation of the new City-wide telephone system. The Finance Department will continue to manage the customer service center and the city-wide vehicle leasing program.

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 City's Human Services Department will remain an important resource to City residents in the coming year. The Head Start program serves approximately 756 children in four different programs which include home base schooling, part day classes, students in full day classes, and family plus.

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. Housing assistance, neighborhood outreach, and self-sufficiency training continue to be important programs within the Human Services Department to assist low-income neighborhoods and the City's homeless population.

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, adjusting to revised manning levels awarded in arbitration in 2013. 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 remain proactive in meeting the needs of our citizens through the planned maintenance of our roads, right of ways, and public assets. The department will continue to implement a Capital Improvements program which will focus on improving our infrastructure through the investment and leverage of the 1% sales tax.

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Conclusion

On December 15, 2014 the City Council adopted the 2015 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.

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

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For the Fiscal Year Beginning

January 1, 2014

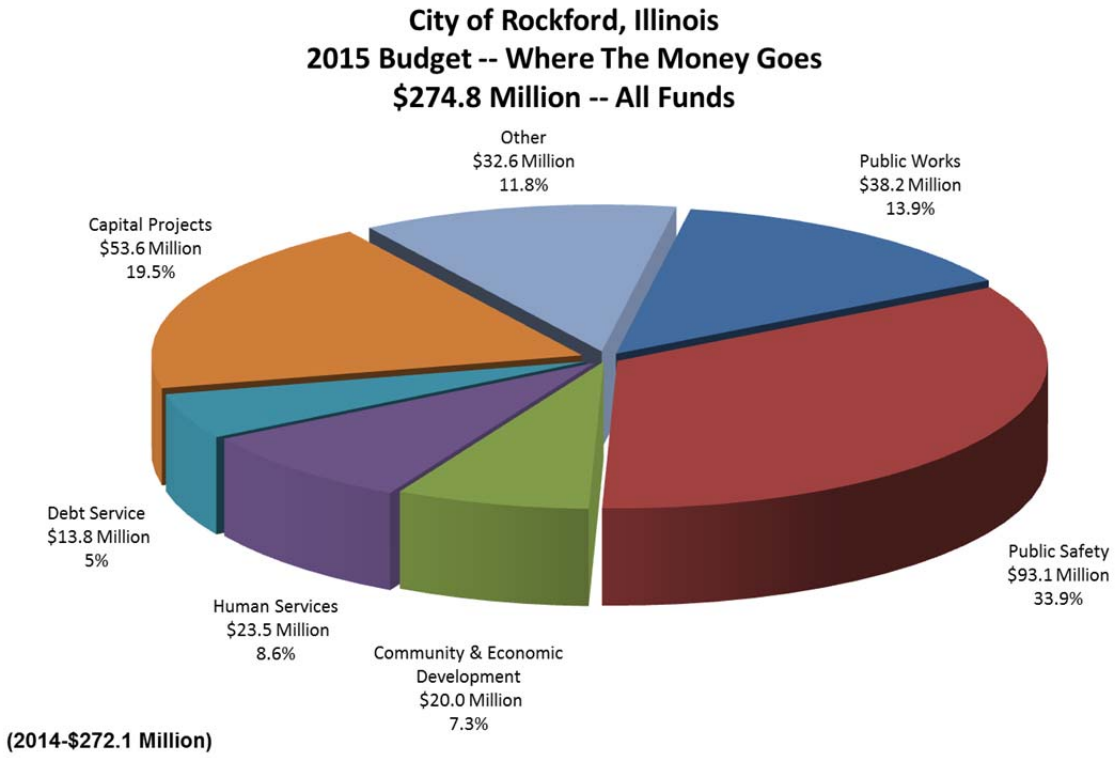
Executive Director

CITIZEN'S BUDGET HIGHLIGHTS

The City's goal in developing the 2015 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 2014, making incremental improvements where possible, and continuing to comply with the limitations of the Property Tax Extension Limitation Law (Tax caps).

PROGRAM EXPENDITURES

The budget appropriation in 2015 is $274.8 million for all funds, an increase of $2.7 million from the 2014 appropriation of $272.1 million. Major program changes for 2015 include:



Community Development's appropriation increases $724,800 due to a 2% wage increase and an increase in health insurance rates which is offset by a reduction in various contractual expenses including demolitions to meet necessary deficit reductions.

Public Safety's appropriation increases $2.1 million. Increases are due to general step and longevity increases, increase in overtime expenses and pension contributions. These increases are offset by a continued reduction in fire personnel staffing due to minimum manning language changes awarded in arbitration and a decrease in capital vehicle purchases per the revised City leasing plan.

Human Services' appropriation increased $90,000 from 2014. Increases for Human Services are due to 3-4% salary increases for Library personnel. These increases are offset by staffing level reductions in the Human Services department and a reduction in IMRF and unemployment rates. Human Services department's contractual and other expenses reduction due to uncertain grant funding levels at the time of preparing the budget contribute to the offset as well. Library also made reductions to contractual expenses for one-time consultants utilized in 2014.

The Public Works budget decreases $445,800 from the previous year's budget. Decreases are due to a reduction from the 2014 supplemental appropriation for snow and ice costs, a decrease in capital vehicle purchases per the revised City leasing plan. These decreases are offset by increases to personnel costs due to a budgeted 2% wage increase and an increase in health insurance rates.

The budget for Debt Service decreases $457,200 million from 2014 to 2015 which includes lease payment costs.

The Capital Projects Fund budget for 2015 increased $3.3 million from the previous year. Projects that will begin in 2015 include converting the Illinois Railway River Bridge to a pedestrian path and reconstructing the South Alpine Road box culvert over Keith Creek to re-establish a vital commercial trucking corridor through the City.

In the Other category, the decrease of $2.7 million is due to the elimination of a transfer to Risk Management fund. These decreases are offset by an increase in permanent salaries and health insurance rates in the Legislative and Management departments within the General Fund.

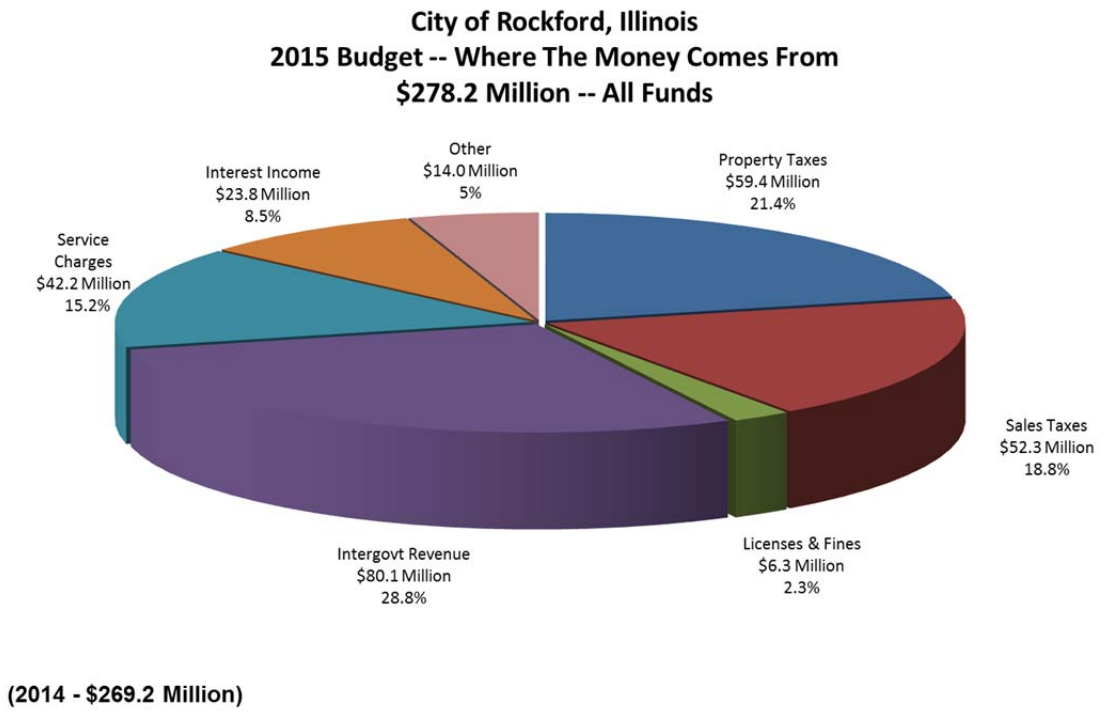
REVENUES

For 2015, the revenue budget is $278.2 million for all funds, an increase of $9 million from 2014's $269.2 million.

The 2015 revenue budget emphasizes:

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

Major revenue changes for 2015 include:



Intergovernmental revenues from federal, state, and local governments are projected to increase $7.1 million from 2014.

Service charges increased $3.1 million from the 2014 total of $39.2 million.

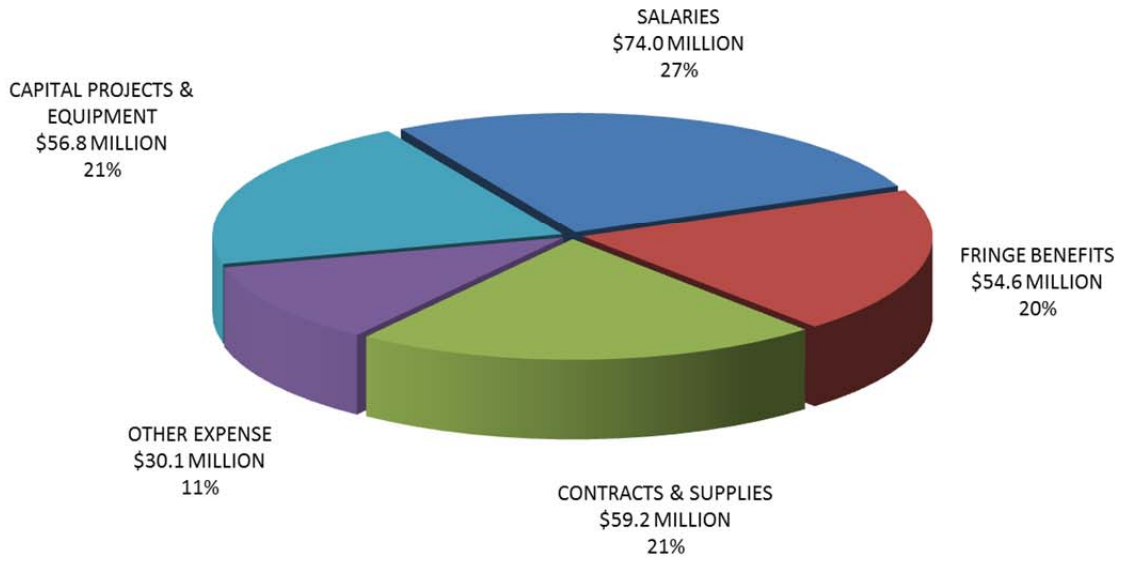
Other income is projected to decrease $1.7 million.

ACCOUNT EXPENDITURES

The 2015 City Budget, when viewed from a line item rather than a program perspective, illustrates the fact that over sixty-five percent of the budget is attributable to personnel and infrastructure improvements. This reflects the fact that the City is a labor intensive service organization with 1,100 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 2015 are:

City of Rockford, Illinois
2015 Budget -- $274.8 Million
All Funds Combined By Account Classification



(2014-$272.1 MILLION)

Salaries increased $1.3 million as a result of contract increases and a 2% wage increase.

Fringe benefits increased $3.6 million as a direct result of increased salaries and a health insurance premium increase.

Contractual and supply accounts decreased $1.4 million. Slight decreases across various departments contributed to this decrease.

Capital projects and equipment decrease $277,400 from the 2014 budget, with decreases for funding vehicle purchases under the City's vehicle leasing program. Projects scheduled to begin in 2015 include converting the Illinois Railway River Bridge to a pedestrian path and reconstructing the South Alpine Road box culvert over Keith Creek to re-establish a vital commercial trucking corridor through the City.

COUNCIL CHANGES TO THE BUDGET

The Council received the budget in September 2014 and referred it to the Finance Committee. The proposed budget was modified by the City Council to avoid an increase in the property tax levy, transfer funds from the sanitation fund, reduce capital lease transfers, and make various reductions in departmental budgets. The Committee, after holding four budget hearings with departments, approved the budget on December 15, 2014.

WHAT THE 2015 BUDGET WILL COST THE TAXPAYER

The 2015 budget continues stability for the Rockford homeowner. For a homeowner with a $100,000 home, the rate and cost for 2010 – 2014 are shown below.

Property Tax Bill (City Portion Only)
For Home With $100,000 Market Value
2010-2014 Levy Years

Year	Rate	Bill
2010	2.36	645
2011	2.52	689
2012	2.82	770
2013	3.08	842
2014	3.29	899

While the rates are anticipated to increase for 2015, the increase is a reflection of decreasing equalized assessed valuations (EAV). The levies, as always under non-home rule tax rates and the property tax extension limitation law (tax caps), are limited as to increases. If EAV decreases, the tax rates will rise to maintain the status quo.

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 2015 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 2015 budget is comprised of sixty-six (66) operating 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
- Objectives for Fiscal Year 2015
- Budget Summary (2013-2015 Expenditure and 2012-2015 Funding Analysis)
- Authorized Personnel
- Budget Highlights
- Five Year Financial Forecast
- Capital Equipment
- Performance Measures
- Operational Information

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
(779) 348-7470

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.

The 2014 audit is not yet complete; this document provides estimates of 2014 expenditures and revenues.

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.

THE PROCESS, PUBLIC INVOLVEMENT, AMENDING THE BUDGET

The City's fiscal year is the calendar year and its budget cycle is an annual one. By Illinois State Statutes, the Council must pass a budget prior to the end of the first quarter of the proposed budget year. During the first quarter of the proposed budget year, if the Council has not yet adopted a new budget, departments operate under the prior year's budget. Typically, the process begins sometime in March/April and ends at some point before the beginning of the budget year.

THE 2015 PROCESS

The 2015 process began early in 2014 due to projected General Fund deficit. One Saturday hearing was held in September, two in October and one in November to achieve budget approval. The schedule of events is shown in the Budget Timeline on the following page.

PUBLIC INVOLVEMENT

It is the City's policy to keep citizens informed during the budget process and to seek public input. In addition to holding public hearings, the City also makes available, before and after adoption, other summary and detail information. The City's efforts are assisted by extensive media coverage (daily newspaper, four television stations and a number of radio stations).

AMENDING THE BUDGET

The State of Illinois provides two avenues for budget (Appropriation Ordinance) amendment.

The City Council, at any time after the first half of each fiscal year, by a two-thirds vote of all members, may make transfers within any department of funds appropriated for one corporate purpose to another.

During any part of the fiscal year, the Council may adopt a supplemental Appropriation Ordinance in an amount not in excess of the aggregate of any additional revenue available to the City, or estimated to be received, subsequent to the adoption of the Appropriation Ordinance for that fiscal year. Such a supplemental Appropriation Ordinance shall affect only revenue that was not available for appropriation when the annual Appropriation Ordinance was adopted.

FINANCIAL PLANNING — THE KEY TO THE FUTURE

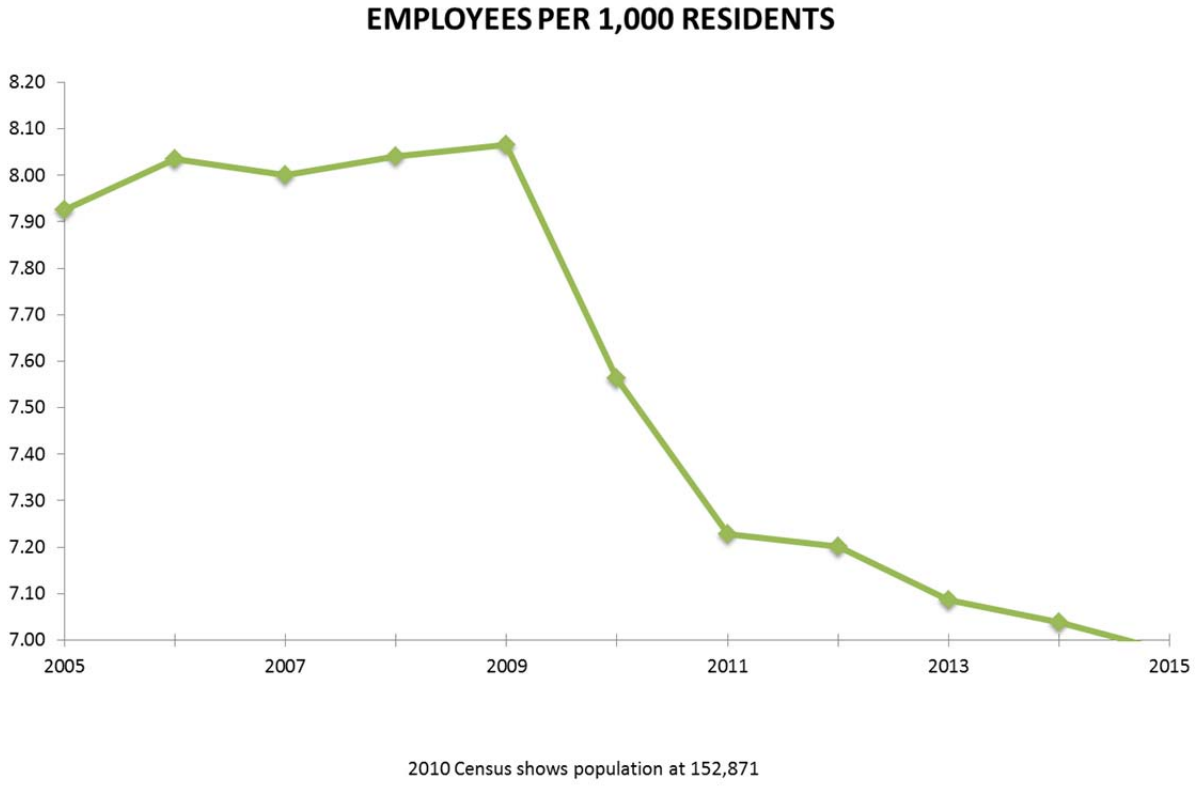
Each year, budget staff updates selected trends and the five-year forecast. In conjunction with this, the City has from time to time used a financial task force of business and financial executives who review and discuss the trends, assumptions, and proposed forecasts. In addition, the group reviews financial policy proposals that the staff develops for Council approval.

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. The planning process, including the financial trends discussed in this section, has provided 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.

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 2010 census of 152,871 was 2,756 (1.8%) greater than the 2000 census of 150,115. The population is expected to increase gradually over the next few years.

The City continues to keep the ratio of its employees and population in proportion. Budget deficits since 2009 have resulted in staffing reductions City-wide.



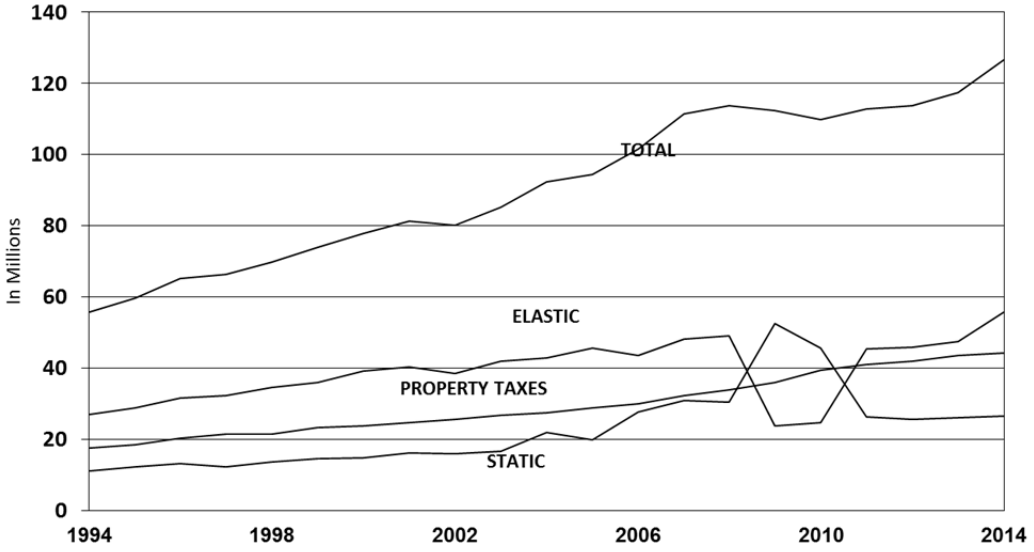
Although the City continues to attain an increasing population, the last few years have been difficult for the local economy. Unemployment in the City and County in general has been higher than state and national

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.

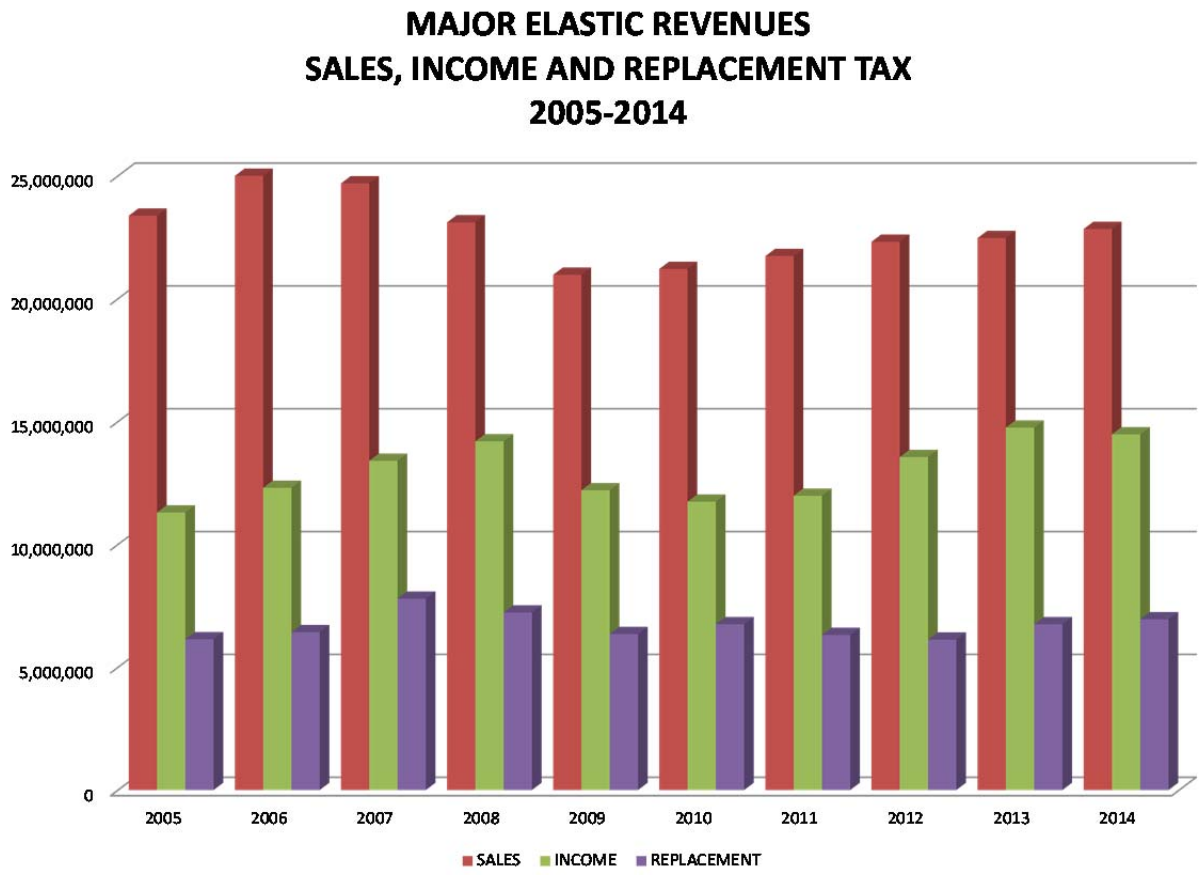
Employment in the Rockford MSA for December 2013 was approximately 144,519, a decrease of 3,287 from 2012. Overall, total employment has decreased 14.76% from 1993 to 2013.

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.

GENERAL FUND REVENUE SOURCE COMPOSITION



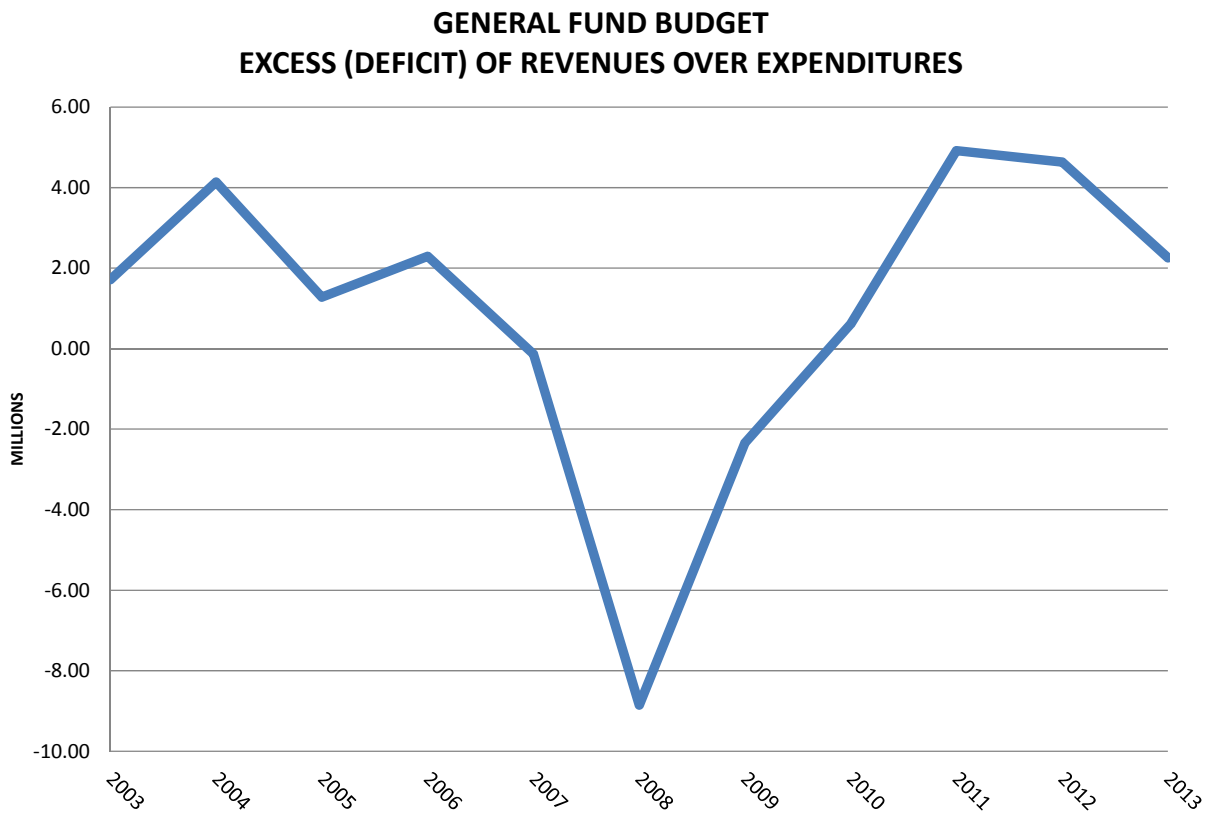
An economic expansion or recession would have a greater effect on elastic revenues than on the other two types. Increases in property tax revenue are a result of growth in the tax base, the consumer price index factor in the Property Tax Extension Law Limit (tax caps), and debt service expenditures approved by referendum.



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.

Fluctuations in the housing market impact general fund revenue in a number of ways. For 2014, Rockford's equalized assessed valuation (EAV) is estimated to decrease less than 0.5% to $1.584 billion. 2013 EAV decreased $124.9 million (7.3%). Decreases in EAV affect property taxes, both rates and levies subject to tax caps. In addition, building permits, generally a fairly stable revenue source, have dropped significantly with the housing crash and foreclosure crisis. After several years of little or no new construction, 2014 saw an increase in multifamily permits. Permits for repair and remodeling have also increased and revenues are starting to recover.

Recent years have been more challenging due to lower elastic revenue growth, as well as tax cap and tax rate limit on property tax revenues, as a result of the slowing economy. As a result of current economic conditions, City operations and expenses have been curtailed to avoid deficit spending.



Added together, these year-end surpluses have improved the cash and fund balances of the General Fund from negative to positive. 2015 is a balanced budget year. 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.

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:

REVENUES	ASSUMPTION	PERCENT BUDGET SHARE
Assessed Valuation (Percent)	(-5.0) – 0	31.3
Uncollectible Factor	0 – 1.0	
Sales and Other Taxes	0 – 2.5	26.8
Cable TV, Gas Licenses	0 – 2.5	1.5
State Income Tax	0 – 3.0	10.5
State Replacement Tax	0 – 3.0	5.2
Inspections	0 – 3.0	1.0
Federal/State/County	0.0	4.9
All Other	0.0	8.4
Service Reimbursements	0 – 5.0	5.7
Tax Levy Reimbursements	0 – 3.0	4.7

EXPENDITURES	
All Salary & Wage Compensation (Percent)	0 – 2.0
Fringe Benefits	10.0 – 15.0
Contracts, Supplies, and Other Expense	0 – 3.0
Interest Expense	0 – 3.0
Capital Expense	0 – 10.0*

2016-2020 PLAN

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

Year	Excess (Deficit) (In 000's)	Percent of Total Budget
2016	(5,225)	-4.1%
2017	(7,965)	-6.1%
2018	(9,643)	-7.2%
2019	(11,458)	-8.3%
2020		

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

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 nearly 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.

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.

The City will review operations to seek solutions to the growing deficit by addressing efficiency and effectiveness of City services.

CASH MANAGEMENT — MAXIMIZING RESOURCES

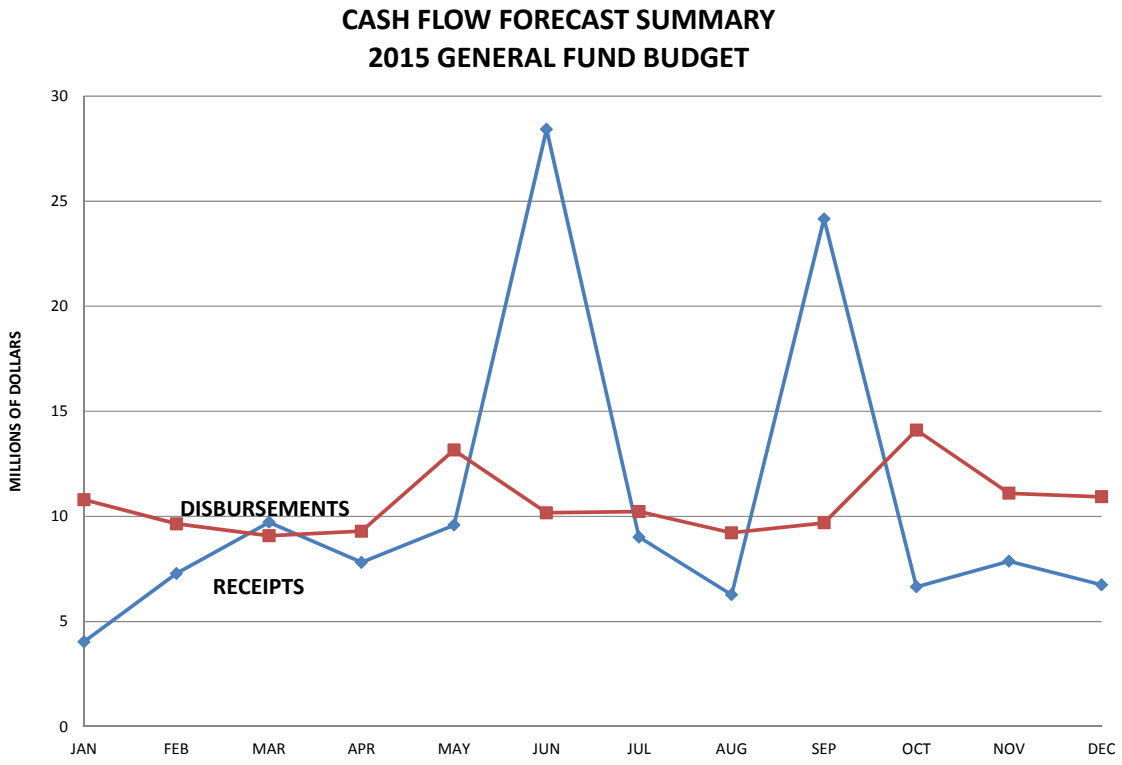
Each year the City adopts a budget. At the same time, this budget is converted into a cash budget internally to determine the cash flow for the budget year. Two revenue issues require consideration, property taxes and timing issues with shared revenues from the State. This requires the City to provide 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

	GENERAL	LIBRARY
2011	36.4	85.9
2012	37.0	87.1
2013	37.5	85.6
2014	41.1	85.0
2015	35.0	85.6

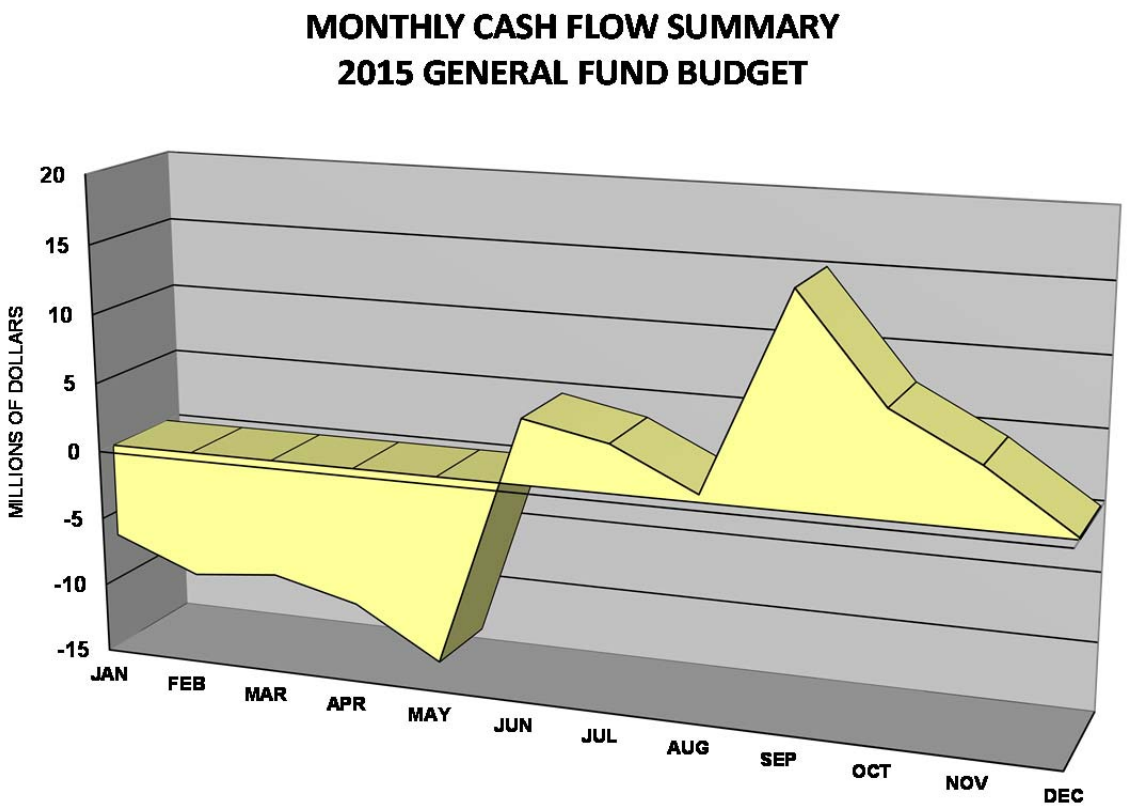
UNDERSTANDING CASH FLOW

To completely understand the importance that property tax revenues have in cash management, the 2015 cash flow forecast summary for the General Fund graph is useful in illustrating the timing problem.



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.



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.

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 re-appropriated 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.

CASH MANAGEMENT IN 2015

With General Fund levies increasing $732,000 in 2014 and $319,000 in 2015, cash needs have increased.

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.

The City will continue to exert strong budget control and place importance on financial planning in 2015 in order to restore and maintain its cash position.

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.

	General Fund	Total City
Total Budget	$127.8 Million	$272.1 Million
Employees	722.1	1,066.4
Personnel Costs	$90.5 Million	$128.7 Million
Personnel	70.8%	46.8%
Salary	46.2%	26.9%
Fringe Benefits	24.6%	19.9%

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 budgets, they give consideration to current and future practices in the context of the above factors. The 2015 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 2013, 32.7 full-time equivalent positions have been eliminated, a decrease of 0.31%, across program lines in legislative and management, public safety, community development, public works, and human services.

CITY OF ROCKFORD, ILLINOIS
2015 BUDGET
PERSONNEL AUTHORIZATION
ALL FUNDS

PROGRAMS AND AGENCIES	2012	2013	2014	2013-2014 INCREASE (DECREASE)	2015	2014-2015 INCREASE (DECREASE)
LEGISLATIVE & MANAGEMENT						
MAYOR	4.00	4.00	4.00	0.00	4.00	0.00
LEGAL	12.00	12.00	12.00	0.00	13.00	1.00
FINANCE	32.00	36.00	36.00	0.00	36.00	0.00
INFORMATION SERVICES	6.00	4.00	4.00	0.00	4.00	0.00
HUMAN RESOURCES	5.00	5.00	5.00	0.00	5.00	0.00
LEGISLATIVE & MGMT TOTAL	59.00	61.00	61.00	0.00	62.00	1.00
COMMUNITY DEVELOPMENT						
CD ADMINISTRATION	1.50	1.50	1.50	0.00	1.50	0.00
CD CODE ENFORCEMENT	10.20	0.00	0.00	0.00	0.00	0.00
CD PLANNING	4.30	4.30	4.30	0.00	4.30	0.00
CD CONSTRUCTION SERVICES	15.00	25.20	25.20	0.00	23.20	(2.00)
CD DEVELOPMENT	8.00	7.00	7.00	0.00	6.00	(1.00)
COMM DEVELOPMENT TOTAL	39.00	38.00	38.00	0.00	35.00	(3.00)
HUMAN SERVICES						
HUMAN SERVICES	90.58	96.35	95.50	(0.85)	86.40	(9.10)
LIBRARY	86.00	86.25	87.00	0.75	87.00	0.00
HUMAN SERVICES TOTAL	176.58	182.60	182.50	(0.10)	173.40	(9.10)
PUBLIC SAFETY						
POLICE	318.00	319.00	322.50	3.50	323.00	0.50
FIRE	280.00	280.00	259.00	(21.00)	259.00	0.00
911 COMMUNICATIONS	53.00	53.00	53.00	0.00	53.00	0.00
PUBLIC SAFETY TOTAL	651.00	652.00	634.50	(17.50)	635.00	0.50
PUBLIC WORKS						
ADMINISTRATION	2.00	2.00	2.00	0.00	2.00	0.00
ENGINEERING	10.00	9.50	8.00	(1.50)	9.10	1.10
STREETS & SEWERS	31.00	31.00	31.00	0.00	31.00	0.00
TRAFFIC	11.00	11.00	11.00	0.00	11.00	0.00
CAPITAL PROJECT	17.00	16.50	18.00	1.50	18.90	0.90
PARKING SYSTEM	8.50	8.50	3.00	(5.50)	3.00	0.00
BUILDING MAINTENANCE	10.00	10.00	10.00	0.00	10.00	0.00
EQUIPMENT MAINTENANCE	10.00	9.00	9.00	0.00	9.00	0.00
CENTRAL STORES	4.00	4.00	4.00	0.00	4.00	0.00
WATER	72.00	64.00	64.00	0.00	63.00	(1.00)
PUBLIC WORKS TOTAL	175.50	165.50	160.00	(5.50)	161.00	1.00
TOTAL	1,101.08	1,099.10	1,076.00	(23.10)	1,066.40	(9.60)

Staffing for 2014 was 1,076.00 positions, a decrease of 23.10 FTE over 2013. Increases include 5.75 in Library, Police, and Capital Projects. 28.850 eliminated from Human Services, Fire, Engineering and Parking.

2015 EMPLOYMENT

Staffing for the 2015 budget by program is provided in the Personnel Authorization Schedule. Employment has decreased to 1,066.40 positions.

The Public Works group total FTE increased by 1.00. The Engineering Division increased 1.10FTE for two new Engineering Technicians for Stormwater offset by .90 FTE transferred to the Capital Project Division. The Water Division eliminated 1.00FTE for Water Control System Technician.

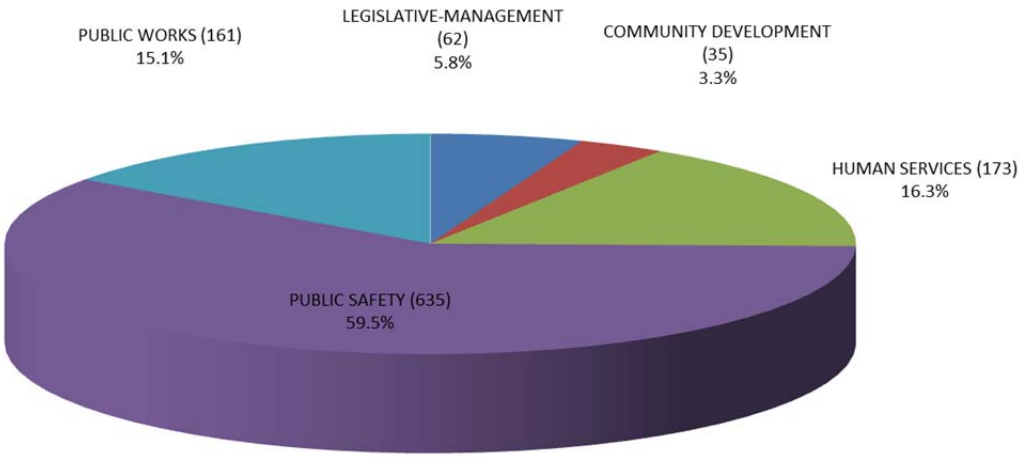
In the Public Safety group, there is an overall increase of .50 FTE for an additional part-time position in Citizen Reporting Unit.

In the Human Services group, there is an overall decrease of 9.10 FTE.

The Community Development group total FTE decreased by 3.00. The Construction Services Division eliminated one Zone Coordinator and Inspector position. The Development Division eliminated a Grants Compliance Specialist.

In Legislative & Management group, there is an increase of 1.00 FTE for an additional Assistant City Attorney position in the Legal Department.

CITY OF ROCKFORD, ILLINOIS
2015 BUDGET PERSONNEL AUTHORIZATION



2014 - 1,079; 2013 - 1,099; 2012- 1,101

2015 CHANGES IN COMPENSATION

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

Unit	Employees	Percentage Of Total
Police Sworn	274.0	32.3%
Fire Sworn	243.0	30.9
Public Works/Clerical (AFSCME)	190.0	22.4
Community Development (AFSCME)	14.0	1.6
Human Services (AFSCME)	53.4	6.3
Library (AFSCME)	62.5	6.5
	848.9	100.0%

2011-2015 SALARY AND BENEFIT ADJUSTMENTS BY EMPLOYEE GROUP
(Percentage)

Year	Police Sworn	Fire Sworn	AFSCME	AFSCME B	Non-Represented
2011	2.00	2.00/2.00/2.00	0	0	0
2012	2.00	2.75	2.00	2.00	3.00
2013	2.00 – 1/1/2013 2.00 – 7/1/2013	2.50	2.00	2.00	2.00
2014	2.50	2.50	2.00	2.00	2.00
2015	Currently bargaining	Currently Bargaining	Currently bargaining	Currently bargaining	2.00

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 2015 are $6,630 for single, $13,260 for single plus one, and $19,890 for family. Annual premium costs for the traditional PPO plan in 2015 are $6,864 for single, $13,728 for single plus one, and $20,592 for family.

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 44.5% to 61.5% 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

	SWORN		NON-SWORN	
Benefits	Police	Fire	Office	Field
Pension	28.0%	33.9%	20.2%	24.3%
Worker's Comp	3.5%	6.0%	0.3%	5.4%
Health	23.0%	21.2%	22.9%	28.2%
Other	1.0%	0.4%	1.1%	0.3%
Total	55.5%	61.5%	44.5%	58.2%

AVERAGE COSTS PER BUDGETED POSITION

Salary	$79,144	$83,555	$56,734	$36,314
Fringe Benefits	43,861	51,437	25,262	21,147
Total	$123,005	$134,991	$81,996	$57,462

As shown above, 2015 fringe benefits range from 44.5 percent for office personnel to 61.5 percent for fire personnel, while average costs per position range from $57,462 for field personnel to $134,991 for firefighters. Costs increase primarily because of salary and pension adjustments.

In 2014, the fringe benefit range was from 46.5 percent for office personnel to 56.4 percent for fire personnel, while costs per position range from $56,167 for field to $120,539 for fire.

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 $54.3 million for 2015, 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. 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.

With the 2002 economic downturn, $3.0 million in annual capital equipment spending was eliminated. Police vehicle spending of $500,000 was augmented by a $3.2 million 2004 bond issue for fire trucks, ambulances, and a fifteen truck snow fleet. Spending since then has been sporadic from 2004 through 2009 for Police, Fire, and Public Works was $8.9 million or about $1.7 million annually. Police spent $2.7 million for cars and specialized equipment. The Fire Department spent $3.4 million for fire trucks, specialized fire equipment, and buildings. Public Works spent $2.8 million for vehicles and specialized equipment, with no capital expenditures for these functions from 2005 through 2007.

In late 2011, City Council approved a policy to begin replacing capital equipment with a municipal lease program. Staff formulated a four-year plan to downsize and replace the entire City fleet. The plan was extended an additional two years at the beginning of 2014, to better match expenses with projected revenue growth. 2014 saw the purchase of approximately $4.4 million in capital equipment, with a 2016 lease obligation of $3,759,928. Staff estimates that, once fully implemented, the leasing program will cost the City $5 million annually in payments and reduce maintenance expenses by at least $1 million.

In 2015, 25.0% 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 $54,304,000 budgeted for capital equipment and projects in 2015 can be divided into five components: office equipment - $72,500; building improvements - $154,600; vehicles and operating equipment - $2,202,000 computer software and hardware - $66,000; and for capital projects - $50,940,508.

Equipment Fund	2008	2009	2010	2011	2012	2013	2014
Actual Expenditures	4,634,799	3,784,746	3,774,495	4,080,237	3,953,045	3,871,468	3,691,343

The Equipment Fund has shown general reductions in maintenance expenses as a result of capital equipment purchases.

The CIP Sales Tax has given the City a higher level of capital project investment than ever. As a result of the increased investment in road resurfacing and reconstruction, the Street Division has experienced a reduction in pothole complaints and pothole patching.

POTHOLE SUMMARY					
Statistics	**2011**	**2012**	**2013**	**2014**	**TOTAL**
Potholes Patched	188,378	72,494	113,727	85,672	460,271
Material Cost	$164,580.35	$ 98,027.08	$169,387.00	$200,015.84	$632,010.27
Number Pothole Requests	3,503	3,298	3,186	3,116	13,103

Office equipment of $25,000 is allocated to the Election Commission. The Election Commission's capital dollars will go toward future election equipment.

Building improvements of $145,000 are allocated to the Main Library and various branches. The Library also has $34,500 in office equipment as well as $20,000 in computer software and $46,000 in computer hardware. The Water Division's $818,700 includes a variety of vehicles, operating equipment, and building improvements.

The anticipated capital purchases will replace equipment and vehicles in the existing fleet. The City expects to realize a significant reduction in service and repair costs related to maintaining aging City vehicles. With new vehicle purchases, it is expected that vehicle down time will drop significantly. This will allow for an overall fleet downsizing and increases in employee productivity.

The capital project portion, $54.3 million ($50.9 million capital) includes $27.1 million in roadway improvements, $6.4 million in neighborhood programs, $3.6 million in highway repairs, $1.6 million in drainage and storm water, $1.9 million in sidewalk and multi-use paths, $2.1 million in lighting and traffic signals, $7.5 million in special projects and $300,000 in project development. Ongoing projects, already funded in previous years, will continue and incur expenses in 2015 as well.

The proposed water system improvements, $4.8 million in 2015 work, include water system operation upgrades and construction of trunk line water main.

The current program revenues for 2015 are at $54.3 million. A local sales tax of one percent (1%) was approved for a five year period starting July 2007 and was extended by referendum for an additional five year period April 5, 2011. The local sales tax replaces the annual street bond referendum and provides $15.0 million in revenue. State motor fuel tax revenues of $3.7 million increase $540,000 over 2014.

The $27.1 million budgeted in the capital improvements program supports the traditional transportation and drainage programs funded by sales tax, motor fuel taxes and grants. 2015 is the first year of the 2015-2019 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, interfund transfers, and grant funds.

REVENUE AND FINANCING CHARGES

The 2015 budget estimates revenue of $276.9 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 2015, the City assumes (-3.5%) - 0% growth in assessed valuation (the basis for property tax revenue), a 0-4% growth in elastic revenues, and a 0-2% 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.

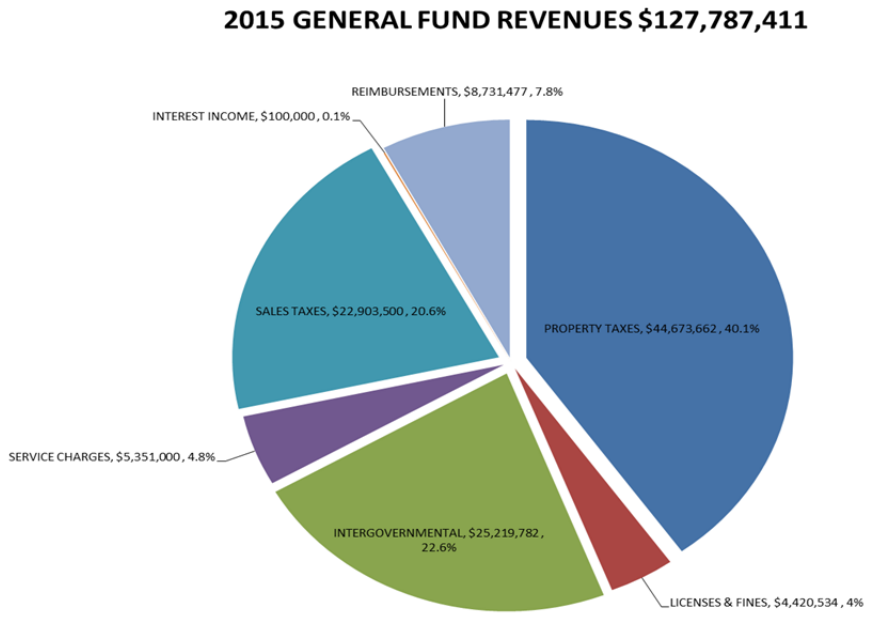
Fund	Property Taxes	Sales Taxes	Service Charges	Licenses Fines	Intergvt Revenue	Interest Income	Bond Proceeds	Other Transfers
General Fund	X	X	X	X	X	X		X
Special Revenue	X	X	X	X	X	X		X
Debt Service	X					X		X
Capital Projects						X	X	X
Enterprises			X	X		X		
Internal Service	X		X		X	X		X
Pension Trust	X				X	X		

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 REVENUE - ($127,787,411)

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 2014 to 2015. The percentage of the total that each represents, property taxes, elastic revenues and static revenues, has also slightly increased from the prior year.

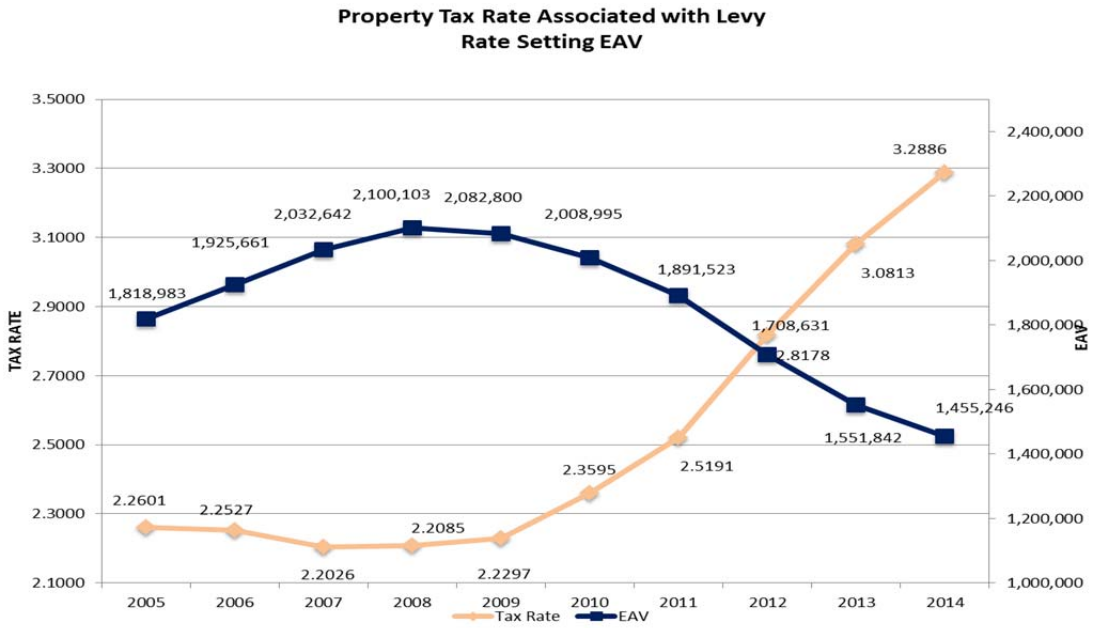


THE PROPERTY TAX

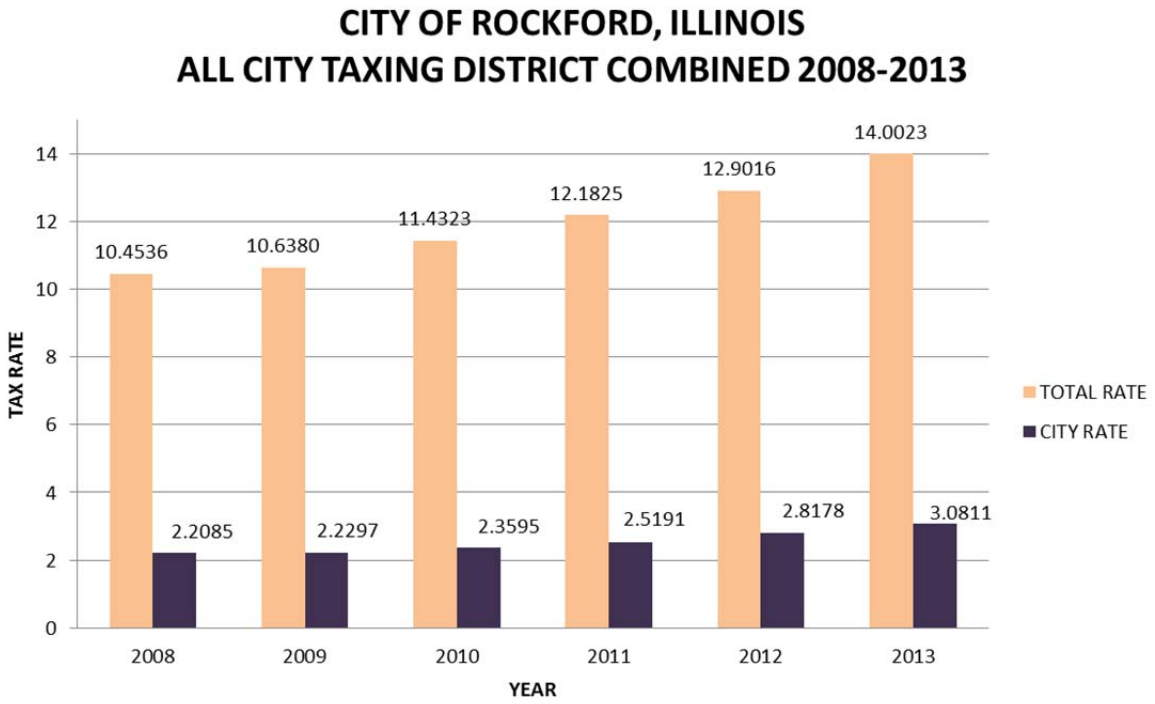
Property tax revenues are generated by multiplying equalized assessed valuation (EAV), in Illinois one-third of market value less any exemptions, by a tax rate.

Estimated 2014 EAV of $1,455,246 is yet to be certified by the County compared to the previous year's $1,551,963. The drop in existing valuation was offset by estimated new construction of $4.5 million and no annexations. Increases in EAV due to annexation of new areas were $118,000 in 2013. EAV change estimates will be -3.0% for 2014-2017.

The graph below illustrates the relationship between EAV and the property tax rate. 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.



As the All City Tax Rate Graph illustrates, tax rates for both the City and all taxing districts decreased a total of 1.10 cents in 2013. The City tax rate increased 29.4 cents. Tax rate changes for the remaining six taxing districts ranged from an increase of 54.2 cents for the school district to an increase of 2.38 cents for the township; overall, there was an increase of 24.2 cents for these units. 2014 rates are not yet finalized by the County.

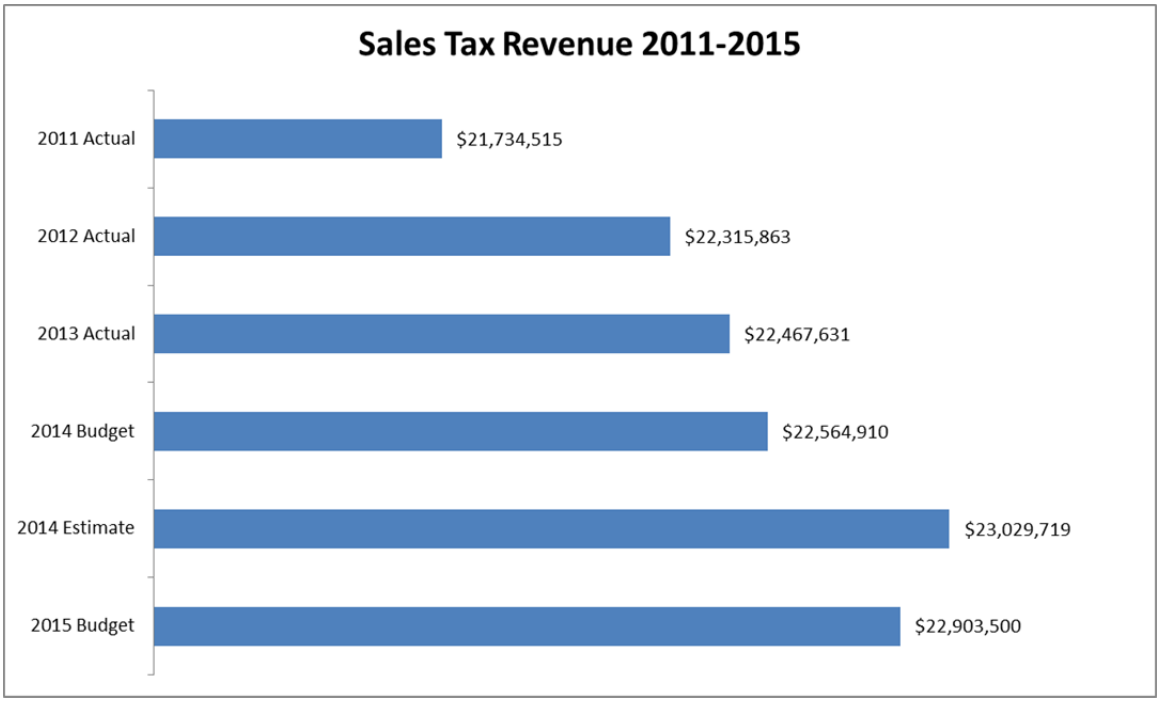


The City rate is 22% of the total rate of $14.00. It is the City's goal to maintain a stable tax rate in order to remain competitive with surrounding communities and unincorporated areas in economic development and annexation efforts.

The 2014 City rate estimate is $3.61. $3.37 for operations and $0.24 for debt service. 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 2015 budget estimates $22,903,500 which is 1.5% ($338,590) more than the 2014 budget ($22,564,910). 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 three 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 2012, 2013, and 2014 are $1,890,000, $2,633,766, and $2,870,900 respectively. 2015 budgeted revenue is $2,740,125.

The City receives a 6% phone tax. Revenue, $5,032,844 for 2013 and $4,576,698 for 2014 is budgeted at $4,842,516 for 2015. The 5% water utility tax, implemented in 2003, $1,071,098 for 2013 and $1,081,227 for 2014; $1,087,164 is budgeted for 2015.

OTHER GENERAL FUND REVENUE

License and inspection estimates have increased $941,257 from $3,817,860 in 2014 to $4,420,534 in 2015. Building inspection fees in excess of $100,000 per project are considered unusual and are not budgeted.

The 2014 actual of $5,194,735 is $1,376,875 over budget, reflecting many increases and decreases in licenses issued. Primary increases occurred in building fees ($859,881), CATV franchise fees ($163,312), overweight fees ($90,150), technology fees ($84,651), and plan review fees ($51,934).

The 2015 intergovernmental revenue budget estimate is $25,219,782, an increase of $2,484,161 from 2014's $22,735,621. The most significant increase was the State Income Tax ($1,882,065), replacement tax ($452,411) and federal government ($215,500), offset by a decrease in Rockford Airport revenue ($185,000). Due to the volatile nature of replacement taxes, a fixed growth assumption is not used; rather, annual results are analyzed.

The 2014 intergovernmental actual exceeded the original budget by $4,286,868. Replacement taxes, a state revenue source distinguished by its instability since its inception in 1978, came in $897,992 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. State Income Tax exceeded estimates by $1,923,866.

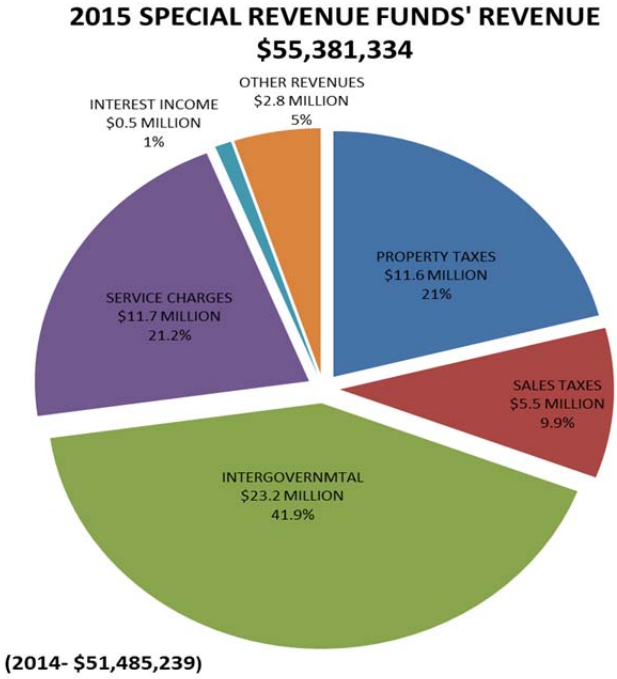
Service charges, budgeted at $4,843,700 for 2014, have increased $507,300 to $5,351,000 for 2015. This is primarily due to an increase in ambulance fee revenues. The 2014 service charges actual of $4,849,981 was $6,281 over budget.

General Fund fine revenue can vary depending on economic conditions. $1,178,240 is the 2015 estimate; the 2014 actual collected was $1,100,428. A decrease in magistrate fines, $98,700, offset by increase in neighborhood hearing fines, $34,400.

Interest income, budgeted at $100,000 for 2014, is estimated at $100,000 for 2015. $1,212,706 was recorded for 2014.

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 2014 budget and receipts were $17,782,657 and $15,228,452 respectively. 2015's budgeted $13,014,404 is $4,768,253 less than the prior year's budget and $2,214,048 less than the actual primarily due to capital lease proceeds. Purchase of service reimbursements are increased annually to reflect increased costs.

Transfers total $2,500,000 this year. The $2,500,000 transfer from the Motor Fuel Tax Fund is designed to pay for street lighting. The General Fund, in turn, transfers $2,500,000 to the Capital Projects Fund to pay for designated projects.



The City utilizes thirty-one special revenue funds. Although financing for this fund group has increased from 2014's $51.5 million, the revenue mix has been essentially unchanged since 1985.

Motor Fuel Tax Fund - This fund is financed by shared revenue payments ($6,316,300) from the State of Illinois on motor fuel (19 cents per gallon) for road building and maintenance purposes. 2015 interest earnings are estimated at $297,000.

Sanitation Fund - This fund is financed by a $240.68 annual user fee collected on the monthly water bill. In addition, the fund receives a small amount in rental income and interest earnings.

Community Development Block Grant Fund - This fund, primarily involved with economic development and neighborhood rehabilitation, is financed by federal grants ($3,190,975). Program income is estimated at $65,000. The 2014 carryover of prior year funds and grant authorizations is $1,418,400.

Redevelopment Fund - This fund, for redevelopment purposes and Metro Center Authority subsidy payments, has four revenue sources: motel/hotel tax (1%) - $364,000; restaurant/lounge (1%) - $2,961,300; package liquor (1%) - $500,000. For 2014, receipts are $3,936,806, $211,806 above the estimate; with restaurant/lounge coming in above estimates. This tax was originally authorized in 1978 and has been extended to 2028 to fund various projects.

Tourism-Promotion Fund - 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 - 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.

Retail TIFs – There are 19 Commercial Retail TIF Districts, East Side, East River, West Side #1 and #2, River District North, South Rockford, Assisted Living, West State and Kilburn, State and Central, Springfield Corners, North Main and Eddy Ave, North Main and Auburn, Main and Whitman, Seventh Street, Midtown, Broadway, State and Alpine, East State and Mulford, and Jefferson and North 3rd Street. The primary function of the Retail Districts is to assist retail development and redevelopment the area to make the area more economically viable.

Industrial TIFs – There are seven industrial TIF Districts, Kishwaukee-Harrison #1 and #2, Preston and Central, Rockford Global Trade Park #1, #2, #3, and Global Trade Park South. The primary function of the Industrial Districts is to assist business development and redevelopment in the area to make the area more economically viable.

Residential TIFs - The six residential TIFs include Lincolnwood #1 and #2, Hope 6, Garrison School, River Oaks (Thatcher Blake River Walk), and Jackson School. The primary function of the Residential Districts is to assist in residential development and redevelopment of the area to make the area more economically viable.

Human Services - This fund is financed by two federal ($6,298,084) and four state agencies ($7,883,587) provide services in Community Services, Headstart Preschool, Drug Free, Weatherization and Energy Assistance. Revenues tend to fluctuate based on grants and federal philosophy.

Tuberculosis Sanitarium - Revenues are received from property taxes, user fees, and interest income. The property tax limit is $970,000; currently the fund is at $124,561.

Library Fund - This fund is financed by property taxes ($7,330,000), state replacement taxes ($755,000) fines ($110,500), service charges and non-resident fees ($45,591), grants ($190,000), interest and rental income ($60,000) and miscellaneous income ($75,000). Of any City operating fund, the Library is most heavily dependent on the property tax as the largest source of revenue, 84.0%.

OTB Special Projects Fund - This fund, used for special projects, receives one percent of the handle from the local off-track betting parlor.

DEBT SERVICE REVENUE FUNDS - ($16,031,341)

Debt Service Funds - These funds are funded by property taxes ($3,055,549), tax abatements from TIF Districts, development funds, and OTB Special Projects Fund ($6,152,716), the parking and water utilities ($6,007,982), and sales tax ($815,094). For further information, see Debt Service under Non-Operating Fund section.

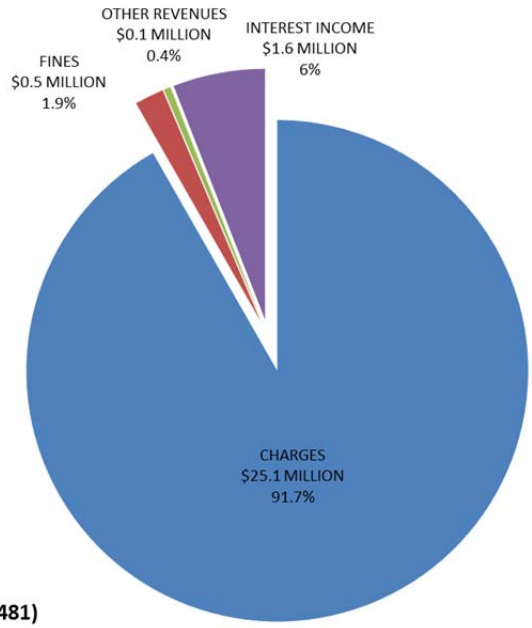
CAPITAL PROJECTS FUNDS REVENUE - ($54,304,000)

Capital Project Funds - 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 - ($27,369,600)

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

2015 ENTERPRISE FUNDS' REVENUES
$27,369,600

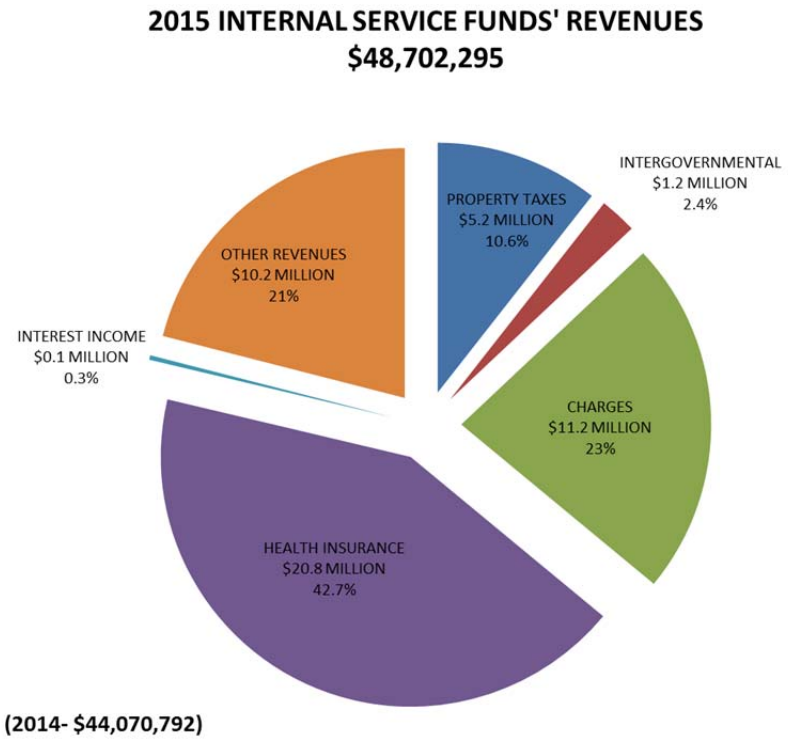


(2014- $26,815,481)

Water Fund - This fund is financed by user fees ($24,508,000), installations and connections ($601,000); interest income ($200,000), and service charges to other funds and governmental agencies ($170,600).

Parking Fund - The Parking System is financed by fines ($515,800), permits and fees ($1,280,000), purchase of services ($26,300), and interest income ($142,900).

INTERNAL SERVICE FUNDS REVENUES - ($48,702,295)
The City uses eleven internal service funds. While financing for this fund group has increased from 2014's $44,070,792 budget, the revenue mix is unchanged.



Property Fund - This fund, part of the Public Works Department, provides building maintenance for City facilities.

Equipment Fund - The Public Works Department operates garage facilities for vehicle maintenance for City departments at two locations.

Central Stores Fund - This fund, part of the Public Works Department, provides centralized inventory services for the entire Department.

Information Technology Fund - This fund finances the Information Technology department, which provides IT services to the entire City.

911 Communications Fund - 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 - The revenues for this fund finance retirement benefits for eligible employees, as well as Social Security contributions. Property taxes are estimated at $3,357,266; replacement taxes at $328,200; interfund transfers from non-property tax funds at $3,391,179 and interest income at $10,000 for 2015. The property tax rate is unlimited.

Unemployment Insurance Fund - The budget includes $134,478 in property taxes and $33,282 in interfund transfers from non-property tax funds, and $2,500 in interest income. The property tax rate is unlimited.

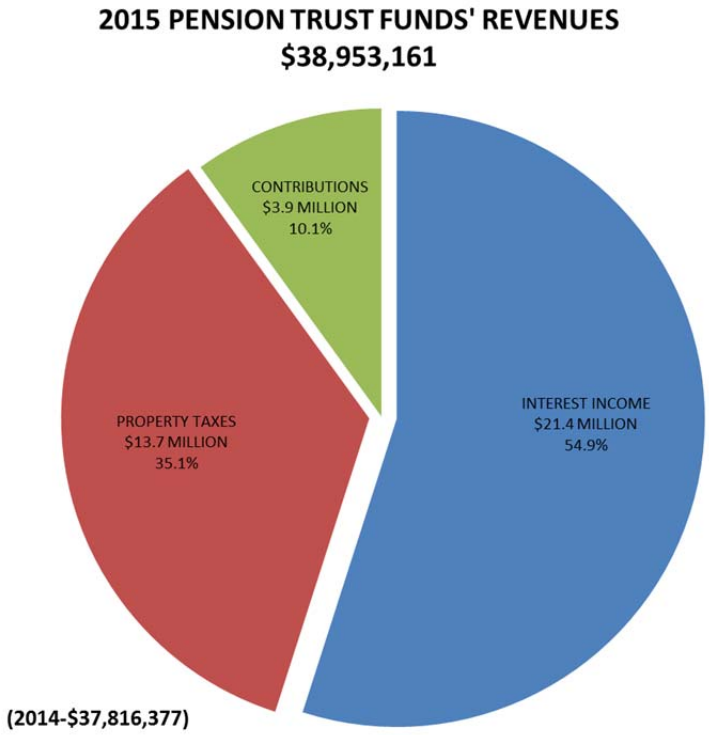
Worker's Compensation Fund - Income for 2015 includes $2,265,201 in property taxes, $264,960 in interfund transfers from non-property tax funds, and $15,000 in interest income. The property tax rate is unlimited for this purpose.

Auditing Fund - This fund is financed by property taxes ($186,236) and interfund transfers from non-general fund units ($59,301). The property tax rate is unlimited for this purpose.

Health Insurance Fund - The City operates a self-insured plan for active employees and retirees. The City's share of $17,035,112 is supplemented by employees and retired employee contributions of $2,465,461.

Risk Management Fund - This fund, used for the payment of claims, judgments, insurance premiums and general self-insured losses, is financed by an unlimited levy ($1,609,930), departmental charges ($1,088,070), and insurance reimbursements ($115,000).

PENSION FUNDS REVENUES – ($38,953,161)
The City operates local pension plans for sworn police and fire officers.



Police Pension Fund - This fund is financed by a contribution from the General Fund (property taxes, $5,287,122 and state replacement taxes, $926,566), member contributions ($2,008,400), investment income ($5,900,000), and fair value appreciation ($5,000,000). The interest rate assumption for 2015 is 7.5% (2014 Actual 7% earnings).

Fire Pension Fund - This fund is financed by a contribution from the General Fund (property taxes, $6,190,579 and state replacement taxes, $1,259,794), member contributions ($1,880,700) and investment income ($5,500,000), and fair value appreciation ($5,000,000). The interest rate assumption for 2015 is 7.5% (2014 Actual 6.1% 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.

DEPARTMENT FUNDING

Funds

City Departments	General Fund	Motor Fuel Tax Fund	Sanitation Fund	CD Block Grant Fund	Redevelopment Fund	Tourism-Promotion Fund	TIF Funds	Human Services Fund	Tuberculosis Sanitarium	Library Fund	OTB Fund	Debt Service Funds	Capital Project Funds	Water Fund
Mayor's Office	x													
City Council	x													
Legal Department	x			x									x	
Finance Department	x		x	x	x	x							x	x
Information Technology Department														
Human Resources Department	x													
Board of Elections	x													
CD Administration	x													
CD Business Group				x	x									
CD Redevelopment					x	x								
CD Tourism Promotion						x								
TIF Funds							x							
Planning Division	x						x							
Sanitation Division			x											
Code Enforcement Division	x		x	x										
Building Department	x													
Human Services Department	x							x						
Tuberculosis Sanitarium									x					
Rockford Public Library										x				
Rockford Mass Transit District	x													
Police Department	x													
Fire Department	x													
911 Division	x													
Fire & Police Commissioners	x													
Public Works Administration	x												x	x
Public Works Engineering	x												x	x
Capital Project Fund	x	x											x	x
Motor Fuel Tax Fund		x												
Street Maintenance Division	x		x											
Traffic Division	x	x												
Parking Division	x													
Property Division														
Equipment Division														
Central Supply Division														
Water Division	x													x
Police Pension														
Fire Pension														
IMRF Pension														
Health Insurance														
Unemployment														
Worker's Compensation														
Auditing														
Debt Management												x		
OTB Special Projects											x			
Risk Management														
Workforce Investment Board	x													

DEPARTMENT FUNDING

City Departments	Parking Fund	Property Fund	Equipment Fund	Central Stores Fund	Information Tech Fund	911 Fund	IMRF Fund	Unemployment Fund	Worker's Comp Fund	Auditing Fund	Health Insurance Fund	Risk Management Fund	Police Pension Fund	Fire Pension Fund
Mayor's Office														
City Council														
Legal Department												x		
Finance Department	x											x	x	x
Information Technology Department					x									
Human Resources Department									x		x			
Board of Elections														
CD Administration														
CD Business Group														
CD Redevelopment														
CD Tourism Promotion														
TIF Funds														
Planning Division														
Sanitation Division														
Code Enforcement Division														
Building Department														
Human Services Department														
Tuberculosis Sanitarium														
Rockford Public Library														
Rockford Mass Transit District														
Police Department	x													
Fire Department														
911 Division						x								
Fire & Police Commissioners														
Public Works Administration	x	x	x	x										
Public Works Engineering														
Capital Project Fund														
Motor Fuel Tax Fund														
Street Maintenance Division														
Traffic Division	x													
Parking Division	x													
Property Division		x												
Equipment Division			x											
Central Supply Division				x										
Water Division														
Police Pension													x	
Fire Pension														x
IMRF Pension							x							
Health Insurance											x			
Unemployment								x						
Worker's Compensation									x					
Auditing										x				
Debt Management														
OTB Special Projects														
Risk Management												x		
Workforce Investment Board														

YEAR END FINANCIAL CONDITION

Fund balances for the 2015 budget year ending December 31, 2015 are deemed to be sufficient to insure a healthy financial condition for the City. Of the eighteen 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 ten TIF districts with deficits are examples of this. The Redevelopment fund can also be included. All of these project funds should turn positive before their current legal authority ends.

The Risk Management, Health Insurance, 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 RMAP fund has a temporary deficit due to startup costs. This will be corrected over several years. The Human Services and Parking have short term deficits which will correct. With these actions, these funds should again be in good condition.

CITY OF ROCKFORD, ILLINOIS
SCHEDULE OF ANTICIPATED ENDING FUND BALANCES
2014 BUDGET

FUND	BEGINNING BALANCE 01/01/14	REVENUES	APPROPRIATION	EXCESS (DEFICIT)	ADJUSTMENTS	ENDING BALANCE 12/31/14
GENERAL-OPERATING	$32,168,324	126,737,148	$126,644,369	$92,779		$32,261,103
SPECIAL REVENUE						
MOTOR FUEL TAX	11,640,420	4,756,500	4,350,000	406,500		12,046,920
SANITATION	5,518,509	9,849,000	12,301,377	(2,452,377)		3,066,132
COMMUNITY DEVELOPMENT	986,626	4,058,493	4,025,556	32,937		1,019,563
REDEVELOPMENT TAX	(362,491)	4,158,320	4,074,896	83,424		(279,067)
TOURISM PROMOTION TAX	305,019	1,590,800	1,587,800	3,000		308,019
TAX INCREMENT DISTRICTS	(3,645,672)	4,895,385	6,279,353	(1,383,968)		(5,029,640)
HUMAN SERVICES	869,243	12,276,941	13,362,841	(1,085,900)		(216,657)
TUBERCULOSIS SANITARIUM	131,619	169,500	170,000	(500)		131,119
LIBRARY	6,538,294	8,622,131	8,622,131	0		6,538,294
OTB SPECIAL PROJECTS	73,805	101,100	75,000	26,100		99,905
RMAP PLANNING	(209,417)	1,007,069	1,004,268	2,801		(206,616)
DEBT SERVICE	8,208,657	14,707,581	20,030,657	(5,323,076)	5,323,076	8,208,657
CAPITAL PROJECT	18,565,920	51,110,000	50,760,000	350,000		18,915,920
ENTERPRISE						
WATER SYSTEM	132,423,519	24,907,740	24,341,812	565,928		132,989,447
PARKING SYSTEM	16,436,949	1,907,741	2,546,801	(639,060)		15,797,889
INTERNAL SERVICE						
PUBLIC WORKS PROPERTY	995,553	2,394,353	2,204,899	189,454		1,185,007
PUBLIC WORKS EQUIPMENT	713,151	4,002,730	3,918,666	84,064		797,215
PUBLIC WORKS CENTRAL STORES	256,227	445,000	431,078	13,922		270,149
911 COMMUNICATIONS	1,333	5,461,296	5,460,994	302		1,635
IMRF PENSION	73,081	7,208,742	7,198,493	10,249		83,330
UNEMPLOYMENT INSURANCE	102,536	170,140	167,380	2,760		105,296
WORKER'S COMPENSATION	824,458	2,675,301	2,746,479	(71,178)		753,280
AUDITING	49	208,088	208,100	(12)		37
RISK MANAGEMENT	(5,210,893)	2,649,710	2,689,100	(39,390)		(5,250,283)
INFORMATION TECHNOLOGY	1,377,717	3,199,280	2,947,018	252,262		1,629,979
HEALTH INSURANCE	9,397,854	16,870,868	21,013,800	(4,142,932)		5,254,922
PENSION						
POLICE PENSION	162,840,479	18,531,978	14,726,314	3,805,664	(10,838,723)	155,807,420
FIRE PENSION	144,555,460	19,284,399	15,394,294	3,890,105	(7,876,445)	140,569,120
ELIMINATIONS & ADJUSTMENTS	0	(83,367,194)	(83,367,194)	0	0	0
	$675,427,000	$270,590,140	$275,916,282	($5,326,142)	($13,392,092)	$526,858,095