



Lawrence J. Morrissey  
*Mayor's Business Luncheon*

August 6, 2009

*The Economy  
and its Impact on City Operations*

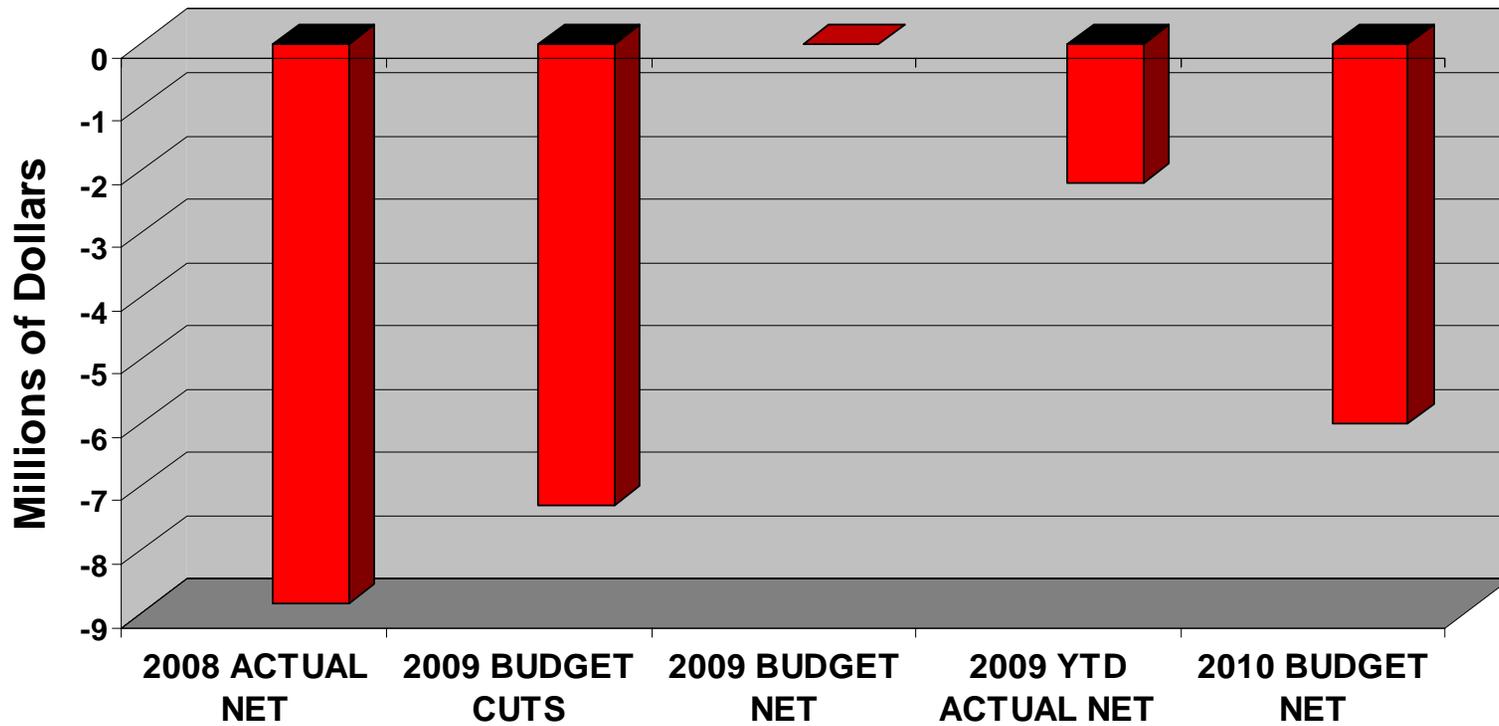
# “The Perfect Budget Storm”

- 2008 budget experienced \$8.8 million deficit due to heavy winter expenses and revenue loss due to economic downturn.
- Eliminated \$7.3 million in general fund expenses to approve a \$112.5 million general fund budget for 2009. Budget reductions were accomplished through:
  - Non-union employees received wage freezes and furlough days were imposed to avoid layoffs. Furloughs amounted to a 3.3% pay cut.
  - Expenses were cut across the board (training, travel, overtime, contractual)
  - Open positions were cut and/or left vacant
  - General fund capital equipment was cut
- Police & Fire union contracts expired, and remain under current wage and benefit structure. AFSCME union expires December 2009.

# Budget Challenges

- The good news on 2009 Budget: Expenses kept in check
- The bad news: Revenues underperforming with \$2.2 million loss projected.
- The ugly news for 2010 Budget: Based on current revenue estimates and uncontrollable expense growth, the 2010 General Fund budget is predicted to be at a \$5.8-\$6.0 million deficit

# "The Perfect Budget Storm"



# Budget Challenges

## ● 2010 Financial Outlook:

- Negligible growth (.1%) in property tax revenue.
- Zero growth in sales tax revenue.
- Loss (-17.5%) in local share of State Corporate Replacement Tax.
- Loss (-3.5%) in local share of State Income Tax.
- Healthcare costs to increase 5%.
- Pension costs increasing by millions due to 2008 investment market!
- Open Union contract issues.

# Our New Economic Reality

- The cost of the City's current organizational and financial structure is not sustainable. We are exceeding our community's ability to pay.
- Our management approach and our allocation of public financial resources must change if we are to compete successfully in a 21st century global economy.

# The Four “A’s” for Success in the New Economic Reality:

1. ACCOUNTABILITY & ALIGNMENT
2. ALLOCATION & ASSET-BUILDING

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# Accountability & Alignment

- RockStat
- Regional Governmental Cooperation: RMAP
- Interagency Cooperation
  - MetroCentre Ad Hoc,
  - Downtown Venues, Festivals, Special Events Advisory Group
  - RMAP-RAEDC Comprehensive Economic Development Strategy
  - Community Collaboration Inc.
- Increased emphasis on data collection, sharing, and reporting; and aligned organizational structures.

# The Four “A’s” for Success in the New Economic Reality:

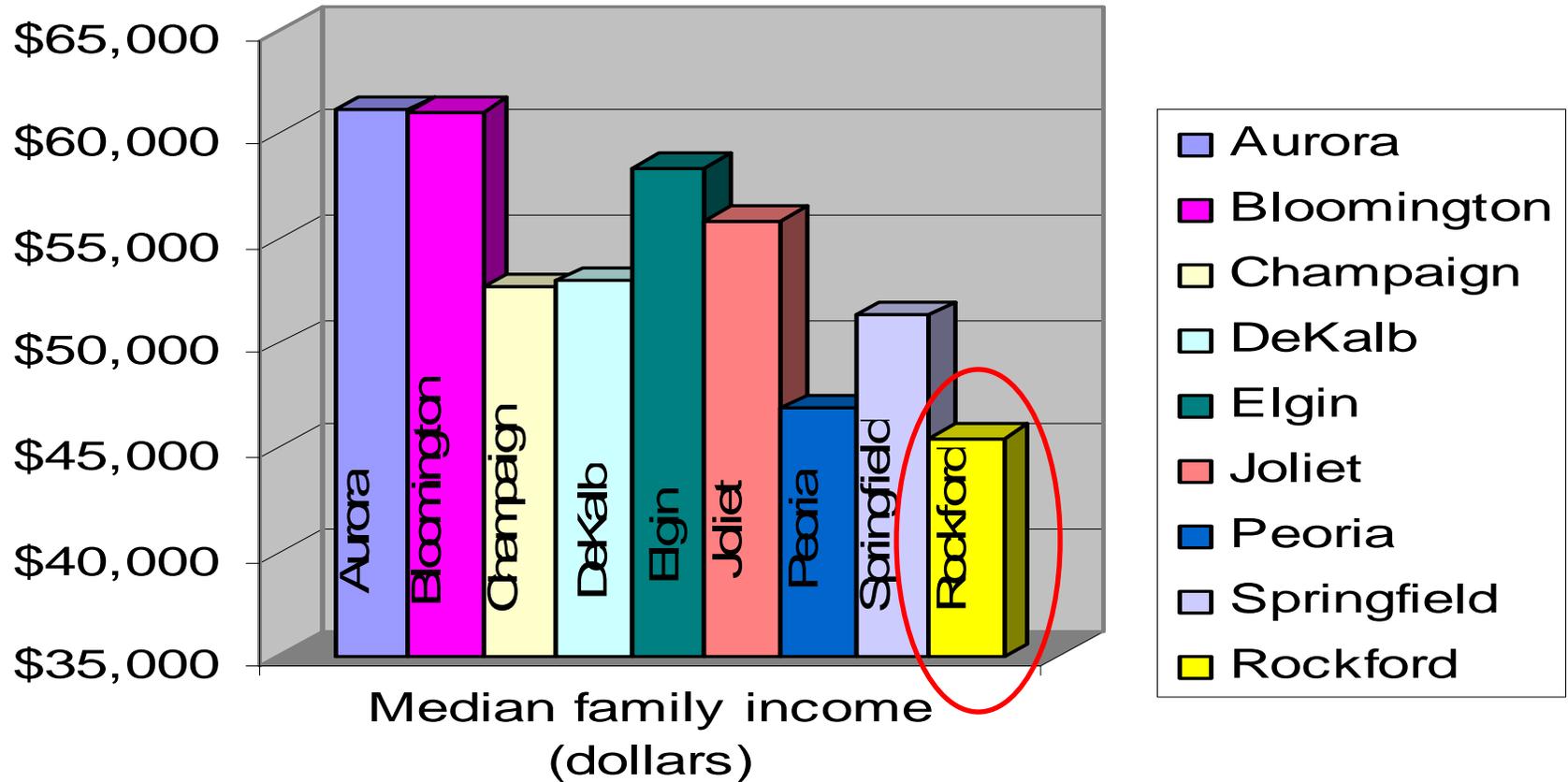
1. ACCOUNTABILITY & ALIGNMENT
2. ALLOCATION & ASSET-BUILDING

# Allocation & Asset Building

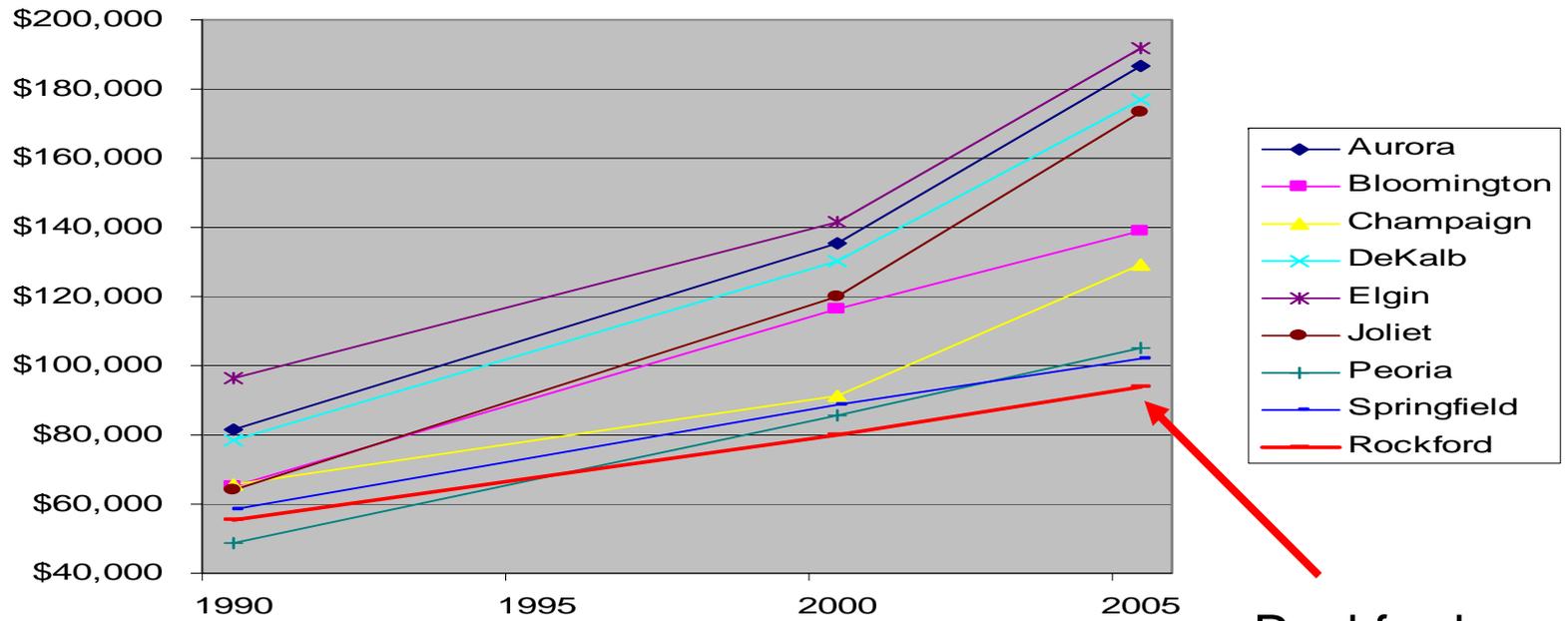
We continue to struggle in our transformation to compete. We must allocate our limited financial resources to address critical deficiencies. Some quick facts:

- Rockford's Median family income is lower than ALL of our peer Illinois communities
- Rockford's Median home value is lower than ALL of our peer Illinois communities
- Rockford's Poverty rate is higher than ALL of our peer Illinois communities
- Rockford's Unemployment rate is higher than ALL of our peer Illinois communities

## 2005 Median Family Income



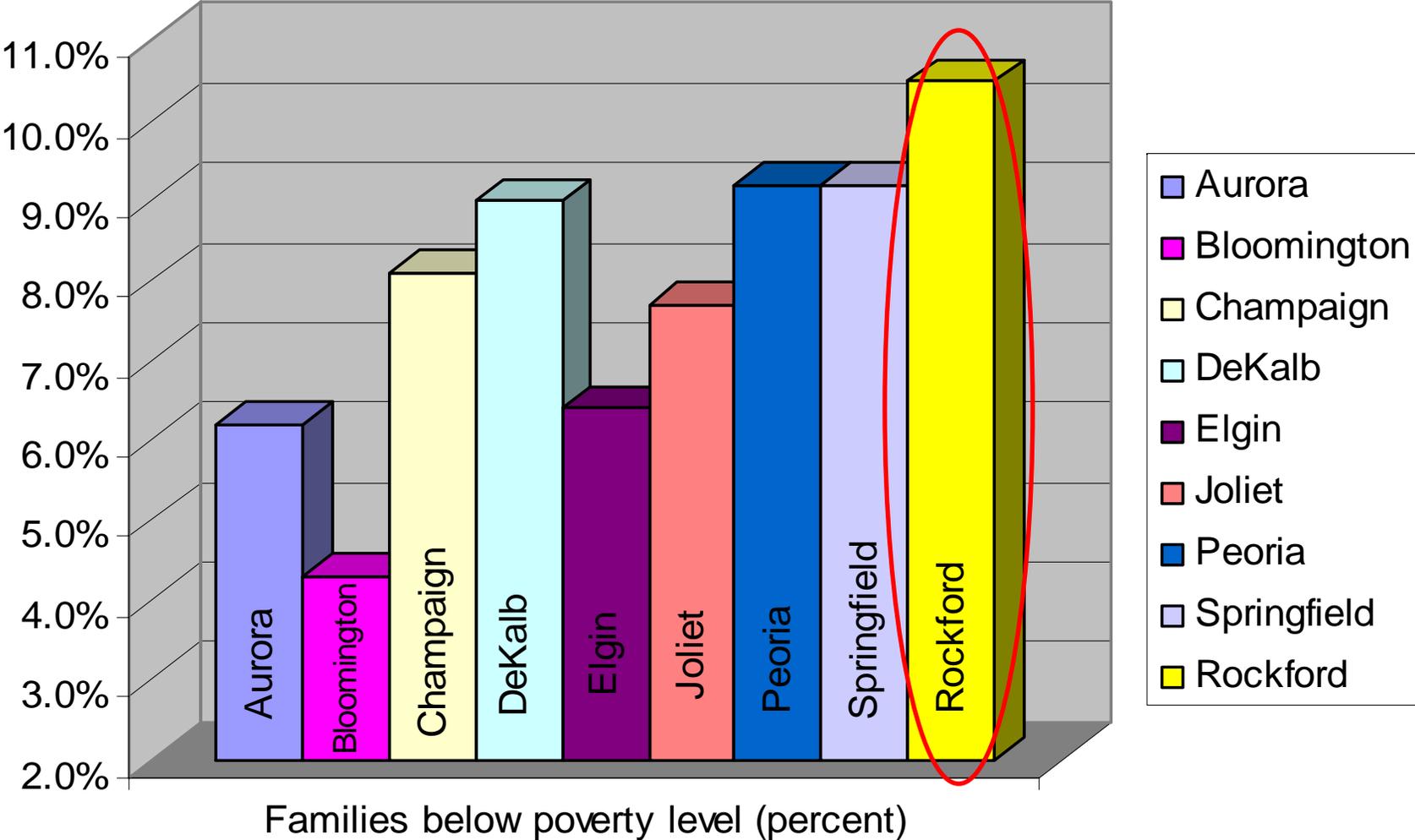
## Median Home Value Comparison



Rockford

	Dec-90	Dec-00	Dec-05
◆ Aurora	\$81,400	\$135,500	\$186,900
■ Bloomington	\$65,300	\$116,500	\$138,800
▲ Champaign	\$65,800	\$91,300	\$129,000
✕ DeKalb	\$78,700	\$130,200	\$177,100
* Elgin	\$96,300	\$141,400	\$191,700
● Joliet	\$63,900	\$119,900	\$173,400
+ Peoria	\$48,700	\$85,400	\$105,000
— Springfield	\$58,300	\$88,600	\$102,200
— Rockford	\$55,600	\$79,900	\$93,600

# Percentage Families Below Poverty Level



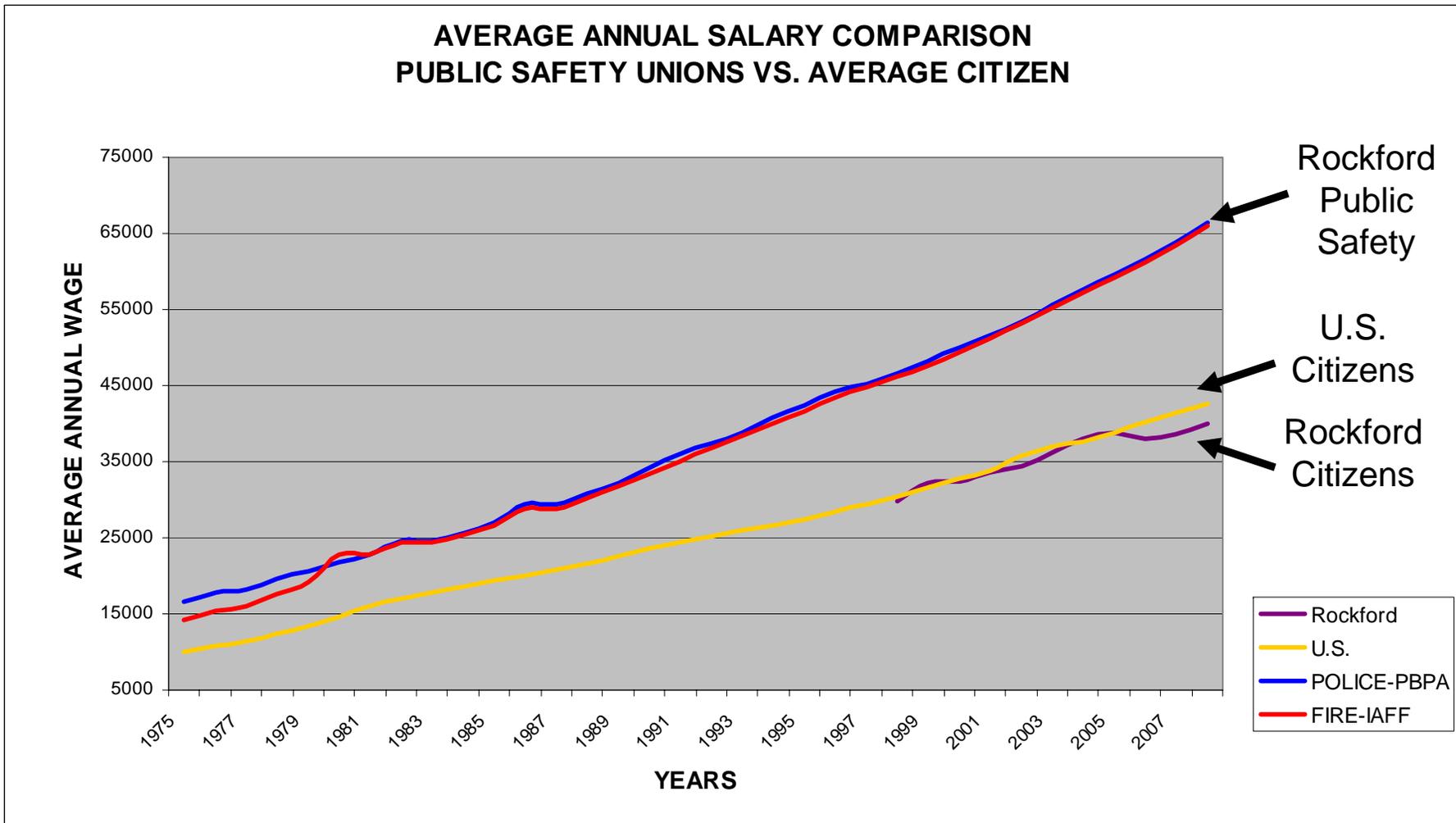
## TOP 10 ILLINOIS UNEMPLOYMENT RATES

CITIES	Year	Force	Employed	Number	Rate	Rank
CHICAGO HEIGHTS	2009	14,170	11,632	2,538	17.9	1
HARVEY	2009	11,511	9,569	1,942	16.9	2
MAYWOOD	2009	12,204	10,184	2,020	16.6	3
BELVIDERE	2009	13,340	11,223	2,117	15.9	4
NORTH CHICAGO	2009	9,511	8,012	1,499	15.8	5
ROCKFORD	2009	75,510	64,027	11,483	15.2	6
EAST ST. LOUIS	2009	9,994	8,486	1,508	15.1	7
CALUMET CITY	2009	18,876	16,047	2,829	15	8
DOLTON VILLAGE	2009	12,656	10,808	1,848	14.6	9
CICERO	2009	33,637	28,777	4,860	14.4	10

# Allocation & Asset Building

- The salary gap between what our citizens earn and what we pay our public employees has increased.
- The benefits gap between what our citizens and our public safety employees receive in retirement benefits is even more striking.

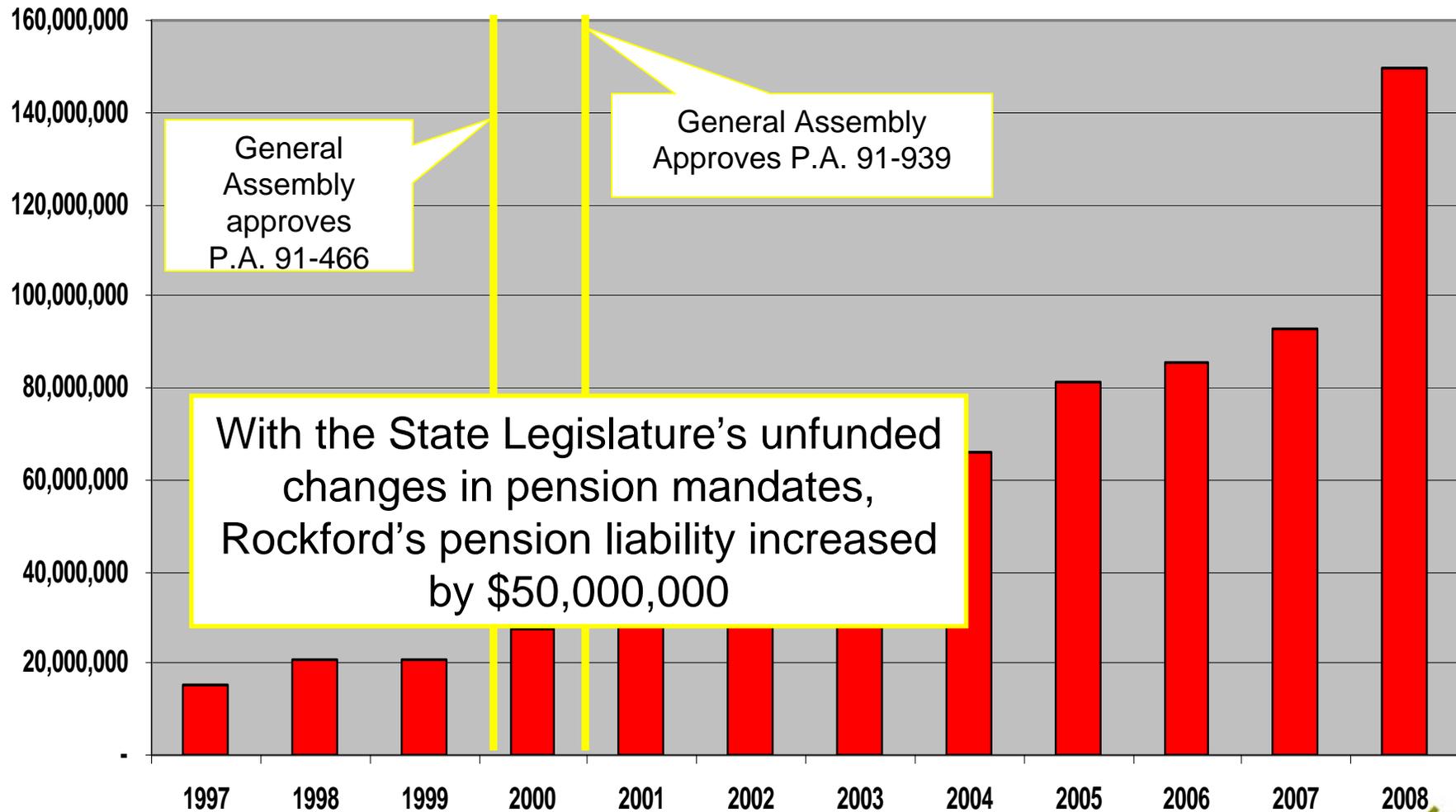
## AVERAGE ANNUAL SALARY COMPARISON PUBLIC SAFETY UNIONS VS. AVERAGE CITIZEN



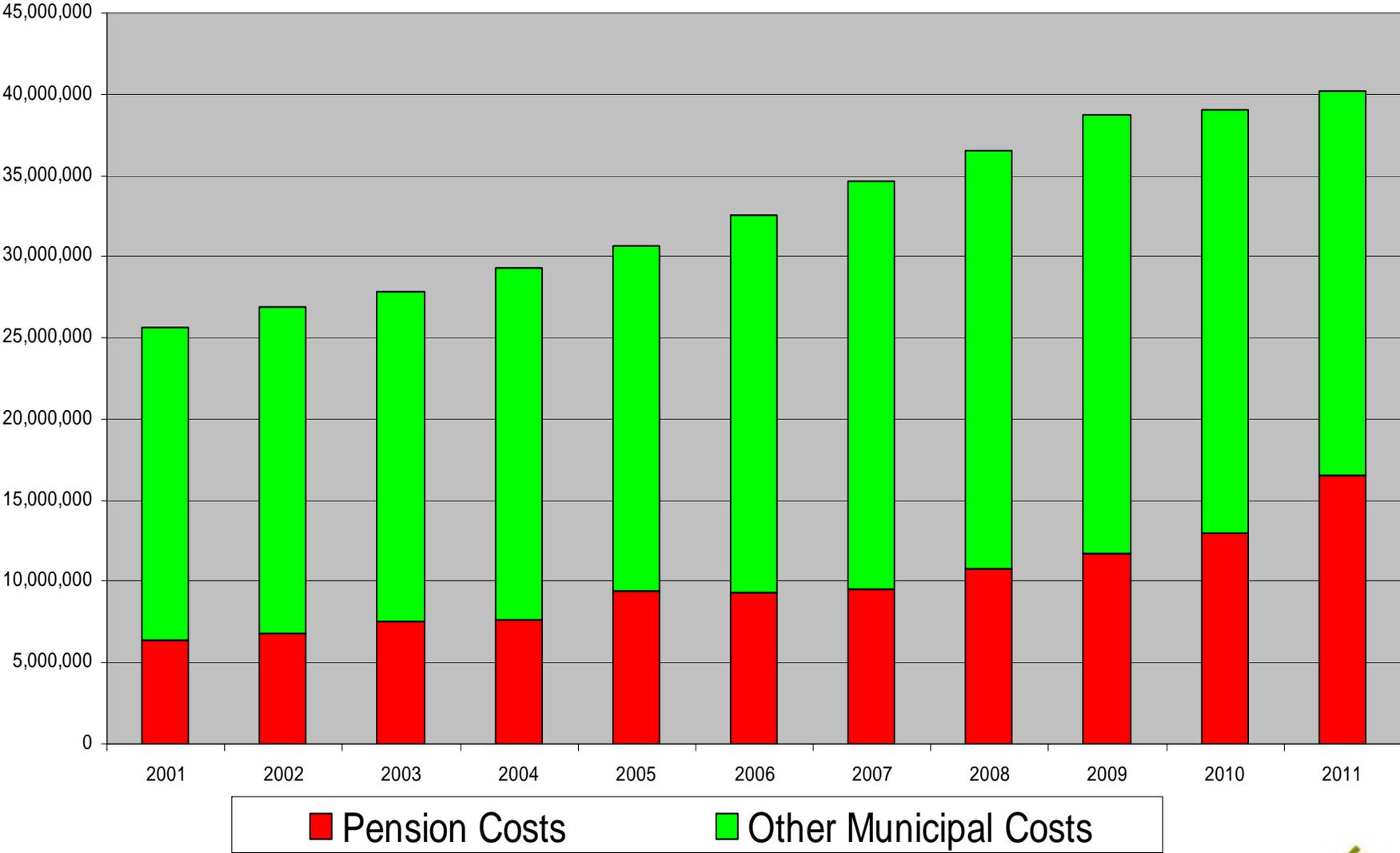
# State Legislative Changes Dramatically Increase Public Safety Pension Costs

- General Assembly approves P.A. 91-466 and P.A. 91-939
- Allows for full retirement at age 50 instead of 55.
- With 30 years, 75% of highest wage period.
- Automatic 3% annual cost of living increases for life.
- Surviving spouse gets same benefits.
- With the legislature's changes in pension rules, combined with recent market investment losses, City's pension liabilities explode.

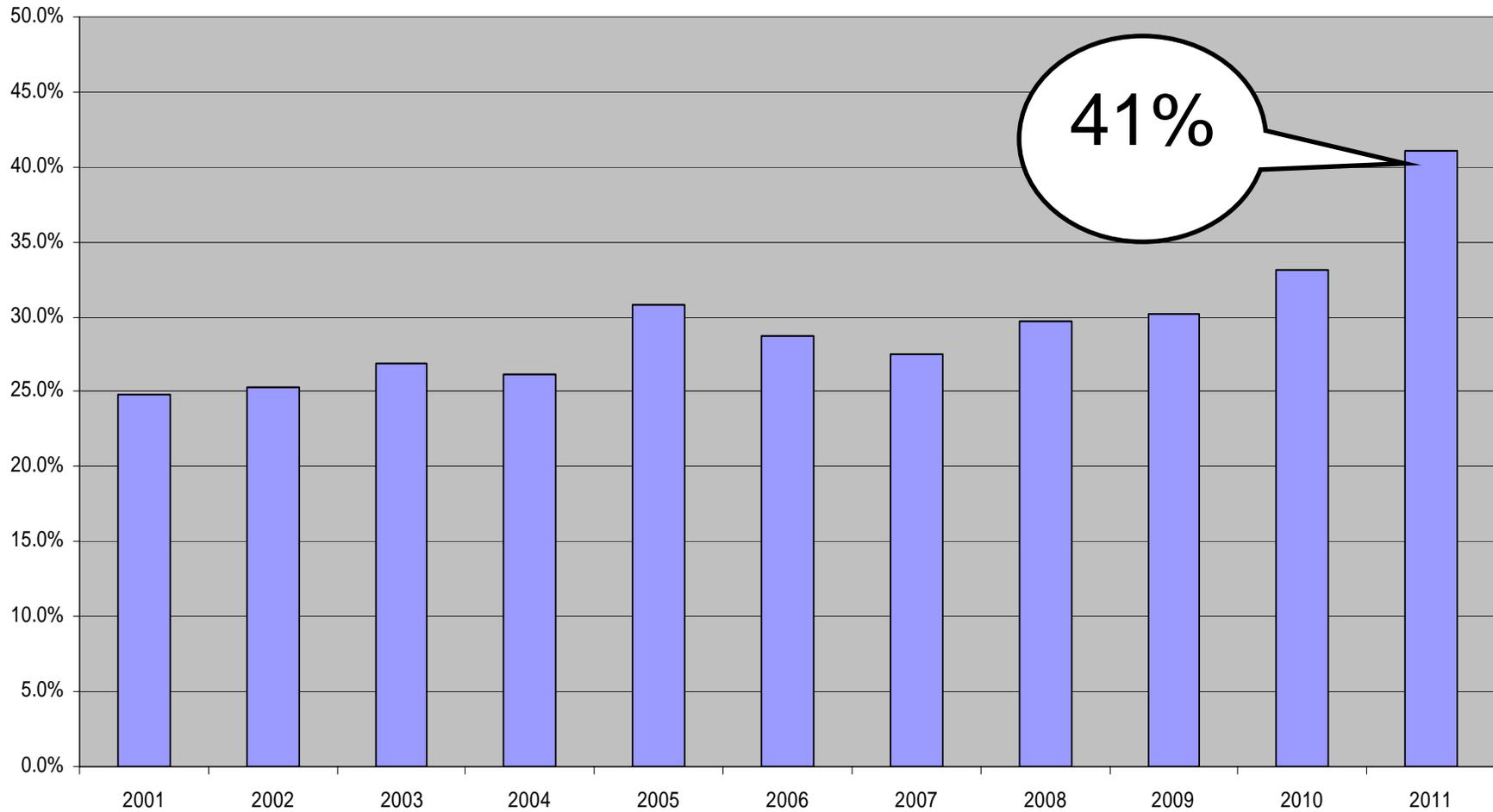
## City of Rockford Total Unfunded Pension Liability



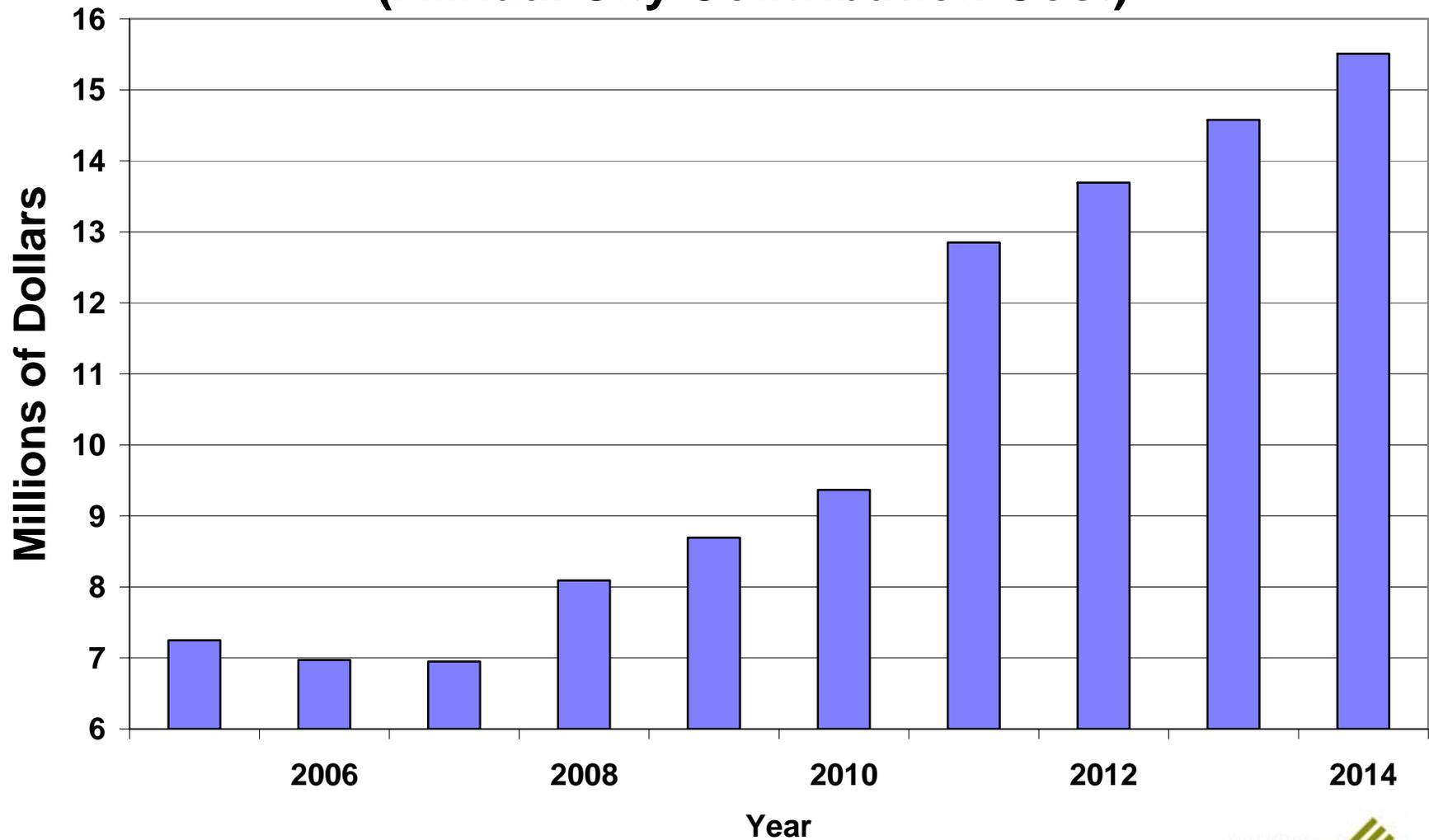
# Pension Costs being paid through Property Tax Revenues



## CITY PENSION GROWTH AS A % OF TOTAL PROPERTY TAX REVENUES



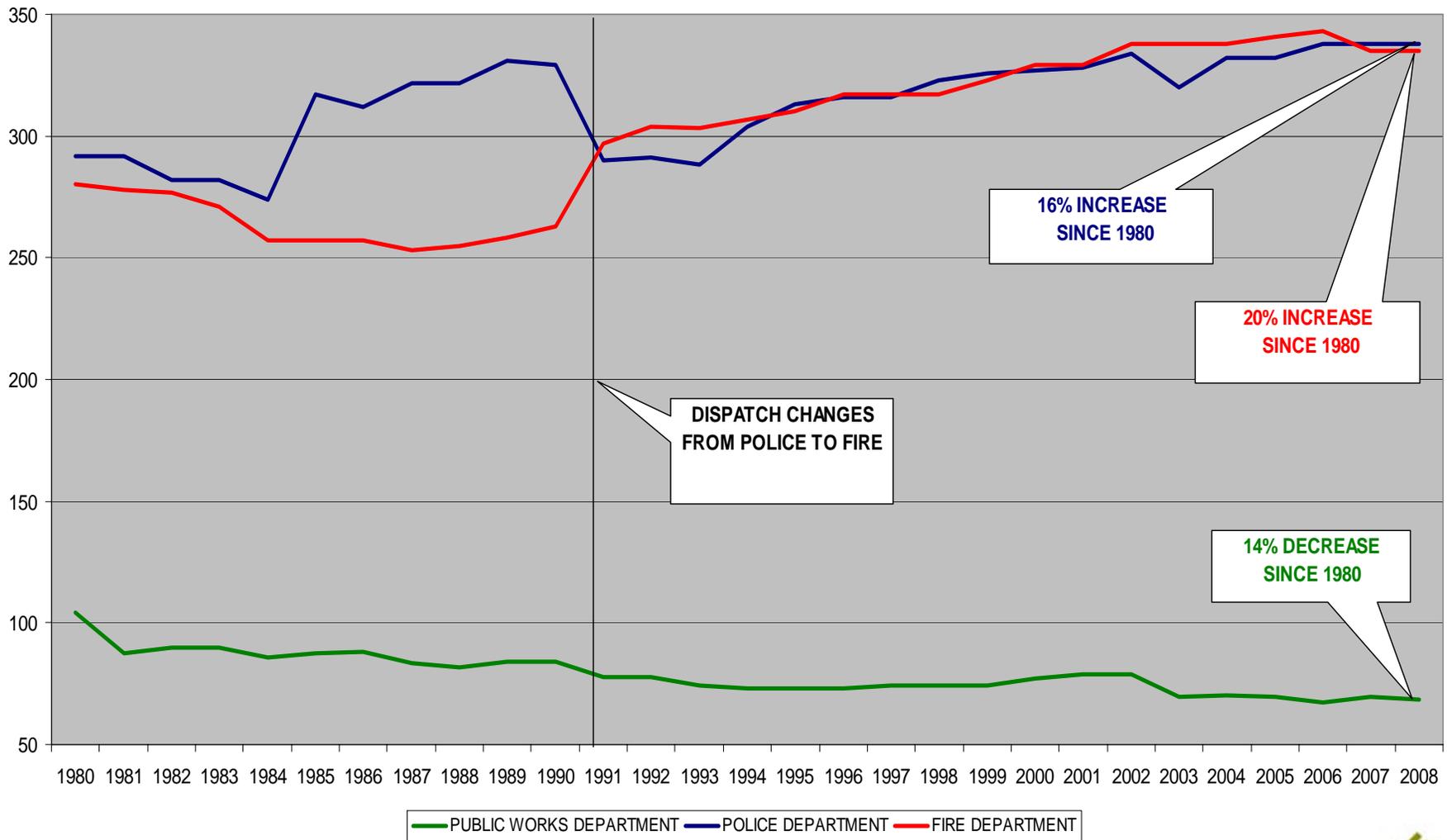
## City of Rockford, Illinois Public Safety Pensions (Annual City Contribution Cost)



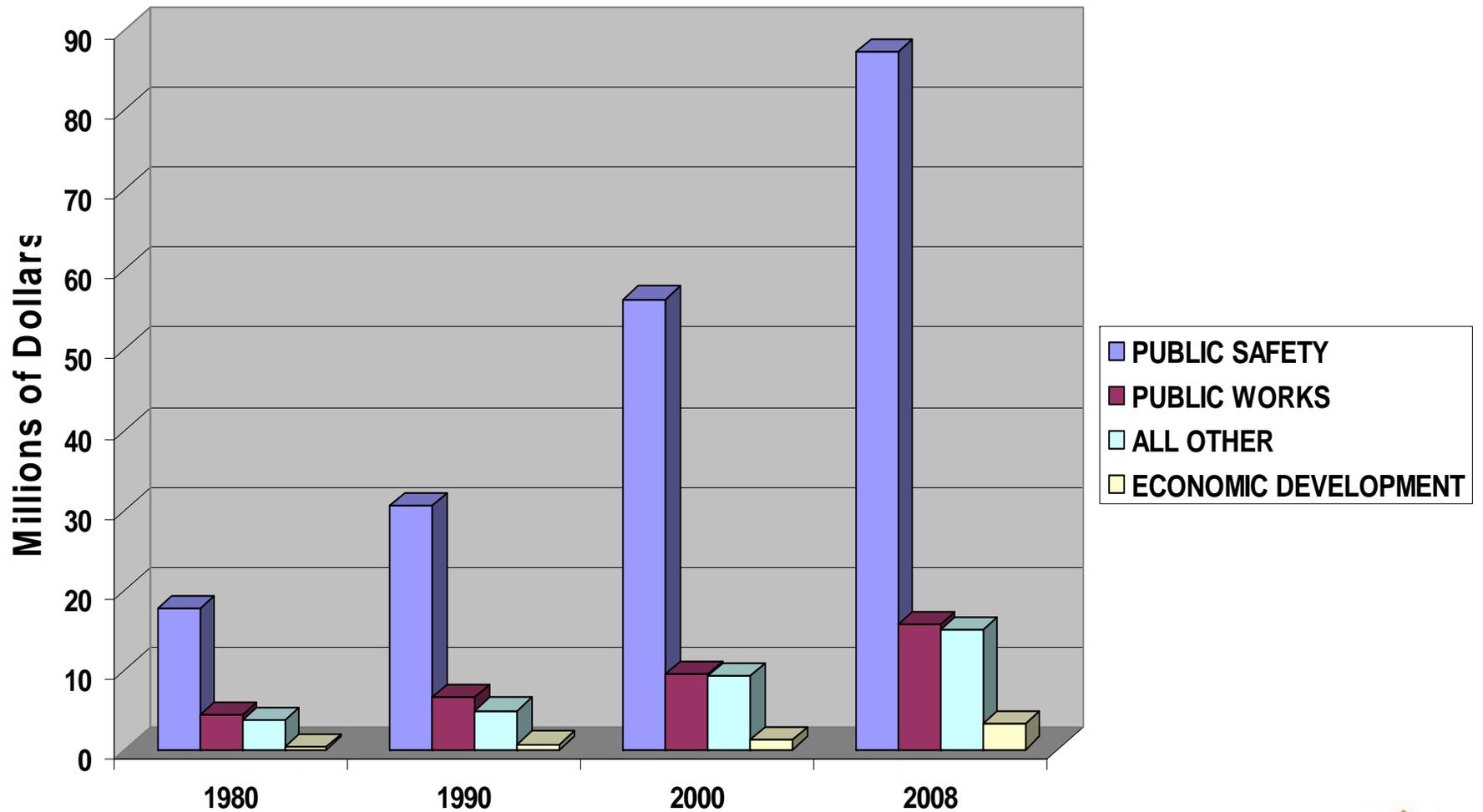
# Allocation & Asset Building

- Our citizens simply cannot sustain the growing gap between what they make and what they have to pay for public safety services.
- These increases in resource allocation limit our ability to invest in human and physical assets.

# CITY OF ROCKFORD EMPLOYEE GROWTH (1980-2008)



## City of Rockford General Fund Expense 1980 - 2008



# Allocation & Asset Building

- We must better allocate existing public financial resources to our greatest needs: human and physical assets.
  - EDUCATION
  - INFRASTRUCTURE
  - ECONOMIC DEVELOPMENT (JOBS)
  - IMPROVED PUBLIC SAFETY THROUGH IMPROVED ASSETS
  - WE HAVE SOME GOOD RECENT EXAMPLES

# Asset Building Successes

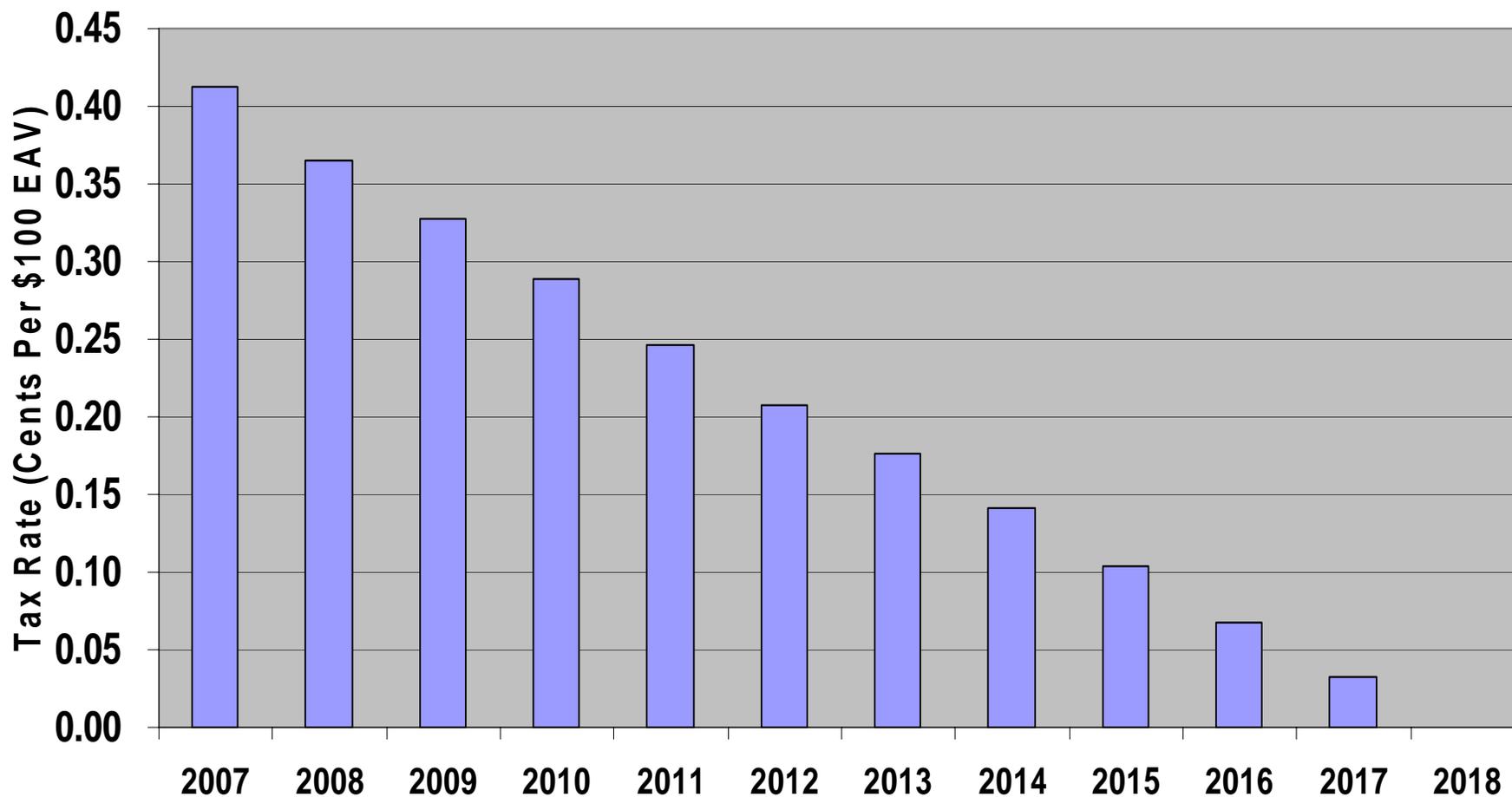
- Water System Overhaul
- Rebuilding Rockford Referendum in second full year.
- Federal Courthouse & Federal Stimulus Infrastructure Spending.
- Park District:
  - Museum Campus Expansion
  - Nicholas Conservatory

# Asset Building Successes (cont.)

- State Capital Plan Approved & Record State Investments Planned.
- Major gateway/corridor improvements in older areas: South Main, North Main, West State, Kishwaukee.
- Morgan Street Bridge Rebuild.
- MetroCentre: \$4.5 million in capital plan.
- River Edge Program: \$11.5 million and Rock River Development Partnership approved by Leadership Council.
- Amtrak Expansion funds in State Capital Plan.

# Allocation/Asset Building Successes

## Debt Service Tax Rate Reductions



# Work Remains

- State Pension Reform Needed:
  - We can't cut pension costs without help from the state. Right now the State of Illinois is not even talking about reforming local public safety pension rules.
  - Other States are moving to two-tiered systems, increasing the retirement age, and rolling back benefits to align better with private citizens.
- With flat revenue and increased pension and other costs, unfortunate consequences: e.g. “badges versus books”.
- We cannot support the same level of library subsidy when our City's primary statutory responsibility is to provide public safety.
- Our job is to provide the best possible services at the best possible price. Thus, we are examining every area where we can cut costs through better resource management.
- Examples: Special events security, Fire Engine Manning.

# CALL TO ACTION

- Budget & Finance Advisory Group
- Collective Bargaining Support
- State Advocacy for Pension Reform