



Lawrence J. Morrissey

Mayor's Business Luncheon

August 6, 2009

*The Economy
and its Impact City Operations*

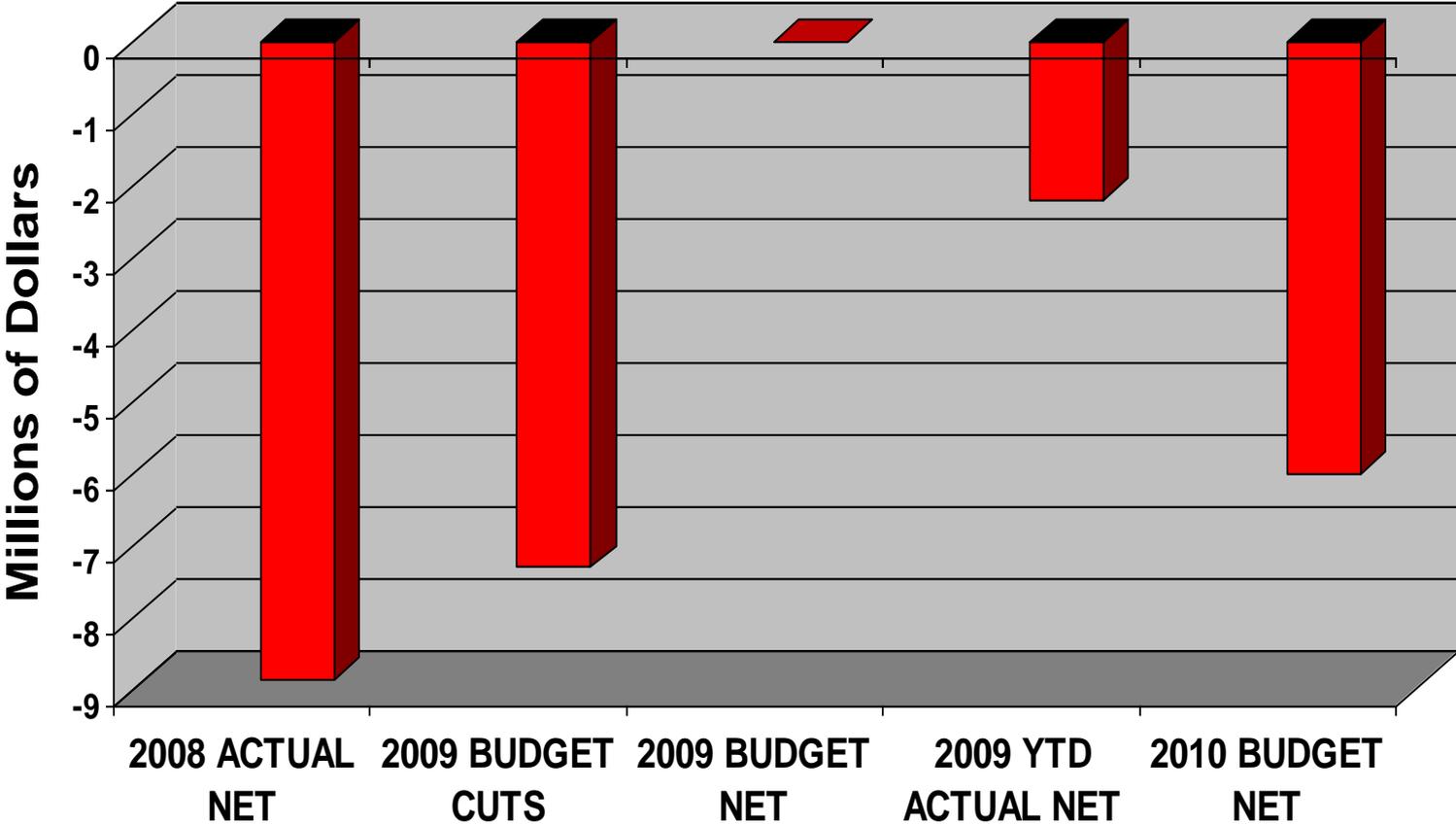
Budget Challenges

- Over the past two years, we have experienced “The Perfect Storm”
- 2008 budget experienced an \$8.8 million deficit due to heavy winter expenses and historic economic turndown in revenues
- 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.

Tough Budget Challenges

- The good news on 2009 Budget: City has kept expenses in check
- The bad news on 2009 Budget: City revenues have underperformed by \$2.2 million (sales and income tax mostly)
- The ugly news for 2010 Budget: Based on current revenue estimates and uncontrollable expense growth in healthcare and pension costs, the 2010 General Fund budget is predicted to be at a \$5.8-\$6.0 million deficit

City of Rockford, Illinois General Fund Financial Results



Tough Budget Challenges

● 2010 Financial Outlook:

- Property tax revenues are estimated to increase by approximately \$287,000, 87% of which is new construction/annexations. Only .1% growth.
- Sales tax revenues are estimated to be zero growth.
- State of Illinois estimates 2010 replacement tax at **-17.5%** and income tax revenues at **-3.5%** below 2009
- Healthcare costs are estimated to increase 5% and pension costs are increasing by X million due to market collapse.
- Open Union contract issues remain.

The New Economic Reality

- The City's organizational and financial structure as it exists today to deliver services has outstripped our community's ability to pay
- Our historic and current allocation of public financial resources has not been adequate to reinvent our community and our local economy to compete in the 21st century global economy

The Four “A’s” We Must Improve Upon to be Successful in this New Economic Reality:

1. ACCOUNTABILITY
2. ALIGNMENT
3. ALLOCATION
4. ASSET-BUILDING

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“A” #1: Accountability

- Organizational Accountability: RockSTAT
- Community Accountability:
 - Intergovernmental Cooperation
 - Interagency Cooperation
 - MetroCentre Ad Hoc,
 - Downtown Venues, Festivals, Special Events Advisory Group
 - RMAP-RAEDC Comprehensive Economic Development Strategy
 - Community Collaboration Inc.
 - We must track community performance and progress through sharing of data and collaboration!

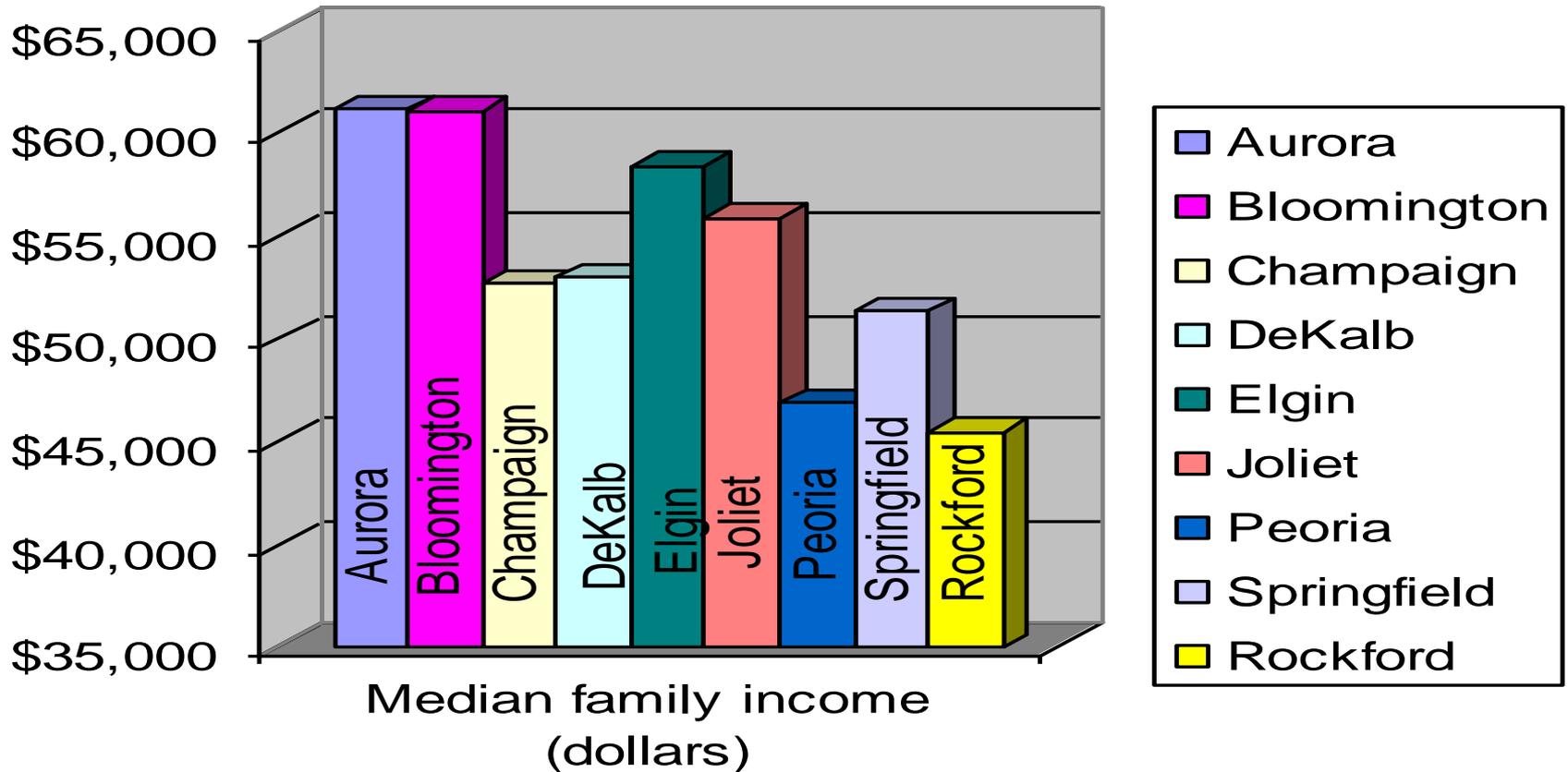
“A” #2: Alignment

- We must better align our existing public financial resources with our community’s ability to pay. Some quick facts:
 - Rockford’s Median family income is lower than ALL of our peer Illinois communities
 - Rockford’s Per capita 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
 - Rockford’s City government wage, benefit, and pension costs are outpacing our community’s ability to pay for them

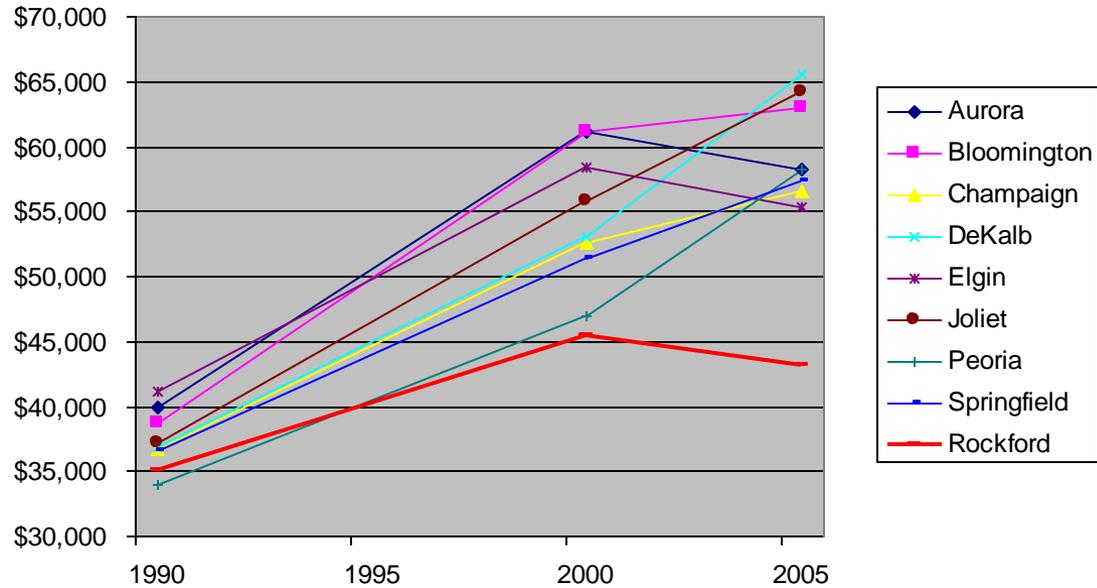
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2005 Median Family Income

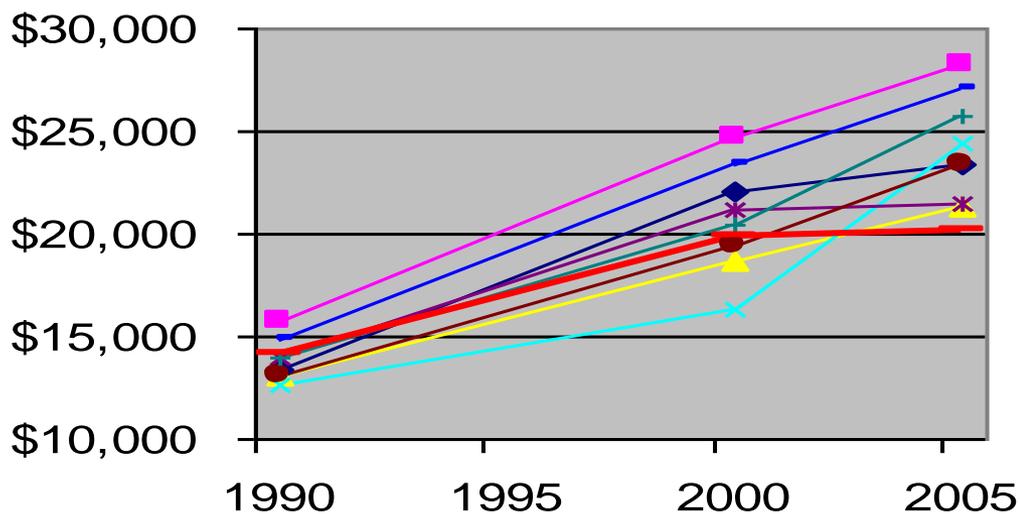


Median Family Income



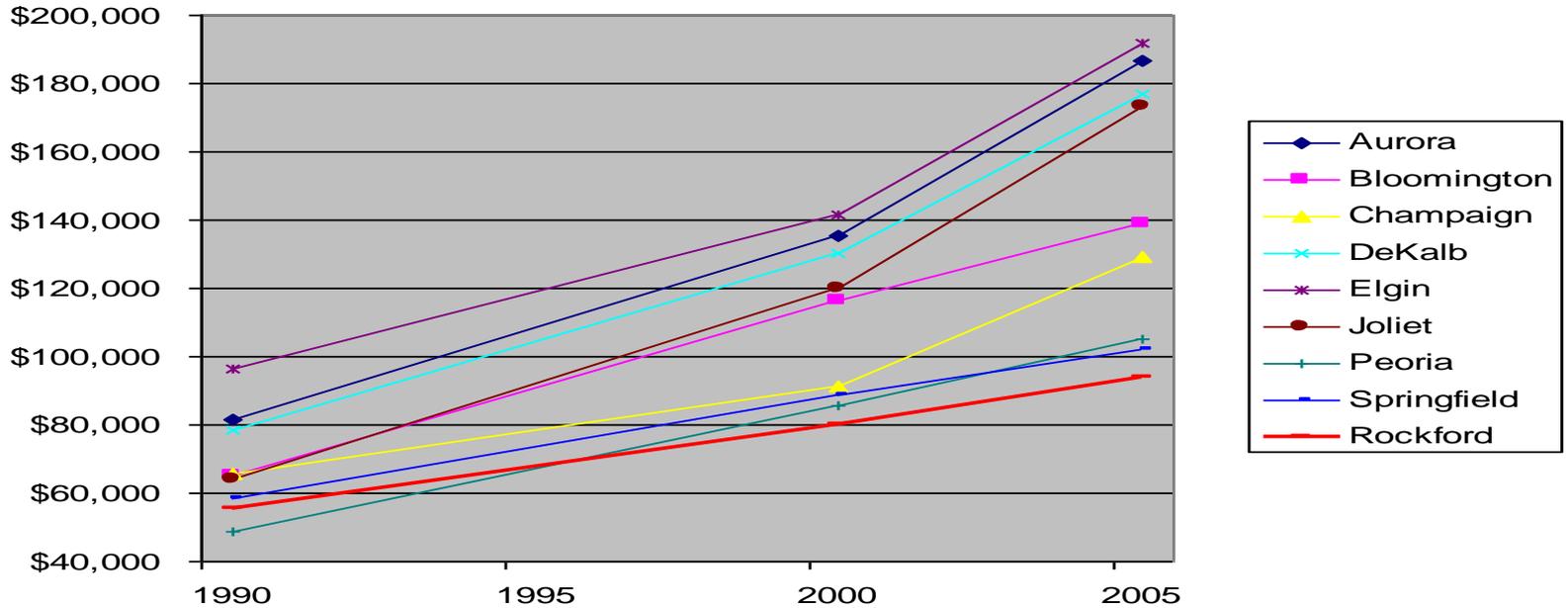
	Dec-90	Dec-00	Dec-05
◆ Aurora	\$39,941	\$61,113	\$58,218
■ Bloomington	\$38,677	\$61,093	\$62,932
▲ Champaign	\$36,767	\$52,628	\$56,594
✧ DeKalb	\$36,896	\$53,017	\$65,527
✱ Elgin	\$41,190	\$58,404	\$55,366
● Joliet	\$37,198	\$55,870	\$64,263
+ Peoria	\$34,003	\$46,882	\$58,267
◆ Springfield	\$36,516	\$51,298	\$57,376
— Rockford	\$34,985	\$45,465	\$43,185

Per Capita Income



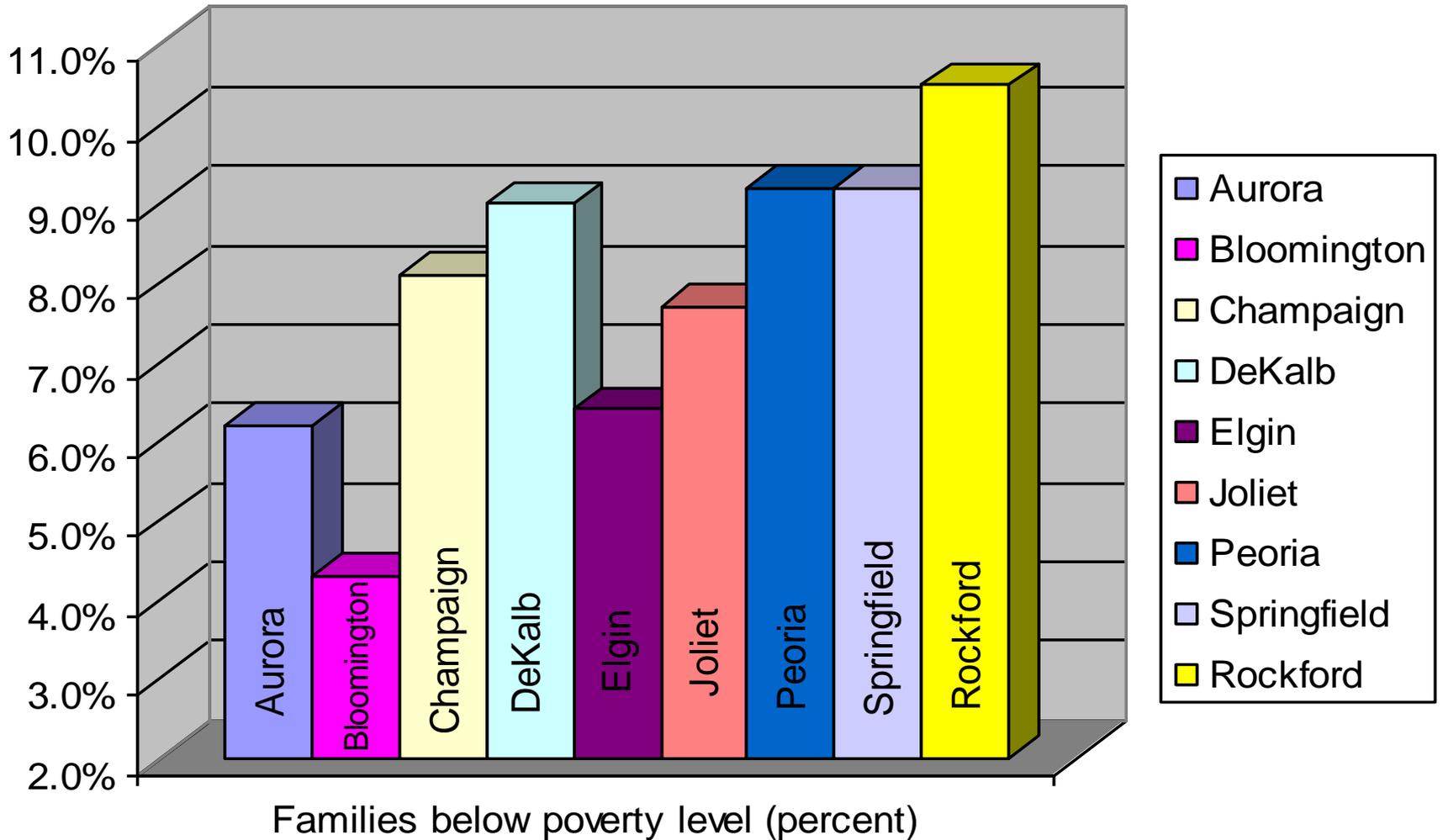
	Dec-90	Dec-00	Dec-05
—◆— Aurora	\$13,335	\$22,131	\$23,454
—■— Bloomington	\$15,667	\$24,751	\$28,204
—▲— Champaign	\$13,025	\$18,664	\$21,301
—×— DeKalb	\$12,657	\$16,261	\$24,379
—*— Elgin	\$13,929	\$21,112	\$21,531

Median Home Value Comparison



	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

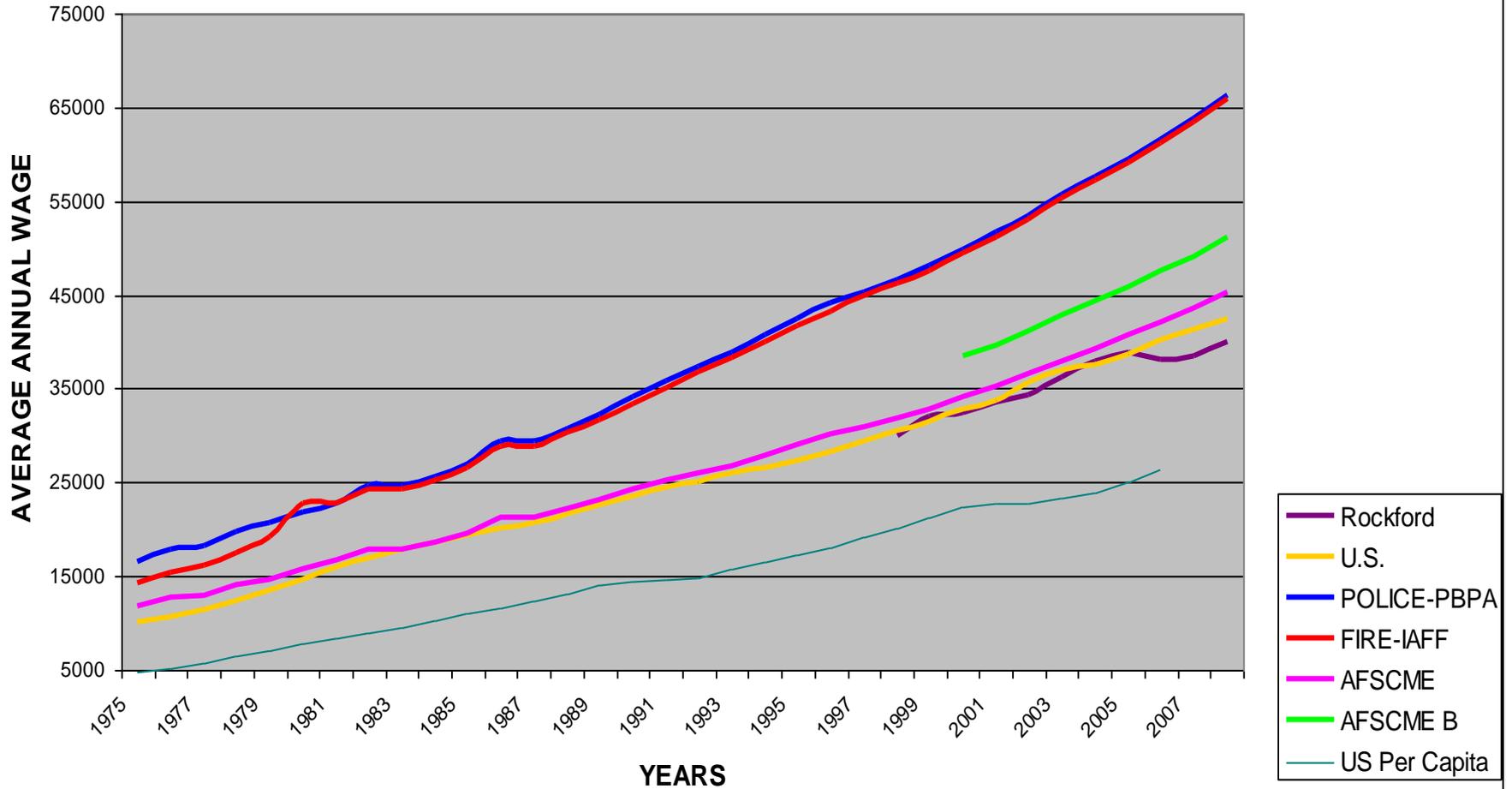
Percentage Families Below Poverty Level



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

AVERAGE ANNUAL SALARY COMPARISON CITY UNIONS VS. AVERAGE CITIZEN



IT'S UNSATIABLE APPETITE
IT IS CONTROLLED
IT CONTINUES TO GROW, GET
DEFICITS AND A REDUCED ABILITY
TO DELIVER SERVICES TO THE
ILLINOIS STATE LEGISLATURE
AT AN ALARMING RATE....

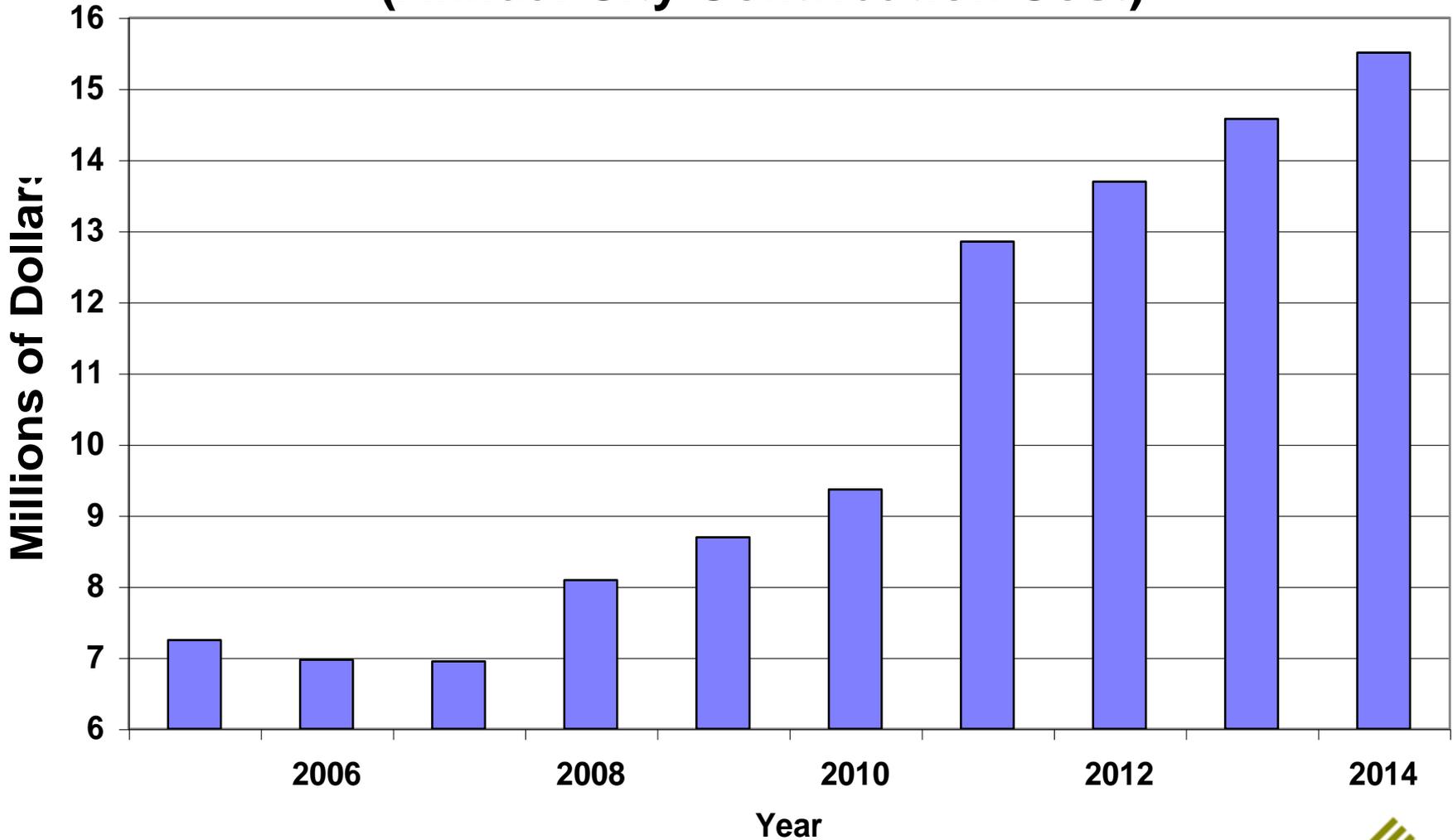


Pension Pacman

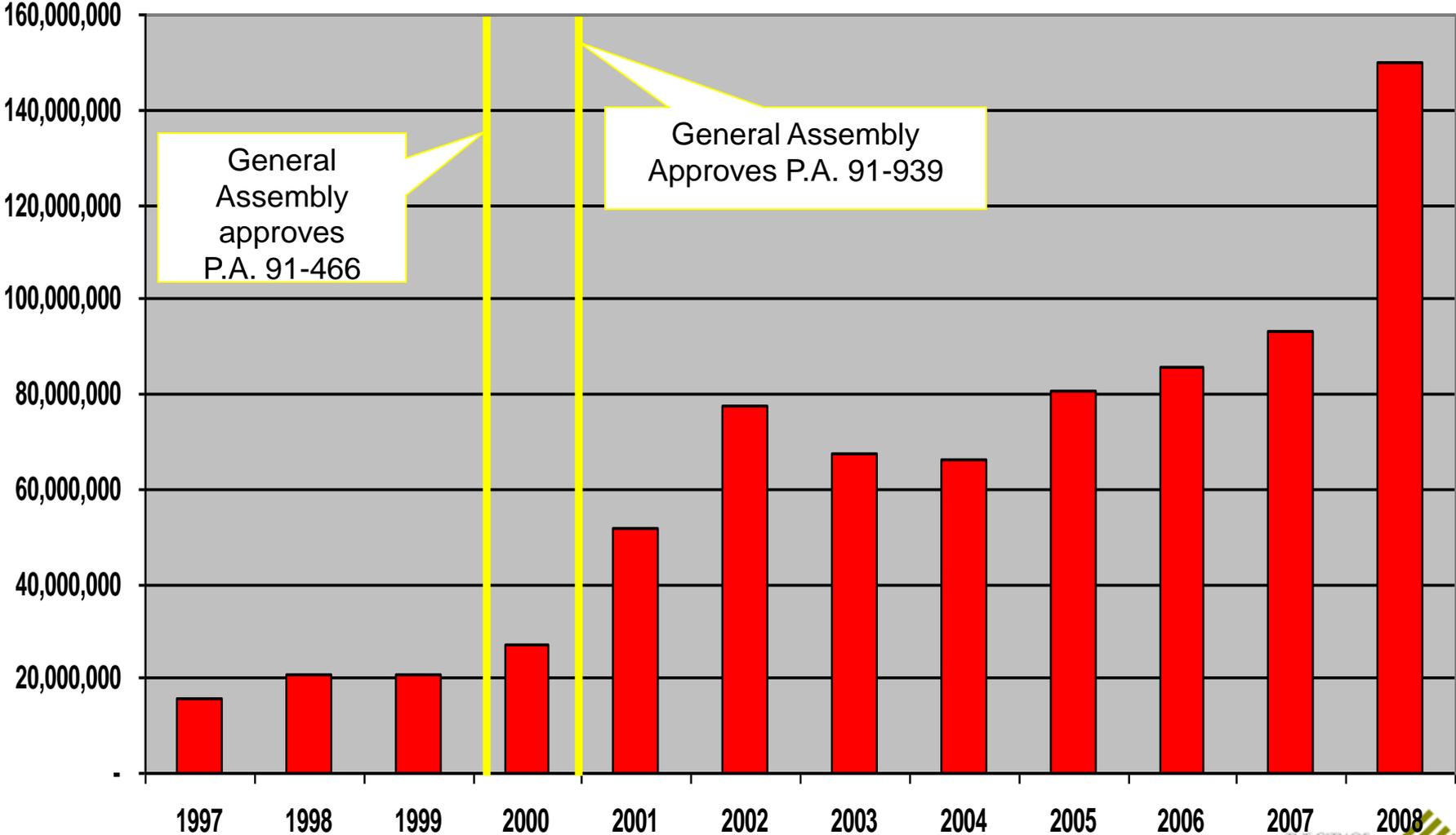
(Coming to a town or city near you)

Check for show times, unfunded state mandates, reduced service delivery, and crushing budget deficits.

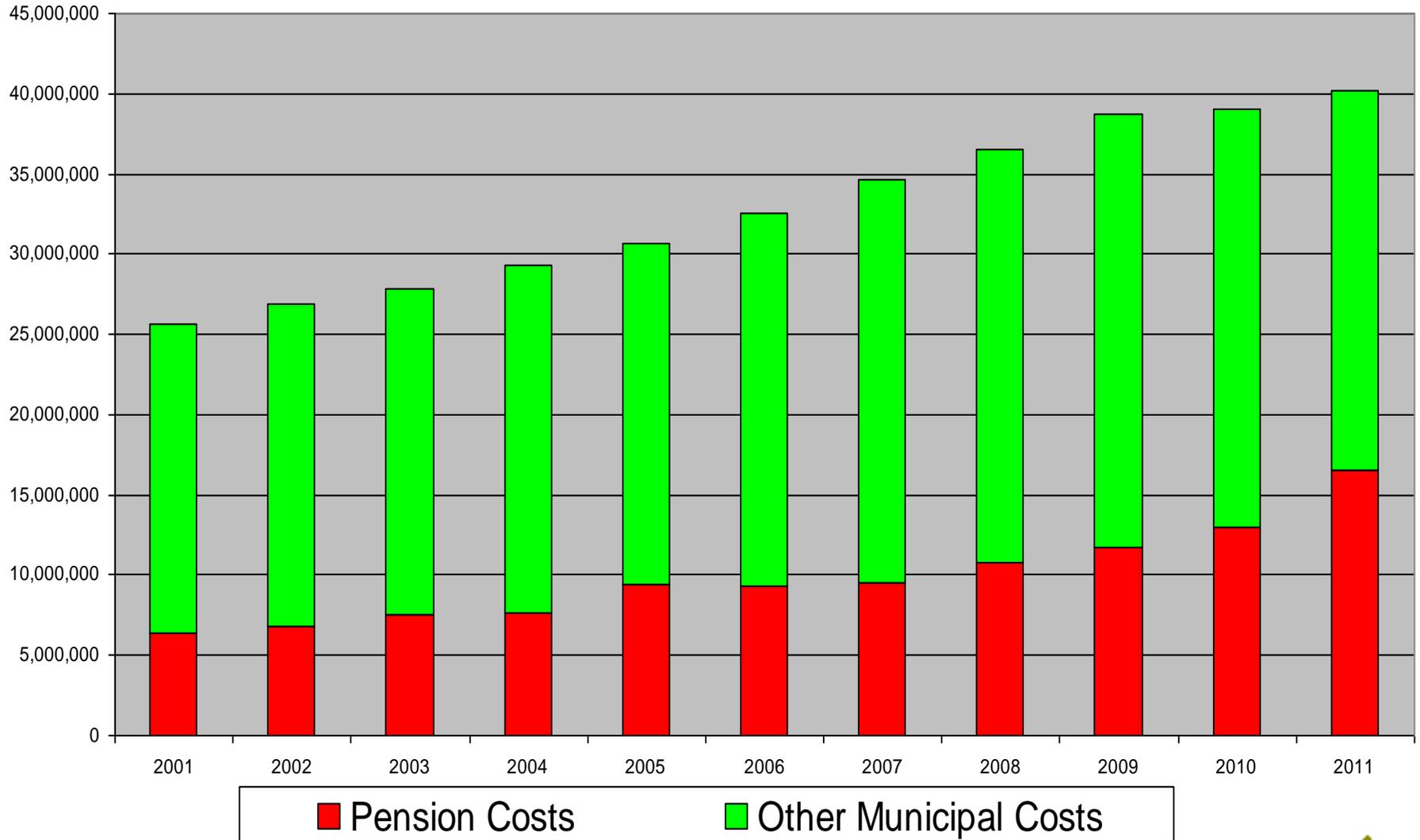
City of Rockford, Illinois Public Safety Pensions (Annual City Contribution Cost)



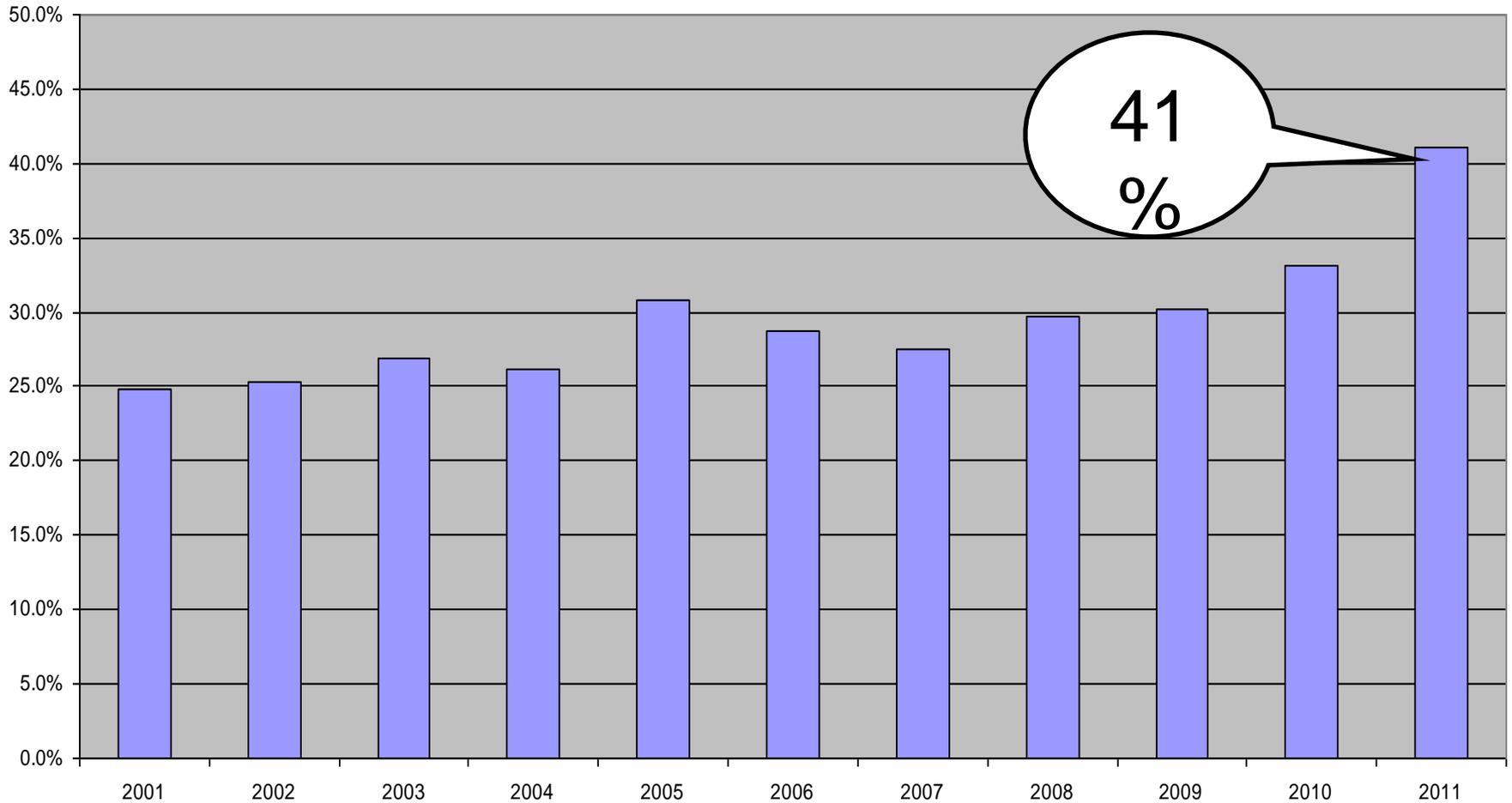
City of Rockford Total Unfunded Pension Liability



Pension Costs being paid through Property Tax Revenues



CITY PENSION GROWTH AS A % OF TOTAL PROPERTY TAX REVENUES



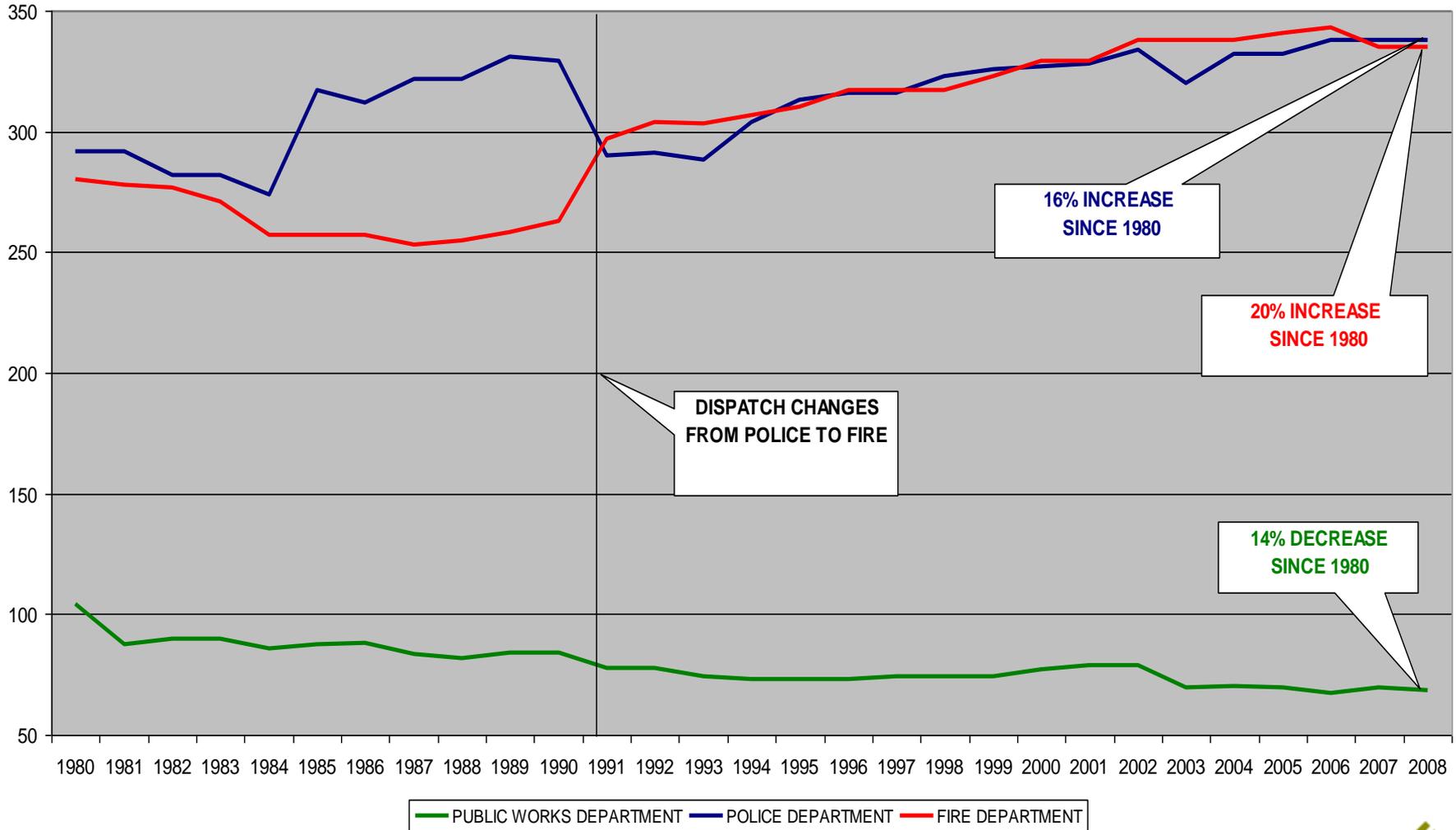
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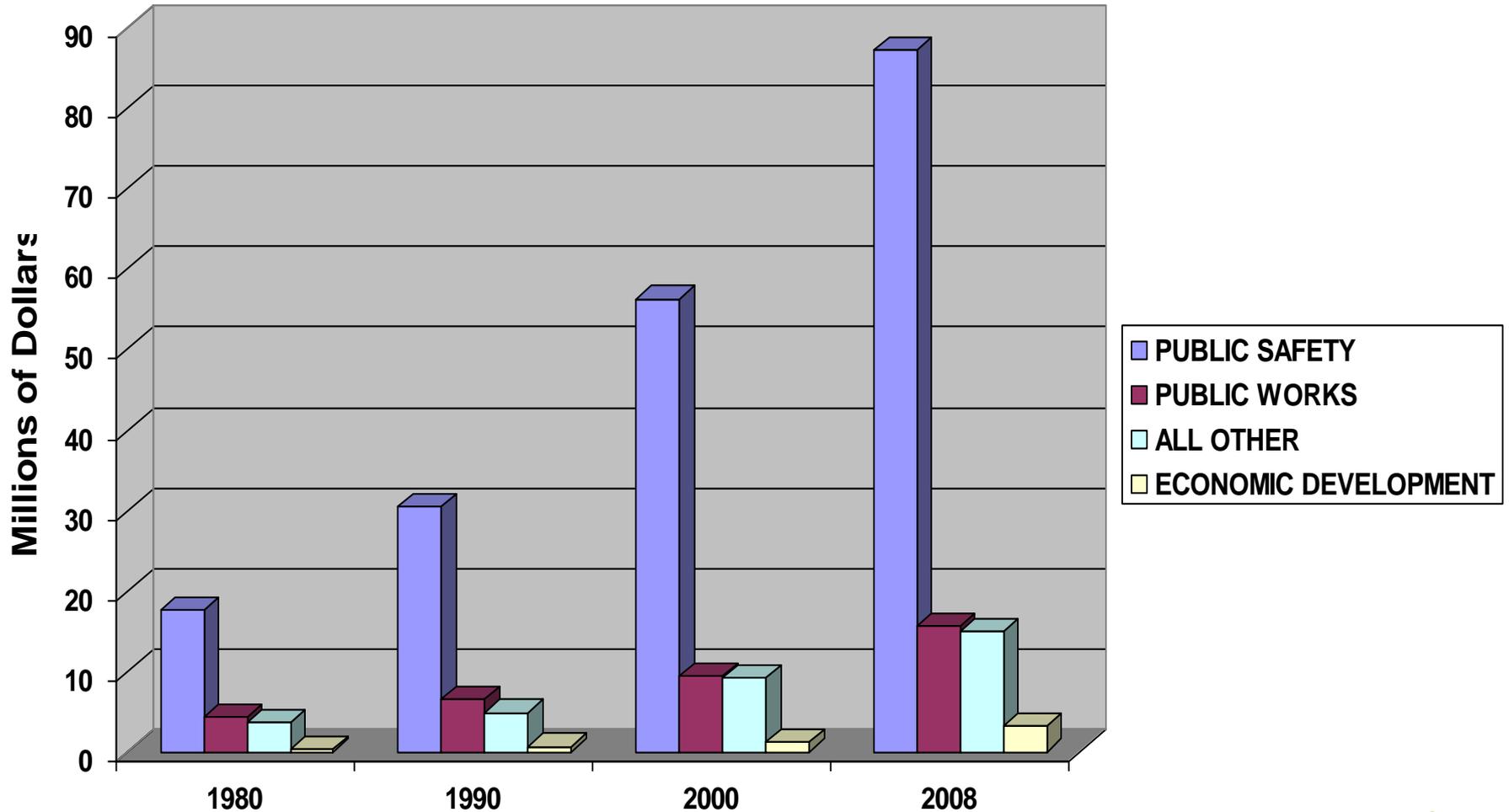
“A” #3: Allocation

- We must better allocate our existing public financial resources with our greatest community needs: developing and enhancing our human and physical assets.
 - CRIME REDUCTION
 - EDUCATIONAL ATTAINMENT
 - INFRASTRUCTURE INVESTMENT
 - ECONOMIC DEVELOPMENT (JOBS)

CITY OF ROCKFORD EMPLOYEE GROWTH (1980-2008)



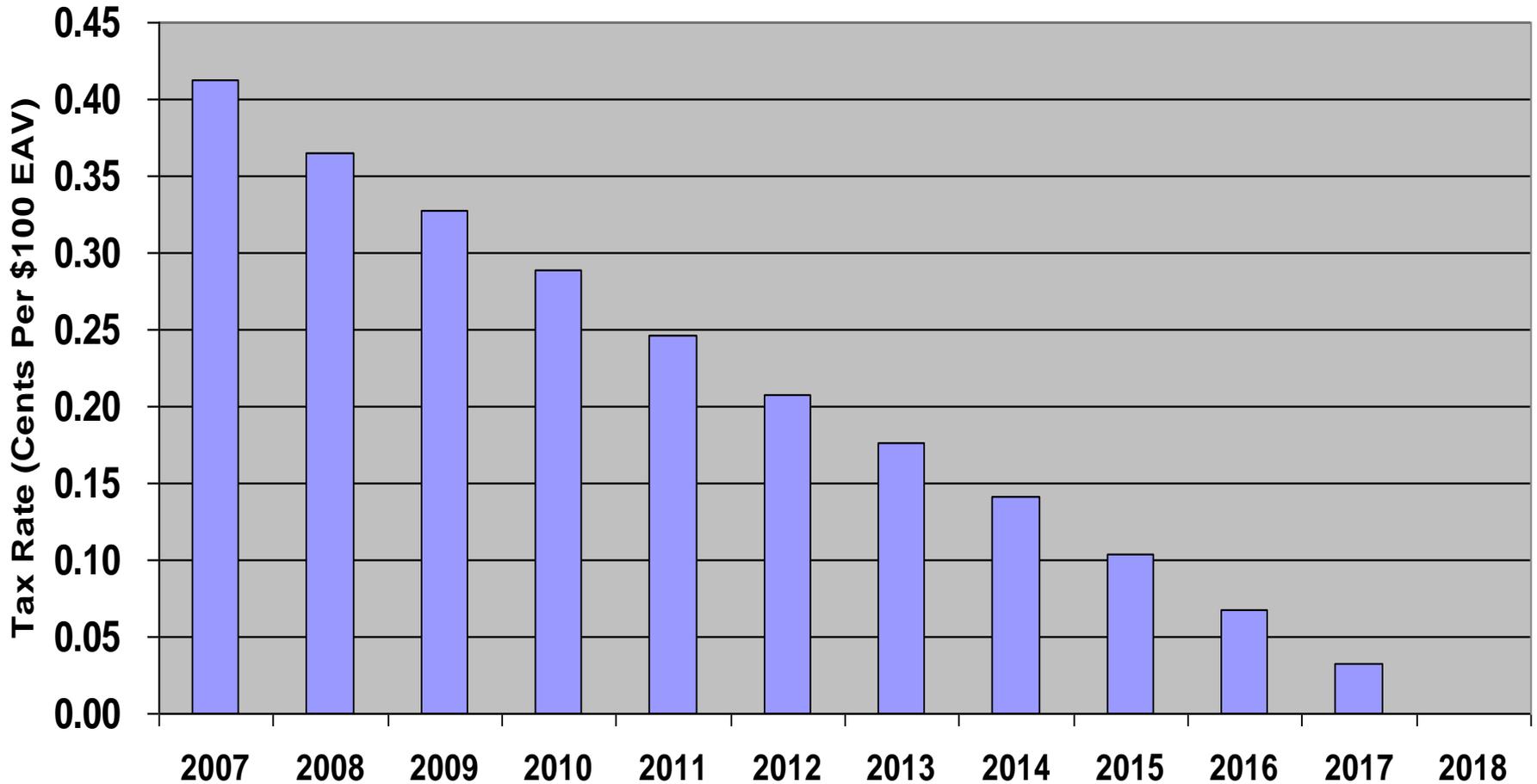
City of Rockford General Fund Expense 1980 - 2008



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City of Rockford Debt Service Tax Rate



CALL TO ACTION

- Collective Bargaining
- Budget & Finance Advisory Group