

Police and Fire Pension Fund

Mission Statement

It is the mission of the Police and Fire Pension Funds to provide retirement benefits for retired police officers and firefighters and their beneficiaries through employer and employee contributions and investment earnings.

Primary Functions → The primary function of this non-operating budgetary unit is to finance pensions for employees by both employer and employee contributions combined with interest earnings on those contributions. These three revenue streams, if based on sound actuarial assumptions, should generate sufficient funds for employee retirement without placing either an undue burden on the employer or a risk to the pension due the employee.

Budget Summary

POLICE PENSION FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)
PERSONNEL	\$10,881,796	\$5,900,674	\$11,640,324	\$4,968,953	(\$931,721)
CONTRACTUAL	364,362	414,300	350,142	375,100	(39,200)
SUPPLIES	122	200	31	200	0
OTHER	<u>101,700</u>	<u>101,700</u>	<u>101,700</u>	<u>99,900</u>	(1,800)
TOTAL	<u>11,347,980</u>	<u>6,416,874</u>	<u>12,092,197</u>	5,444,153	(972,721)
NON-APPROPRIATION	0	5,800,000	0	7,650,000	1,850,000
TOTAL EXPENSE	<u>\$11,347,980</u>	<u>\$12,216,874</u>	<u>\$12,092,197</u>	<u>\$13,094,153</u>	<u>\$877,279</u>
FUNDING SOURCE		2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>
POLICE DEPARTMENT TRANSFER					
POLICE PENSION PROPERTY TAX		\$4,942,653	27.8	\$4,942,653	34.7
POLICE PENSION PROPERTY TAX		0	0.0	(750,000)	(5.3)
POLICE PENSION REPLACE TAX		<u>776,300</u>	4.4	<u>776,300</u>	5.4
TOTAL CITY CONTRIBUTION		5,718,953	32.2	4,968,953	34.8
INTEREST INCOME		3,600,000	20.3	3,800,000	26.7
FV APPRECIATION(DEPRECIATION)		<u>6,500,000</u>	<u>36.6</u>	<u>3,500,000</u>	<u>24.6</u>
INVESTMENT INCOME		10,100,000	56.8	7,300,000	51.2
EMPLOYEE CONTRIBUTIONS		<u>1,954,200</u>	<u>11.0</u>	<u>1,986,500</u>	<u>14.0</u>
TOTAL		<u>17,773,153</u>	<u>100.0</u>	<u>14,255,453</u>	<u>100.0</u>
ACTUARY'S CONTRIBUTION					
REQUIREMENT		5,900,674	33.2	5,718,953	40.1
AMORTIZATION AMOUNT		\$5,738,000		\$1,161,300	
(SEE TEXT FOR PENSION FINANCING EXPLANATION TO EXPLAIN REVENUE AND EXPENSE DISCREPANCY)					

Police and Fire Pension Fund

Budget Summary

FIRE PENSION FUND BUDGET SUMMARY					
APPROPRIATION	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	INCREASE (DECREASE)
PERSONNEL	\$11,888,462	\$6,951,034	\$12,929,522	\$6,295,842	(\$655,192)
CONTRACTUAL	451,270	592,000	480,220	509,700	(82,300)
SUPPLIES	0	200	0	200	0
OTHER	101,700	101,700	101,700	99,900	(1,800)
TOTAL	12,441,432	7,644,934	13,511,442	6,905,642	(739,292)
NON-APPROPRIATION	0	7,100,000	0	7,350,000	250,000
TOTAL EXPENSE	\$12,441,432	\$14,744,934	\$13,511,442	\$14,255,642	(\$489,292)

FUNDING SOURCE	2010 AMOUNT	2010 PERCENTAGE	2011 AMOUNT	2011 PERCENTAGE
FIRE DEPARTMENT TRANSFER				
FIRE PENSION PROPERTY TAX	\$5,915,934	32.7	\$6,114,242	38.4
FIRE PENSION PROPERTY TAX	0		(750,000)	(4.7)
FIRE PENSION REPLACE TAX	1,035,100	5.7	931,600	5.8
TOTAL CITY CONTRIBUTION	6,951,034	38.4	6,295,842	39.5
INTEREST INCOME	4,300,000	23.8	2,800,000	17.6
FV APPRECIATION(DEPRECIATION)	5,000,000	27.6	5,000,000	31.4
INVESTMENT INCOME	9,300,000	51.4	7,800,000	48.9
EMPLOYEE CONTRIBUTIONS	1,849,200	10.2	1,845,600	11.6
TOTAL	18,100,234	100.0	15,941,442	100.0
ACTUARY'S CONTRIBUTION				
REQUIREMENT	6,951,034	38.4	7,045,842	44.2
AMORTIZATION AMOUNT	\$4,588,792		\$1,685,800	

(SEE TEXT FOR PENSION FINANCING EXPLANATION TO EXPLAIN REVENUE AND EXPENSE DISCREPANCY)

Budget Analysis

The City utilizes an independent actuary to annually determine the necessary funding for these two plans. Once this is determined, the City funds the plans based on the recommendations of the independent actuary. There were no changes with respect to plan provisions, actuarial methods, or actuarial assumptions from the prior year.

For 2010, the Police plan earned \$1.9 million in interest income while the Fire plan earned \$2.1 million in interest income. The Police and Fire plans also realized \$16.4 and \$6.6 million respectively on the sale of investments. In addition, reflecting fair market value adjustments of investments, the Police Pension Fund recorded a depreciation loss of \$3.1 million while the Fire Pension Fund recorded a gain of \$3.3 million. Investment expenses were \$290,000 for Police and \$469,000 for Fire. Approximate annual rates of return were positive for both, (10.9%) for Police and (9.0%) for Fire. The rate of return assumption is 7.5%.

Police and Fire Pension Fund

In 1993, the State of Illinois increased the pension benefits for these two plans. This increase not only increased costs for the future but it also significantly increased the unfunded liability for service already earned. With the member contribution rate increased only marginally, the bulk of the cost of paying for these improved benefits fell to local governments. To mitigate this, the State replaced the existing forty year level dollar amortization schedule begun in 1980 with a new 1993 forty year level percentage schedule. The City has elected, as long as was possible, to fund the annual contribution based on the 1980 schedule. For 2002, the last year that making this additional contribution was possible, this election added \$406,805 to the Police contribution and \$1,002,874 to the Fire contribution. Due to continuing and increasingly severe property tax cap restrictions, the City in 2003 changed and began to recognize the 1993 amortization method. The impact of this change for 2003 was estimated to be \$980,000 for the Police contribution and \$1,750,000 for the Fire contribution.

Effective July 1, 2004, the State changed the surviving spouse formula for the Fire Pension from 54% of ending salary to 100% of ending pension. To help fund this increased benefit, the firefighter contribution from salary was increased from 8.455% to 9.455%, an addition of \$166,400 and the municipal contribution was calculated at \$365,000, 2.1 cents on the tax rate. 30 of the 48 surviving spouses accounted for a first year cost increase of \$215,000. For the future, this will add an additional \$20,000 annually for each new surviving spouse. The State exempted the property tax necessary for this new benefit from the tax cap law.

The State of Illinois enacted a reform package for Illinois police and fire pension plans in 2010. Benefit changes, for new hires beginning January 1, 2011, included the following: (1) normal retirement age of 55 (currently 50); (2) early retirement at age 50 with 6% reduction for each year prior to 55; (2) pensionable salary cap of \$106,800 indexed to ½% of CPI-U; (3) final average salary calculated using the last 8 of 10 years (currently final day's salary); (4) survivor benefit of 66 2/3% of pension earned at date of death (currently 100% of pension); and (5) cost of living adjustments beginning the year after a retiree or survivor turns age 60 with annual increases equaling the lesser of 3% simple or ½ of CPI-U (currently 3% compounded each year after pension becomes payable).

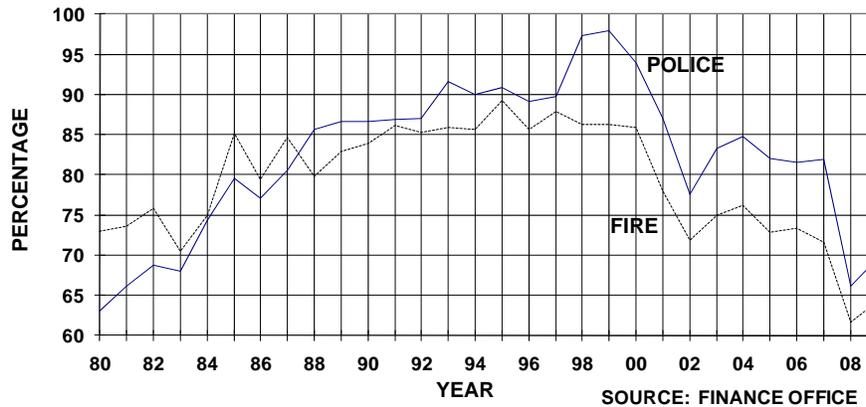
In addition, the following changes were made to public safety pension funding: (1) 30 year closed amortization period with a funding target of 90% by the end of 2040 (currently expires in 2033 with a funding target of 100%); (2) state shared revenue diversions to pension funds beginning in 2016 equaling the difference between the employer contribution and the required actuarial contribution. Three year phase in with up to 1/3 of state shared revenue diverted in 2016, up to 2/3 in 2017, and up to the full contribution difference beginning in 2018; (3) expanded investment authority including corporate bonds for all funds and greater equity investments for funds with assets of at least \$10 million; and (4) 5 year smoothing of actuarial gains and losses.

The first actuarial study to be performed using these changes will be in the spring of 2011 for the year ended 2010 for the 2012 budget levy and the 2013 budget expense. The City has reduced the 2010 budget levy which becomes the 2011 budget expense by \$750,000 for each pension fund to recognize the change in law.

Police and Fire Pension Fund

For the 2011 Police contribution requirement, the amount has decreased from \$5,900,674 to \$5,718,953, -\$181,721 (-3.1%). The decrease in the contribution requirement is due to the decrease in the annual payroll and the investment return was greater than assumed. In addition, reflecting the new law, the contribution to be made is reduced by \$750,000 (-12.7%). Thus, the total change is a decrease of \$931,721 (-15.8%) to \$4,968,953. The percent funded has increased from 61.1% to 69.5%.

**CITY OF ROCKFORD, ILLINOIS
PERCENTAGE RATE OF FULL FUNDING
FOR POLICE & FIRE PENSIONS YEARS FROM 1980**

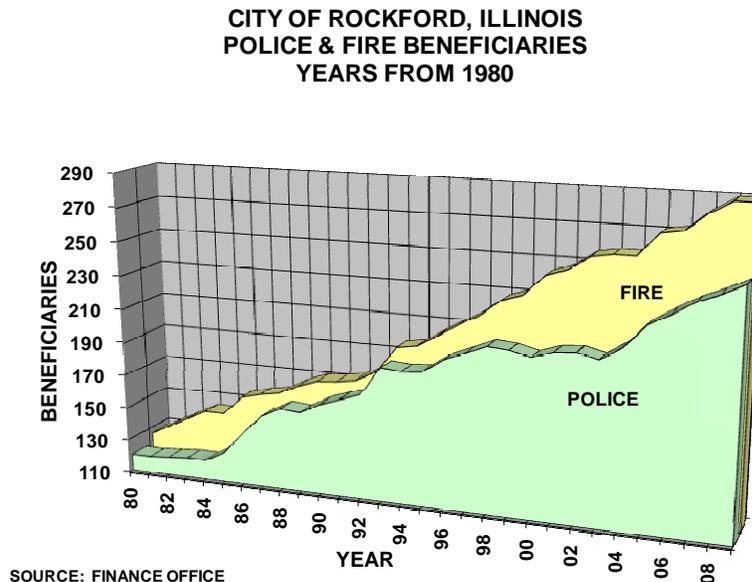


For the 2011 Fire contribution requirement, the amount has increased from \$6,951,034 to \$7,045,842 (\$94,808 – 1.4%). The increase in the contribution requirement is due to the increase in salaries and was offset due to the investment return was greater than assumed. In addition, reflecting the new law, the contribution to be made is reduced by \$750,000 (-10.8%). Thus, the total change is a decrease of \$655,192 (-9.4%) to \$6,295,842. The percent funded has increased from 61.7% to 64.2%.

ROCKFORD PENSION PLANS			
	<u>Police</u>	<u>Fire</u>	<u>IMRF/SS</u>
Employees	Sworn	Sworn	All Other
2011 Employer Rate	24.79%	32.25%	19.01%
2011 Employee Rate	9.910%	9.455%	10.70%
Social Security Included	No	No	Yes (6.2%)
Plan Administration	Local	Local	State
Retirement Age	50	50	55/60
Vesting (Years)	10	10	8
Pension (20 Years Service)	50%	50%	35%
Pension Limit	75%	75%	75%
Years To Achieve Limit	30	30	40
Pension Based On	Last Pay	Last Pay	Average of (4) Highest Consecutive Years In Last (10)

Police and Fire Pension Fund

Trends for the two funds include active member percentage decreasing as the number of retirees increase as well as dollar costs rising.



Approximately one-half of the annual revenues for these two plans are generated from investment earnings. While member contributions have increased to 9.91% for Police in 2000 and 9.455% for Fire in 2005, employee contributions are still the smallest element of the financing equation.

The City contributions are funded from property taxes and state replacement taxes. Pension property taxes are unlimited; however, property tax extension limitations (tax caps) do apply on a total city basis except for the new benefit provision for Fire Pension surviving spouses. For 2011, estimated rates are 25.7 cents for the Police plan and 31.8 cents for the Fire plan. 2010 rates are estimated at 25.3 and 29.7 cents respectively. The property tax rate increase is due to the plan cost increase. For the Fire plan, 3.0 cents for 2010 and 3.4 cents for 2011 are exempt from tax caps.

Both plans utilize the Finance Department's staff. The Police pension fund will also utilize a consultant, \$40,000, and a custodian, \$3,400, as well as seven money managers at an estimated cost of \$457,900 (2009-\$494,879). The Fire pension uses a consultant, \$60,000, a custodian, \$11,600, and eight money managers at an estimated cost of \$408,500 (2009-\$449,478). Each fund pays the State Department of Insurance \$8,000 annually for oversight services.

Five Year Financial Forecast

The 2012-2016 five-year forecast on a traditional basis, assumes five percent City and employee contribution increases as well as a 7.5% return on investments. The combined impact for the two plans of this increase on the property tax rate would be approximately four cents annually. Costs are assumed to rise annually due to three percent pension increases and an annual new retiree group of five. This forecast does not address a number of issues such as mortality, disability, and

Police and Fire Pension Fund

withdrawal that an actuary would. In addition, it makes no assumptions as to the likelihood of additional benefits gained through the legislative process in Springfield.

During 2009, the two portfolios recovered a portion of their 2008 losses. If this continues, then future contribution increases can return to more normal levels.

POLICE PENSION FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$21,656	\$22,830	\$24,100	\$25,445	\$26,889
Expenditures	<u>13,592</u>	<u>14,105</u>	<u>14,633</u>	<u>15,177</u>	<u>15,738</u>
Excess (Deficit)	<u>8,063</u>	<u>8,725</u>	<u>9,466</u>	<u>10,268</u>	<u>11,152</u>
Beginning Balance	<u>162,003</u>	<u>170,066</u>	<u>178,791</u>	<u>188,257</u>	<u>198,525</u>
Ending Balance	<u>\$170,066</u>	<u>\$178,791</u>	<u>\$188,257</u>	<u>\$198,525</u>	<u>\$209,677</u>
Property Tax Rates (in cents)	30.2	34.2	36.6	39.2	41.9

FIRE PENSION FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$21,746	\$22,898	\$24,128	\$25,449	\$26,861
Expenditures	<u>14,789</u>	<u>15,338</u>	<u>15,903</u>	<u>16,485</u>	<u>17,085</u>
Excess (Deficit)	<u>6,957</u>	<u>7,560</u>	<u>8,225</u>	<u>8,963</u>	<u>9,776</u>
Beginning Balance	<u>146,989</u>	<u>153,945</u>	<u>161,505</u>	<u>169,731</u>	<u>178,694</u>
Ending Balance	<u>\$153,945</u>	<u>\$161,505</u>	<u>\$169,731</u>	<u>\$178,694</u>	<u>\$188,470</u>
Property Tax Rates (in cents)	37.3	42.0	44.8	47.9	51.1

IMRF Pension Fund

Mission Statement

It is the mission of the Illinois Municipal Retirement Fund to provide retirement benefits for all retired non-sworn City employees and their beneficiaries.

Primary Functions → The primary function of the IMRF Fund is to account for all benefits for retired non-sworn City employees and their beneficiaries through employer and employee contributions.

Fund Highlights

Based on sound professional actuarial advice and adequate funding, former employees are able to draw retirement benefits from the plan.

Budget Summary

IMRF PENSION FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)
PERSONNEL	\$5,947,533	\$6,878,846	\$6,525,637	\$6,637,477	(\$241,369)
CONTRACTUAL	317	250	211	250	0
OTHER	<u>125,000</u>	<u>0</u>	<u>125,000</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$6,072,850</u>	<u>\$6,879,096</u>	<u>\$6,650,848</u>	<u>\$6,637,727</u>	<u>(\$241,369)</u>
RATES APPLIED					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
IMRF	9.93	9.59	9.35	12.53	12.81
SOCIAL SEC	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>
TOTAL	<u>17.58</u>	<u>17.24</u>	<u>17.00</u>	<u>20.18</u>	<u>20.46</u>
FUNDING SOURCE					
	2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>	
PROPERTY TAXES					
IMRF FUND	\$3,173,264	46.1	\$3,002,395	45.2	
REPLACEMENT TAXES	308,100	4.5	277,300	4.2	
INTERFUND TRANSFERS	3,397,732	49.3	3,358,032	50.5	
INTEREST INCOME	<u>10,000</u>	<u>0.1</u>	<u>10,000</u>	<u>0.1</u>	
TOTAL	<u>\$6,889,096</u>	<u>100.0</u>	<u>\$6,647,727</u>	<u>100.0</u>	

Budget Analysis

The Social Security rate, last increased in 1990 to 7.65%, remains unchanged for 2011. The taxable wage base for the 1.45% Medicare portion continues to be unlimited; the ceiling for Social Security (6.2%) remains unchanged from 2010's \$106,800.

The 2011 IMRF rate increases slightly to 12.81% from 2009's 12.53% (2.2%) due to the performance of equity markets. Combining IMRF and Social Security, the 2011 rate is 20.46%, a

IMRF Pension Fund

1.4% increase. The City's IMRF plan is 77.5% funded (2010 market value). Funding for the City's Police and Fire plans is 69.5% and 64.2% respectively (2009 market value).

The property tax rate for IMRF and Social Security retirement is unlimited by statute. The 2011 estimated rate is 15.9 cents, unchanged from the prior year's 15.9 cents.

Five Year Financial Forecast

The 2012-2016 five-year forecast assumes that retirement costs will increase 5% annually due to salary adjustments, that the Social Security and IMRF rates will remain constant, that the Social Security base will continue to increase incrementally and that the revenue mix of property and transfer reimbursements will remain constant. Given the performance of the equity markets, the IMRF rate and consequently the City's expense may need to increase during this time period.

IMRF FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$7,047	\$7,540	\$7,917	\$8,313	\$8,729
Expenses	<u>7,036</u>	<u>7,529</u>	<u>7,905</u>	<u>8,300</u>	<u>8,715</u>
Excess (Deficit)	<u>11</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>
Beginning Balance	<u>61</u>	<u>72</u>	<u>83</u>	<u>95</u>	<u>108</u>
Ending Balance	<u>\$72</u>	<u>\$83</u>	<u>\$95</u>	<u>\$108</u>	<u>\$122</u>
Property Tax Rates (in cents)	18.2	20.6	21.6	22.8	24.0

Health Insurance Fund

Mission Statement

It is the mission of the Health Insurance Fund is to provide health insurance benefits for City employees, City retirees, and outside participants through a self-insured plan (since 1978) financed by employer and partial premiums for employees in addition to those by retirees and outside participants.

Primary Functions → The primary function of the health insurance fund is to account for all health insurance costs including medical dental expenses, administrative expenses and excess coverage policies.

Fund Highlights

With health insurance costs continuing to escalate as a percentage of the City's cost of doing business, the City refined its traditional PPO plan and introduced a new health savings account (HSA) offering in 2007. A multi-year schedule designed to increase employee deductibles and co-pays was approved. For 2009, the City secured new agreements for the dental, life insurance, health savings account, and flex care programs. For 2011, a change in third party administrators is expected to save \$800,000. With these changes, the City continues to offer its employees excellent health insurance at a reasonable cost.

The City will work to maintain a 25% reserve for this fund.

Budget Summary

HEALTH INSURANCE FUND BUDGET SUMMARY					
APPROPRIATION	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$19,537,941	\$20,370,719	\$18,617,789	\$20,455,600	\$84,881
SUPPLIES	187	0	187	0	0
OTHER EXPENSE	103,800	108,500	108,500	1,212,100	1,103,600
INTEREST EXPENSE	0	0	0	0	0
TOTAL	<u>\$19,641,928</u>	<u>\$20,479,219</u>	<u>\$18,726,476</u>	<u>\$21,667,700</u>	<u>\$1,188,481</u>
FUNDING SOURCE	2010 AMOUNT	2010 PERCENTAGE	2011 AMOUNT	2011 PERCENTAGE	
EMPLOYER CONTRIBUTIONS	<u>\$16,904,299</u>	<u>80.1</u>	<u>\$17,115,532</u>	<u>80.0</u>	
TOTAL CITY CONTRIBUTION	<u>16,904,299</u>	<u>80.1</u>	<u>17,115,532</u>	<u>80.0</u>	
EMPLOYEE PREMIUMS	1,139,151	5.4	1,102,206	5.2	
RETIREES	2,498,888	11.8	2,616,060	12.2	
OUTSIDE AGENCIES	30,576	0.1	32,136	0.2	
OTHER	<u>500,000</u>	<u>0.1</u>	<u>500,000</u>	<u>2.3</u>	
	<u>4,168,615</u>	<u>17.4</u>	<u>4,250,402</u>	<u>19.9</u>	
INTEREST INCOME	<u>33,800</u>	<u>0.0</u>	<u>28,800</u>	<u>0.1</u>	
TOTAL	<u>\$21,106,714</u>	<u>97.5</u>	<u>\$21,394,734</u>	<u>100.0</u>	

Health Insurance Fund

Budget Analysis

After several deficit years, experience since 2008 has been positive allowing the fund balance to once again be positive after eight deficit years. This is a result of premium increases as well as increased employee participation. As the schedule below illustrates, the ratio has ranged from 84% to 128%.

	<u>REVENUE</u>	<u>EXPENSE</u>	<u>NET</u>	<u>BALANCE</u>	<u>BALANCE %</u>	<u>RATIO</u>	<u>% INC(DEC)</u>
1988	2,777,020	2,549,611	227,409	560,612		91.8	10 ALL
1989	3,144,942	2,967,420	177,522	738,134	18.9	94.4	10 ALL
1990	3,176,403	3,365,489	(189,086)	549,048	21.9	106.0	0
1991	3,483,241	4,452,611	(969,370)	(420,322)	12.3	127.8	10 ALL
1992	4,095,408	4,954,672	(859,264)	(1,279,586)	(8.5)	121.0	25 ALL
1993	5,296,853	5,404,698	(107,845)	(1,387,430)	(23.7)	102.0	25 ALL
1994	6,392,149	5,364,154	1,027,995	(359,435)	(25.9)	83.9	25 ALL
1995	6,359,549	5,500,937	858,612	499,177	(6.5)	86.5	0
1996	6,535,598	6,124,402	411,196	910,373	8.2	93.7	0
1997	7,367,537	7,645,259	(277,722)	632,651	11.9	103.8	5 ALL
1998	7,217,807	7,652,194	(434,387)	198,264	8.3	106.0	0
1999	7,564,951	7,613,746	(48,795)	149,468	2.6	100.6	5 ALL
2000	8,076,883	9,246,188	(1,169,305)	(1,019,837)	1.6	114.5	5 ALL
2001	10,042,763	10,374,979	(332,216)	(1,352,053)	(9.8)	103.3	20 ALL
2002	11,538,109	12,533,560	(995,451)	(2,347,504)	(10.8)	108.6	20 ALL
2003	13,260,622	12,542,048	718,574	(1,628,930)	(18.7)	94.6	20 ALL
2004	15,020,931	15,513,193	(492,262)	(2,121,192)	(10.5)	103.3	10 ALL
2005	16,122,114	16,816,537	(694,423)	(2,815,615)	(12.6)	104.3	5 ALL
2006	18,135,153	17,364,862	770,291	(2,045,324)	(16.2)	95.8	15 ALL
2007	19,324,075	17,904,315	1,419,760	(625,564)	(11.4)	92.7	10 ALL
2008	20,671,082	19,308,042	1,363,040	737,476	(3.2)	93.4	5 ALL
2009	21,156,324	19,641,928	1,514,396	2,251,872	3.8	92.8	5 ALL
2010	20,377,191	18,726,289	1,650,902	3,902,774	12.0	91.9	5 ALL
2011	21,394,734	21,667,700	(272,966)	3,629,808	18.0	101.3	5 ALL
2012	22,364,876	21,560,000	804,876	4,434,684	16.8	96.4	5 ALL
2013	23,389,176	23,496,000	(106,824)	4,327,860	18.9	100.5	5 ALL
2014	25,512,376	25,605,400	(93,024)	4,234,836	16.9	100.4	10 ALL
2015	27,848,976	27,933,800	(84,824)	4,150,012	15.2	100.3	10 ALL
2016	30,418,676	30,453,000	(34,324)	4,115,688	13.6	100.1	10 ALL
2017	33,247,076	33,209,800	37,276	4,152,964	12.4	99.9	10 ALL

Five Year Financial Forecast

The 2012-2016 five year plan assumes that medical costs will increase up to 10% annually and that the revenue mix of employer, employee, and third party contributions will continue to evolve in order to continue a financially viable plan. Revenue increases are anticipated to be 5% to 10% per year for 2012-2016. Full participation in the plan by the two public safety unions would be beneficial for all employees as well as for Rockford taxpayers. As information evolves about the new federal health insurance program, changes will be made to the City's program. Those changes are anticipated to add cost to the City's plan.

HEALTH INSURANCE FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$22,365	\$23,389	\$25,512	\$27,849	\$30,419
Expenses	<u>21,560</u>	<u>23,496</u>	<u>25,605</u>	<u>27,934</u>	<u>30,453</u>
Excess (Deficit)	<u>805</u>	<u>(107)</u>	<u>(93)</u>	<u>(85)</u>	<u>(34)</u>
Beginning Balance	<u>3,630</u>	<u>4,435</u>	<u>4,328</u>	<u>4,235</u>	<u>4,150</u>
Ending Balance	<u>\$4,435</u>	<u>\$4,328</u>	<u>\$4,235</u>	<u>\$4,150</u>	<u>\$4,116</u>
Rate Increase	5.0	5.0	10.0	10.0	10.0
Reserve Percentage	16.8	18.9	16.9	15.2	13.6

Unemployment Fund

Mission Statement

It is the mission of the Unemployment Tax Fund to provide services for unemployment costs to former employees.

Primary Functions → The primary function of the Unemployment Tax Fund is to account for all unemployment expenditures.

Fund Highlights

The City will continue to strive to provide this program to former employees while maintaining responsible costs for the taxpayers through its self-insured program.

Budget Summary

UNEMPLOYMENT TAX FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)
CONTRACTUAL	<u>\$111,572</u>	<u>\$161,514</u>	<u>\$188,808</u>	<u>\$169,720</u>	<u>\$8,206</u>
TOTAL	<u>\$111,572</u>	<u>\$161,514</u>	<u>\$188,808</u>	<u>\$169,720</u>	<u>\$8,206</u>
FUNDING SOURCE		2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>
PROPERTY TAXES					
UNEMPLOYMENT TAX		\$50,681	79.3	\$140,575	82.8
INTERFUND TRANSFERS		10,833	16.9	29,145	17.2
INTEREST INCOME		<u>2,400</u>	<u>3.8</u>	<u>0</u>	<u>0.0</u>
TOTAL		<u>\$63,914</u>	<u>100.0</u>	<u>\$169,720</u>	<u>100.0</u>

Budget Analysis

The City operates a self-insured unemployment tax program with financing provided by premiums charged to departments based on a percentage of the first \$9,000 salary. The property tax rate for unemployment compensation is unlimited by statute. The 2011 estimated rate is 0.7 cents, changed from the prior year's 0.3 cent rate. Due to staff reductions since 2009, unemployment expense increased to \$189,000 for 2010. Expenses should stabilize and decrease.

Five Year Financial Forecast

The 2012-2016 five-year forecast assumes that unemployment costs will increase 3% annually and that premiums will be adjusted as necessary during this period. The unemployment rate charged to operating departments has been increased from 0.7% (\$63) of the first \$9,000 of salary per employee to 2.0% (\$180) for 2011. For the 2012 – 2016 planning period, the rate will be 2.0% (\$180).

Unemployment Fund

UNEMPLOYMENT COMPENSATION FUND 2012-2016 FINANCIAL FORECAST (IN \$000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$169	\$170	\$171	\$175	\$179
Expenses	<u>140</u>	<u>120</u>	<u>60</u>	<u>62</u>	<u>63</u>
Excess (Deficit)	<u>29</u>	<u>50</u>	<u>111</u>	<u>113</u>	<u>116</u>
Beginning Balance	<u>(100)</u>	<u>(71)</u>	<u>(21)</u>	<u>90</u>	<u>203</u>
Ending Balance	<u>(\$71)</u>	<u>(\$21)</u>	<u>\$90</u>	<u>\$203</u>	<u>\$319</u>
Property Tax Rates (in cents)	0.8	0.8	0.9	0.9	0.9

Worker's Compensation Fund

Mission Statement

It is the mission of the Worker's Compensation Fund to provide for all administrative, reinsurance and benefit expenses associated with employees' worker's compensation claims.

Primary Functions → The primary function is to account for all workers' compensation expenditures.

Budget Summary

WORKER'S COMPENSATION FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)
CONTRACTUAL	\$2,258,423	\$1,833,398	\$2,474,836	\$1,887,670	\$54,272
OTHER EXPENSE	79,000	79,900	79,900	82,800	2,900
RESERVE ADJUST	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$2,337,423</u>	<u>\$1,913,298</u>	<u>\$2,554,736</u>	<u>\$1,970,470</u>	<u>\$57,172</u>
FUNDING SOURCE	2010		2011		2011
	<u>AMOUNT</u>	<u>PERCENTAGE</u>	<u>AMOUNT</u>	<u>PERCENTAGE</u>	
PROPERTY TAXES					
WORKER'S COMP	\$1,711,915	88.8	\$1,765,341	88.9	
INTERFUND TRANSFERS	201,383	10.4	205,129	10.3	
INTEREST INCOME	<u>15,000</u>	<u>0.8</u>	<u>15,000</u>	<u>0.8</u>	
TOTAL	<u>\$1,928,298</u>	<u>100.0</u>	<u>\$1,985,470</u>	<u>100.0</u>	

Budget Analysis

The City operates a self-insured worker's compensation program with financing provided by premiums charged to departments based on job type and likelihood of injury. With employees having three years from the date of injury to file a claim and payments on yet a longer cycle, the fund tends to exhibit a variable pattern. Adjustments to the reserve reflect this, increases for 2007 (\$346,173), 2008 (\$135,062), and 2009 (\$277,565) offset by a decrease for 2010 (\$170,654). Incurred claims currently stand at \$3,398,686. Discounting the reserve adjustment, 2009 and 2010 expenses were 92% and 75% of the budget respectively. Rates, decreased 25% in 2000, were increased 25% for 2007, 10% for 2009, and 6% for 2011 due to increased expenses. In addition, with a fund deficit projected to be \$3.0 million at the end of 2010, a \$1.6 million surcharge was assessed to all participating funds. This resulted in an ending deficit of \$1.4 million. It is anticipated that an additional \$1.0 million surcharge will be assessed in 2011. The property tax rate for worker's compensation is unlimited by statute. The 2011 estimated rate is 9.3 cents, slightly less than the prior year's 8.6 cents.

Five Year Financial Forecast

The 2012-2016 five-year forecast assumes that worker's compensation costs will increase five percent annually and that the revenue mix of property and transfer reimbursements will remain

Worker's Compensation Fund

constant. Premiums will be increased 20% annually from 2012 to 2014 followed by 5% increases from 2015 to 2016 during this period. The fund will turn positive in 2016.

WORKER'S COMPENSATION FUND 2012-2016 FINANCIAL FORECAST (IN \$000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$2,380	\$2,852	\$3,420	\$3,590	\$3,769
Expenses	<u>2,415</u>	<u>2,535</u>	<u>2,662</u>	<u>2,795</u>	<u>2,935</u>
Excess (Deficit)	<u>(35)</u>	<u>317</u>	<u>758</u>	<u>795</u>	<u>834</u>
Beginning Balance	<u>(795)</u>	<u>(1,183)</u>	<u>(1,290)</u>	<u>(1,040)</u>	<u>(398)</u>
Acctg Int Adjust	<u>(353)</u>	<u>(424)</u>	<u>(508)</u>	<u>(153)</u>	<u>(160)</u>
Ending Balance	<u>(\$1,183)</u>	<u>(\$1,290)</u>	<u>(\$1,040)</u>	<u>(\$398)</u>	<u>\$276</u>
Property Tax Rates (in cents)	12.1	15.2	18.3	19.2	20.1
Expense Rate Change	20%	20%	20%	5%	5%

Auditing Fund

Mission Statement

It is the mission of the Auditing Fund to provide and pay for auditing services in the most efficient and economical manner in order to produce the most accurate financial records.

Primary Functions → The primary function of the Auditing Fund is to pay for all auditing services associated with the City's financial records.

Budget Summary

AUDITING FUND BUDGET SUMMARY					
APPROPRIATION	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$236,814	\$238,667	\$276,921	\$237,950	(\$717)
SUPPLIES	0	0	0	0	0
TOTAL	<u>\$236,814</u>	<u>\$238,667</u>	<u>\$276,921</u>	<u>\$237,950</u>	<u>(\$717)</u>
FUNDING SOURCE	2010		2011		2011
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	
PROPERTY TAXES					
AUDITING	\$184,467	77.3	\$182,240	76.6	
INTERFUND TRANSFERS	54,200	22.7	55,710	23.4	
TOTAL	<u>\$238,667</u>	<u>100.0</u>	<u>\$237,950</u>	<u>100.0</u>	

Budget Analysis

The City utilizes an external auditor. In addition, the Fund reimburses the Finance Department for staff costs associated with auditing. 2011 costs include \$80,800 for auditors, \$155,400 for internal staff costs, and \$3,000 for printing the annual report in the newspaper. The property tax rate for auditing is unlimited by statute. The 2011 proposed rate is 0.9 cents, unchanged from the prior year's 0.9 cent rate.

Five Year Financial Forecast

The 2012-2016 five year forecast assumes that audit costs will increase three percent annually and that the revenue mix of property taxes and transfer reimbursements will remain constant.

Auditing Fund

AUDITING FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$245	\$252	\$260	\$268	\$276
Expenses	<u>245</u>	<u>252</u>	<u>260</u>	<u>268</u>	<u>276</u>
Excess (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Property Tax Rates (in cents)	1.1	1.2	1.2	1.2	1.3

Debt Management

Mission Statement

It is the mission of the Debt Management Fund to account for bonded indebtedness incurred by the City, including all bond and interest payments.

Primary Functions → The primary function of the Debt Management Fund is to retire debt incurred by the City for long-term capital projects and short-term cash flow financing, by making annual payments of interest and principal based upon a planned schedule.

Fund Highlights →

Since 1982 when the first Capital Improvements Program was adopted, the City has gone to the market annually to seek financing for its infrastructure improvements. In addition to retiring debt through property taxes, sales taxes, and water revenues, the City also utilizes tax increment financing (TIF) and special service area (SSA) districts property taxes to retire bonds.

In 2006, the City submitted a referendum question to the voters to determine whether or not they would, rather than financing streets and drainage improvements through voter approved bond issue referendums and the resulting property tax financed debt service, rather pay for infrastructure improvements through a one percent sales tax. While the voters defeated that proposal, they approved the same proposal, but with a five year limitation, in the spring 2007 election. Effective July 1, 2007, the tax generates \$15 million annually. The tax was extended by referendum for an additional five year period on April 5, 2011. Property tax financed debt service will end in 2017.

Currently, the City is in the midst of a four year \$75 million water improvement program that is being financed by bond issues and Illinois EPA loans that will be repaid by water revenues. When this program is complete, the City will finance future water improvements on a cash basis.

For the future, the City will only issue bonds for development purposes that are financed by TIF district property tax increment or other non property tax alternate revenue sources.

The City's current bond (long-term debt) rating is Aa3 from Moody's Investors Service. The bond rating was lowered from Aa2 during the most recent sale in July 2010. Moody's expressed concerns about decreasing cash reserves and numerous budgetary pressures when reviewing the City's financial operations. Declining elastic revenues, mandated public safety costs, and an increased need to support development funds were cited. The City's limited financial flexibility, due to being non home rule, was an issue for them. An elevated debt burden with some exposure to variable rate interim debt was noted. Finally, as in past ratings, Moody's highlighted the local economy with high unemployment levels. The last bond rating, an upgrade, occurred in 2000.

Debt Management

CITY OF ROCKFORD, ILLINOIS OUTSTANDING AND PROPOSED DEBT ISSUES

<u>ISSUE AND AMOUNT</u>	<u>PAYMENT SOURCE</u>	<u>FINAL LEVY YEAR</u>
1995 \$1,745,924 Kishwaukee Trunk Sewer (RRWRD)	7	2015
1999 \$5.3 Water Alt (Series A-\$2.2, Series B-\$3.1)	2	2011, 2018
1999 \$28.5 GOB (Series A-\$16.5 (\$7.0 Street, \$9.5 GOB Refunding), Series B-\$7.0 Coronado Theatre Public	1,6	2012, 2018
2000 \$12.2 GOB (Series A-\$6.0 Street, Series B-\$2.2 Water, Series C-\$4.0 South Rockford TIF)	1,2,3,6, 9	2013, 2020
2000 \$3.0 GO Alt (Series D-7th Street TIF Project)	3	2014
2001 \$9.2 GOB (Series A-\$7.0 Street, Series B-\$2.2 Water	1, 2	2013
2002 \$13.2 GOB (Series A-\$8.0 Street, Series B-\$2.2 Water, and Series C-\$3.0 7th Street TIF Project)	1, 2, 3	2014
2002 \$2.5 GOB Taxable Alternate (Downtown Development)	3	2011
2002 \$3.360 GOB Alternate and Refunding (Series D-\$2.060 Refunding Sales/Water, \$1.3 Springfield Corners Housing TIF	2, 3, 7	2020
2003 \$10.4 GOB (Series A-\$8.2 Street, Series B-\$2.2 Water	1, 2	2015
2004 \$15.9 GOB (Series A-\$8.5 Street, Series B-\$2.2 Water, Series C-\$2.0 7th St Taxable TIF Project, and Series D-\$3.2 Equipment)	1, 2, 3, 7	2016
2004 \$14.570 GOB Alternate and Refunding, (Alternate, Series E-\$4.65, N Main TIF \$1.65, Airport TIF \$3.0, Refundings, Series F-\$4.375 Street/ Drainage, Series G-\$2.475 Water, Series H-\$3.070 S Rockford TIF)	1, 2, 3	2023
2005 \$10.9 GOB (Series A-\$8.7 Street, Series B-\$2.2 Water)	1, 2	2017
2005 \$10.6 GOB (Alternate, Series C-\$7.550, Airport TIF \$0.915, Lincolnwood II TIF \$0.560, Springfield Corners TIF \$1.795, River Oaks \$2.450, Garrison TIF \$1.500, Lincolnwood I Refunding, \$0.530, Series D-\$2.850 Taxable Alternate Southwest Rockford Econ Dev	3,7	2017
2006 \$17.5 GOB (Series A-\$15.0 Water, Series B-\$2.5 Hope 6 TIF)	2,3	2025
2007 \$29.865 GOB Alternate and Refunding (\$23.0 Metro Centre Improvements (Series A-\$6.635 Tax Exempt, Series B-\$16.365 Taxable), Series C-\$6.865 GOBA Refunding)	6,9	2026
2007 \$8.75 GOB Alternate (Series D-\$3.5 Water, Series E-\$1.1 Preston Central TIF, Series F-\$1.1Sewer, Series G-\$3.05 Library)	2	2026
2008 \$12.15 GOB Alternate (Series A-\$9.0 Water, Series B-\$1.3 TIF (\$1.1 Airport, \$0.2 Jackson School), Series C-\$1.85 Taxable Parking	2,3,5	2028
2009 \$2.6 GOB Alternate (Series A-\$1.65 TIF (\$0.35 River North, \$1.3 Main Whitman), Series B-\$0.95 Taxable Global Trade #1)	3	2029, 2024
2009 \$8.065 Series C - GOB Alternate Refunding Taxable (Metro Center)	6,9	2026
2009 \$1.7 GOB Alternate (Series D-\$1.35 Springfield Corners TIF, Series E-\$0.35 River East TIF)	3	2023
2009 \$13.585 Refunding (Series E-\$7.93 GOB Street, Series F-\$4.325 Water, Series G-\$1.33 7th Street TIF District)	1,2,3	2015
2010 \$3.4 GOB Alternate Water	2	2029

2010 bonds issued

Amounts are in Millions

ALTERNATE - General Obligation Bonds (Alternate)
 ALTERNATE CERTIFICATE - General Obligation Certificates
 GOB - General Obligation Bonds (Exempt)
 GOB TAXABLE - General Obligation Bonds (Taxable)
 WRB - Water Revenue Bonds

PAYMENT SOURCES

- 1 Property Taxes
- 2 Water Fund Revenues
- 3 Tax Increment Financing District Revenues
- 4 Special Service Area Property Taxes
- 5 Parking Fund Revenues
- 6 Redevelopment Fund Revenues
- 7 Sales Taxes
- 8 Off Track Betting Revenues
- 9 Private, Other

Debt Management

Budget Summary

DEBT SERVICE FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE <u>(DECREASE)</u>
BOND INTEREST	\$4,695,169	\$4,982,228	\$3,814,422	\$5,422,742	\$440,514
REFUNDING ESCROW	18,273,210	0	0	0	0
BOND PRINCIPAL	<u>9,023,765</u>	<u>12,031,764</u>	<u>9,096,764</u>	<u>13,620,037</u>	<u>1,588,273</u>
TOTAL	<u>\$31,992,144</u>	<u>\$17,013,992</u>	<u>\$12,911,186</u>	<u>\$19,042,779</u>	<u>\$2,028,787</u>
Actuals exclude water system debt					
FUNDING SOURCE	2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>	
PROPERTY TAXES					
DEBT SERVICE-CITYWIDE	\$6,334,985	37.2	\$5,546,650	29.1	
DEBT SERVICE-SPECIAL DISTRICTS	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	
	6,334,985	37.2	5,546,650	29.1	
ABATEMENTS-TAX EXEMPT					
PUBLIC WORKS WATER DIVISION	4,294,979	22.0	6,697,874	35.2	
SALES TAX	583,073	3.0	579,573	3.0	
TIF DISTRICTS	2,266,409	11.6	2,608,586	13.7	
OFF TRACK BETTING	0	0.0	0	0.0	
REDEVELOPMENT FUND	841,380	4.3	910,893	4.8	
OTHER	<u>824,644</u>	<u>4.2</u>	<u>819,519</u>	<u>4.3</u>	
	8,810,485	45.1	11,616,445	61.0	
ABATEMENTS-TAXABLE					
TIF DISTRICTS	973,061	5.0	946,660	5.0	
SALES TAX	331,093	1.7	319,844	1.7	
REDEVELOPMENT FUND	441,868	11.0	441,868	2.3	
PARKING	122,500	(30.4)	171,312	0.9	
OTHER	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	
	1,868,522	17.7	1,879,684	9.9	
INTEREST INCOME	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	
TOTAL	<u>\$17,013,992</u>	<u>100.0</u>	<u>\$19,042,779</u>	<u>100.0</u>	

Budget Analysis

Only one sale was held in 2010, \$3.4 million for water improvements. Repayment is by water revenues.

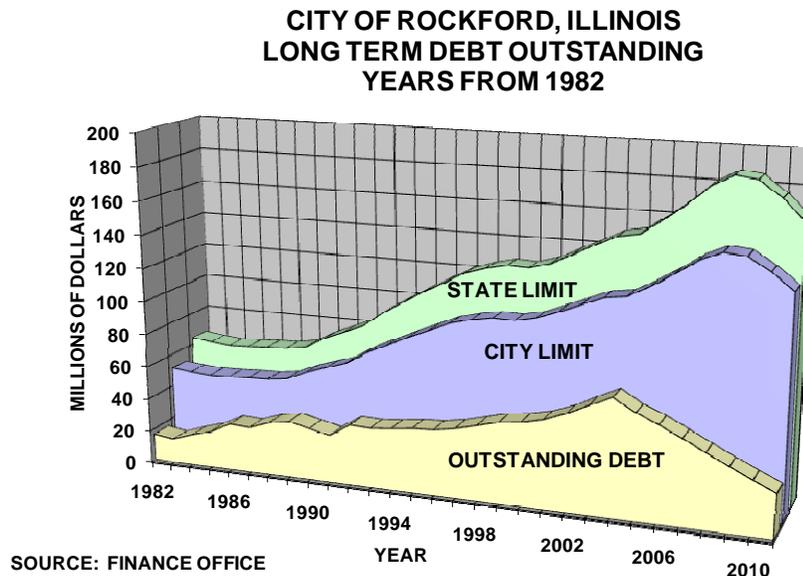
For the \$75 million water program, the City has issued \$30.9 million in the traditional marketplace. In addition, the City is participating in a State (IEPA) loan program for eligible mitigation activities that is anticipated to produce \$15 million in savings over traditional financing. To date, the State has approved \$23.1 million in twenty year 2.5% loans, \$8.5 million in twenty year 1.25% loans, and \$7.5 million in twenty year 0.0% loans, a total of \$39.1 million. In addition, the City has received \$5.4 million in ARRA stimulus grants. The State total is \$44.5 million. The total borrowing is \$70.0 million. With the grant funds, the total program is \$75.4 million.

For 2011, the City does not plan to issue long term debt.

Debt Management

The General Fund sales tax transfer for annexation improvements will be \$483,417 (includes \$119,073 for the Kishwaukee Sewer Trunk, a 20 year state loan through the water reclamation district). In addition, the \$3.2 million Equipment issue, averaging \$400,000 per year for 10 years, will be repaid from sales tax. Combined, the 2011 sales tax transfer for debt service will be \$899,417.

With no new general obligation debt proposed for street issues, the 2011 property tax funded debt service will only be for the five outstanding bond issues. The 2011 gross levy is \$5,602,677, an estimated rate of 29.4 cents. The \$796,000 decrease from the prior year is due primarily to the 2004 \$4.375 million refunding issue debt service ending. With no new referendum debt for street improvements to be proposed, all outstanding debt will be retired by 2017 and the City's debt service tax rate will be eliminated.



The State has a limit of 8.625% of debt to equalized assessed valuation (EAV) for non-home rule units. Applying this percentage to the City, the limit would be \$175.6 million (2010 EAV). With \$26.4 million outstanding in general obligation bonds and \$36.9 million in interim variable debt (total \$63.3 million), the City is at 36.0% of the limit and has \$112.3 million in authority remaining. The City Council has adopted a more stringent policy, 20% less than the State limit that allows only \$140.5 million, 6.9% of EAV. Even with the stricter City policy, \$77.2 million in authority is still available.

Five Year Financial Forecast

As part of the annual development of the five year capital improvements program, the City also prepares a bond issue schedule. While currently no plans exist for the 2012-2016 period, the City may recognize a need in the future during this period and sell bonds. Actual size and issuance depends upon the development of the annual capital improvements program. As existing street debt is retired, the debt service tax rate should continue to decrease.

Debt Management

DEBT SERVICE FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$17,945	\$17,341	\$17,760	\$16,001	\$14,746
Expenditures	<u>17,945</u>	<u>17,341</u>	<u>17,760</u>	<u>16,001</u>	<u>14,746</u>
Excess (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning Balance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Ending Balance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
GO Bond Issues	0	0	0	0	0
Water Issues	0	0	0	0	0
Alternate Issues	0	0	0	0	0
Tax Rate (Cents)	27.7	25.5	21.3	16.1	10.9

Off-Track Betting Special Projects Fund

Mission Statement

It is the mission of the Off-Track Betting (OTB) Fund to finance projects from off-track betting receipts, as determined by the Mayor and Council.

Primary Functions → The primary function of the OTB Fund is to account for OTB revenues and to allocate those revenues for special projects.

Fund Highlights → The State Legislature approved a horse racing bill in December 1986 that included a provision for race tracks to operate off-track betting parlors in Illinois. A facility was opened in Rockford on November 18, 1987. The City and the County each receives one percent of the handle.

The City utilizes receipts for financing nonrecurring projects, the Rockford arts and property tax relief. Past undertakings have included property tax relief, contribution to the arts, certain road projects and fire station construction.

As part of its City Hall renovation project, the City issued three General Obligation Certificate issues (1990 - \$1,355,000; 1991 - \$4,000,000; and 1992 - \$5,050,000) totaling \$10,405,000. Debt service, 1990-2008, was scheduled to be derived from four revenue streams: the East Side TIF District, off-track betting income, redevelopment sales taxes and existing property taxes.

For the last three remaining debt service payments, 2005 - \$269,298, 2006 - \$403,040, 2007 - \$453,780, the amounts to come from this fund were reduced by \$200,000 for 2005 and \$250,000 annually for 2006 and 2007, a total of \$700,000. Were this not done, this fund would have been negative until 2026. The funding source for the difference was interest earnings and Redevelopment Fund.

Budget Summary

OTB PROJECTS BUDGET SUMMARY					
APPROPRIATION	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	INCREASE (DECREASE)
DEBT SERVICE/INTEREST	\$0	\$1,700	\$790	\$1,700	\$0
ARTS	50,000	50,000	85,000	25,000	(25,000)
TOTAL	\$50,000	\$51,700	\$85,790	\$26,700	(\$25,000)
FUNDING SOURCE	2009 AMOUNT	2009 PERCENTAGE	2010 AMOUNT	2010 PERCENTAGE	
OTB RECEIPTS	\$120,000	100.0	\$90,000	100.0	
OTB ADMISSION FEE	0	0.0	0	0.0	
INTEREST INCOME	0	0.0	0	0.0	
TOTAL	\$120,000	100.0	\$90,000	100.0	

Off-Track Betting Special Projects Fund

Budget Analysis

2009 and 2010 income, budgeted at \$140,000 and \$120,000 respectively, were \$116,953 (83.5%) and \$99,019 (82.5%) respectively. For 2011, the estimate is reduced to \$90,000 for an estimated 360 days of operation.

For 2010, \$35,000 was given to the OTB parlor for relocation expenses. In addition, the Rockford Arts Council received \$50,000. For 2011, \$25,000 is available for Redevelopment Fund reimbursement.

Five Year Financial Forecast

The 2012-2016 five year forecast assumes no revenue growth and expenditure of revenue for Redevelopment Fund reimbursement. With debt service completed in 2007, the fund's deficit should be eliminated by 2012. Future excess funds will reimburse the Redevelopment Fund for past advances, \$700,000, made in 2005 – 2007 with the reimbursement complete by 2020.

OTB SPECIAL PROJECTS FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$90	\$91	\$96	\$96	\$96
Expenditures	<u>50</u>	<u>75</u>	<u>100</u>	<u>100</u>	<u>100</u>
Excess (Deficit)	<u>40</u>	<u>16</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>
Beginning Balance	<u>(12)</u>	<u>28</u>	<u>43</u>	<u>39</u>	<u>35</u>
Ending Balance	<u>\$28</u>	<u>\$43</u>	<u>\$39</u>	<u>\$35</u>	<u>\$31</u>

Risk Management Fund

Mission Statement

It is the mission of the Risk Management Fund to provide for costs associated with insurance, legal claims, risk management, and judgements.

Primary Functions → The primary function of the Risk Management Fund is to account for insurance expenses, losses to City owned property, liability claims, and risk management activities.

Fund Highlights →

Implemented in 1996 to comply with Governmental Accounting Standards Board guidelines, the Risk Management Internal Service Fund pays for all insurance, claim settlements, and accidental property losses for the City. Not unlike a premium from an insurance company, departments are assessed a service charge that is based on a cost recovery basis. The annual service charge covers all risk management services received for that year including claim and loss management, insurance premiums, accidental loss of equipment, and the defense and settlement of claims.

The Risk Management Fund transfers risk exposure to outside companies through purchased insurance. This coverage includes liability, surety, fidelity, and property protection. Approximately 64 percent of insurance coverage is directly attributable to non-general fund departments and grant-funded programs. Those City activities not covered through purchased insurance, such as the operation of fire, police, and public works vehicles, are covered by the City's self-insurance program in which funds are set aside to cover losses and claims.

Governmental accounting standards require the City to record anticipated liabilities from operations. The frequency and amounts of the liabilities can vary significantly from year to year. For 2009, the City paid a \$73,600 settlement on an employment issue. In 2010, \$115,000 was paid for settlement of an excessive force claim against the Police Department.

Budget Summary

RISK MANAGEMENT FUND BUDGET SUMMARY						
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)	
CONTRACTUAL	\$1,909,879	\$1,312,270	\$846,784	\$1,371,500	\$59,230	
OTHER	307,300	303,200	329,118	303,200	0	
TOTAL	<u>\$2,217,179</u>	<u>\$1,445,540</u>	<u>\$1,175,902</u>	<u>\$1,674,700</u>	<u>\$59,230</u>	
FUNDING SOURCE			2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>
PROPERTY TAXES						
JUDGMENTS			\$1,178,100	72.5	\$1,237,500	73.7
SERVICE CHARGES			384,100	23.6	386,550	23.0
PROPERTY DAMAGE REIMBURSEMENTS			<u>63,000</u>	<u>3.9</u>	<u>55,000</u>	<u>3.3</u>
TOTAL			<u>\$1,625,200</u>	<u>100.0</u>	<u>\$1,679,050</u>	<u>100.0</u>

Risk Management Fund

Budget Analysis

The Risk Management Fund's budget of \$1,674,700 is \$59,230 more than the prior year's appropriation. The contractual group increases \$59,230. Risk policies decrease \$5,770 as a result of reductions in premium costs. Costs incurred for claims against the City increases \$80,000 and expenses related to city losses decreases \$25,000. Outside legal fees increases \$10,000.

Prior to 1996, the Judgments Fund was funded by a Judgments tax levy and expense activity was limited to tax levy funded departments. Since the conversion to an internal service fund, the Risk Management Fund obtains its revenue from service charges and damage reimbursements from other parties. The total General Fund levy to accommodate this change to a service charge remains approximately same as the amount levied to finance the Judgments Fund in prior years.

Due to the nature of the fund, spending can fluctuate greatly from year to year depending on the claims presented against the City. As a result, the property tax rate for risk management is unlimited by statute. The estimated rate for 2011 is 5.5 cents.

In 2010, the Risk Management Fund spent \$1,175,902 or 81.3% of the budgeted allocation. In the past several years, 61% to 170% of the budget has been spent.

Five Year Financial Forecast

The five-year forecast assumes that primarily small claims will be paid out of this fund with the exception of one to two legal settlements annually. In addition, it is assumed that large claims that cannot be supported by the fund balance will be paid through the issuance of judgment bonds or through structured settlements, because larger claims are not reasonably foreseeable.

Risk Management Fund 2012-2016 Financial Forecast (In 000's)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$1,679	\$1,684	\$1,688	\$1,693	\$1,698
Expenses	1,193	1,224	1,255	1,288	1,323
Excess (Deficit)	486	460	433	405	375
Beginning Balance	(1,000)	(514)	(54)	379	784
Ending Balance	(\$514)	(\$54)	\$379	\$784	\$1,159
Property Tax Rates	5.8	5.8	5.7	5.6	5.4

Workforce Investment Board

Mission Statement

It is the mission of the Workforce Investment Board is to create a competitive, skilled and educated workforce by providing a system for the Citizens of Boone and Winnebago Counties to gain meaningful employment responsive to the needs of business.

Primary Functions → The primary function of the Workforce Investment Board is to plan and oversee the local workforce development system, negotiate local performance measures with the State, coordinate with economic development agencies and develop employer linkages, and promote the participation of the private sector in the workforce investment system.

Fund Highlights

The City is the designated grant recipient for the federal Workforce Investment Act (WIA) funds for Boone and Winnebago counties. The WIA requires the establishment of a local Workforce Investment Board. This board and the City entered into an intergovernmental agreement in June 2004 that identifies the City as the employer of record and the mechanism for hiring Workforce Investment Board staff.

Budget Summary

WORKFORCE INVESTMENT BOARD BUDGET SUMMARY					
APPROPRIATION	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	INCREASE (DECREASE)
PERSONNEL	\$454,294	\$506,917	\$508,507	\$513,690	\$6,773
TOTAL	\$454,294	\$506,917	\$508,507	\$513,690	\$6,773
STAFFING REVIEW	2007	2009	2010	2011	INCREASE (DECREASE)
TOTAL	5.00	6.00	6.00	6.00	0.00
FUNDING SOURCE		2010 AMOUNT	2010 PERCENTAGE	2011 AMOUNT	2011 PERCENTAGE
FEDERAL		506,917	100.0	513,690	100.0
		\$506,917	100.0	\$513,690	100.0

Budget Analysis

The budget for 2011 reflects personnel expenses for six staff members. The overall budget of \$513,690 is a 1.3% increase from 2010 due to increases in IMRF (\$1,000), unemployment (\$700) and health insurance (\$5,000), all due to increases in rates.

All costs associated with Workforce Investment Board are reimbursed by federal funds.

Rockford Metropolitan Agency for Planning

Mission Statement

RMAP primary mission is to perform and carry out a continuing, cooperative, comprehensive transportation planning process for the Rockford Urbanized Area in accordance with applicable Federal laws, policies and procedures, and with the cooperation and assistance of its members and the U.S. Department of Transportation.

Budget Summary

RMAP BUDGET SUMMARY					
APPROPRIATION	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	INCREASE (DECREASE)
PERSONNEL	\$541,700	\$558,501	\$547,291	\$548,187	(\$10,314)
CONTRACTUAL	936,834	419,233	423,865	151,150	(268,083)
SUPPLIES	10,204	8,750	5,145	14,963	6,213
OTHER	0	8,920	0	9,200	280
CAPITAL	4,774	0	31,626	18,500	18,500
TOTAL	<u>\$1,493,512</u>	<u>\$995,404</u>	<u>\$1,007,927</u>	<u>\$742,000</u>	<u>(\$253,404)</u>

STAFFING REVIEW	2008	2009	2010	2011	INCREASE (DECREASE)
TOTAL	4.00	6.00	6.00	6.00	0.0

FUNDING SOURCE	2010 AMOUNT	2010 PERCENTAGE	2011 AMOUNT	2011 PERCENTAGE
CURRENT FUNDS				
FEDERAL	594,400	58.5	594,377	80.0
STATE	0	0.0	0	0.0
LOCAL MATCH	66,400	6.5	66,034	8.9
CITY PORTION	82,560	8.1	82,560	11.1
REPROGRAMMED FUNDS-PRIOR YEARS				
OTHER FEDERAL/STATE	273,300	26.9	0	0.0
TOTAL	<u>\$1,016,660</u>	<u>100.0</u>	<u>\$742,971</u>	<u>100.0</u>

Budget Analysis

The 2011 budget is \$742,000, which is a decrease of \$253,404 (25.5%) from the previous year. Personnel costs decrease \$10,314 as a result of a decrease in salaries (\$13,000), and a decrease in IMRF (\$1,600). Health insurance increased \$3,700 due to an increase in rates.

Contractual costs decrease \$268,083, primarily as a result of decreases in other contractual (\$288,000). Contracts for services are adjusted to meet funding restrictions.

Supply costs increased \$6,213 due to increases in small tools (\$500), and drafting expenses (\$5,700).

Rockford Metropolitan Agency for Planning

The new interagency agreement altered the funding formula for the organization by keeping all Federal and State funds within the organization, and changed the local match formula so that the City of Rockford no longer paid 100% of the local match.

In 2010, RMAP spent \$1,007,927 or 101.3% of budget of its budget allocation.

Capital Assets

For 2011, total capital is budgeted at \$18,500 for office equipment (\$15,000) and computer software (\$3,500).

Personnel Review

Rockford Metropolitan Agency for Planning					
BENEFITS AND SALARIES		2010	2011	INCREASE/	
SALARY		BUDGET	BUDGET	(DECREASE)	
PERMANENT		\$396,878	\$383,676	(\$13,202)	
MERIT PAY		0	0	0	
SALARY ADJUSTMENT		0	0	0	
TOTAL SALARIES		\$396,878	\$383,676	(\$13,202)	
BENEFITS					
ILLINOIS MUNICIPAL RETIREMENT		\$80,090	\$78,500	(\$1,590)	
UNEMPLOYMENT TAX		378	1,080	702	
WORKMEN'S COMPENSATION		873	882	9	
HEALTH INSURANCE		76,934	80,701	3,767	
LIFE INSURANCE		468	468	0	
PARKING BENEFITS		2,880	2,880	0	
TOTAL BENEFITS		\$161,623	\$164,511	\$2,888	
TOTAL COMPENSATION		\$558,501	\$548,187	(\$10,314)	
	POSTION	2010	2011	INCREASE/	
POSITION TITLE	RANGE	EMPLOYEES	EMPLOYEES	(DECREASE)	
DIRECTOR	E-11	1.00	1.00	0.00	
TRANSP PLANNER II	E-8	1.00	1.00	0.00	
TRANSP PLANNER I	E-8	1.00	1.00	0.00	
TRANSP ECONOMIST	E-8	1.00	1.00	0.00	
TRANSP PLANNER/ENGINEER	E-8	1.00	1.00	0.00	
SENIOR ADMIN ASSISTANT	E-6	1.00	1.00	0.00	
TOTAL PERSONNEL		6.00	6.00	0.00	