



Five-year Financial Forecast

October 2009

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Attachments:

Attachment A: Summary Five-Year Financial Forecast – Most Likely

Attachment B: Summary Five-Year Financial Forecast – Upper Range

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Objective of the Forecast

The five-year financial forecast provides an evaluation of the City's future financial condition as a framework for decision-making. This is intended to allow the City Council to make decisions about the annual budget, growth issues, and City Council Goals in the context of the City's anticipated ability to fund those programs.

Development of the Forecast

Because it is not practical to develop line item detail for the entire forecast period, staff focuses its efforts on some specific items, forecasting the remainder on a gross level.

In terms of expenditures, personnel expenditures were broken into salaries, group medical and life insurance, Federal Insurance Contributions Act (FICA) and Illinois Municipal Retirement Fund (IMRF), police pension and fire pension. Non-personnel expenditures were broken into major expenditure categories: commodities and capital, contractual, and interfund transfers. Most interfund transfers were forecast at a detail level, since these are highly variable from year-to-year. Also, agency disbursements, such as property tax reimbursements to outlying townships, were analyzed separately. These expenditures are driven primarily by changes in economic indicators and their impact on expenditures.

On the revenue side, sales, income and property tax, utility and telecommunications taxes, and interfund transfers were forecast in detail because of their size relative to the General Fund budget. Other revenues were grouped into broad categories, such as "permits", which includes ten separate line items corresponding to various types of permits. Interest and investment income is based on a formula applied to the expected fund balance.

The Five-Year Financial Forecast intends to indicate trends; therefore, staff feels that as long as the assumptions are consistent and kept in reasonable relationship to one another, assumptions developed internally (rather than assumptions developed by private economists) serve the City's purposes well. Staff developed the assumptions based on research, experience, existing contracts, and other information.

This year, the economic situation and its impact on City's finances continue to be hard to predict due to ongoing economic uncertainty. Staff therefore developed a range of likely outcomes rather than one forecast. These are not the best and worst case scenarios, rather an upper and lower range of the most likely outcome. In addition, staff prepared what-if analyses of several more volatile factors, such as sales tax and pension cost.

In terms of presentation, the forecast includes the following sections:

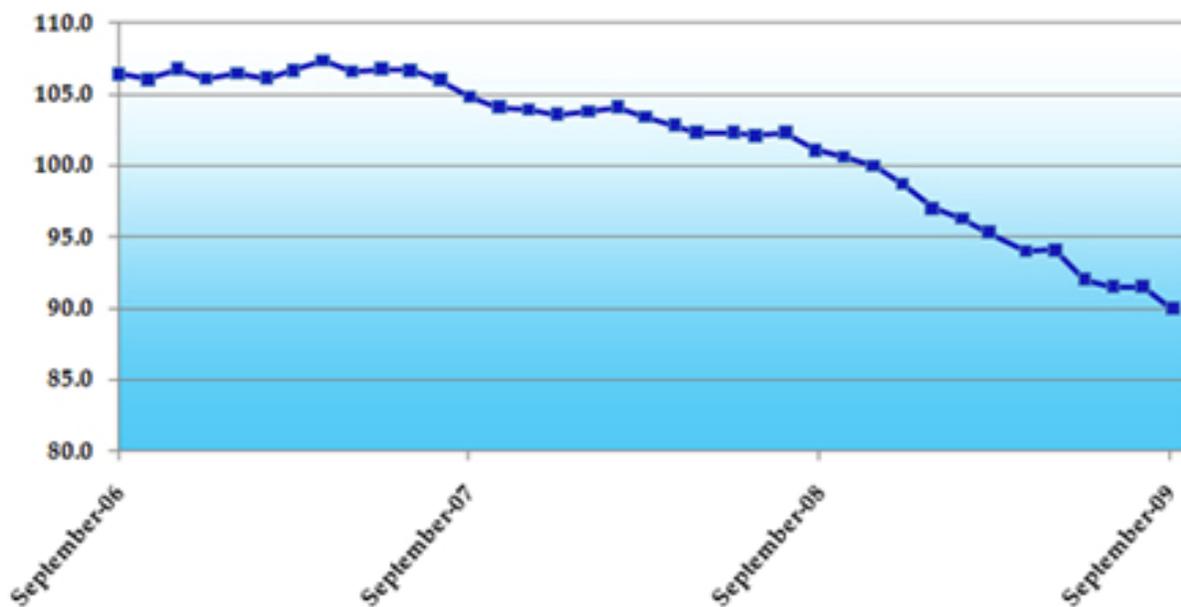
- Economic Outlook - Brief summary of the current economic situation
- Underlying Assumptions - List of the key assumptions that underlie much of the forecast
- Forecast Summary
- Expenditure and revenue analysis - assumptions for individual revenues and expenditures including some "What-if" Analyses
- Conclusion

Economic Outlook

The U.S. economy has been in recession since late 2008. In recent months, many economists expressed opinion that the economy is on the road to recovery, supported by some economic indicators. On the other hand, many economists point out that the recovery might be very slow and not apparent in tax revenues for a long time. In September, the national unemployment rate was at the highest level since the mid 1980's at 9.8%, and it will most likely increase somewhat before declining. Retail sales figures continue to be sluggish. The real estate market has stopped its freefall, but has yet to recover.

The Illinois unemployment rate is 10%, while Champaign –Urbana is at 8.6%. The University of Illinois Flash Index continues its decline as shown below. The September reading of 90.0 is the lowest since September 1983. Historically, the Illinois economy tends to lag behind the rest of the country in recovery.

University of Illinois Flash Index September 2009



The Flash Index is a measure of future economic activity (100 = no growth)
Analysis by the Institute of Government and Public Affairs, University of Illinois

Key Underlying Assumptions

The following table summarizes the key indicators used to develop the financial forecasts:

Most Likely	<u>FY2010/11</u>	<u>FY2011/12</u>	<u>FY2012/13</u>	<u>FY2013/14</u>	<u>FY2014/15</u>
Inflation	2.00%	3.50%	3.50%	3.50%	3.50%
Sales Tax Growth	1.00%	2.00%	3.00%	4.00%	4.00%
EAV Growth*	3.48%	1.27%	0.97%	2.02%	3.18%
Federal Funds Rate	1.50%	2.50%	3.00%	3.00%	3.00%
Per Capita Income Growth	2.00%	2.75%	3.50%	3.50%	3.50%
Health Insurance Cost Increase	10.70%	10.00%	10.00%	10.00%	10.00%
Police Pension Fund Increase	9.00%	4.00%	4.00%	4.00%	6.00%
Fire Pension Fund Increase	15.00%	8.00%	10.00%	6.00%	0.00%
IMRF Increase	13.00%	9.00%	10.00%	10.00%	5.00%

*Growth in the Equalized Assessed Valuation (EAV) is based on a detailed projection of new construction activity.

Lower range

Sales Tax Growth	1.00%	2.00%	3.00%	4.00%	4.00%
Per capita Income Growth	1.00%	2.00%	3.50%	3.50%	3.50%
Health Insurance Cost Increase	18.00%	18.00%	18.00%	18.00%	18.00%
Property Tax	Receipts 1% under most likely				

Upper Range

Sales Tax Growth	2.50%	3.50%	4.50%	5.5%	5.50%
Per capita Income Growth	2.00%	2.75%	3.50%	4.00%	4.00%
Health Insurance Cost Increase	12.00%	12.00%	10.00%	10.00%	10.00%
Property Tax	Receipts 1% over most likely				

Inflation has been low over the past several months and likely will remain low until the economy recovers fully. In the long term staff expects an inflation rate of 3.50% for the later years of the forecast period. The Federal Funds Rate is expected to range from 1.50% to 2.00% through FY2010/11, then increase to 3.50% for the remainder of the forecast period.

The City's two major revenues, Sales Tax and Income Tax are expected to grow very slowly during the current economic slowdown, not nearly at the pace of City cost increases. Health insurance cost increases are based on experience and indications from the industry and providers. The most recent projections provided to the City show an increase around 10% in the coming year.

For the upper and lower range projections, staff modified the key assumptions slightly for the current and future fiscal years. For the sales tax in the upper range, staff assumed some development in the area of Curtis Road Interchange that would boost the revenue in the late part of the forecast. Rather than worst and best case scenarios, the scenarios provide a range of likely outcomes.

Forecast Summary

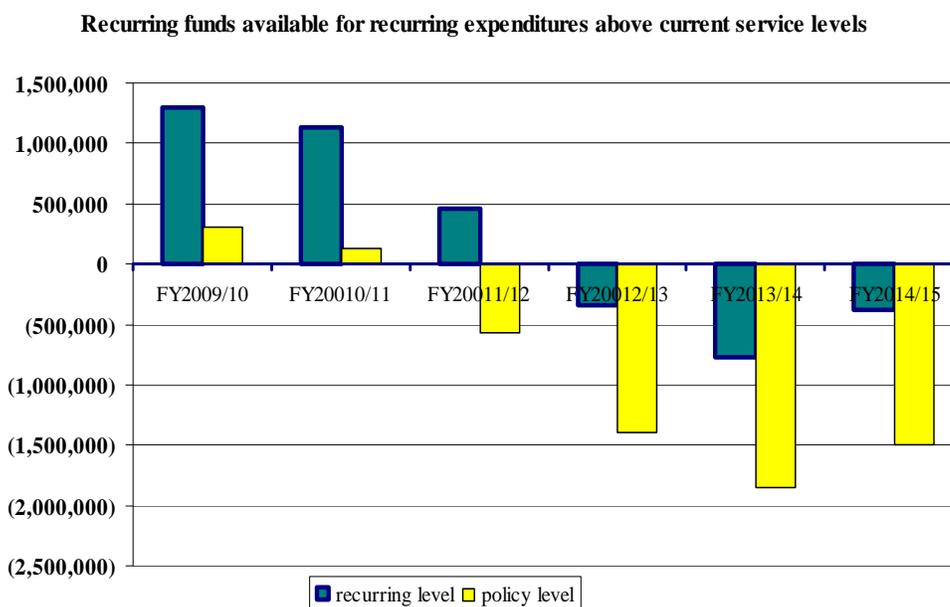
For the forecast itself, staff used the above assumptions to analyze revenues and expenditures and then made adjustments for expected known changes. Since the forecast includes more assumptions than known events, it is by nature uncertain.

This year the economy continues to be less predictable than in some years. Also, the outcome of the forecast for a given year depends on the outcome of previous years, so a small variation in the first year may cause a significant difference for the last year. The result is that the uncertainty increases further into the forecast period. Therefore, in addition to the most-likely scenario, staff prepared an upper and lower range estimate of likely outcomes.

The forecast is compared to the City's policy of maintaining recurring expenditures at 98.5% of recurring revenues. The outcome of the forecast shows that assuming the same service levels, within the range of likely outcomes, the recurring expenditures will be within the policy limit next year and then exceed this policy limit for the remainder of the forecast period. This difference is projected to grow to over \$2 million in FY 2013/2014 and then moderate slightly in the last year.

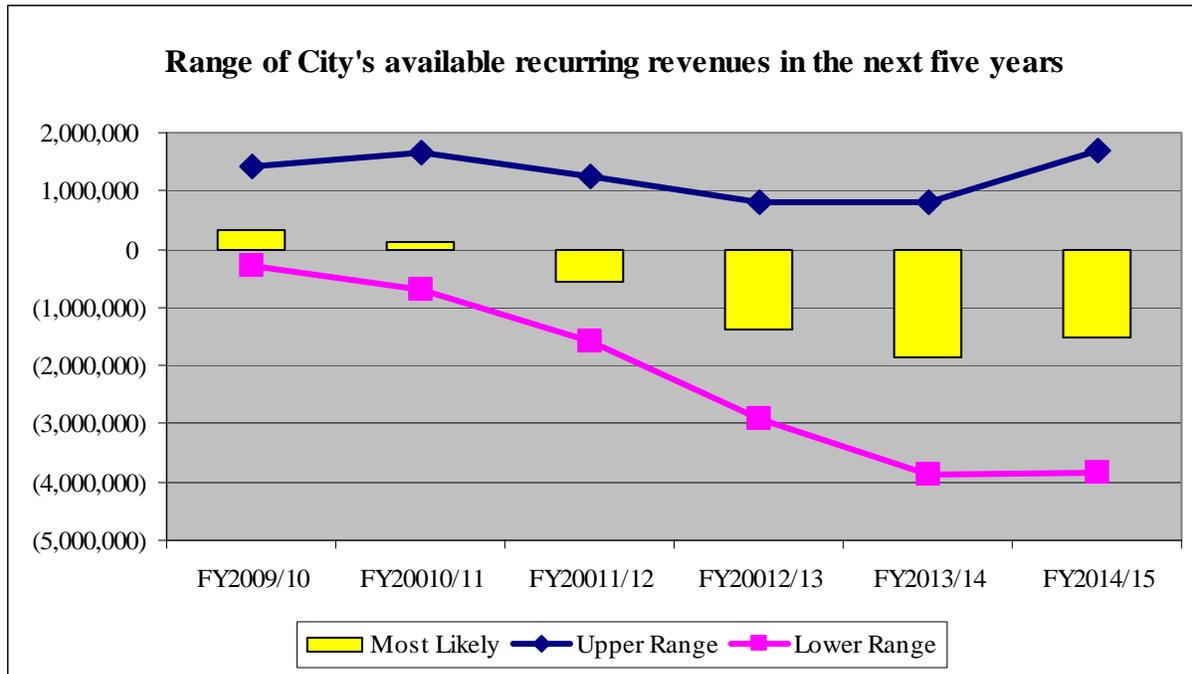
Last year, the City implemented major budget balancing initiatives totaling about \$6 million. Even though final revenue receipts ended closer to the lower range of the last year's forecast, the initiatives and continuous fiscal restraint have put the City in a fiscal position that is manageable, even given the continued economic uncertainty, if the City continues to manage its costs.

The following chart shows the difference between recurring revenues and expenditures at the 98.5% policy level and the 100% level, when looking at the most likely scenario.

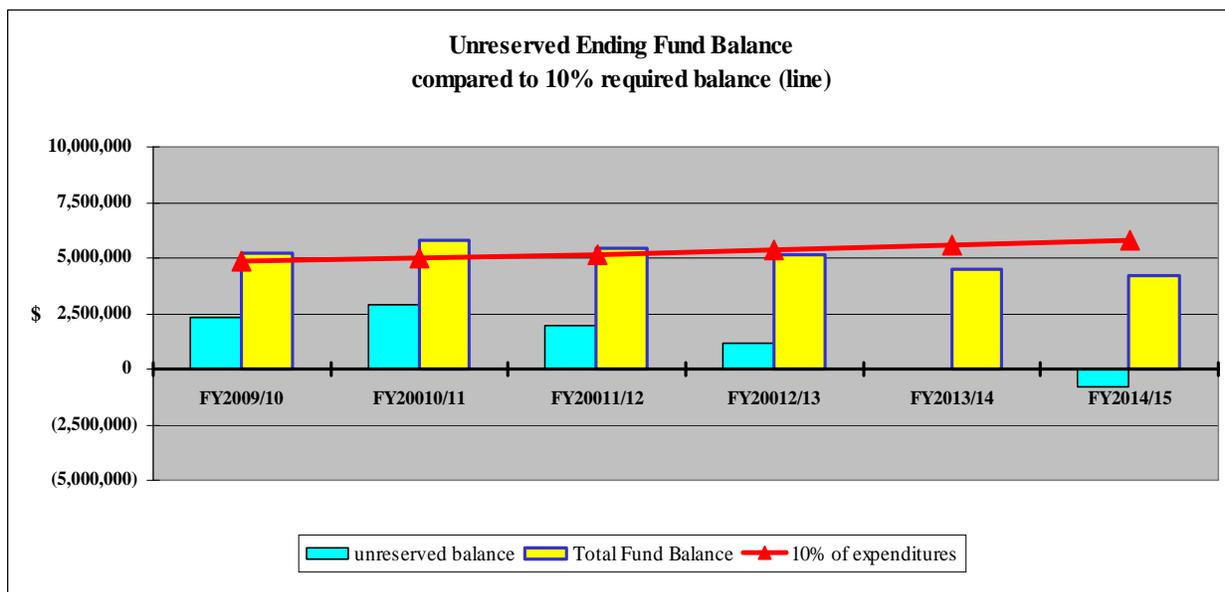


The chart shows that the projected total recurring expenditures are about equal to the projected policy limit of 98.5% recurring revenues for FY2010/11. In the following year, the expenditures at existing service levels would outgrow the limit and would eventually outgrow total revenues (even ignoring the policy limit). The difference between revenues and expenditures however is expected to moderate slightly in the last year of the forecast period with a figure of about \$400,000. The next chart shows the range of likely outcomes.

As discussed above, staff developed a most likely scenario and an upper and lower range of likely outcomes, given the economic uncertainty at the present time. The full scenarios are included in the appendix. The following chart demonstrates that within the range of likely outcomes, the City's General Fund budget could fall anywhere between balanced budget and a deficit growing to \$4 million in the end of the forecast period. Where the City falls within the range will largely depend on the pace of the economic recovery, and also on decisions the City will make about revenues and expenditures in the near future. The chart below reflects the available recurring revenues within the 98.5% expenditure limit.



The forecast also shows that the fund balance will decline significantly unless the City takes corrective actions.



Detailed Expenditure and Revenue Analysis

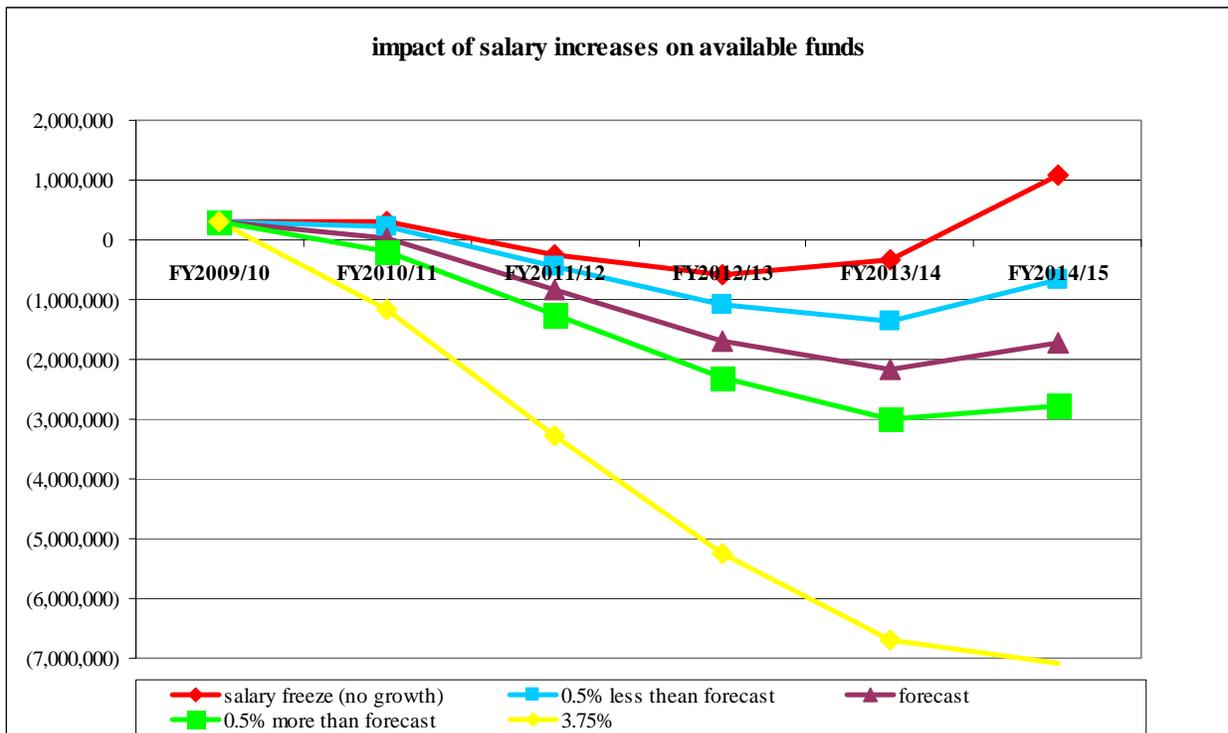
Note: all analyses are based on the 98.5% policy level for recurring expenditures.

Expenditures

Salaries

Personnel expenditures (including pensions and other benefits) represent approximately 66% of General Operating expenditures and are growing at a faster rate than other expenditures. The City is projecting little or no salary increases for the next few years, but overall employee compensation will increase due to large increases in health insurance and pension costs.

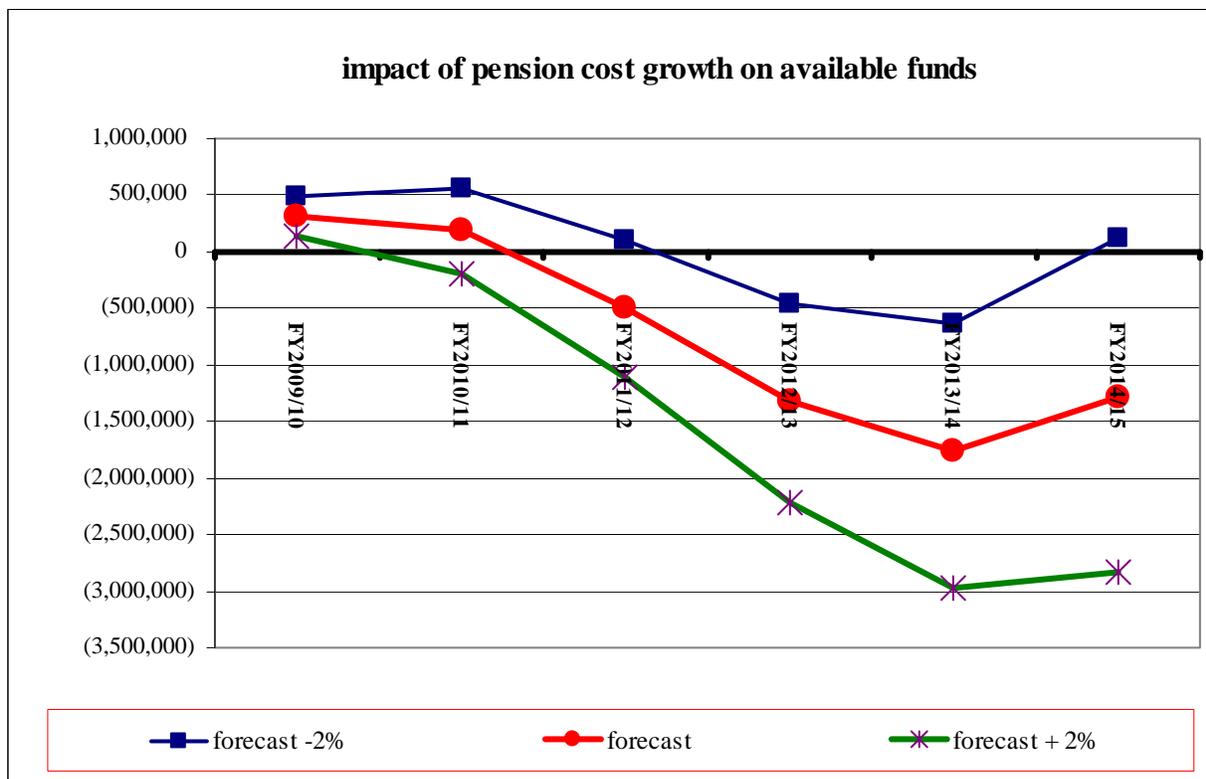
The following chart shows how changes in the assumptions affect the outcome of the overall forecast.



Pensions

Pension expenditures have been a major concern in recent years for Fire and Police, due to repeated increases in benefits. The recent significant declines in stock market values have decreased the value of pension in asset valuations as well. The City expects significant increases in pension funding requirements over the next few years to make up for the loss in value. This affected the projections for all three of the pension funds in which City employees participate: IMRF and the Police and Fire Pension Funds.

The following chart shows how slower and faster growth in pension costs would affect the overall projections.



Health Insurance

Health insurance costs continue to increase significantly. Staff expects an increase of about 10.7% effective March 1, 2010 for existing plans. The projection for the remainder of the forecast period is 10%. Health insurance costs represent about 10% of total personnel expenditures, but its share increases every year. Health insurance costs might be affected if a nationwide health care solution is implemented, but the impact is impossible to predict at this point.

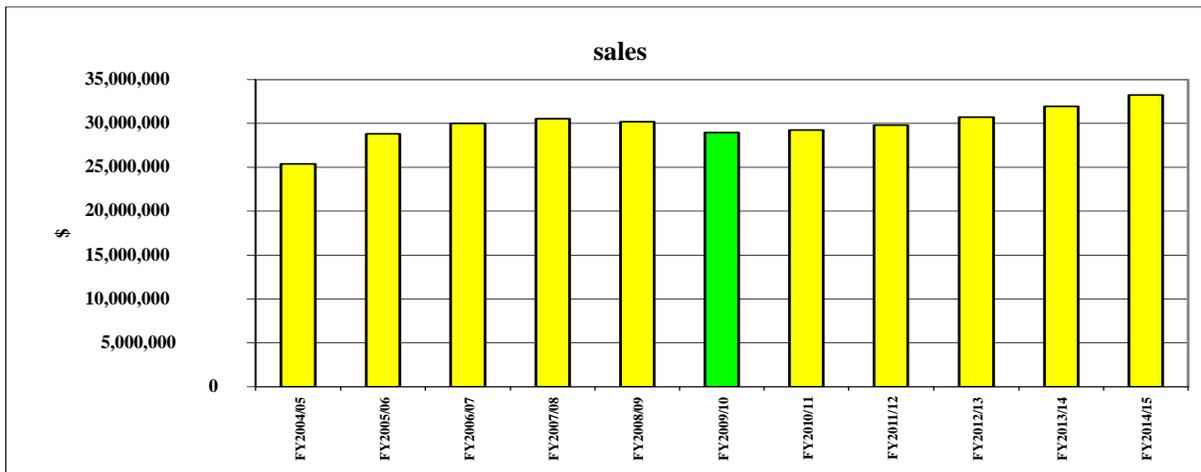
Non-Personnel Expenditures

Some non-personnel costs are forecasted to increase with the rate of inflation (such as commodities) or the overall cost index (calculated as an average of all growth rates, weighted in proportion to the overall costs for each category). These costs include transfers to other funds where personnel costs would be part of the cost. Transfers for capital improvement expenditures grow with the construction cost index, per Council policy.

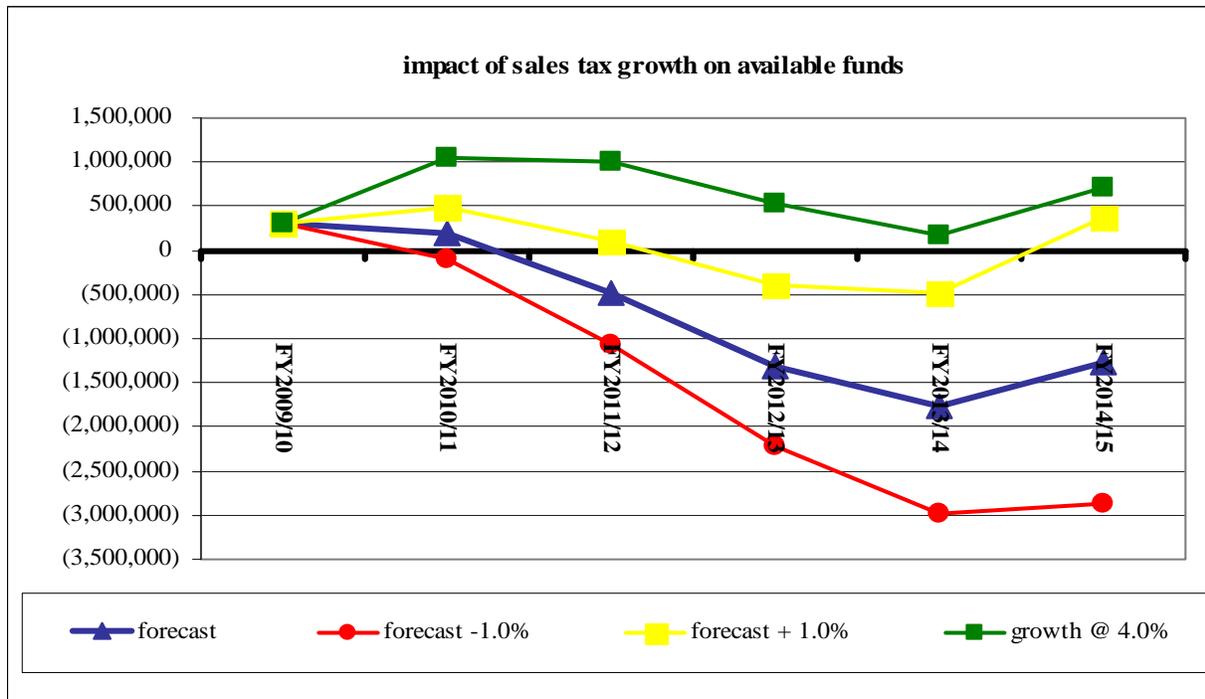
Revenues

Sales Tax

Along with other municipalities, the City is experiencing a significant decline in sales tax receipts. As of the writing of this report, sales tax projections for the current year are about 4% less than last year's actual receipts. Historically, sales tax revenue has grown about 4% a year on average. Every 1% represents approximately \$300,000. The following chart shows that the City does not expect to return to pre-recession levels until FY2012/13.

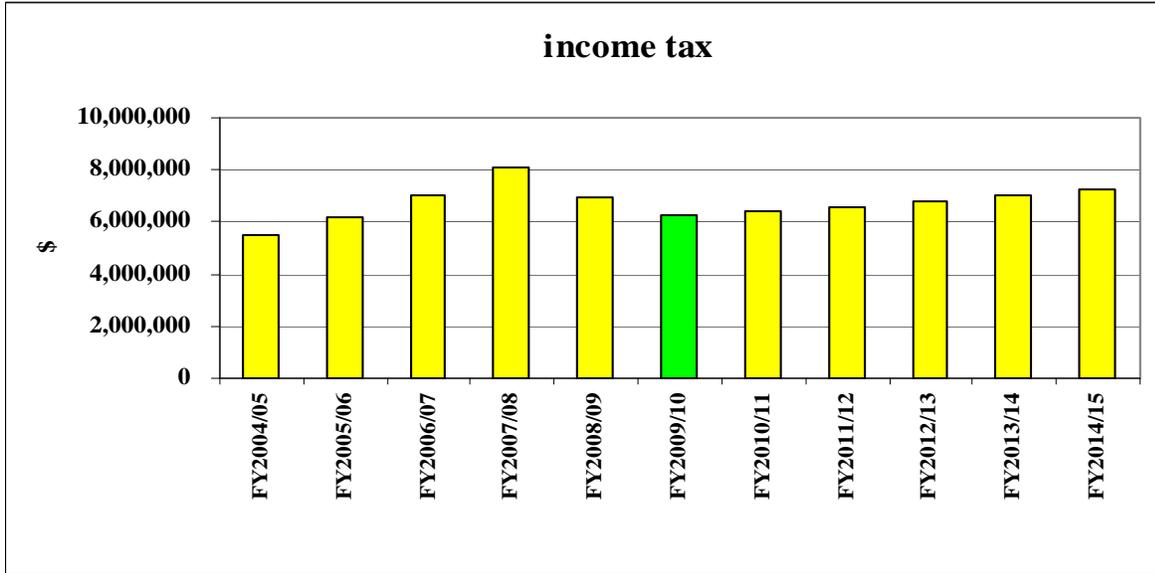


Staff expects a slow recovery and projects the tax to reach the 4% long term growth average by FY 2013/14. Since sales tax represents almost half of all recurring revenues in the General Operating Fund, a change of just 1% has a significant impact on available funds. Staff also made slightly different assumptions for the upper and lower range of the forecast. The following chart shows how change in growth can affect City's available funds.

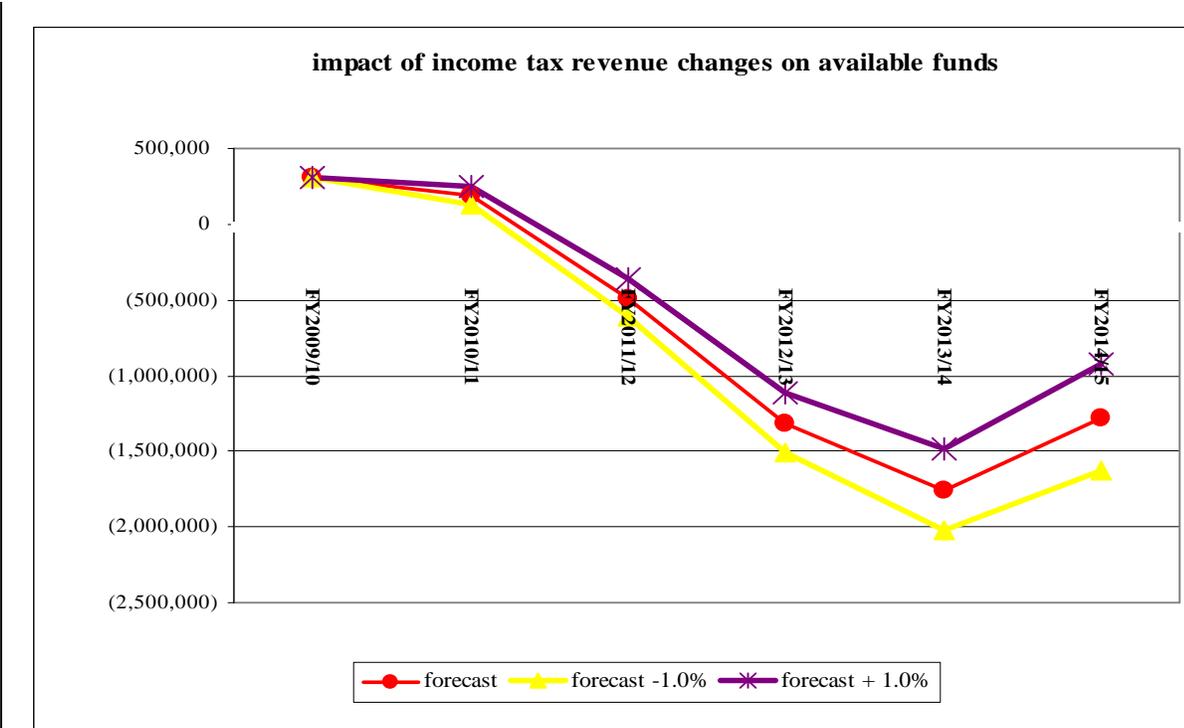


Income Tax

Projections for Income tax are down 5%; however staff expects further decline and projects revenues for FY 2009/10 to be 15% below last year's level. Staff does not expect this revenue to return to pre-recession levels by the end of the forecast period as shown on this chart.



The following chart shows the impact of slower or faster growth in income tax on the City's available funds. Since this revenue represents smaller portion of the revenues, its impact is not as dramatic as the sales tax.



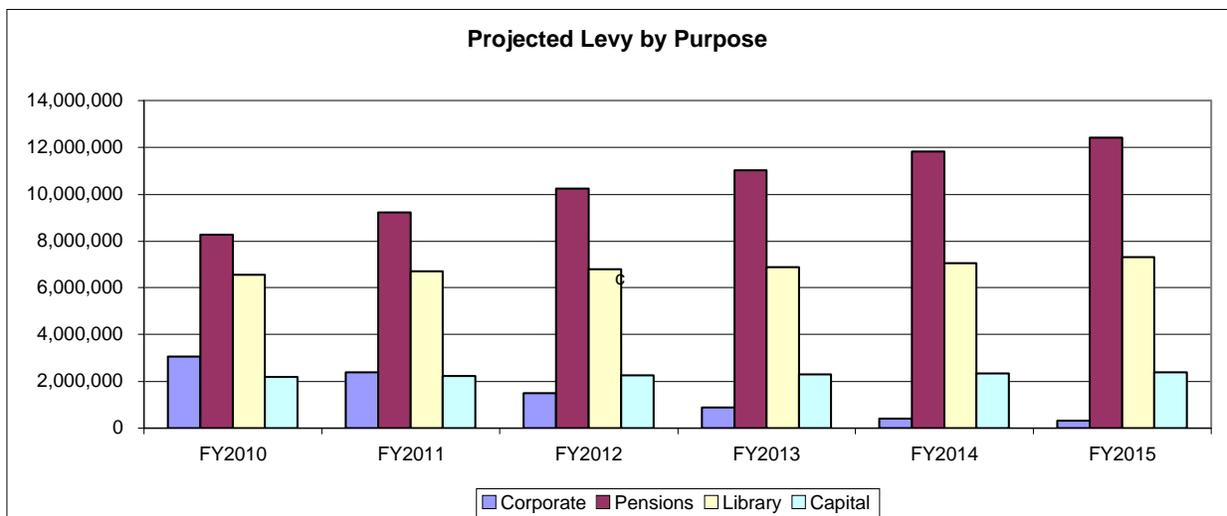
Property Tax

Property tax is the second largest revenue source for the General Operating Fund, representing about 15% of total recurring revenues. In recent years the City experienced healthy growth in total property value due to new construction, annexation, and appreciating property values. Unfortunately, as a result of the significant decline in the housing market, the EAV growth has slowed down and is expected to be very slow over the next few years. City planning and economic development staff prepared a thorough review of expected growth through annexation and new construction, including soliciting input from developers. The responses from the developers are very pessimistic for the near future. In addition, staff had extensive discussions with the Township Assessor, who expects the value of existing properties to grow minimally, if at all, over the next few years.

The City's Financial Policies specify how levy dollars are allocated. The policies ensure that all base levy requirements are met and provide direction on how any revenue above the base levy would be allocated. According to the policies, the City would first allocate property tax revenues to fund "base levy" needs. These needs reflect State mandates, agreement(s) into which the City has entered, and other Council policies. Any funds that remain after providing for base needs could be allocated to "additional" purposes. Due to the slow growth in the tax levy and high growth in pensions, the portion available for the general fund is expected to decline significantly over the next few years. In accordance with the Financial Policies, staff's analysis assumes continuation of the most recent property tax rate, which was 1.2942 for the most recent levy.

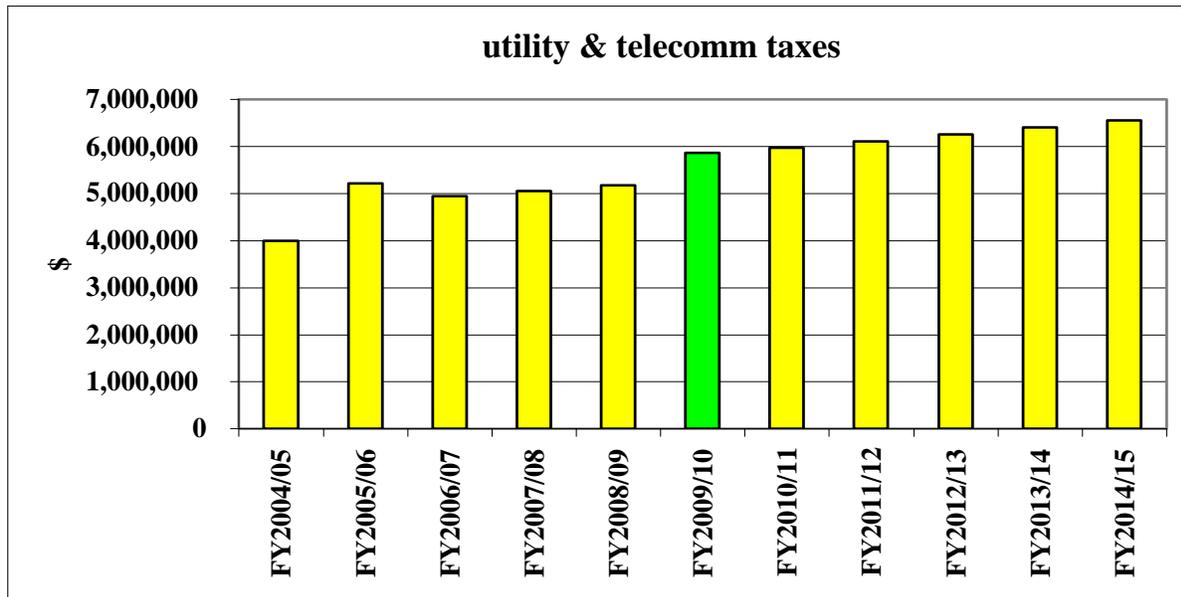
Note: Although not part of the Corporate Levy, pension levies are recorded as revenues in the General Fund in accordance with accounting standards. These are included in the total Property Tax figures and currently represent about 57% of total receipts in the general fund. However, these revenues are transferred to Pension Funds dollar by dollar and do not contribute to available resources in the General Fund.

The following chart shows the projected levy for various purposes. It shows that the pension levies grow quickly while the Library and Capital levies grow more slowly consistent with the slow growth in EAV. As a result of these increases, the amount of property tax revenue available for general services (the "Corporate" levy) diminishes to a minimal amount by the end of the forecast period. Were the Corporate levy to remain constant instead of declining, there would be no General Fund deficit for the entire forecast period.



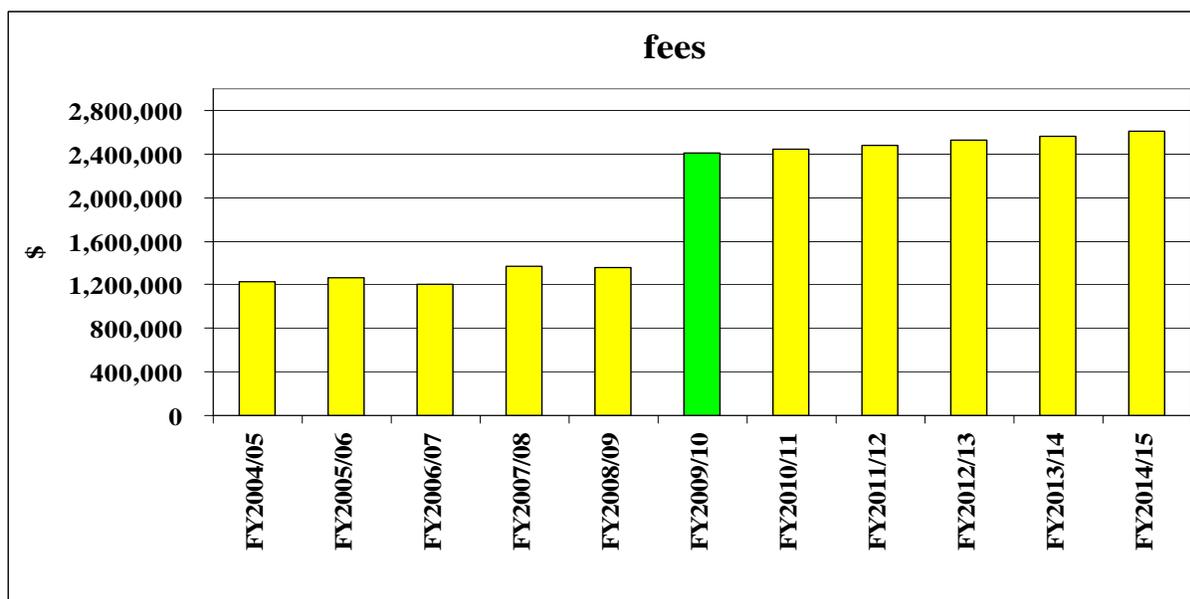
Utility & Telecommunications Taxes

Utility tax projections are based on individual projections for gas, electric, and water utility taxes, which are based on long-term trends. In the current year, receipts are running higher than budget. The utility taxes are expected to grow with inflation. Telecommunication Tax revenues seem to have stabilized after a couple years of decline, and staff projects slow growth over the forecast period.



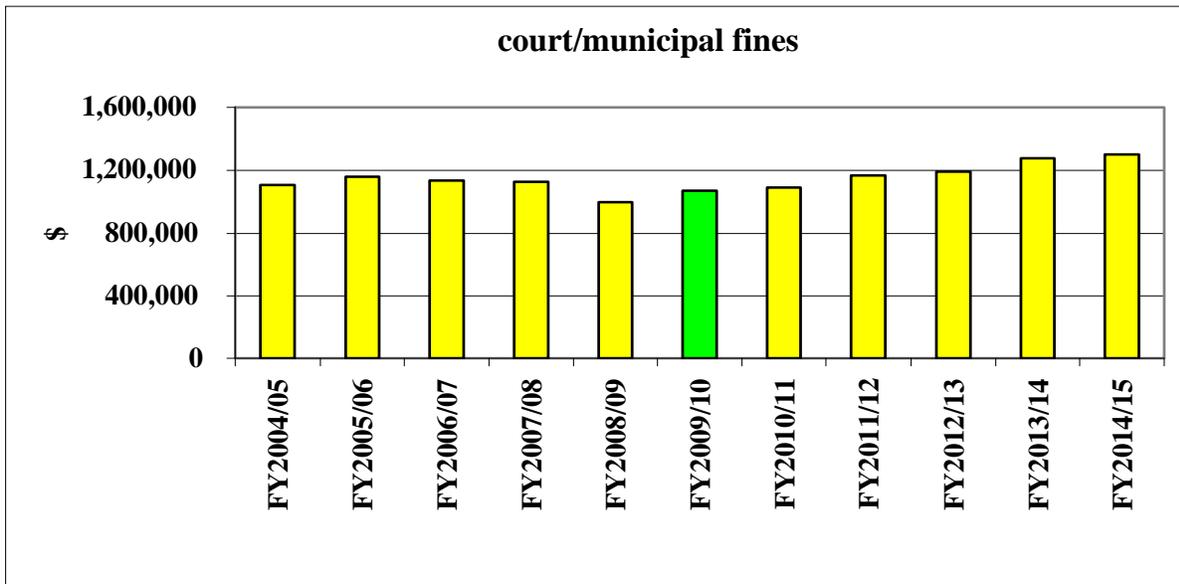
Fees

Fees, including fees from the University Fire Protection Agreement and franchise fees, are projected to grow at 1.5%. Growth in development fees and public safety fees is shown at 3%. The larger than usual growth in the current year represents the increases in fees instituted by Council as part of the budget balancing measures.



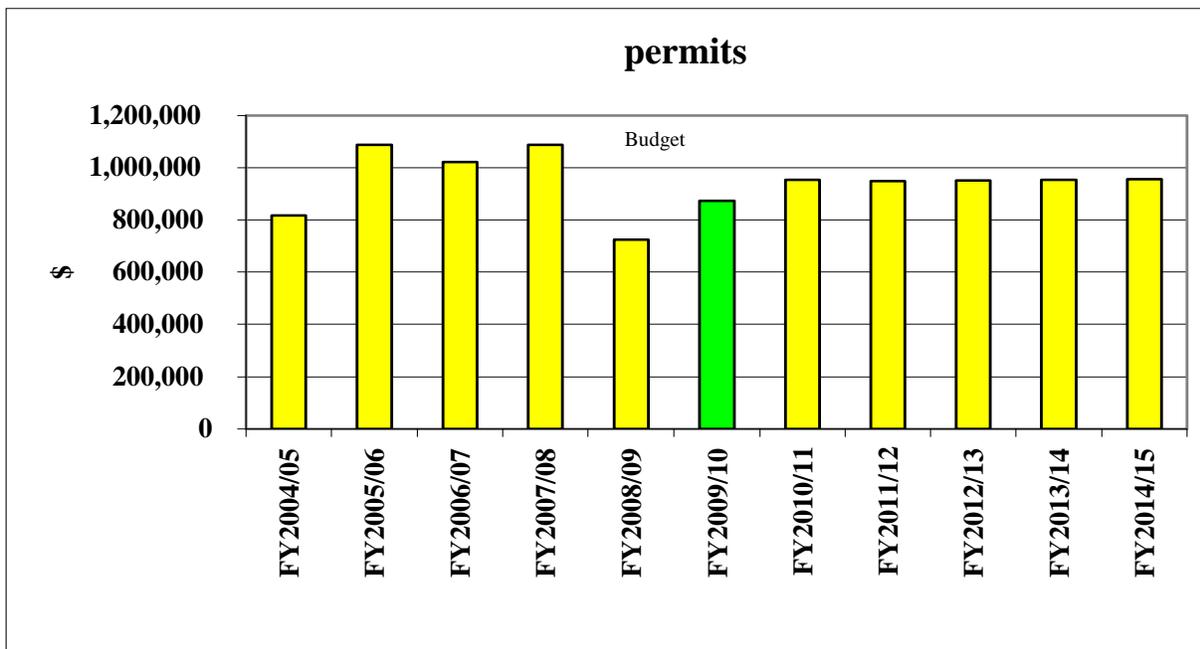
Court & Municipal Fines

The court and municipal fines projection, which reflects police activities, is slightly under budget for the current year. Growth beyond the current fiscal year is projected at 2% annually, plus 5% in alternate years to account for fine increases called for in the City Code.



Permits

The vast portion of revenue in this category comes from development permits. Most of that is permits for construction of new buildings and additions, but also includes other permits including signs and demolition. (The category does not include parking permits, which go solely to the Parking Fund. These revenues decreased significantly last year. Though building activity is not expected to increase in the next few years, staff projects some increase in revenue due to the fee increase recently instituted by Council. Even with the increase, this revenue is not expected to return to pre-recession levels by the end of the period.



Other Revenues

- Other taxes grow by 3%.
- Fines grow by 1% annually.
- Licenses and registrations grow by 2% annually.
- Reimbursements and Intergovernmental Revenues grow by the rate of inflation.
- Interfund transfers grow based on the weighted average cost increase for all expenditure categories.
- Interest and Investment Income is 0.5% over the Federal Funds Rate.

Conclusion

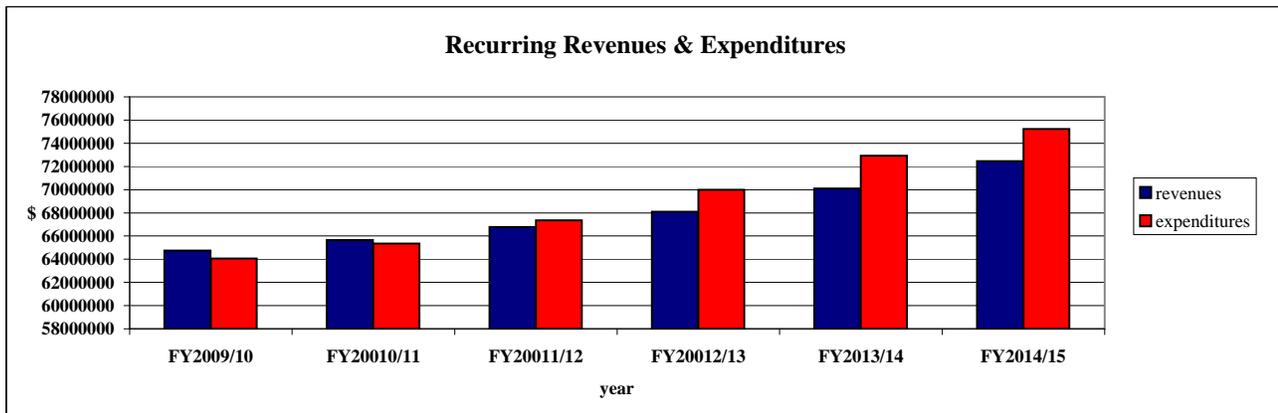
The forecast shows that the \$6 million budget-balancing measures taken earlier this year appear to have achieved a balanced budget for the current year and the next two years. However, challenges still exist in the fiscal outlook. The City needs to keep its expenditures in check and monitor revenues for any further declines. The City's largest expenditure component is personnel costs and within that component, costs of health insurance and pensions are hard to control. This puts more pressure on the City to limit wage increases. Safeguards in the City's financial planning include budgeting recurring expenditures at 98.5% of recurring revenues and establishing a rainy day fund, in addition to reserves for specific projects that can be delayed if their use is necessary to help the City adjust to unanticipated adverse fiscal circumstances.

The validity of the projections for the later years of the forecast must be considered, although the uncertainty of the forecast increases significantly with the length of the period predicted. The environment that affects the City's financial situation changes continually, and several factors might make the future completely different than expected, for better or worse. This year, the uncertainty is high even for the near future as leading economists disagree on the course of the economy in the next few months. This includes uncertainty on the effect of measures taken by the federal government to ameliorate the economic downturn. Also, as the what-if analyses show, the trend can be impacted from one year to another by a change in one variable, let alone several factors moving in the same direction.

Despite these caveats, this Financial Forecast provides a useful tool for developing a budget strategy for next fiscal year. Moreover, the City can probably avoid another round of significant budget reductions if revenues improve modestly and if the City can control personnel costs.

**Summary Five-Year Financial Forecast
Lower Range**

	<u>FY2009/10</u> <u>budget</u>	<u>FY2009/10</u> <u>projection</u>	<u>FY2010/11</u> <u>forecast</u>	<u>FY2011/12</u> <u>forecast</u>	<u>FY2012/13</u> <u>forecast</u>	<u>FY2013/14</u> <u>forecast</u>	<u>FY2014/15</u> <u>forecast</u>
recurring revenues and expenditures							
recurring revenues							
sales tax - state, local and use tax	30,500,426	28,662,184	28,805,495	29,237,577	29,822,329	30,716,999	31,792,094
income tax	7,642,260	5,927,565	5,927,565	5,986,840	6,106,577	6,289,774	6,478,468
property tax (incl. Police/Fire pensions)	11,365,415	11,346,417	11,619,547	11,751,199	11,916,197	12,240,862	12,737,492
utility / telecom taxes	5,304,723	5,879,093	5,968,995	6,108,018	6,251,208	6,398,704	6,550,649
fees	1,400,700	1,787,700	1,818,659	1,857,736	1,897,735	1,938,679	1,980,592
court / municipal fines	1,165,192	1,070,025	1,091,426	1,168,917	1,192,295	1,276,948	1,302,487
other taxes	1,663,779	1,494,270	1,539,098	1,585,271	1,632,829	1,681,814	1,732,268
fines	43,000	51,500	52,015	52,535	53,061	53,591	54,127
permits	909,300	873,500	954,563	949,212	951,465	953,785	956,175
license & registrations	392,520	392,520	400,370	408,378	416,545	424,876	433,374
reimbursements / intergovernmental	1,218,555	1,218,555	1,268,413	1,351,037	1,351,037	1,398,323	1,447,265
library debt payment (library operating fund)	260,787	260,787	242,840	221,794	197,519	172,395	146,015
interfund transfers	5,085,431	5,085,431	5,257,950	5,423,547	5,609,099	5,819,302	6,105,595
interest & investment income	300,000	700,000	700,000	673,446	699,915	729,126	752,306
total recurring revenues	67,252,088	64,749,546	65,646,935	66,775,507	68,097,810	70,095,179	72,468,905
% growth			1.39%	1.72%	1.98%	2.93%	3.39%
recurring expenditures							
personnel:							
salaries	29,120,886	28,045,886	28,747,033	29,465,709	30,349,680	31,411,919	32,511,336
group medical & life insurance	3,465,140	3,465,140	3,827,825	4,210,607	4,631,668	5,094,835	5,434,490
fica & imrf	2,427,077	2,477,592	2,626,247	2,783,822	2,950,852	3,127,903	3,315,577
reserve for 27th pay period	110,728	110,728	123,081	127,483	132,630	138,583	144,271
police pension	3,243,483	3,365,961	3,567,919	3,781,994	4,008,913	4,249,448	4,504,415
fire pension	3,197,529	3,198,061	3,389,945	3,593,341	3,808,942	4,037,478	4,279,727
commodities and capital	1,780,757	1,780,757	1,816,372	1,879,945	1,945,743	2,013,844	2,084,329
contractual	6,564,670	6,363,985	5,700,225	5,777,630	5,967,606	6,157,345	6,357,694
inter-fund transfers (excluding pensions)	15,386,787	15,263,777	15,554,400	15,724,102	16,195,442	16,681,269	16,598,770
total recurring expenditures	65,297,057	64,071,887	65,353,047	67,344,634	69,991,476	72,912,623	75,230,609
% growth			2.00%	3.05%	3.93%	4.17%	3.18%
98.5% of recurring revenue available for recurring expenditures	65,907,046	63,778,303	64,662,231	65,773,875	67,076,343	69,043,751	71,381,872
	609,989	(293,584)	(690,816)	(1,570,759)	(2,915,133)	(3,868,872)	(3,848,737)
Rec. Revenues Less Expenditures	1,955,031	677,659	293,888	(569,127)	(1,893,666)	(2,817,444)	(2,761,704)

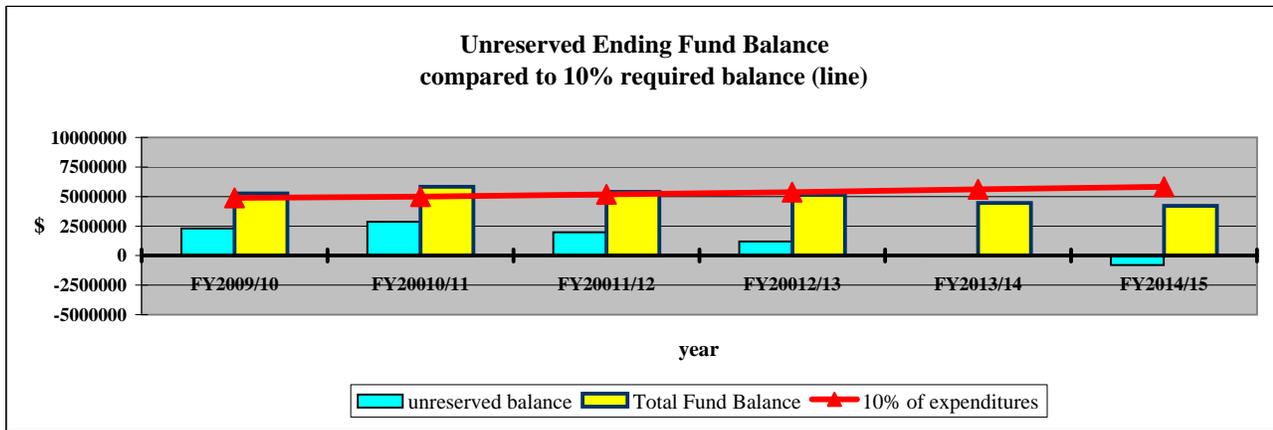


The figures and graph above show that recurring revenues are projected to exceed recurring expenditures through FY2010/11, then recurring expenditures are projected to exceed recurring revenues for the remainder of the forecast period.

Summary Five-Year Financial Forecast Lower Range

Attachment C

	<u>FY2009/10</u> <u>budget</u>	<u>FY2009/10</u> <u>projection</u>	<u>FY2010/11</u> <u>forecast</u>	<u>FY2011/12</u> <u>forecast</u>	<u>FY2012/13</u> <u>forecast</u>	<u>FY2013/14</u> <u>forecast</u>	<u>FY2014/15</u> <u>forecast</u>
<u>one-time revenues and expenditures</u>							
<u>one-time revenues</u>							
STEP fines	40,000	40,000					
Miscellaneous Grants	71,829	71,829	0	0	0	0	0
interest and investment income correction		(400,000)	(300,000)				
delayed revenue measures		(387,000)					
total one-time revenues	111,829	(288,171)	(300,000)	0	0	0	0
<u>one-time expenditures</u>							
agency disbursements & reserves	98,306	759,068	602,000	587,000	164,100	142,110	132,717
inter-fund transfers	1,497,790	1,646,536	100,000	750,000	250,000	250,000	250,000
other activities	2,135,284	2,135,284					
prior year encumbrances	0	723,223					
one time savings on Library debt	0	0					
delayed savings measures	0	1,075,000	0	0	0	0	0
one-time positions							
total one-time expenditures	3,731,380	6,339,111	702,000	1,337,000	414,100	392,110	382,717
net of one-time revenues and expenditures	(3,619,551)	(6,627,282)	(1,002,000)	(1,337,000)	(414,100)	(392,110)	(382,717)
<u>summary of financial position</u>							
beginning fund balance	9,429,910	10,153,133	4,634,598	4,376,332	2,934,411	1,109,233	(1,597,176)
total revenues	67,363,917	64,461,375	65,346,935	66,775,507	68,097,810	70,095,179	72,468,905
total expenditures	68,917,709	70,300,270	65,931,966	68,554,151	70,272,946	73,166,151	75,469,055
total revenues less expenditures	(1,553,792)	(5,838,895)	(585,032)	(1,778,644)	(2,175,136)	(3,070,971)	(3,000,150)
anticipated "underspending"		320,359	326,765	336,723	349,957	364,563	376,153
ending fund balance projection	7,876,118	4,634,598	4,376,332	2,934,411	1,109,233	(1,597,176)	(4,221,172)
reserve for 27th pay period	444,207	444,207	567,288	722,110	878,094	1,044,852	1,227,758
city facilities	1,548,757	1,548,757	1,876,992	2,210,869	2,551,358	2,901,834	3,264,179
other reserves	967,000	967,000	500,000	500,000	500,000	500,000	500,000
total reserves	2,959,964	2,959,964	2,944,279	3,432,979	3,929,452	4,446,686	4,991,936
unreserved ending fund balance	4,916,154	1,674,634	1,432,052	(498,568)	(2,820,220)	(6,043,862)	(9,213,109)
% of expenditures not incl. transfers (approximate)	10.78%	3.58%	3.31%	-1.12%	-6.13%	-12.61%	-18.49%

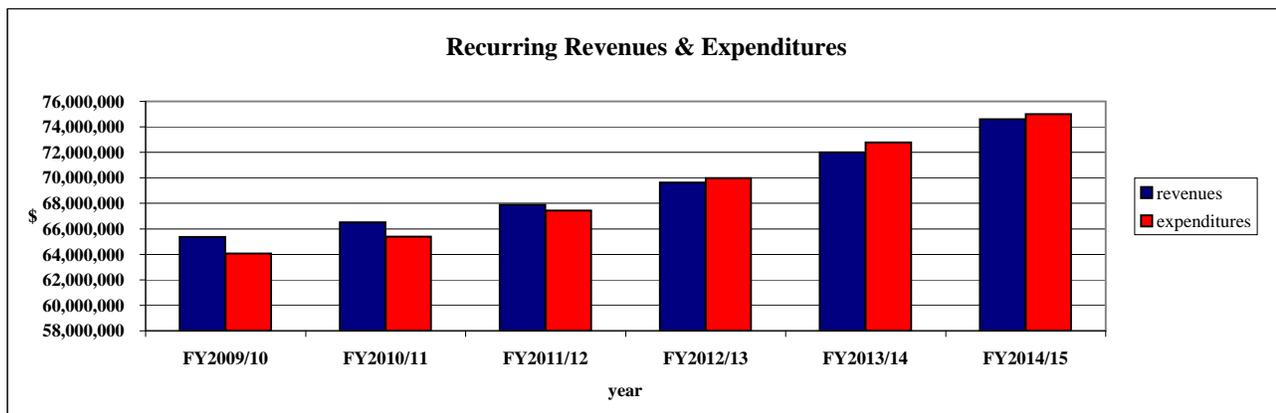


The projections shown above indicate that barring no changes to current service levels, the unreserved ending fund balance will diminished over the next three years.

Summary Five-Year Financial Forecast Most Likely

Attachment A

	<u>FY2009/10</u> <u>budget</u>	<u>FY2009/10</u> <u>projection</u>	<u>FY2010/11</u> <u>forecast</u>	<u>FY2011/12</u> <u>forecast</u>	<u>FY2012/13</u> <u>forecast</u>	<u>FY2013/14</u> <u>forecast</u>	<u>FY2014/15</u> <u>forecast</u>
<u>recurring revenues and expenditures</u>							
<u>recurring revenues</u>							
sales tax - state, local and use tax	30,500,426	28,951,701	29,241,218	29,826,042	30,720,824	31,949,657	33,227,643
income tax	7,642,260	6,252,768	6,377,823	6,553,213	6,782,576	7,019,966	7,265,665
property tax (incl. Police/Fire pensions)	11,365,415	11,346,417	11,619,547	11,751,199	11,916,197	12,240,862	12,737,492
utility / telecom taxes	5,304,723	5,879,093	5,968,995	6,108,018	6,251,208	6,398,704	6,550,649
fees	2,027,700	2,414,700	2,445,659	2,484,736	2,524,735	2,565,679	2,607,592
court / municipal fines	1,165,192	1,070,025	1,091,426	1,168,917	1,192,295	1,276,948	1,302,487
other taxes	1,663,779	1,494,270	1,539,098	1,585,271	1,632,829	1,681,814	1,732,268
fines	43,000	51,500	52,015	52,535	53,061	53,591	54,127
permits	909,300	873,500	954,563	949,212	951,465	953,785	956,175
license & registrations	392,520	392,520	400,370	408,378	416,545	424,876	433,374
reimbursements / intergovernmental	591,555	591,555	628,873	689,113	689,113	713,232	738,195
library debt payment (library operating fund)	260,787	260,787	242,840	221,794	197,519	172,395	146,015
interfund transfers	5,085,431	5,085,431	5,257,950	5,423,547	5,609,099	5,819,302	6,105,595
interest & investment income	300,000	700,000	700,000	674,422	699,826	727,712	749,906
total recurring revenues	67,252,088	65,364,266	66,520,376	67,896,397	69,637,290	71,998,523	74,607,182
% growth			1.77%	2.07%	2.56%	3.39%	3.62%
<u>recurring expenditures</u>							
personnel:							
salaries	29,120,886	28,045,886	28,466,574	28,893,573	29,471,444	30,208,230	31,114,477
group medical & life insurance	3,465,140	3,465,140	3,827,825	4,210,607	4,631,668	5,094,835	5,434,490
fica & imrf	2,427,077	2,477,592	2,749,457	3,047,136	3,339,008	3,675,775	3,952,008
reserve for 27th pay period	110,728	110,728	122,531	126,403	130,917	136,290	141,612
police pension	3,243,483	3,365,961	3,664,088	3,892,138	4,047,823	4,209,736	4,421,049
fire pension	3,197,529	3,198,061	3,496,155	3,896,436	4,260,920	4,604,307	4,742,043
commodities and capital	1,780,757	1,780,757	1,816,372	1,879,945	1,945,743	2,013,844	2,084,329
contractual	6,564,670	6,363,985	5,700,225	5,777,630	5,967,606	6,157,345	6,357,694
inter-fund transfers (excluding pensions)	15,386,787	15,263,777	15,550,705	15,718,339	16,187,440	16,670,849	16,742,924
total recurring expenditures	65,297,057	64,071,887	65,393,934	67,442,207	69,982,570	72,771,210	74,990,626
% growth			2.06%	3.13%	3.77%	3.98%	3.05%
98.5% of recurring revenue available for recurring expenditures	65,907,046	64,383,803	65,522,570	66,877,951	68,592,731	70,918,545	73,488,074
	609,989	311,916	128,637	(564,256)	(1,389,839)	(1,852,665)	(1,502,552)
Rec. Revenues Less Expenditures	1,955,031	1,292,380	1,126,442	454,190	(345,279)	(772,687)	(383,444)

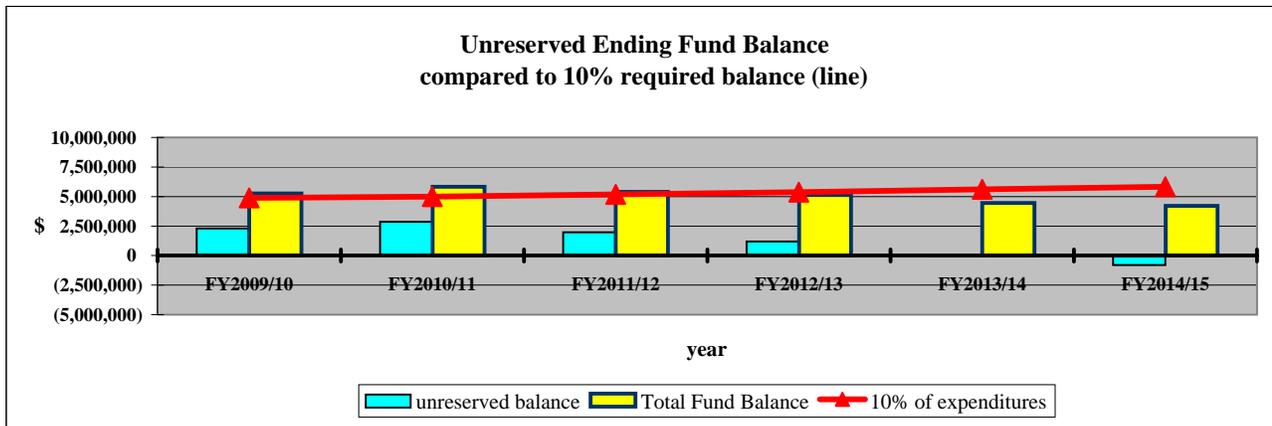


The figures and graph above show that recurring revenues are projected to exceed recurring expenditures through FY2011/12, then recurring expenditures exceed recurring revenues for the remainder of the forecast period.

Summary Five-Year Financial Forecast Most Likely

Attachment A

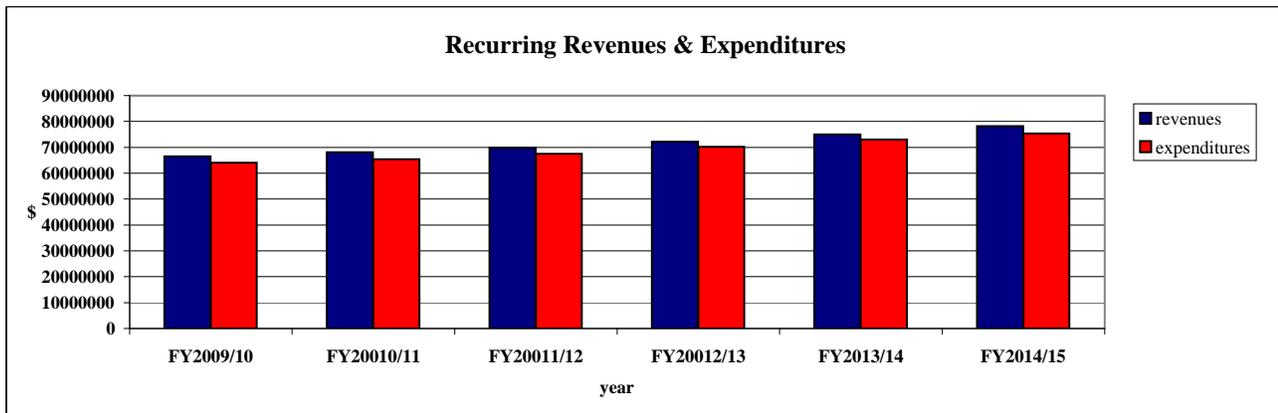
	<u>FY2009/10</u> <u>budget</u>	<u>FY2009/10</u> <u>projection</u>	<u>FY2010/11</u> <u>forecast</u>	<u>FY2011/12</u> <u>forecast</u>	<u>FY2012/13</u> <u>forecast</u>	<u>FY2013/14</u> <u>forecast</u>	<u>FY2014/15</u> <u>forecast</u>
<u>one-time revenues and expenditures</u>							
<u>one-time revenues</u>							
STEP fines	40,000	40,000					
Miscellaneous Grants	71,829	71,829	0	0	0	0	0
interest and investment income correction		(400,000)	(300,000)				
delayed revenue measures		(387,000)					
total one-time revenues	111,829	(288,171)	(300,000)	0	0	0	0
<u>one-time expenditures</u>							
agency disbursements & reserves	98,306	759,068	602,000	587,000	164,100	142,110	132,717
inter-fund transfers	1,497,790	1,646,536	100,000	750,000	250,000	250,000	250,000
other activities	2,135,284	2,135,284					
prior year encumbrances	0	723,223					
one time savings on Library debt	0	0					
delayed savings measures	0	1,075,000	0	0	0	0	0
one-time positions							
total one-time expenditures	3,731,380	6,339,111	702,000	1,337,000	414,100	392,110	382,717
net of one-time revenues and expenditures	(3,619,551)	(6,627,282)	(1,002,000)	(1,337,000)	(414,100)	(392,110)	(382,717)
<u>summary of financial position</u>							
beginning fund balance	9,429,910	10,153,133	5,249,318	5,823,261	5,404,065	5,125,515	4,460,864
total revenues	67,363,917	65,076,095	66,220,376	67,896,397	69,637,290	71,998,523	74,607,182
total expenditures	68,917,709	70,300,270	65,973,403	68,652,804	70,265,753	73,027,031	75,231,731
total revenues less expenditures	(1,553,792)	(5,224,174)	246,973	(756,406)	(628,463)	(1,028,508)	(624,549)
anticipated "underspending"		320,359	326,970	337,211	349,913	363,856	374,953
ending fund balance projection	7,876,118	5,249,318	5,823,261	5,404,065	5,125,515	4,460,864	4,211,268
reserve for 27th pay period	444,207	444,207	566,738	720,454	874,671	1,039,026	1,219,057
city facilities	1,548,757	1,548,757	1,881,359	2,220,841	2,569,027	2,929,020	3,302,056
other reserves	967,000	967,000	500,000	500,000	500,000	500,000	500,000
total reserves	2,959,964	2,959,964	2,948,097	3,441,294	3,943,698	4,468,046	5,021,113
unreserved ending fund balance	4,916,154	2,289,354	2,875,164	1,962,771	1,181,817	(7,182)	(809,845)
% of expenditures not incl. transfers (approximate)	10.78%	4.89%	6.66%	4.42%	2.60%	-0.02%	-1.65%



The projections shown above indicate that barring no changes to current service levels, the unreserved ending fund balance will diminished over the next three years.

**Summary Five-Year Financial Forecast
Upper Range**

	<u>FY2009/10</u> <u>budget</u>	<u>FY2009/10</u> <u>projection</u>	<u>FY2010/11</u> <u>forecast</u>	<u>FY2011/12</u> <u>forecast</u>	<u>FY2012/13</u> <u>forecast</u>	<u>FY2013/14</u> <u>forecast</u>	<u>FY2014/15</u> <u>forecast</u>
recurring revenues and expenditures							
recurring revenues							
sales tax - state, local and use tax	30,500,426	29,096,460	29,823,871	30,718,587	32,100,924	33,866,474	35,729,130
income tax	7,642,260	7,228,377	7,372,945	7,575,701	7,840,850	8,076,076	8,318,358
property tax (incl. Police/Fire pensions)	11,365,415	11,346,417	11,619,547	11,751,199	11,916,197	12,240,862	12,737,492
utility / telecom taxes	5,304,723	5,879,093	5,968,995	6,108,018	6,251,208	6,398,704	6,550,649
fees	1,400,700	1,787,700	1,818,659	1,857,736	1,897,735	1,938,679	1,980,592
court / municipal fines	1,165,192	1,070,025	1,091,426	1,168,917	1,192,295	1,276,948	1,302,487
other taxes	1,663,779	1,494,270	1,539,098	1,585,271	1,632,829	1,681,814	1,732,268
fines	43,000	51,500	52,015	52,535	53,061	53,591	54,127
permits	909,300	873,500	954,563	949,212	951,465	953,785	956,175
license & registrations	392,520	392,520	400,370	408,378	416,545	424,876	433,374
reimbursements / intergovernmental	1,218,555	1,218,555	1,268,413	1,351,037	1,351,037	1,398,323	1,447,265
library debt payment (library operating fund)	260,787	260,787	242,840	221,794	197,519	172,395	146,015
interfund transfers	5,085,431	5,085,431	5,257,950	5,423,547	5,609,099	5,819,302	6,105,595
interest & investment income	300,000	700,000	700,000	675,524	702,321	730,866	753,889
total recurring revenues	67,252,088	66,484,634	68,110,691	69,847,455	72,113,084	75,032,695	78,247,415
% growth			2.45%	2.55%	3.24%	4.05%	4.28%
recurring expenditures							
personnel:							
salaries	29,120,886	28,045,886	28,466,574	28,893,573	29,326,976	29,766,881	30,213,384
group medical & life insurance	3,465,140	3,465,140	3,827,825	4,210,607	4,631,668	5,094,835	5,434,490
fica & imrf	2,427,077	2,477,592	2,725,351	2,997,886	3,297,675	3,627,442	3,990,187
reserve for 27th pay period	110,728	110,728	122,447	126,231	130,267	134,577	138,595
police pension	3,243,483	3,365,961	3,702,557	4,072,813	4,480,094	4,928,104	5,420,914
fire pension	3,197,529	3,198,061	3,517,867	3,869,654	4,256,619	4,682,281	5,150,509
commodities and capital	1,780,757	1,780,757	1,816,372	1,879,945	1,945,743	2,013,844	2,084,329
contractual	6,564,670	6,363,985	5,700,225	5,777,630	5,967,606	6,157,345	6,357,694
inter-fund transfers (excluding pensions)	15,386,787	15,263,777	15,554,400	15,724,102	16,195,442	16,681,269	16,598,770
total recurring expenditures	65,297,057	64,071,887	65,433,618	67,552,441	70,232,090	73,086,578	75,388,872
% growth			2.13%	3.24%	3.97%	4.06%	3.15%
98.5% of recurring revenue available for recurring expenditures	65,907,046	65,487,365	67,089,030	68,799,744	71,031,387	73,907,205	77,073,704
	609,989	1,415,478	1,655,412	1,247,302	799,297	820,627	1,684,832
Rec. Revenues Less Expenditures	1,955,031	2,412,747	2,677,072	2,295,014	1,880,994	1,946,118	2,858,543

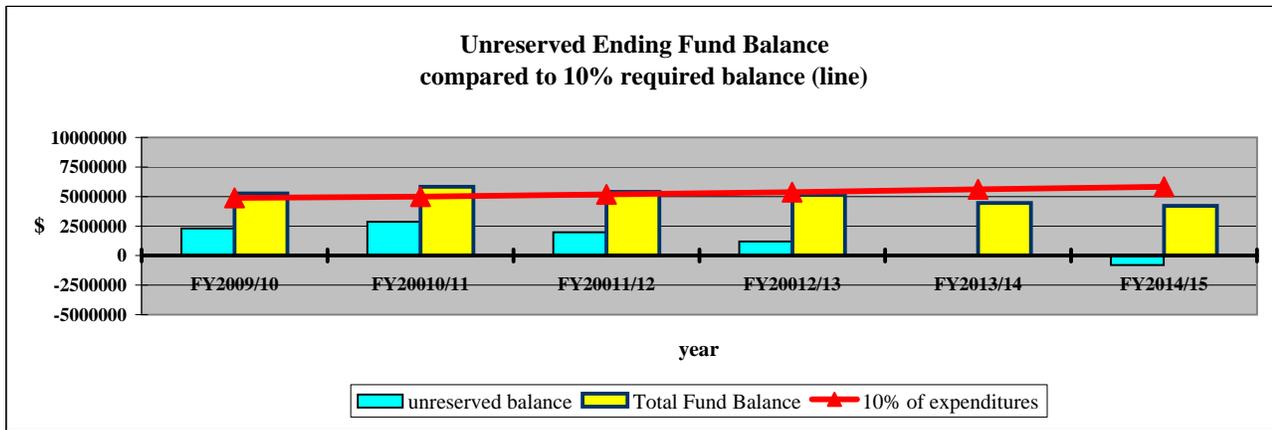


The figures and graph above show that recurring revenues are projected to exceed recurring expenditures through the entire forecast period.

Summary Five-Year Financial Forecast Upper Range

Attachment B

	<u>FY2009/10</u> <u>budget</u>	<u>FY2009/10</u> <u>projection</u>	<u>FY2010/11</u> <u>forecast</u>	<u>FY2011/12</u> <u>forecast</u>	<u>FY2012/13</u> <u>forecast</u>	<u>FY2013/14</u> <u>forecast</u>	<u>FY2014/15</u> <u>forecast</u>
<u>one-time revenues and expenditures</u>							
<u>one-time revenues</u>							
STEP fines	40,000	40,000					
Miscellaneous Grants	71,829	71,829	0	0	0	0	0
interest and investment income correction		(400,000)	(300,000)				
delayed revenue measures		(387,000)					
total one-time revenues	111,829	(288,171)	(300,000)	0	0	0	0
<u>one-time expenditures</u>							
agency disbursements & reserves	98,306	759,068	602,000	587,000	164,100	142,110	132,717
inter-fund transfers	1,497,790	1,646,536	100,000	750,000	250,000	250,000	250,000
other activities	2,135,284	2,135,284					
prior year encumbrances	0	723,223					
one time savings on Library debt	0	0					
delayed savings measures	0	1,075,000	0	0	0	0	0
one-time positions							
total one-time expenditures	3,731,380	6,339,111	702,000	1,337,000	414,100	392,110	382,717
net of one-time revenues and expenditures	(3,619,551)	(6,627,282)	(1,002,000)	(1,337,000)	(414,100)	(392,110)	(382,717)
<u>summary of financial position</u>							
beginning fund balance	9,429,910	10,153,133	6,369,686	8,494,373	9,916,380	11,864,701	13,918,719
total revenues	67,363,917	66,196,463	67,810,691	69,847,455	72,113,084	75,032,695	78,247,415
total expenditures	68,917,709	70,300,270	66,013,172	68,763,210	70,515,923	73,344,110	75,632,994
total revenues less expenditures	(1,553,792)	(4,103,807)	1,797,519	1,084,245	1,597,160	1,688,585	2,614,421
anticipated "underspending"		320,359	327,168	337,762	351,160	365,433	376,944
ending fund balance projection	7,876,118	6,369,686	8,494,373	9,916,380	11,864,701	13,918,719	16,910,084
reserve for 27th pay period	444,207	444,207	566,654	720,193	873,752	1,036,366	1,213,281
city facilities	1,548,757	1,548,757	1,889,310	2,238,548	2,599,113	2,974,277	3,365,514
other reserves	967,000	967,000	500,000	500,000	500,000	500,000	500,000
total reserves	2,959,964	2,959,964	2,955,964	3,458,741	3,972,865	4,510,642	5,078,795
unreserved ending fund balance	4,916,154	3,409,722	5,538,409	6,457,639	7,891,835	9,408,077	11,831,289
% of expenditures not incl. transfers (approximate)	10.78%	7.28%	12.84%	14.56%	17.41%	20.10%	24.54%



The projections shown above indicate that barring no changes to current service levels, the unreserved ending fund balance will diminished over the next three years.

<u>Name of Grant</u>	<u>Awarding Agency</u>	<u>Grant Amt Requested</u>	<u>Status</u>	<u>Awarded Amount</u>	<u>Grant Manager</u>	<u>Comments</u>
Public Works Grants						
** EECBG Grant -- Energy Grant	Federal Department of Energy	\$ 763,200.00	Awarded	\$ 763,200.00	T Legner/M Hannan	
** ARRA Federal Stimulus -- First St.	Federal Highway Administration	\$ 750,000.00	Awarded	\$ 750,000.00	Chris Sokolowski	Construction In-progress
** ARRA Federal Stimulus -- Kirby Ave (Mattis to Prospect overlay)	Federal Highway Administration	\$ 939,790.00	Awarded	\$ 939,790.00	Dave Clark	Construction Summer 2010
IDOT Emergency Repair Project -- Mattis Avenue (Anthony to Olympian) Overlay	Illinois Department of Transportation	\$ 550,000.00	Awarded	\$ 550,000.00	Dave Clark	Construction Summer 2010
Fourth Street Highway Safety Improvement Program (HSIP) -- Fourth St. (Green to Armory)	Illinois Department of Transportation	\$ 1,066,500.00	Awarded	\$ 1,066,500.00	Chris Sokolowski	Design in 2010; Construction in 2011
Illinois Recycling Grants Program - Traditional Recyclables	Illinois Department of Commerce	\$ 60,000.00	Application In		Jamie Vermillion	Application Due 11/13/09
Multi-Family Recycling Containers	& Economic Opportunity		Progress			Awards Announced Spring 2010
Federal Earmark -- 4th Street Extension Design	Federal Highway Administration	\$ 533,520.00	Awarded	\$ 533,520.00	Chris Sokolowski	U of I requested & rec'd this earmark; FY10 design
Illinois Capital Bill Funding (U of I Research Park Infrastructure)	Illinois Department of Transportation	\$ 6,316,050.00	Awarded	\$ 6,316,050.00	Chris Sokolowski	U of I requested & rec'd this funding; need to request release
Federal Earmark -- Curtis Road (Wynstone to Wesley)	Federal Highway Administration	\$ 5,600,000.00	Awarded	\$ 5,600,000.00	Dave Clark	Joint City-Savoy-County project -- construction in progress
ICC Grade Crossing Protection Fund -- Olympian Drive Railroad Overpass	Illinois Commerce Commission	\$ 7,200,000.00	App in Progress		Ch County/Dave Clark	Joint City-Urbana-County project -- Olympian (Apollo to US Rte 45)
Illinois Capital Bill Funding (Olympian Drive -- Apollo to US Rte 45)	Illinois Department of Transportation	\$ 5,000,000.00	Awarded	\$ 5,000,000.00	Urbana/Dave Clark	Joint City-Urbana-County project -- Olympian (Apollo to US Rte 45)
Police Grants						
** COPS Hiring Recovery Program (4 officers over 3 years)	U. S. Department of Justice	\$ 1,053,528.00	Denied			
** Edward Byrne Memorial Competitive Grant Program:	U. S. Department of Justice					
Intelligence Led Policing -- Intelligence Unit		\$ 364,286.00	Pending			
COPS Secure our Schools (in conjunction with Unit 4)	U. S. Department of Justice	\$ 10,950.00	Awarded	\$ 10,950.00		Unit 4 will match -- no cost to Champaign
** Equipment/Training/Software for internet crimes against children	U. S. Department of Justice	\$ 62,000.00	Awarded	\$ 62,000.00		Lead agency is BMI PD--no funds paid to Champaign
Bulletproof Vest Partnership	U. S. Department of Justice	\$ 10,500.00	Awarded	\$ 10,500.00		
Paul Coverdell Forensic Science Improvement Grant	??	\$ 82,235.80	Denied			
** Live scan digital fingerprinting equipment	II Criminal Justice Info Authority	\$ 42,300.00	Pending			
** Problem-oriented policing training	II Criminal Justice Info Authority	\$ 10,025.00	Pending			
** Intelligence Led Policing program	II Criminal Justice Info Authority	\$ 136,233.00	Pending			
Speed Enforcement Program	Illinois Department of Transportation	\$ 35,254.80	Denied			No speed enforcement grants funded in FY10
** Crash Reporting	Illinois Department of Transportation	\$ 38,041.20	Awarded	\$ 38,041.20		
2008 Citizen Corps Grant	Illinois Emergency Mgmt Agency	\$ 6,000.00	Awarded	\$ 6,000.00		Must be expended by 12/31/09
2007 Citizen Corps Second Chance Grant	Illinois Emergency Mgmt Agency	\$ 5,000.00	Awarded	\$ 5,000.00		Must be expended by 12/31/09
Tracview -- scanner for putting accident reports on the internet	??	\$ 1,000.00	Awarded	\$ 1,000.00		
Fire Grants						
** Replace stations 3 and 4	ARRA Station Construction Grant	\$ 7,837,965.00	Pending			CFD Match: \$0
Regional Request for EOC software	Assistance to FF Grant (AFG)	\$ 138,600.00	Pending			CFD Match: \$27,720
2 complete sets hydraulic extrication eq.	AFG Grant	\$ 101,080.00	Pending			CFD Match: \$20,216
"Subtract Stupidity" campaign	AFG Fire Prevention	\$ 19,955.00	Denied			CFD Match: \$3,991
Rapid ExtriCTION tool sets (3)	Illinois OSFM Small equipment grant	\$ 27,500.00	Pending			CFD Match: \$0
Regional Request - Credentialing (savoy hosts)	AFG Regional Grant	\$ 56,800.00	Pending			CFD Match: \$11,360
Information Technologies Grants						
** Infrastructure for UC2B	NTIA	\$ 31,200,000.00	Pending			U of I is lead agency --- Champaign share is \$918,070
** Public Computing Centers for UC2B	NTIA	\$ 1,300,000.00	Pending			U of I is lead agency --- Champaign share is \$918,070
** Sustainable Broadband Adoption for UC2B	NTIA	\$ 3,700,000.00	Pending			U of I is lead agency --- Champaign share is \$918,070
Neighborhood Services Grants						
CDBG Entitlement Grant	Dept of Housing & Urban Dev	\$ 765,761.00	Awarded	\$ 765,761.00		Will be amendment to FY08/09 action plan
** CDBG-R -- 2009 ARRA funds awarded as an entitlement	Dept of Housing & Urban Dev	\$ 204,801.00	Awarded	\$ 204,801.00		Will be amendment to FY08/09 action plan
HOME grant	Dept of Housing & Urban Dev	\$ 370,419.00	Awarded	\$ 370,419.00		Flows through Urbana HOME consortium
** Neighborhood Stabilization Program	State of Il-Dept of Human Svcs	\$ 1,395,000.00	Awarded	\$ 1,395,000.00		
Affordable Housing Program	Federal Home Loan Bank of Chicago	\$ 60,000.00	Awarded			Tri-party (FHLBC, City & Busey Bank)
Community Partners	Federal Home Loan Bank of Chicago	\$ 5,000.00	Pending			NSD believes this to be an award, not a grant
Legislative Requests						
LEED Fleet Maintenance Facility (Senator Durbin)	Federal	\$ 4,000,000.00	Requested			
Orpheum Children's Science Museum (Senator Burris)	Federal	\$ 1,960,000.00	Requested			
Virginia Theater (Senator Durbin)	Federal	\$ 1,800,000.00	Requested			
157-Windsor Road Bridge Pedestrian, Bicycle & Landscape Enhancement	State	\$ 5,425,000.00	Requested			
TOTAL		\$ 91,004,294.80		\$ 24,388,532.20		