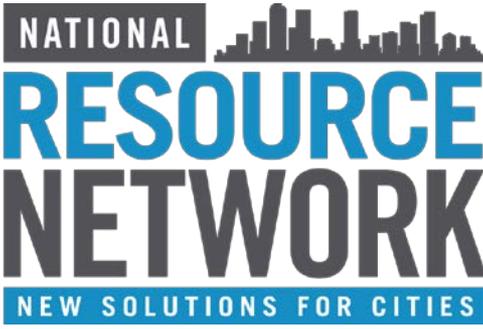


City of Rockford Seven Year Financial Plan

October 9, 2018





Introduction



What is Multi-Year Planning?

A multi-year financial plan helps city leaders think through budget position, structural position, and community goals in a quantified, analytical, logical way and communicate their thoughts and priorities to different audiences. It includes:

- **A baseline projection** is like the diagnosis your doctor gives you after a physical. It reflects the City's current condition, absent significant changes.
 - For revenues, this means no assumed changes in tax rates, new taxing powers, new grants, large fee increases, or reassessment.
 - For expenditures, this means no assumed new hiring, layoffs, or wage increases that deviate from recent trends.
- In response to this diagnosis, a multi-year financial plan will include a **menu of initiatives**. Like treatment options or corrective actions, these initiatives are designed to change the city's anticipated trajectory.
- **A dynamic, easy-to-update budget model** that will help decision-makers to balance policy and operations goals in future years, even when finance staffing is limited.

A Plan for Rockford

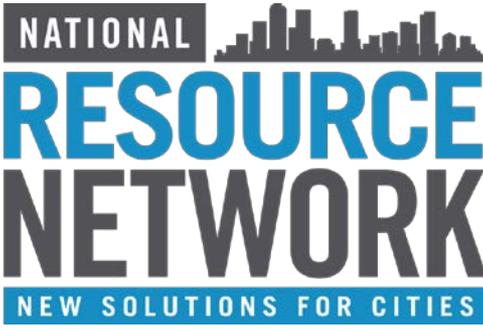
- In 2017, the City of Rockford applied to the National Resource Network for assistance with multi-year financial planning.
- Based on an assessment, the Network recommended that the City develop a seven-year financial plan to give policymakers the tools to make sound decisions.
- The Network focused on the following priorities:
 - Fiscal Stability
 - Crime Reduction
 - Investing in community and economic development
- The multi-year financial plan and associated budget model tool will allow the City to project revenues and expenditures to better understand how discrete budget decisions may impact available resources in the future.

Rockford's Challenges

- Rockford qualified for Network assistance based on:
 - A population decline of over 3 percent between 2010 and 2015, losing more than 4,600 residents. Rockford's population continued to decline in 2016.
 - A 2015 poverty rate of nearly 25 percent. Notably, in 2015, 45 percent of children under five years of age were living in poverty in Rockford. Rockford's 2016 poverty rate was 23 percent.
 - A 2016 annual average unemployment rate of 6.6 percent. Rockford had a similar unemployment rate (6.4 percent) in 2017.
- Rockford has an urgent need to align spending with available revenues due to:
 - Large and increasing pension obligations.
 - Collective bargaining constraints and rising personnel costs.
 - Limited revenue options due to lack of home-rule status.

Project Timeline

- The Network team and the City jointly agreed to a project scope and timeline to incorporate multi-year financial planning into the City's budget process.
- The Network Team conducted research on City operations and comparable jurisdictions to better understand pressures on City resources and competitiveness.
- A seven-year baseline projection was created to model Rockford's structural deficit in the absence of policy changes and additional non-property tax revenue.
- Specific initiatives were analyzed using information and recommendations from City staff, the Advisory Committee, and best practices research.
- **During this process, a referendum to grant the City home rule status failed.** Rockford is the largest City in the state that lacks the ability to pursue various revenue streams, putting further pressure on the City's budget and increasing the importance of broadening the City's existing tax base.



The Rockford Plan



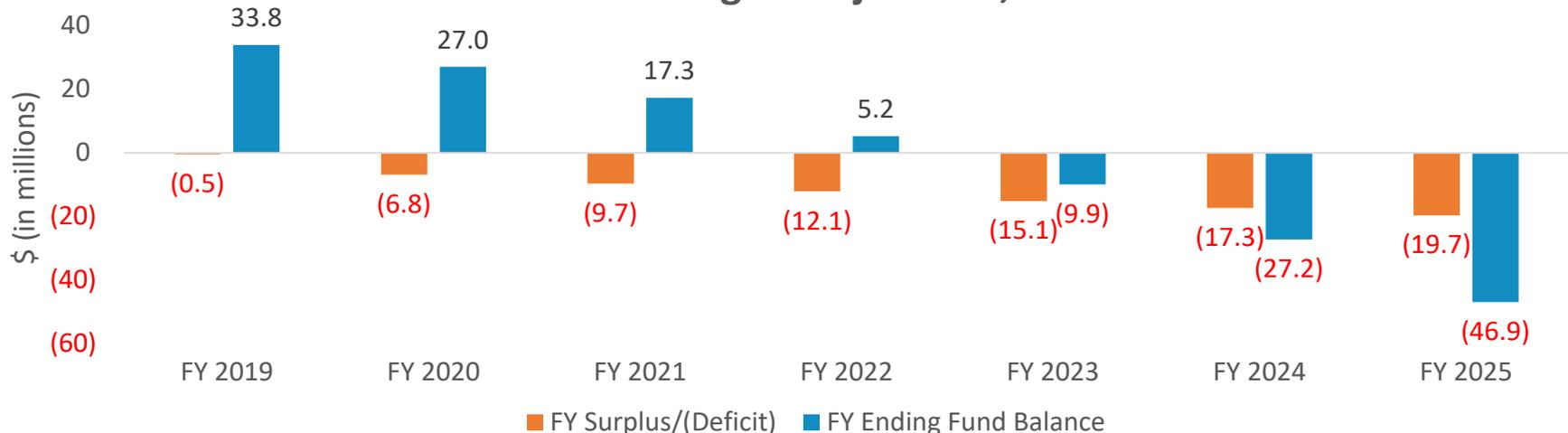
Developing A Baseline Projection

- The process of creating the seven-year budget model starts with analyzing the City's historical General Fund actuals and budget data.
- Line-item detail is organized into categories representing the City's major revenues and expenses.
- Growth rates are applied to these categories to project revenues and expenses in future years. The project team worked with the City to understand the drivers of revenues and expenses in order to select growth rates.
- For the baseline forecast, growth rates reflect inflation, known or assumed growth in revenues and expenditures, and other known events.
- The model uses the FY 2018 adopted budget in its baseline forecast and applies growth rates to those amounts to project future years.
- The baseline forecast is intended to show what the City's financial results could be with no corrective action.

Rockford's Baseline Forecast

- Under the baseline forecast, the projected cumulative deficit over the next seven years is approximately **\$81.2 million**.
- By **FY 2020**, Rockford's fund balance is projected to drop below the level required by the City's own financial policies.
- The City is projected to run out of funds during **FY 2023**. By the end of **FY 2025**, the City is projected to have a General Fund annual deficit of \$19.7 million and a negative fund balance of \$46.9 million.

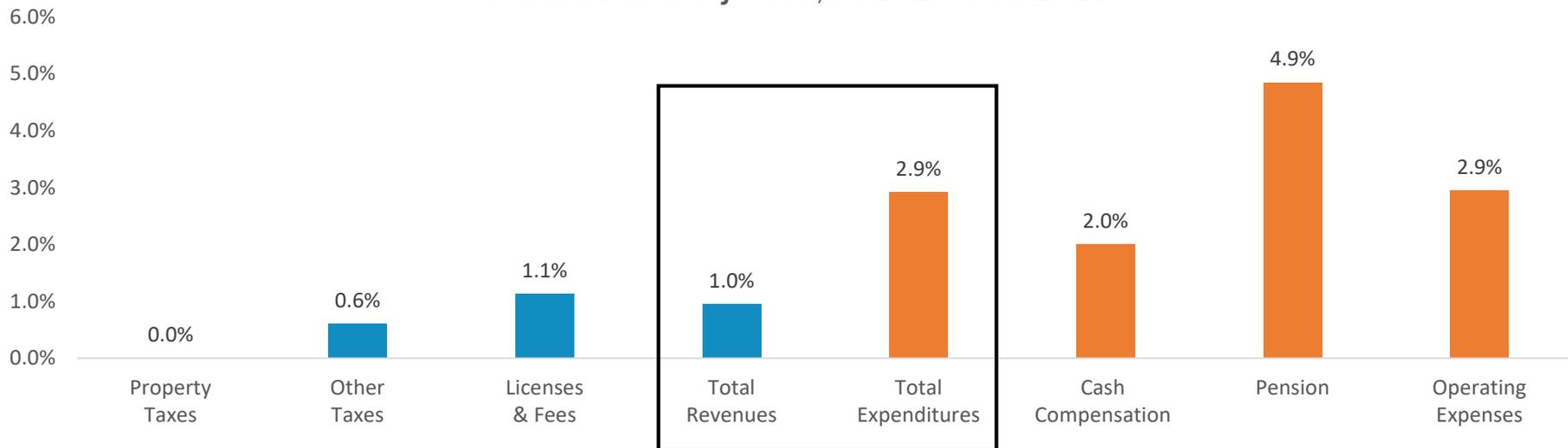
General Fund Budget Projections, FY 2019 – FY 2025



Key Drivers of the Fiscal Gap

- Due to a combination of factors, expenditures are projected to grow almost three times as much as revenues over the seven year forecast:
 - Pension obligations are growing at a faster rate than property tax revenue.
 - Salaries and other personnel costs are projected to grow by 2 percent annually.
 - Existing revenue sources are projected to have minimal growth.

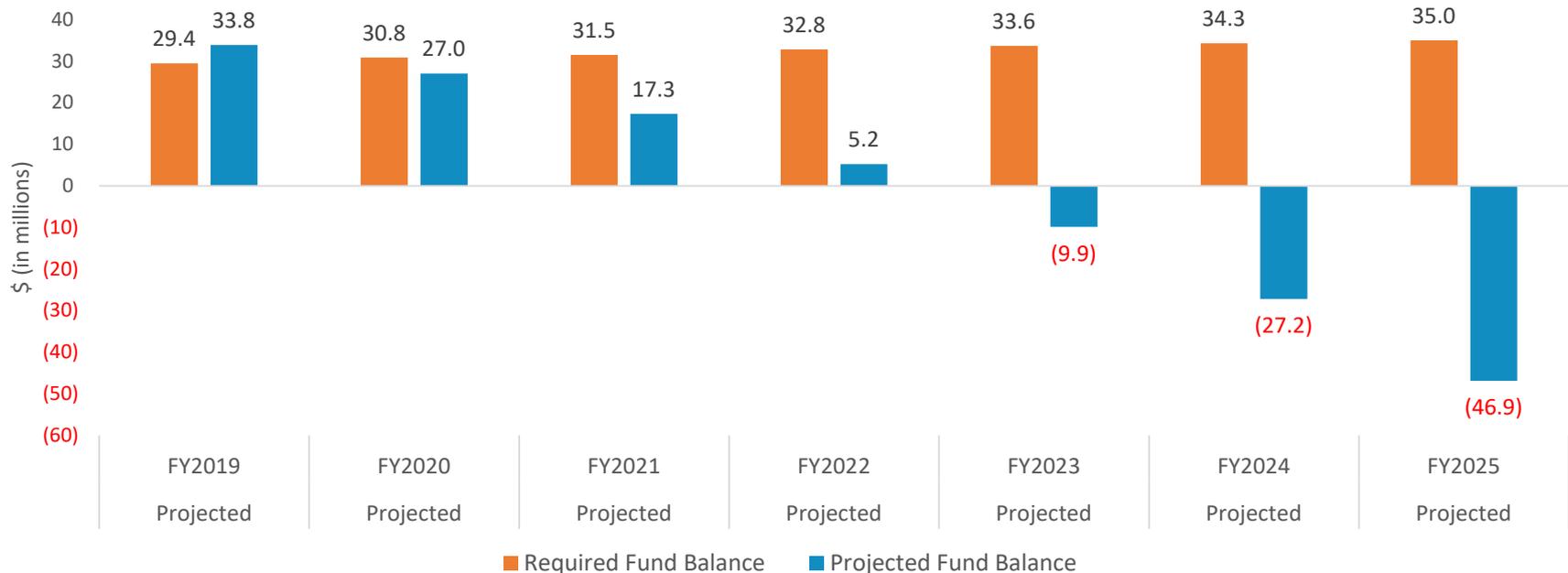
Annual Revenue & Expense Growth:
General Fund Projection, FY 2019 to FY 2025



The Need for Immediate Action

- Rockford’s own financial policies require the unassigned General Fund balance to be no less than **20 percent** of the fiscal year’s General Fund appropriations.
- As noted earlier, the General Fund balance is projected to be **below this level starting in FY 2020** and will be **fully depleted by FY 2023**.

Required vs. Projected Fund Balance, FY 2019 – FY 2025



Rockford's Urgent Challenge

- With a cumulative deficit of over \$81 million in the next seven years, the City will completely run out of funds as early as FY 2023. City government will need to make tough choices over the next seven years to prevent insolvency.
- The Rockford Plan is designed as a blueprint to provide City leadership with **options** to curb spending and implement targeted revenue strategies to bring the City budget back into balance.
- The Plan does contain recommendations of program cuts and service level changes, but all initiatives are data-driven and based on benchmark research, best practices, and are sensitive to Rockford's unique circumstances. Many initiatives would bring Rockford's service delivery and revenue structure in line with those of other Illinois cities.
- Most importantly, the Plan does not just identify recommendations that would only bring the budget into structural balance in the short-term. The overarching goal of the Plan is to allow the City to make the changes necessary to begin to invest in its future in a sustainable way.

A Plan for Fiscal Sustainability

To achieve fiscal sustainability and protect against further tax base erosion, the Rockford Plan focuses on the following areas:

- **Public Safety:** The Police and Fire Departments made up 78 percent of General Fund spending in FY 2017. Without reducing costs in these areas, structural balance will be nearly impossible to achieve.
- **Workforce :** 72 percent of all General Fund spending went to employee compensation and benefits in FY 2017.
- **New Revenue :** While efforts are focused on those areas where the City currently spends the most, the City cannot overlook opportunities to leverage existing assets or generate additional revenue.
- **Regionalization and Efficiency:** Finding more efficient models of service provision will also help the City address its budget constraints.
- **Vibrant Neighborhoods:** Beyond achieving a balanced budget, the Plan will free up adequate resources for continued investment in community and economic development. Revitalized downtown and neighborhoods will initially protect against tax base erosion and ultimately lead to a broader tax base and higher revenue growth.

Opportunities for Reform

- The NRN team has identified initiatives with a total savings or new revenue impact of over **\$261.2 million**, plus the proceeds from potential asset monetization.
- It is important to note that all initiatives should not (and, in some cases, cannot) be pursued simultaneously. However, the Plan provides the means to close the City's structural deficit while identifying resources for re-investment.



Understanding Rockford's Economic Challenges



Rockford and Other Communities

- Eight benchmark local governments commonly used in labor negotiations were analyzed to provide for comparative analysis in developing the Plan.
 - Aurora, IL
 - Bloomington, IL
 - Champaign, IL
 - DeKalb, IL
 - Elgin, IL
 - Peoria, IL
 - Joliet, IL
 - Springfield, IL

Comparative Local Government	Population
Aurora, IL	200,907
Rockford, IL	149,597
Joliet, IL	147,515
Springfield, IL	116,745
Peoria, IL	115,990
Elgin, IL	111,919
Champaign, IL	84,672
Bloomington, IL	78,368
DeKalb, IL	43,269
Median (excl. Rockford)	113,955

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates

Income

Comparative Local Government	Median Household Income
Aurora, IL	\$63,967
Bloomington, IL	\$63,115
Joliet, IL	\$61,834
Elgin, IL	\$60,375
Springfield, IL	\$50,191
Peoria, IL	\$46,547
Champaign, IL	\$45,198
Rockford, IL	\$40,143
DeKalb, IL	\$38,647
Rockford Rank	8 of 9
Median (excl. Rockford)	\$55,283

Comparative Local Government	Income Per Capita
Bloomington, IL	\$34,512
Springfield, IL	\$30,846
Peoria, IL	\$28,316
Champaign, IL	\$27,777
Aurora, IL	\$26,989
Joliet, IL	\$25,089
Elgin, IL	\$25,076
Rockford, IL	\$22,608
DeKalb, IL	\$20,136
Rockford Rank	8 of 9
Median (excl. Rockford)	\$27,383

Rockford's median household income and per capita income are below average relative to comparative cities.

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates

Poverty & Unemployment

Comparative Local Government	Poverty Level
DeKalb, IL	30.8%
Champaign, IL	25.8%
Rockford, IL	22.7%
Peoria, IL	21.7%
Springfield, IL	19.7%
Elgin, IL	14.6%
Aurora, IL	14.0%
Bloomington, IL	12.9%
Joliet, IL	12.1%
Rockford Rank	3 of 9
Median (excl. Rockford)	17.2%

Comparative Local Government	Unemployment
Rockford, IL	7.5%*
DeKalb, IL	4.6%
Peoria, IL	5.9%
Springfield, IL	4.5%
Joliet, IL	6.3%
Elgin, IL	5.5%
Aurora, IL	4.7%
Champaign, IL	4.2%
Bloomington, IL	4.1%
Rockford Rank	1 of 9
Median (excl. Rockford)	4.7%

Rockford's poverty and unemployment rates are significantly higher than the benchmark median.

Note: Current rate is 5.3% as of August 2018

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates; Bureau of Labor Statistics

Home Values

Comparative Local Government	Median Home Value
Aurora, IL	\$168,100
Elgin, IL	\$166,500
Bloomington, IL	\$164,100
Joliet, IL	\$163,900
Champaign, IL	\$152,000
DeKalb, IL	\$150,200
Peoria, IL	\$127,200
Springfield, IL	\$123,700
Rockford, IL	\$91,400
Rockford Rank	9 of 9
Median (excl. Rockford)	\$157,950

Rockford's median home values are significantly below average for benchmark communities. This impacts property taxes as well as attractiveness to retailers.

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates

Tax Rates vs. Tax Burden

- Compared to its peers, the City of Rockford has relatively high tax rates.

Select FY 2018 Local Tax Rates

	Property Tax			Local Option Sales Tax
	City	Library	Park District	
Rockford	3.25%	0.51%	1.1%	1.0%
Aurora	2.05%	0.29%	0.5%	1.3%
Bloomington	1.08%	0.26%	NA	2.5%
Champaign	1.32%	NA	0.7%	1.5%
DeKalb	1.23%	0.39%	0.7%	1.8%
Elgin	2.15%	0.47%	NA	1.5%
Joliet	1.43%	0.21%	0.5%	1.8%
Peoria	1.12%	0.43%	0.8%	1.8%
Springfield	0.94%	0.23%	0.4%	2.3%
Median	1.27%	0.29%	0.6%	1.8%
Rockford vs Median	1.98%	0.22%	0.5%	-0.8%
Rockford vs Median	156%	77%	82%	-43%
Rockford Rank (out of 9)	1	1	1	9

Source: Respective County Treasurers; Illinois Dept of Revenue, 2018

- However, such a comparison can be misleading. For example:
 - Due to differences in real estate markets, different local tax rates can produce similar property tax bills.
 - Given the abundance of taxing entities in Illinois, residents' tax bills are affected by many factors beyond municipal control.

Methodology: Property Tax Burden

Over 50 entities levy taxes within the boundaries of Rockford, including 2 counties, 5 townships, and 6 school districts.

Some boundaries are contiguous (counties, townships); others overlap (library districts and townships).

Rockford residents pay property taxes to anywhere from 8 to 11 independent taxing entities.

In other words, Rockford residents' tax rates can change significantly depending on where they live within the municipality.



When comparing property tax burdens across Illinois municipalities, it is more accurate to work with *ranges* rather than pick one of many possible tax rates.

Common Overlapping Taxing Entities include:

- County
- County Forest Preserve
- County Building Commission
- Township
- Township Road & Bridges Fund
- Community College District
- City
- Park District
- Library District
- Airport Authority
- Transit Authority
- School District
- Sanitary District
- Mosquito Abatement District
- Special Services Area
- Others

Finding 1: Low Household Tax Expenditures

Rockford residents have a relatively competitive local tax obligation. Depending on where they reside and shop within the city, a Rockford household earning the median household income pays up to \$705 less than they would compared to the median of the peer cities reviewed. Only in Springfield is the residential household tax burden more competitive.

This is largely due to a combination of low home values and low general sales tax rates.

Total Tax Burden for a Hypothetical Household living on \$40,143/year *

	Total Tax Burden (Property + Sales)	
	Min.	Max.
Rockford	\$4,802.61	\$5,649.52
Aurora	\$6,466.85	\$7,647.84
Bloomington	\$5,507.39	\$5,714.41
Champaign	\$5,073.21	\$5,600.94
DeKalb	\$5,947.11	\$7,476.94
Elgin	\$6,363.17	\$7,555.30
Joliet	\$5,858.61	\$7,135.37
Peoria	\$5,205.19	\$5,419.32
Springfield	\$4,006.05	\$4,822.14
Median	\$5,507.39	\$5,714.41
Rockford vs Median	-\$704.77	-\$64.89
Rockford vs Median	-12.8%	-1.1%
Rockford Rank (out of 9)	8	6

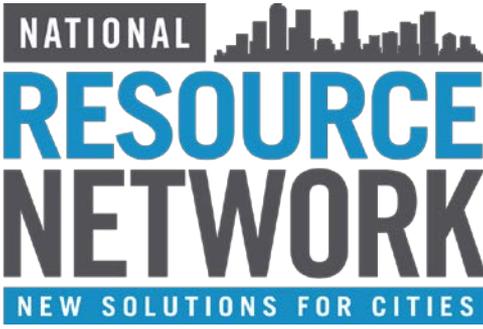
Finding 2: High Household Tax Burden

Though Rockford tax bills are low compared to those in peer cities, Rockford residents have a relatively high tax burden.

A Rockford household living on the city median income will spend between **11.9 percent** and **14.1 percent** of that income on local taxes. Only in DeKalb – another city with low income levels – do households devote a higher proportion of annual income to taxes.

% of Household Income spent on Local Taxes for a Household with a Median Income

	Median Household Income	Total Tax Burden (Property + Sales)	
		Min.	Max.
Rockford	\$40,143	11.96%	14.07%
Aurora	\$63,967	11.02%	12.90%
Bloomington	\$63,115	9.64%	9.96%
Champaign	\$45,198	11.51%	12.68%
DeKalb	\$38,647	15.30%	19.26%
Elgin	\$60,375	11.52%	13.53%
Joliet	\$61,834	10.43%	12.51%
Peoria	\$46,547	11.56%	12.02%
Springfield	\$50,191	8.52%	10.14%
Median	\$55,283	11.51%	12.68%
Rockford vs Median	-\$15,140	1.4 pct pts	1.9 pct pts
Rockford vs Median	-27.4%	10.2%	12.6%
Rockford Rank (out of 9)	8	2	2

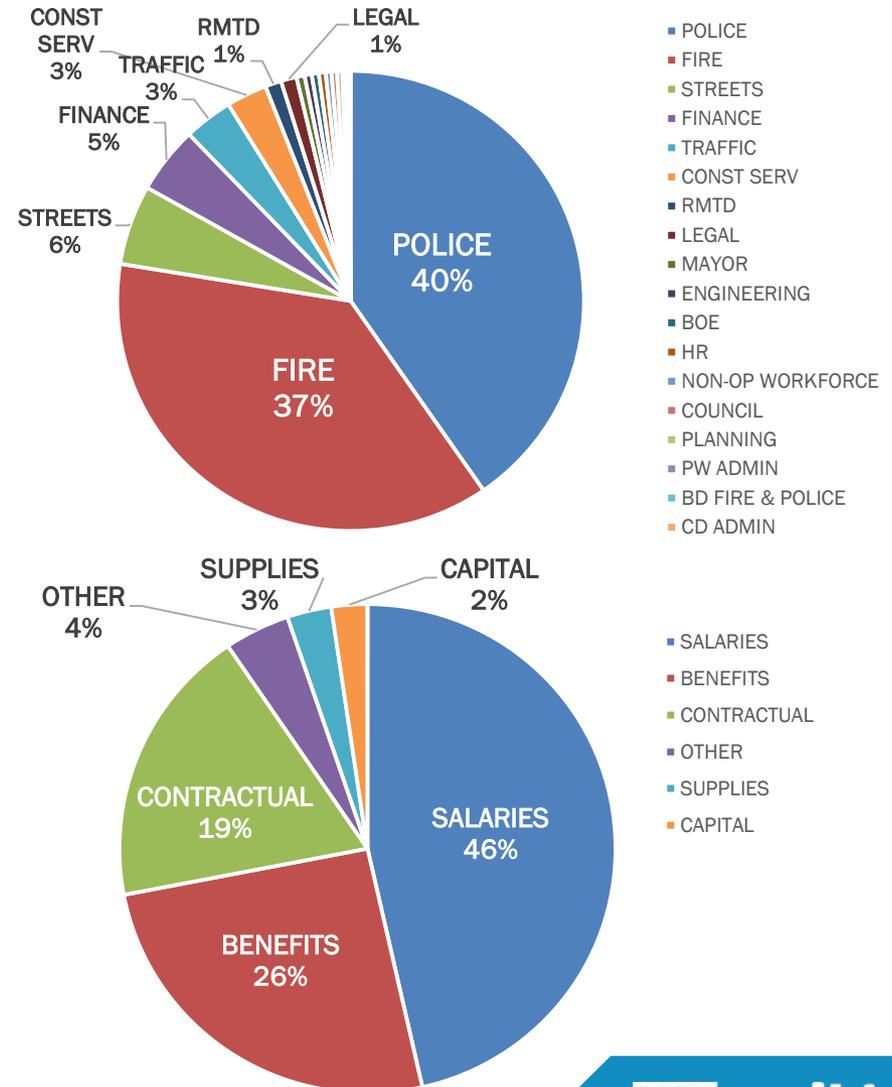


A Plan for Fiscal Sustainability



Baseline Forecast in Context

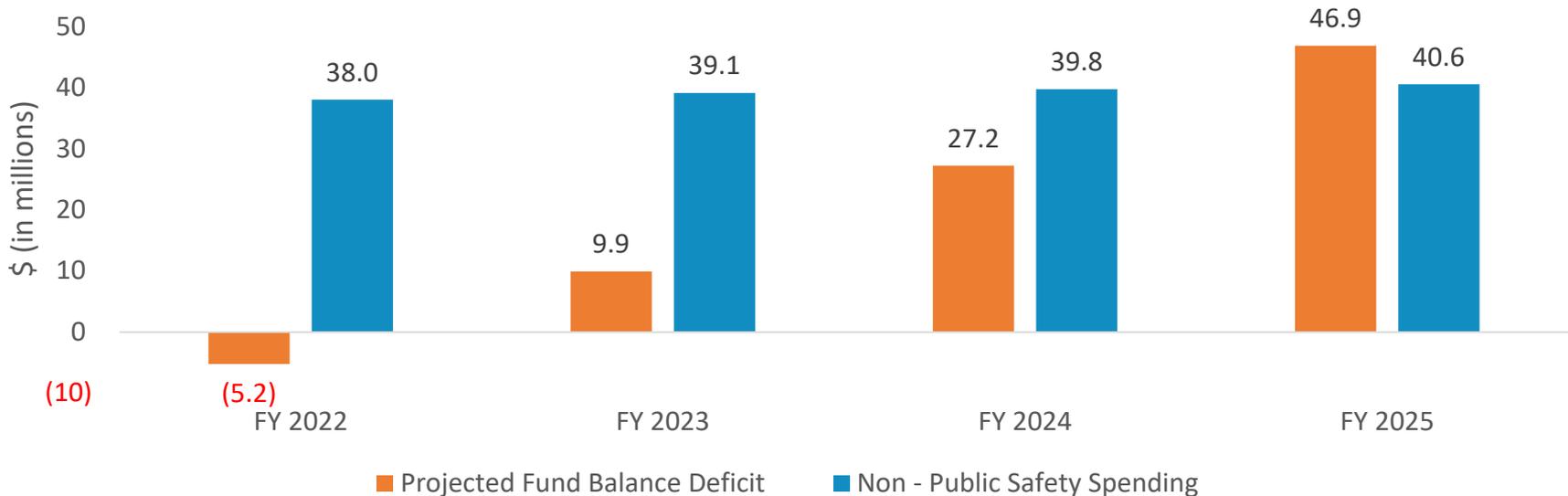
- There are no easy ways to close Rockford’s cumulative deficit.
- Due to the City’s non-home rule status, its revenue options are limited.
- Public safety expenses and salaries/benefits comprise the majority of the City’s expenditures
 - Non-public safety expenses were only 22 percent of Rockford’s FY 2017 spending.
 - Non-salary/benefits spending were only 28 percent of FY 2017 spending.



Baseline Forecast in Context

- Controlling the costs of public safety and total compensation are imperative to solving Rockford’s structural deficit and ensuring resources are available to protect the City’s tax base against further erosion.
- By the end of the planning period (FY 2025), the projected General Fund deficit exceeds all annual non-public safety spending. **In other words, eliminating the entire City government except for the police and fire departments would not bring the General Fund back into balance.**

General Fund Budget Projections, FY 2022 – FY 2025



Public Safety - RPD

- The Police Department has more employees and a larger budget than any other City department. The FY 2018 budget calls for spending \$57.9 million on the RPD and there are 342 FTEs.
- Between FY 2013 and FY 2017, actual spending on the RPD increased by 13.7 percent – compared to an overall increase of 3.1 percent in General Fund spending.
- As of January 2018, the RPD had 301 sworn positions and 41 civilians.
- Calls for Service to the RPD declined from 2013 to 2016 but then increased from 2016 to 2017 by 11 percent. Total calls for service increased by a compound annual growth rate of 0.3 percent from 2013 to 2017.
- RPD hours spent responding to calls increased by a compound annual growth rate of 2.5 percent from 2013 to 2017.
- 2017 UCR statistics show that violent crime declined 5 percent compared to 2016.

Public Safety – RPD

- Based on data reported to the 2016 UCR, Rockford had:
 - 2.19 Police FTEs per 1,000 residents compared to a median of 2.13 for the following Illinois benchmarks: Bloomington, Champaign, Elgin, Joliet, and Springfield.
 - 1.95 sworn officers per 1,000 residents compared to a median of 1.65 for the same benchmark cities.

	Total FTEs (2016 UCR Data)	Total FTEs per 1,000 Residents	Sworn FTEs (2016 UCR Data)	Sworn FTEs per 1,000 Residents
Springfield, IL	268	2.30	241	2.07
Rockford, IL	323	2.19	288	1.95
Joliet, IL	330	2.23	263	1.78
Elgin, IL	246	2.18	182	1.61
Bloomington, IL	161	2.05	125	1.59
Champaign, IL	141	1.62	119	1.37
Median (excl. Rockford)	246	2.13	182	1.65
Rank (descending)	2 of 5	3 of 5	1 of 5	2 of 5

Public Safety – RPD

- But Rockford has significantly fewer FTEs and officers than benchmarks when factoring in its very high violent crime rate:
 - 132 Police FTEs per 1,000 violent crimes compared to a median of 524.4 for the benchmark cities.
 - 118 sworn officers per 1,000 violent crimes compared to a median of 407.2 for the benchmark cities.

	Total FTEs per 1,000 violent crimes	Sworn FTEs per 1,000 violent crimes
Elgin, IL	1,042.37	771.19
Joliet, IL	676.23	538.93
Bloomington, IL	524.43	407.17
Champaign, IL	225.60	190.40
Springfield, IL	206.00	185.24
Rockford, IL	132.16	117.84
Median (excl. Rockford)	524.43	407.17
Rank (descending)	6 of 6	6 of 6

Public Safety – RPD

- The City should focus on reducing crime by maximizing patrol time and investing in efforts to reduce domestic violence and prevent gang and other youth violence
- Rockford can reduce crime and achieve RPD savings by:
 - 1) Completing implementation of the recently approved “notice to appear” ordinance, which will increase the number of hours officers are on the street;
 - 2) Civilianizing 18 sworn positions (specifically crime scene technicians and community service officers) and shift the sworn officers to patrol as current patrol officers leave the department;
 - 3) Investing in a cross-agency crime reduction plan that focuses on prevention and intervention activities;
 - 4) After achieving reductions in crime through prevention, reduce RPD staffing to bring it more in line with comparable jurisdictions.

Public Safety – Investments and Savings

	Gross (Investment)/Savings
<ul style="list-style-type: none"> Coordinate Violence Reduction Efforts Launch Family Justice Center Work with RPS 205 to further invest in school-based prevention programs 	(\$13.0 M)
<ul style="list-style-type: none"> Civilianize 9 community service officers Civilianize 9 crime scene techs Phase-in attrition of 22 sworn officers 	\$22.3 M
Net Savings	\$9.3 M

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2018-2025 Change
Sworn Patrol	178	178	178	173	168	156	156	156	(-) 22
Sworn Non-Patrol	123	113	105	105	105	105	105	105	(-) 18
Civilians	41	51	59	59	59	59	59	59	+ 18
Total FTEs	342	342	342	337	332	320	320	320	(-) 22

Rockford Fire Department (RFD)

- The Fire Department has more employees and a larger budget than any other City department except the Police Department. The budgeted cost of the Fire Department is \$48.5 million in FY 2018.
- Between FY 2013 and FY 2017, actual City spending for RFD has increased by 8.0 percent -- compared to overall growth in General Fund spending of 3.1 percent.
- As of January 2018, the RFD had 267 sworn positions and 5 civilians operating out of 11 fire stations.

Rockford Fire Department (RFD)

- An analysis comparing Rockford to other specific benchmark cities found that Rockford has a large fire department relative to its population (1.78 FTE per 1,000 residents compared to 1.37 for the benchmark cities).

	Sworn Personnel	Sworn Personnel per 1,000 residents
Rockford, IL	267	1.78
Peoria, IL	194	1.67
Springfield, IL	204	1.46
Bloomington, IL	113	1.44
Joliet, IL	209	1.42
DeKalb, IL	57	1.32
Champaign, IL	107	1.26
Elgin, IL	133	1.19
Aurora, IL	206	1.03
Median (excl. Rockford)	164	1.37
Rank (descending)	1 of 9	1 of 9

Rockford Fire Department (RFD)

- A 2017 NFPA survey found that for cities with populations of 100,000 to 249,000, the median number of career firefighters per 1,000 residents was 1.54: in the Midwest, the median was 1.30. If the Midwest median were applied to Rockford, RFD would have 195 firefighters.
- However, when calls for service are factored in, benchmarking results in a different picture. Based on 2017 NFIRS data, RFD had 518 sworn fire FTEs per 1,000 fires compared to an average of 544 for the same benchmark cities (Aurora, Bloomington, Champaign, DeKalb, Elgin, Joliet, Peoria, and Springfield) and 10.2 sworn fire FTEs per 1,000 calls for service, compared to 12.4 for the same benchmark cities.

Rockford Fire Department (RFD)

- According to 2017 NFIRS data, RFD responded to 174 total calls per 1,000 residents compared to 100 total calls per 1,000 residents as the median for other benchmark cities.

	Fire incidents per 1,000 residents	Rescue incidents per 1,000 residents	Total incidents per 1,000 residents
Rockford, IL	3.44	137.30	174.31
Springfield, IL	4.77	93.33	158.4
DeKalb, IL	3.17	95.61	128.8
Bloomington, IL	2.04	98.13	126.6
Elgin, IL	2.97	80.48	106.8
Champaign, IL	3.19	58.78	94.06
Peoria, IL	2.49	67.55	81.45
Joliet, IL	1.36	60.3	71.93
Aurora, IL	1.28	32.58	50.52
Median (excl. Rockford)	2.73	74.01	100.43
Rank	2 of 9	1 of 9	1 of 9

*Data submitted to NFIRS may be revised in fire departments' annual reports based on updated information

Rockford Fire Department (RFD)

- Rockford can take steps to reduce demand to RFD through increased alternatives, such as community paramedicine and tiered response. As demand for RFD services is reduced, the City can achieve savings through attrition.
- Rockford can improve safety, reduce demand and achieve budget savings by:
 - Reducing emergency response calls by expanding Mobile Integrated Healthcare and assigning a registered nurse to 911 dispatch.
 - Exploring EMS transport alternatives.
 - Align response times to calls' priority level.
 - Evaluating station locations and study a potential station closure.
 - Bring staffing more in line with the city's population through a department hiring freeze and attrition of 27 firefighters.

- Cumulative Investment through FY 2025 - \$3.8 million
- Cumulative Net Savings through FY 2025 - \$12.0 million

RFD Phased In Attrition and Reduced Minimum Staffing

- As it works to reduce demand, RFD should move to reduce staffing over the next six years.
- RFD's minimum staffing provision is currently 59 fire suppression staff per shift. Reducing RFD's minimum staffing requirements would allow the department to reduce total FTEs and associated fixed costs such as pensions. This provision would have to be negotiated with the union.
- Most cities in the benchmark group assign 3 firefighters to engines and ladders, and 2 paramedics to ambulances. Based on the number of apparatus reported for 2018, RFD should reduce minimum staffing from 59 to 53. Based on current sworn personnel, this equates to 27 firefighters.
- To achieve the reduction in minimum staffing at a pace that aligns with reductions in workload from the other initiatives, RFD should phase in a hiring freeze over six years.

RFD Phased In Attrition + Reduced Mandatory Minimums

- FY 2020 Savings - \$505,000
- Cumulative Savings through FY 2025- \$15.8 million

Workforce

- The City's structural deficit is largely driven by growth in employee compensation outpacing growth in revenue. Through the implementation of a selection of recommendations, the City could reduce the growth in the cost of compensation to match the City's revenue growth.
- Rather than increasing wages at 2 percent annually, the City could either freeze wages at FY 2019 levels, or cap wage growth at 1 percent for three years (FY 2020 to FY 2025).
 - Citywide Wage Freeze Cumulative Savings to FY 2025 - \$30.1 million
 - Although this would lead to short-term savings, it may cause future compression issues that will be costly to address. Another potential risk is the loss of qualified employees that have other options available to them, and having a less engaged workforce overall.
 - Cap Citywide Wage Growth at 1 percent Cumulative Savings to FY 2025 - \$14.8 million
 - The risk of future compression issues are lower with this option, but savings associated with it are also lower.

Rockford's Health Plans in Context

- Rockford employees contribute less towards the cost of health insurance premiums than in other cities.

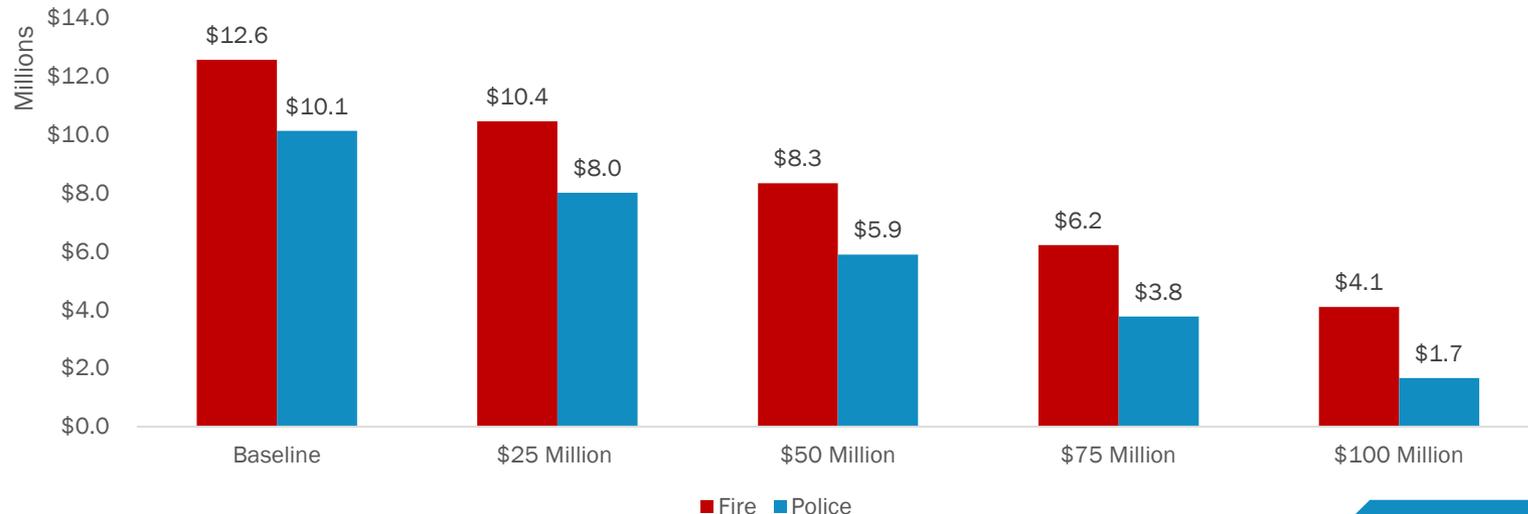
	Police Employee Contribution	Fire Employee Contribution	AFSCME Employee Contribution
Rockford	PPO – 8% HSA – 0%	PPO – 8% HSA – 0%	PPO – 8% HSA – 2%
Aurora	PPO or HDHP – 12.75% HMO – 10%	PPO or HDHP – 12.75% HMO – 10%	N/A
Bloomington	All Plans - 25%	All Plans - 25%	All Plans - 25%
Champaign	EE Only - \$35 per month (City covers remainder of cost) Dependent Plans – 50%	EE Only – 0% Dependent Plans – 50%	EE Only – 0% Dependent Plans – 50%
DeKalb	PPO and HMO - 20%	PPO, HMO, or HDHP – 20%	All Plans - 20%
Elgin	All Plans - 20%	All Plans - 20%	All Plans - 20%
Joliet	PPO – 5 to 12%	PPO – 5 to 12%	PPO – 5 to 12%
Peoria	PPO – 16 to 26% HDED – 2 to 13%	PPO – 16 to 26% HDED – 2 to 13%	PPO – 16 to 26% HDED – 2 to 13%
Springfield	All Plans - 22.5%	All Plans - 22.5%	All Plans - 22.5%

- As health care premiums increase, the City should pursue options to reduce its health care costs, while being mindful that such benefits are an important recruiting tool.
- Requiring Police and Fire employees to contribute an amount equal to AFSCME and non-represented employees would save \$300,000 annually and bring the City more in line with comparator benefit offerings. While annual savings are modest, requiring Police and Fire employees to contribute rates equal to AFSCME and non-represented employees is a critical component for the City to realize savings in other active health benefit initiatives.
 - Cumulative Savings to FY 2025 – \$1.9 million
- Adjusting the employee contribution to health premiums to 30 percent would significantly reduce the City’s annual health care burden.
 - Cumulative Savings to FY 2025 range from \$19.9 – \$25.3 million
- For those employees that have access to other health benefit options, Rockford could incentivize waiving City coverage by offering \$100 monthly stipends. This limits both the City’s health care costs and liability.
 - Cumulative Savings to FY 2025 range from \$16.4 – \$44.7 million

State-Mandated Pension Obligations

- The City should explore options to pay down a significant portion of its pension liability in the short term to reduce growing annual payments.
- Applying any one-time revenues to the Police and Fire pension fund in FY 2021 would drastically reduce future annual payments beginning in FY 2022.
- A one-time payment between \$25 and \$100 million would reduce the City's annual payments by \$2.1 to \$8.5 million annually.

FY 2022 Annual Pension Payment after One-time Contribution in FY 2021



Water Utility

- Based on a very high-level, preliminary analysis, there appears to be potential for Rockford's Water System to be sold at a high value. While utility sales are complex transactions that are not always feasible, the City should explore the potential of monetizing its Water System.
- While every sale is unique, Rockford could anticipate a large return for the asset. Proceeds from a Water System sale could be used as a one-time revenue source to pay down large legacy costs such as the City's significant unfunded pension liability.
- If Rockford decided to not pursue a monetization strategy of the water system, then the City should consider a payment-in-lieu-of-taxes (PILOT). A PILOT on the water system would represent the taxes a water utility would pay the City if it were a private entity.
- The City could realize additional General Fund revenue over the seven-year period by adopting a 5 percent Water Fund PILOT.
 - Cumulative Revenue to FY 2025 - \$11.7 million

Revenue

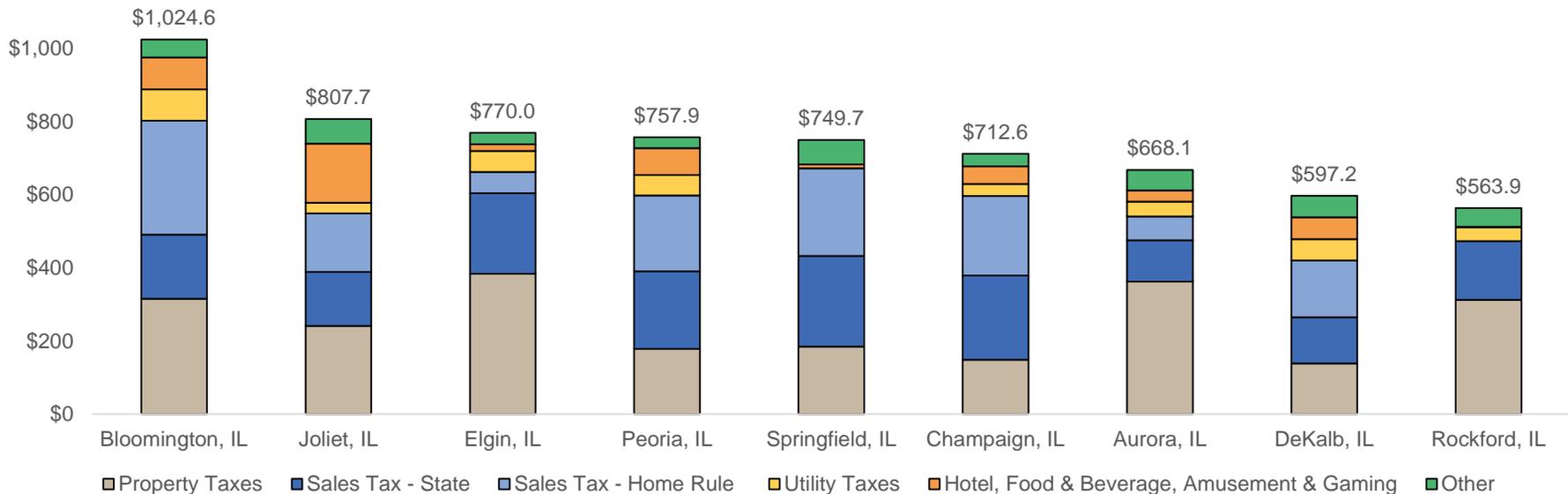
While the City is limited by the lack of home rule authority, there are some other revenue initiatives that could both help to close the structural deficit and fund new investments.

- The City could realize additional revenue from charging for on-street parking. This additional revenue could help stabilize the City's Parking Fund, which has ended prior years in a deficit.
 - Cumulative Revenue to FY 2025 - \$8.4 million
- If the ambulance fee collection rate could be increased from 50.35 to 52 percent, RFD could realize additional revenue.
 - Cumulative Revenue to FY 2025 - \$1.4 million
- Rockford should conduct a comprehensive review of its fees and fines. If the study resulted in an overall increase of fees and fines by 5 percent, the City would realize additional revenue over the seven-year period, netting out the cost of the fee study.
 - Cumulative Revenue to FY 2025 - \$1.7 million
- Pursue market-based revenue opportunities (MBROs).
- Implement PILOTs or SILOTs for tax-exempt properties.
- Rental registry and vacant property registry fees.

Home Rule Revenue Opportunities

- Rockford generates 25 percent less tax revenue per capita than the median of comparable jurisdictions with home rule authority.
- This difference is partially due to Rockford’s weaker tax base, but it is also a direct result of Rockford’s non-home rule status.
- Without home rule authority, the City is unable to offset its reliance on property tax revenue from residents with sales tax revenue that can be captured in part from visitors.

FY 2018 Budgeted Tax Revenue Per Capita, Rockford and Comparable Cities



Home Rule Revenue Opportunities

- Rockford should also continue to evaluate home rule and associated revenue options during the two-year period before the City is allowed to pursue another home-rule referendum.
- If Rockford residents grant the City home-rule authority in the future, the City will be able to take advantage of additional opportunities to increase and diversify revenue streams, including the following:
 - Red light and speed camera enforcement
 - Implement RFD lift-assist fees
 - Establish a 1 percent “metro sales tax” on hotel stays, liquor sales, and restaurant checks
 - Increase the general sales tax beyond non-home rule limit of 1 percent
 - Additional user fees

Operational Efficiency

- The City of Rockford is near the median of the peer cities in terms of FTE count, but that is due only to its comparatively high public safety staffing levels.
- For all non-public safety FTEs, Rockford ranks last in per capita employees and has approximately 1/3 fewer FTEs than the median. This suggests that there may not be significant City-wide opportunities for major efficiencies without reducing service provision.

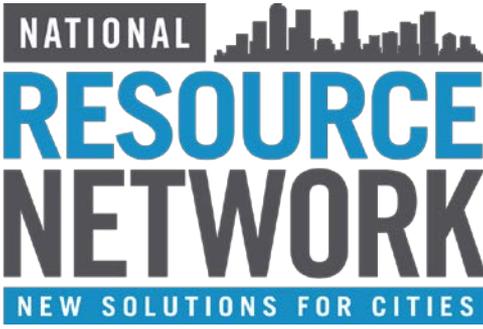
Public Safety vs. Non-Public Safety FTEs

Function	Rockford, IL	Median (excl. Rockford)	Percent Deviation	Rank
Non-public safety FTEs per 1,000 residents	1.66	2.18	-23%	7
Public Safety FTEs per 1,000 residents	4.49	3.69	22%	2
Total FTEs	6.15	6.01	2%	4
% non - public safety	27%	39%	-31%	9
% public safety	73%	61%	21%	1

Operational Efficiency

The City should explore alternative models of service provision that will help the City address its budget constraints.

- Review city vehicle utilization.
- Consider pursuing alternatives to subsidize Rockford Mass Transit District. Through a fare \$0.50 fare increase or a managed competition process that might improve transportation services while reducing the City's fiscal obligation.
- Review opportunities to dispose of or repurpose underutilized or vacant city properties to reduce expenditures for servicing those buildings.
 - Cumulative Savings to FY 2025 - \$1.3 million
- Create a “productivity bank,” an internal revolving loan program that allows departments to make otherwise unaffordable up front investments in return for longer-term cost savings, revenue gains and service improvements.
- Explore opportunities for regionalization and shared services with 911 dispatch services, Rockford Public Libraries, Rockford Public Schools, Winnebago County, and the Park District.



Building Rockford's Tax Base



Downtown and Neighborhoods

- Ultimately, the City needs to expand its tax base so that revenue growth aligns with projected expenditure growth. Only by re-investing in Rockford can the City realize additional property tax revenue without ever-increasing levies and rates.
- The Network team proposes a two-part approach: doubling-down on the City's strategy to attract development to Downtown and addressing problem properties that are dragging down neighborhoods.
- Recently, the highest concentration of new development has been in Downtown Rockford.
 - A 2015 economic impact report on the City's River Edge Zone estimated that it had successfully spurred nearly \$105 million in new downtown investment and created 1,479 jobs.
 - Recent City initiatives have supported downtown musicians, public art, lighting, "Market Nights," pop-up public gathering spaces, and temporary bicycle facilities.
 - Major projects (both new construction and rehab/re-use of historic buildings), including the UW Sports Factory, Amerock Factory, and Barber-Colman Factory can help spur additional investment.

Downtown and Neighborhoods

- The goal of downtown development incentives should be to create self-sustaining growth that will benefit the four major Downtown entry points – North Main Street, South Main Street, West State Street, and Kishwaukee Street – and ultimately add properties to the tax rolls.
- New development (especially large projects) can provide a near-term boost to assessed value and property tax revenue. However, the City needs to address vacant properties and other neighborhood quality-of-life issues.
- By using census tract data to identify neighborhoods with “momentum” (measured by increasing property values) and cross-referencing those neighborhoods with the density of nearby vacancies, the Network team is evaluating which areas of the City could most benefit from interventions.
- Rockford’s limited resources can be targeted to the neighborhoods that have the biggest potential to effect change – and create a virtuous spiral of re-investment that, over the long-term, will boost the City’s revenue growth.
- Vacant properties can be demolished, rehabilitated, or repurposed. Baltimore’s successful “Vacants to Value” program can be used as a model.

Attract Development to Downtown

- Implementation of tactical interventions to foster downtown revitalization in the following focus areas: Mobility, large redevelopment, urban design, economic development
- Investment in key corridors – North Main Street, South Main Street, West State Street, Kishwaukee Street
 - Implementation includes roadway improvements, street-scaping, and place-making, as well as funding for redevelopment through tax increment financing.
 - In addition, there may be potential for development and investment near the intersection of South Main Street and US 20. City staff anticipate that Route 2 (which becomes South Main Street) will become a more frequently-used entry point into the city as development continues.
- Additional opportunities for Rockford to focus and improve economic development efforts include:
 - **Explore Establishment of a Special Services Area – SSA4 (BID)** to provide a formal method for communicating with local businesses, business training and customer services.
 - **Create a Small Business Incubator** that could provide basic small business services to help entrepreneurs turn their ideas into companies, and locate those companies downtown thereby increasing property and sales taxes.

A Targeted Comprehensive Strategy

- **Targeting investment and interventions** to the areas of the city that can support positive growth and development momentum, and supporting efforts to support community engagement and participation in the revitalization process:
 1. Develop a Housing Market Typology to guide strategic neighborhood investment and planning for target neighborhoods.
 2. Develop a Strong Neighborhoods Initiative (SNI) and create Neighborhood Action Plans for target neighborhoods that builds on the Housing Market Typology.
 3. Complete the development of a Regional Land Bank and/or receivership program to expedite property availability for rehabilitation, development and demolition.
 4. Establish a Neighborhood Development Corporation to lead and manage neighborhood stabilization efforts in partnership with City.
 5. Launch a Citizen Code Enforcement Team program in partnership with community organizations, where possible.
 6. Explore investment options in Opportunity Zones.
 7. Pursue energy efficiency programs.



The Need for Immediate Action



The Need to Engage with Labor

- Rockford will have to make difficult decisions in the early years of the plan to avoid insolvency of major city services.
- The City cannot unilaterally implement many of the earlier suggestions that align compensation and benefits to available revenues. Instead, the City must negotiate with its bargaining groups and, if unsuccessful, may need to go to interest arbitration with its public safety unions in particular.
- The City must develop and implement a comprehensive labor relations strategy to explain to its employees the City's financial condition, the changes it needs to make, and why it needs to make them.
- We understand that the City enjoys good relationships with its employee groups and the concerns that these relationships may suffer if the City takes tough bargaining positions. The reality is, given the City's financial condition, the City may have no choice.