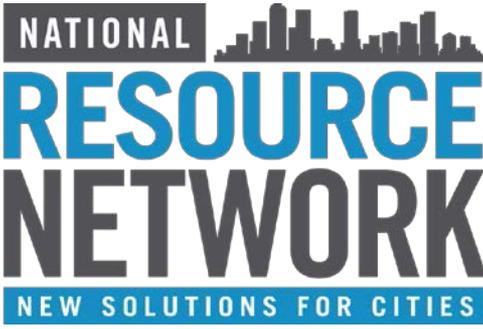




City of Rockford Seven Year Financial Plan October 9, 2018





Introduction



The National Resource Network

- The National Resource Network, initially a core component of the federal government's Strong Cities, Strong Communities initiative, develops and delivers innovative solutions for American cities to help them address their toughest economic challenges.
- Cities apply to the Network for assistance, the Network conducts an assessment to determine key challenges and opportunities, and cities and the Network work together to identify direct assistance.
- In 2017, the work of the Network continued with a \$4 million grant from the Laura and John Arnold Foundation, with a focus on supporting the Network's efforts to assist economically challenged cities by developing multi-year financial plans.

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.
- To frame the plan, the Network focused on the below areas identified as priorities to address going forward.
 - 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.

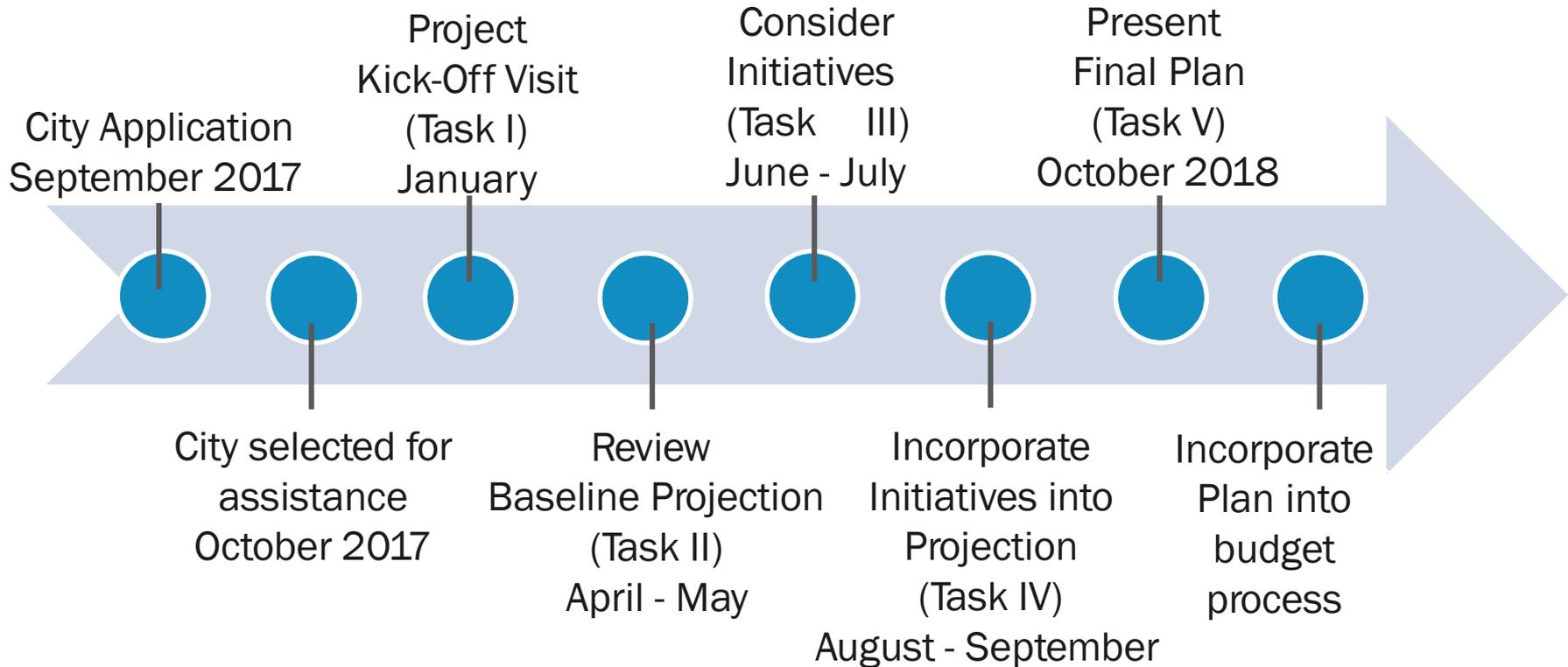
Strengths and Opportunities

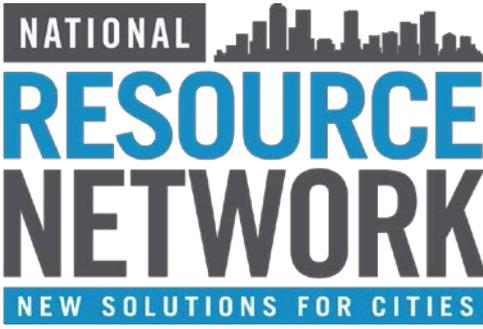
- Despite its challenges, Rockford has significant opportunities and potential for growth and fiscal sustainability.
 - Rockford offers numerous options for higher education in and around the community with Rock Valley College, Rockford University, Northern Illinois University Rockford Campus, University of Illinois College of Medicine at Rockford, and Rasmussen College of Rockford.
 - The City is located next to a river with redevelopment potential and has a renowned regional parks district.
 - The City owns potentially valuable public assets.
 - A budding aerospace industry is positioned to provide jobs in the future.
 - The Chicago-Rockford International Airport offers commercial service and is one of the top 30 cargo airports in the U.S.
- A multi-year financial plan can help the City address its challenges while capitalizing on these opportunities.

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.
- First, the Network Team conducted research on City operations and comparable jurisdictions to better understand pressures on City resources and competitiveness.
- Second, a seven-year baseline projection was created to model Rockford's structural deficit in the absence of policy changes and non-property tax revenue.
- Third, 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 specifically, increasing the importance of broadening the City's existing tax base.

Rockford Project Timeline





Summary of Findings



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.

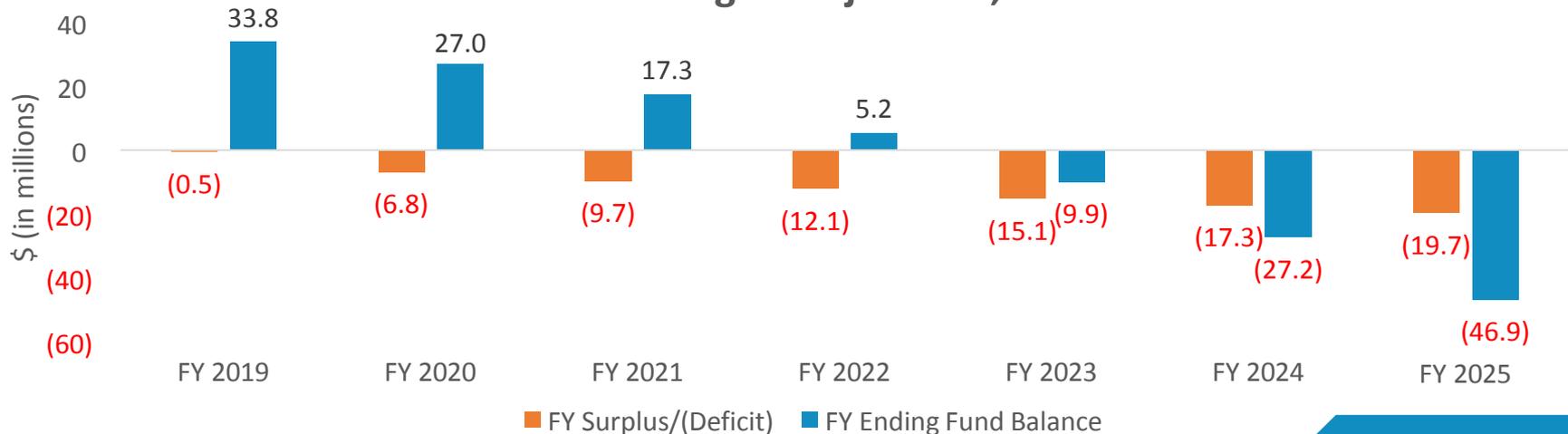
Adapting the Baseline Projection

- After a preliminary May 2018 webinar with the Advisory Committee, the project team took the following steps to update the budget model projections:
 - Ensured that property tax revenue estimates comply with the City’s aggregate levy inflationary cap.
 - Increased State Income Tax revenue for FY 2018 and future years in accordance with changes in the State’s newly adopted budget.
 - Increased health insurance cost projections for FY 2019 based on new information from the City’s Finance Director.
 - Discussed pension contribution projections with the City’s actuary and adjusted Police and Fire pension contributions based on the actuary’s projections for FY 2019.
 - Updated vehicle replacement plan numbers based on the City’s vehicle replacement plan for FY 2018 – FY 2022.
 - Adjusted various other line-item growth rates after further analysis and discussion.

Rockford's Baseline Forecast

- Under the revised 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



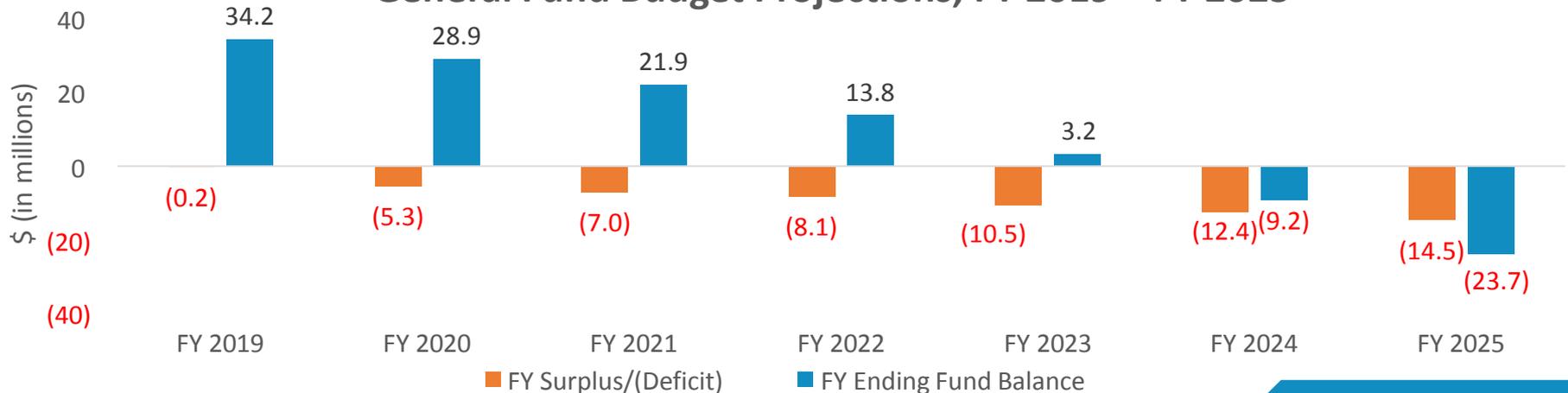
Property Tax Levy Assumption

- In Rockford, eight individual levies make up the City's property tax revenue. Each levy has an individual rate and some are aligned to growth of dedicated expenditures. Total year to year property tax growth is capped at inflation.
- Historical Practice vs. Current Policy
 - The baseline projection assumes a flat levy. The City's current administration has made a commitment to limiting levy increases and has successfully kept the overall levy flat (or decreasing) for the past two budget cycles.
 - Limiting overall levy increases without major service disruptions was made possible by adopting the Financial Task Force recommendations, new revenue from the utility tax, retiring debt service payments, and other factors. It may be more difficult going forward to align revenues and expenditures without at least some increases in levies for the fastest-growing costs, such as pension contributions.
 - In the alternate baseline scenario on the following slide, consistent with the City's historical practice, certain individual levies are projected to grow in line with pension costs and personnel expenses.
 - Ultimately, the Network's baseline projection is not a prediction of current policymakers' decision-making.

Alternate Baseline with Property Tax Levy Growth

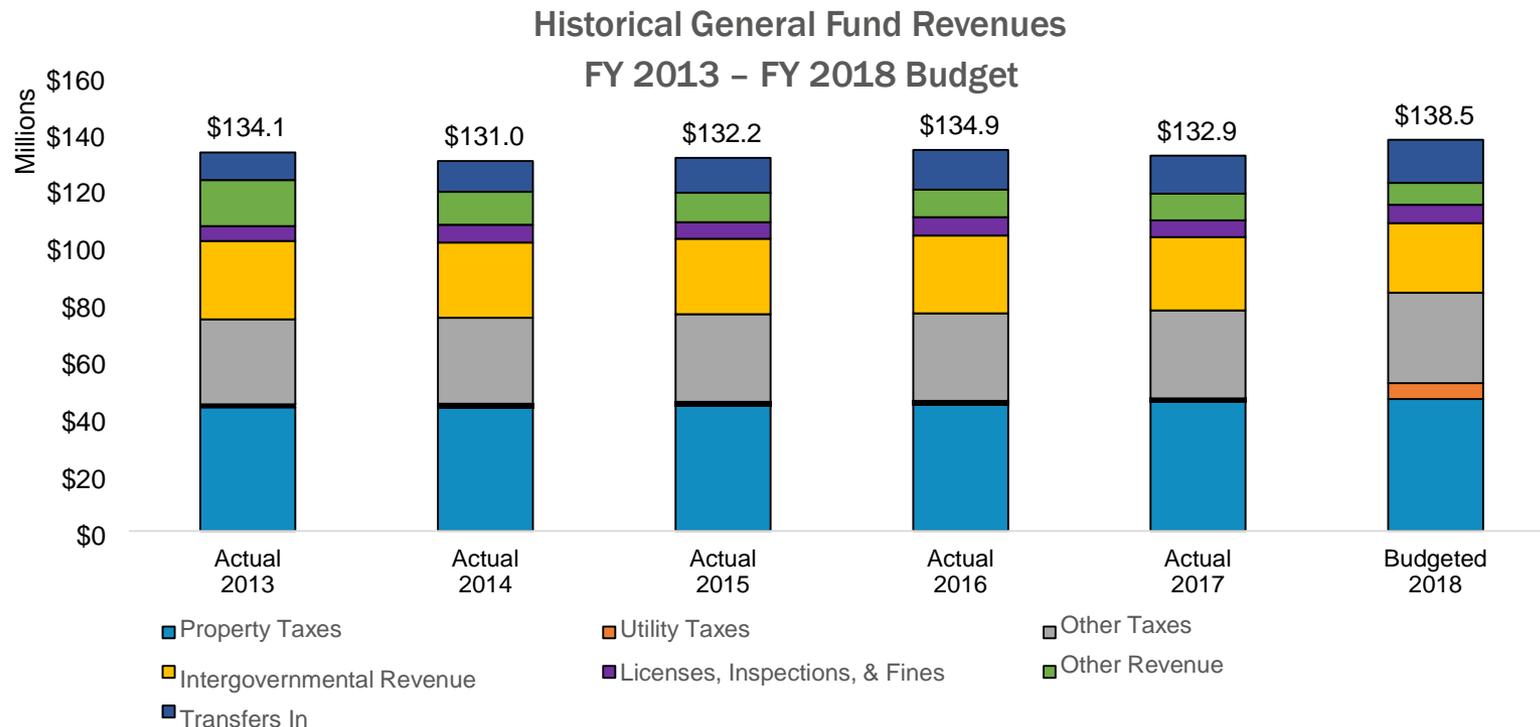
- Under the alternate baseline forecast with property tax levy growth, the projected cumulative deficit over the next seven years is approximately \$58.0 million.
- By *FY 2020*, Rockford’s fund balance is projected to drop below the level required by the City’s own financial policies.
- The City is projected to run out of funds during *FY 2024*. By the end of *FY 2025*, the City is projected to have a General Fund annual deficit of \$14.5 million and a negative fund balance of \$23.7 million.

General Fund Budget Projections, FY 2019 – FY 2025



How Rockford Reached This Point

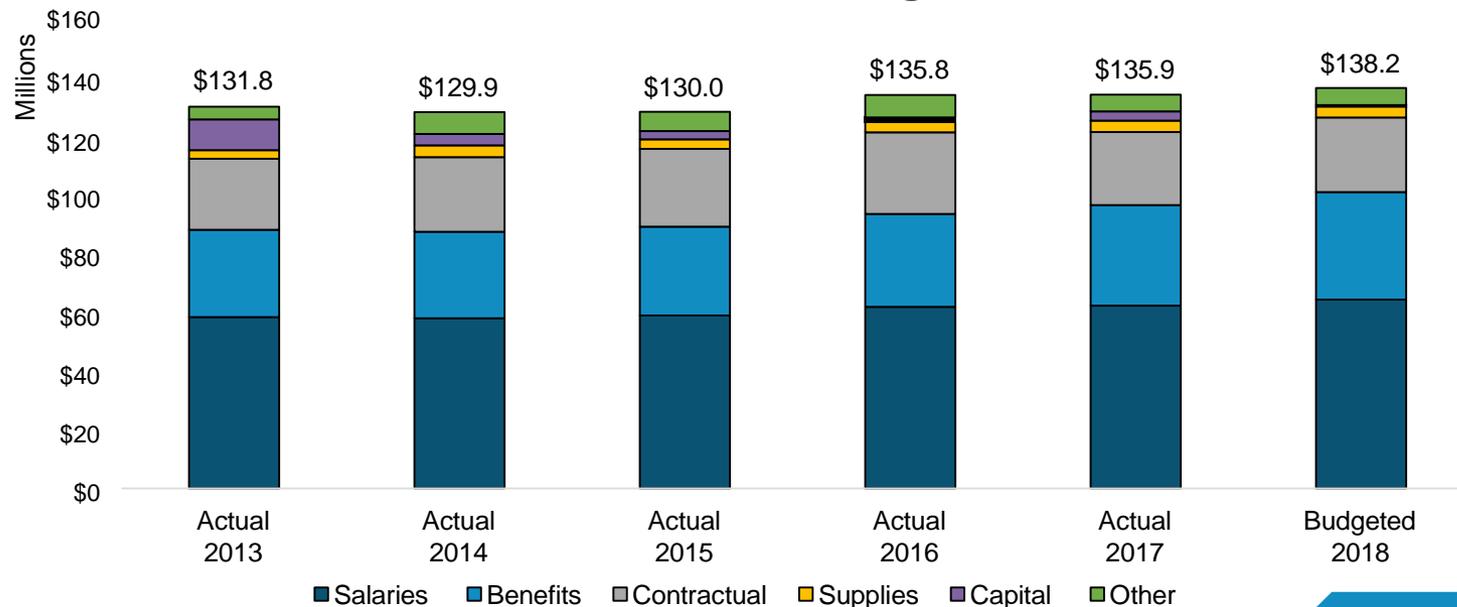
- Tax revenue from property taxes, utility taxes, and other local taxes made up 57 percent of total revenues in FY 2017.
- From FY 2013 – FY 2017, tax revenue increased by a CAGR of just 1 percent, while revenue from other sources decreased by a CAGR of 4.4 percent, including significant losses of state aid.



How Rockford Reached This Point

- Personnel costs are the City’s main expense driver – making up 72 percent of FY 2017 expenses.
- From FY 2013 to FY 2017, total expenditures grew by a CAGR of 0.77 percent. Personnel costs grew by 2.3 percent annually. Non-personnel expenditures declined, but this was largely driven by an unsustainable reduction in capital spending.

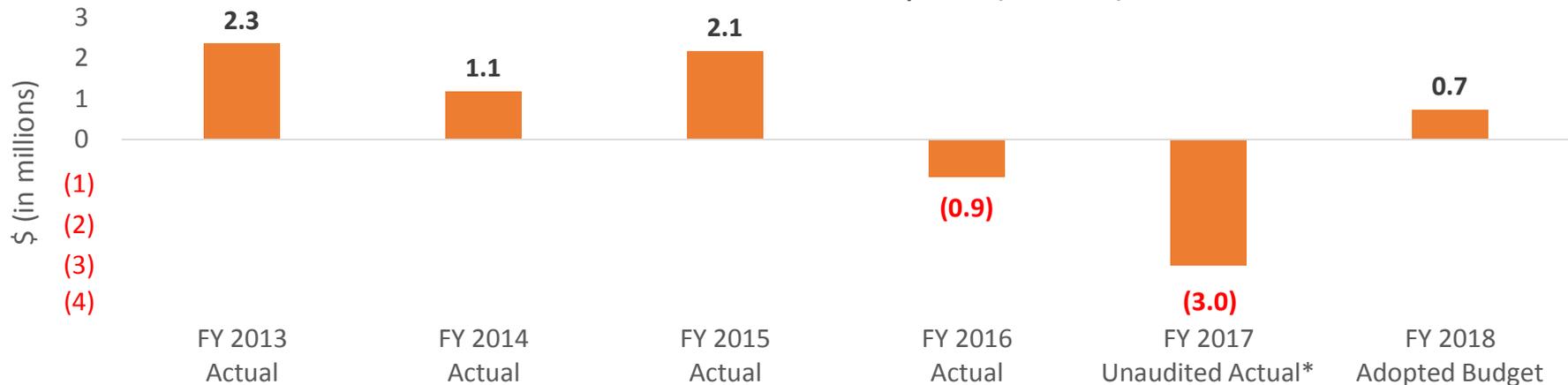
Historical General Fund Expenditures
FY 2013 – FY 2018 Budgeted



From Annual Surpluses to Deficits

- After three consecutive fiscal years ending in a budget surplus, Rockford ended FY 2016 with a \$0.9 million deficit and FY 2017 with a \$3 million deficit*.
- The FY 2018 adopted budget is estimated to result in a \$0.7 million surplus, assuming revenues and expenditures match projections. The recently adopted State budget included a half-year of additional state income tax revenue for Rockford that accounts for the majority of this surplus (approximately \$0.4 million).

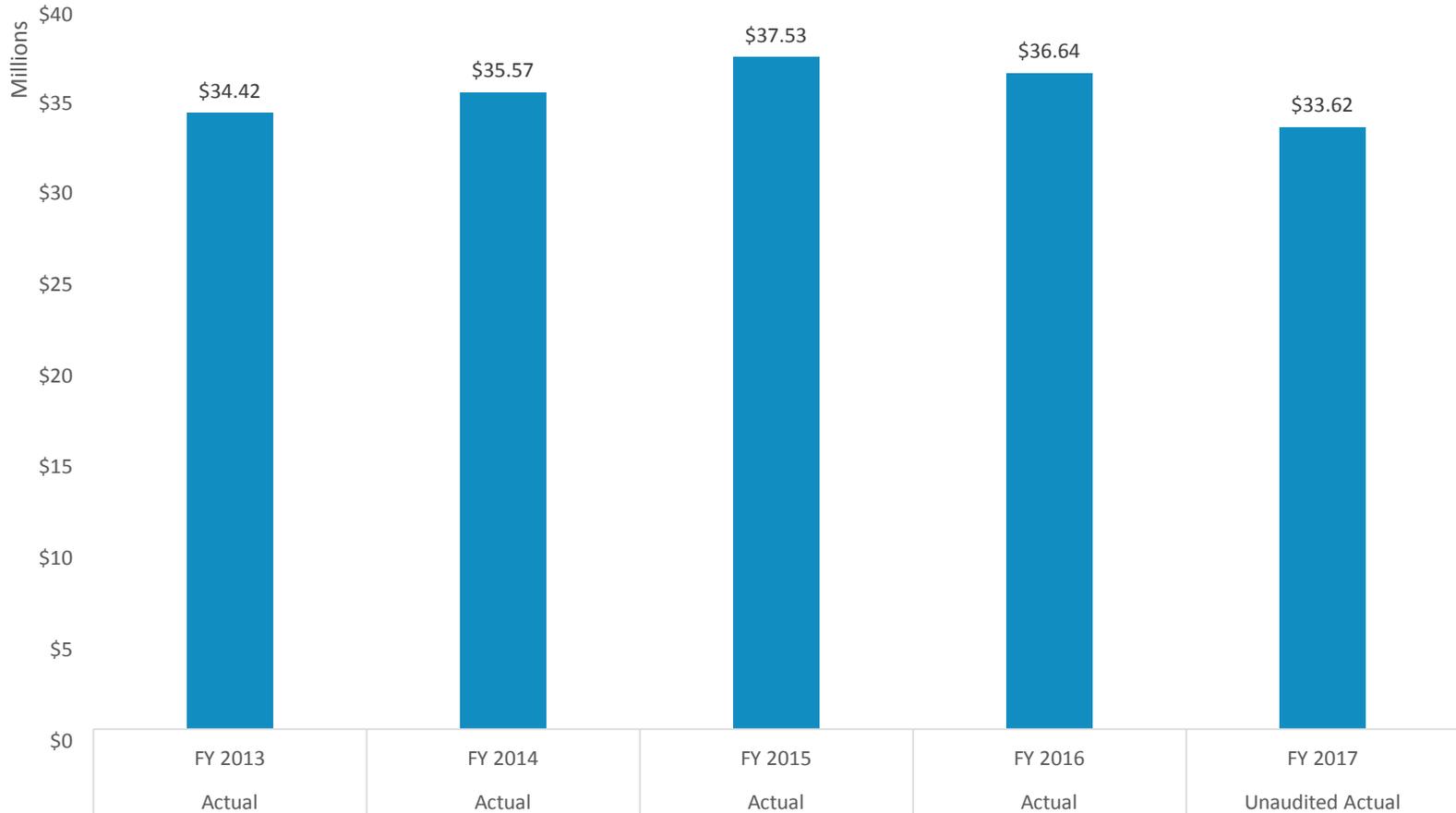
Historical General Fund Surplus/(Deficit)



*Updated numbers report a \$6 million deficit for FY 2017, which was due to significant commercial demolition, for which the City will be reimbursed in 2018, mid-year reductions in State income tax distributions, and a missed payment from Winnebago County to the Board of Elections. The updated deficit is not reflected in NRN's baseline projections, but will further reduce the City's savings over the seven-year period.

The Impact to Fund Balance

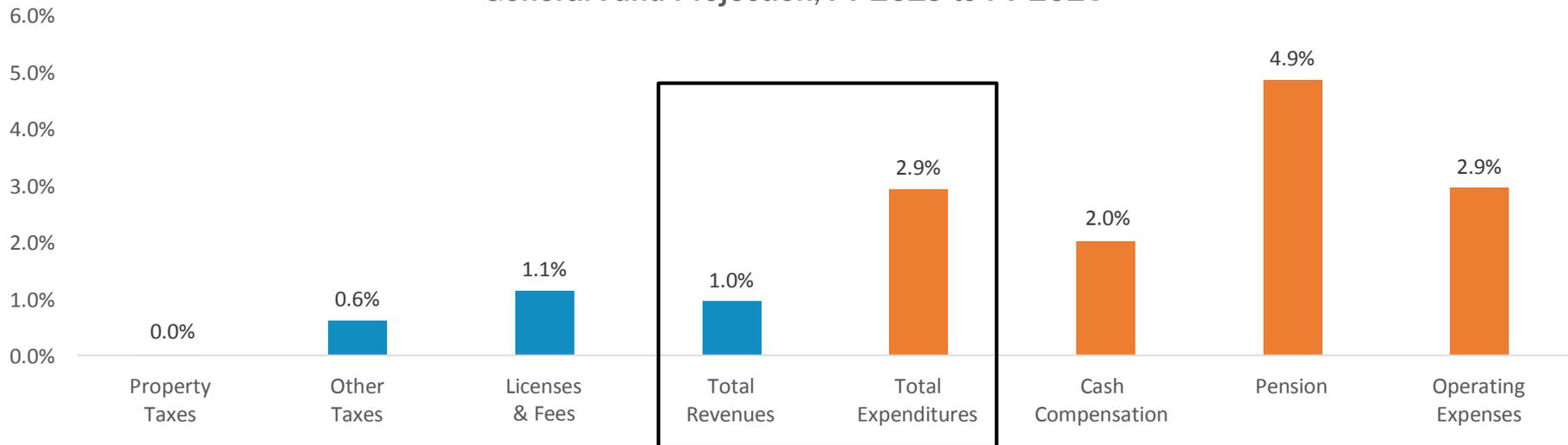
Historical Unassigned Fund Balance
 FY 2013 – FY 2017



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.

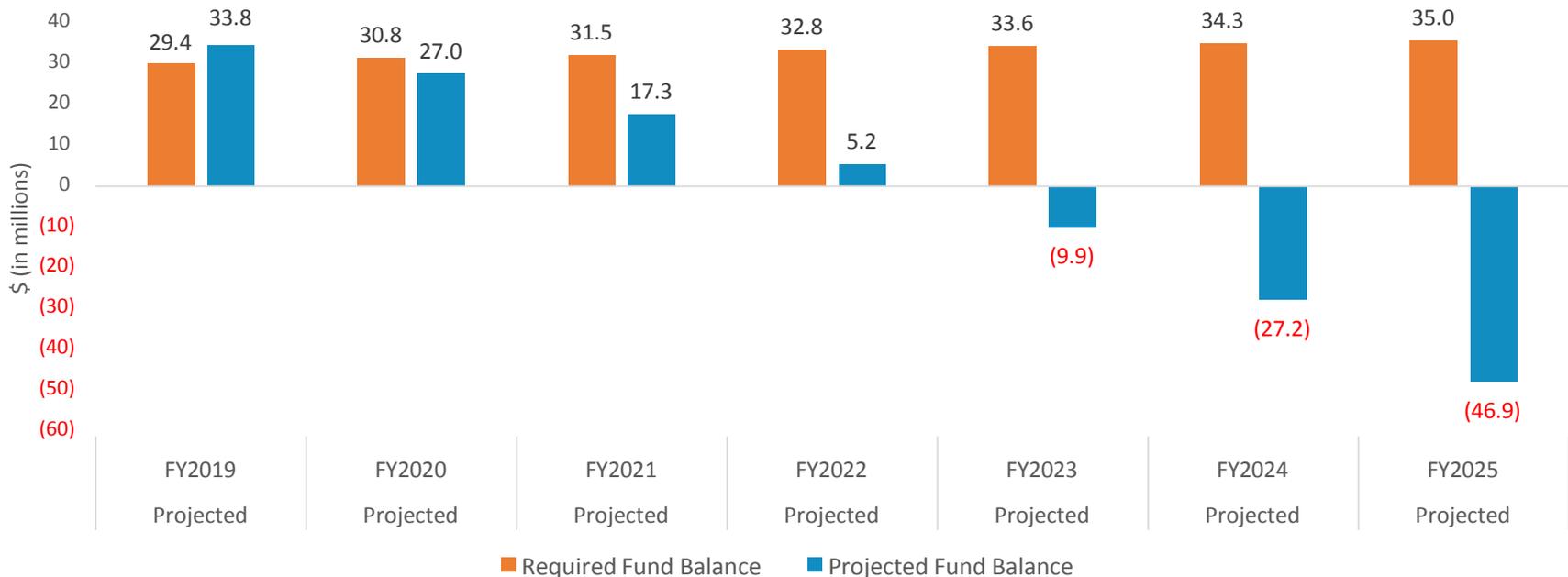
Annual Revenue & Expense Growth:
General Fund Projection, FY 2019 to FY 2025



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



Revenue Growth Rate Assumptions

- Property Tax
 - 34 percent of total General Fund revenue in FY 2017.
 - Proposed FY 2018 budget includes growth of 2.3 percent.
 - Property tax levy growth is held flat over
 - The City’s ability to levy property taxes is capped at inflation.
- Utility Taxes
 - New electricity and natural gas utility taxes are estimated to generate an additional \$4.3 million in FY 2018 and \$9.1 million in recurring revenue starting in FY 2019.
 - Projected to grow very modestly with price/rate increases.
- Sales Tax
 - 18 percent of General Fund revenue in FY 2017.
 - FY 2018 budget includes growth of 2.3 percent.
 - Subsequent years are projected to grow by 1 percent annually.
- State of Illinois Income Tax
 - 12 percent of General Fund revenue in FY 2017.
 - Projected to grow by 1.5 percent annually.

Expenditure Assumptions

- Salaries and Wages
 - 46 percent of total General Fund spending in FY 2017.
 - 2.0 percent annual growth is assumed, consistent with the City’s projections.
 - There is a complex interaction between salary increases, benefit costs, and pension contributions.
 - Salary growth that deviates from the 2.0 percent assumption would have a significant impact on the baseline.
 - The cumulative deficit increases with a higher salary growth assumption and decreases with a lower salary growth assumption.
- Health Insurance
 - 9 percent of General Fund spending in FY 2017.
 - 10 percent annual growth is anticipated for FY 2019 to align General Fund costs to the full cost of the City’s health care. In recent years, the City drew down on health fund balances to cover a portion of the City’s health care costs.
 - 4.6 percent annual growth starting in FY 2020, based on Kaiser Family Foundation projections of growth in U.S. health care spending.

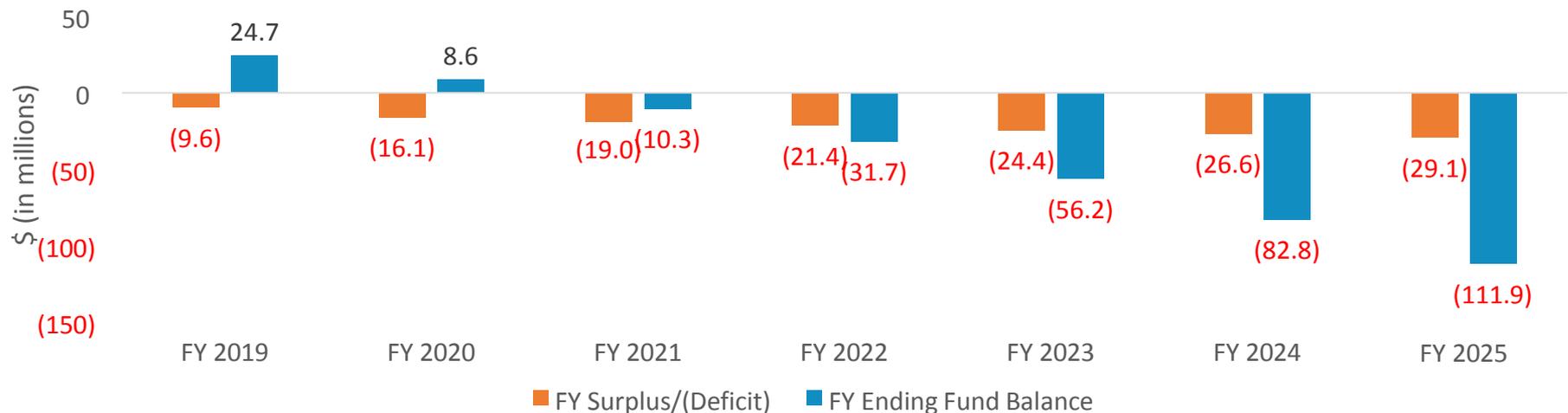
Expenditure Assumptions

- Pension Contributions
 - 13 percent of General Fund spending in FY 2017.
 - Growth in Police and Fire pension contributions after FY 2019 reflect the City’s actuarial projections with a 2 percent payroll growth assumption.
 - Growth in IMRF pension is 5 percent over the projection period.
- Contracted and Professional Services
 - 19 percent of General Fund spending in FY 2017.
 - Growth based on inflation or projected personnel expenses.
- Transfers to Debt Service Fund
 - 1 percent of General Fund spending in FY 2017.
 - Projected to grow based on City’s debt service schedule assuming no new debt issuances for capital investment.

FY 2018 Utility Tax Impact

- In FY 2018, the City faced a General Fund budget gap of \$10.2 million. To address the current year gap, the City convened a Financial Task Force to explore opportunities for new revenue and efficiency savings and exercised its local taxing power through a Utility Tax.
- The Utility Tax is estimated to add \$4.3 million in FY 2018 revenue and is projected to add recurring revenue starting at \$9.1 million in FY 2019. In the absence of the Utility Tax, the City would have faced a \$146.2 million cumulative budget deficit over the seven year period and would have run out of money as soon as FY 2021.

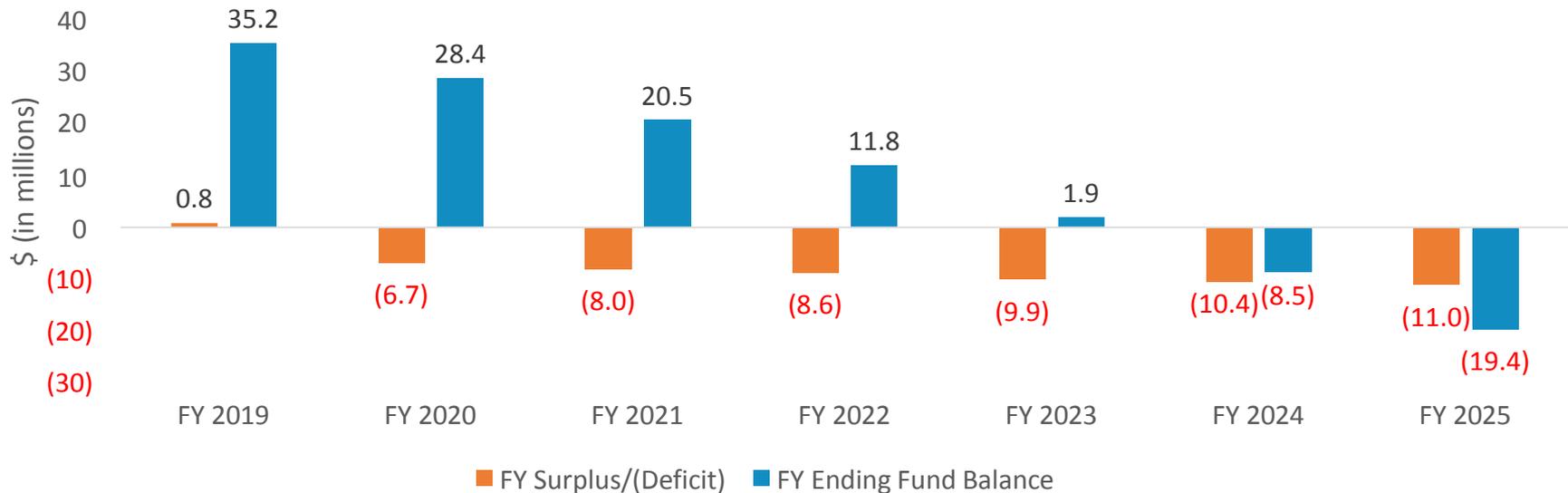
General Fund Budget Projections, FY 2019 – FY 2025



Alternate Baseline with Wage Freeze

- If the City froze salaries and wages at FY 2018 budget levels, the resulting cumulative deficit would be \$53.7 million and the FY 2025 ending fund balance would be negative \$19.4 million.
- A wage freeze would save the City approximately \$27.4 million over the seven year period.
- However, even after freezing wages, the projected fund balance would still fall below required levels during FY 2020.

General Fund Budget Projections, FY 2019 – FY 2025

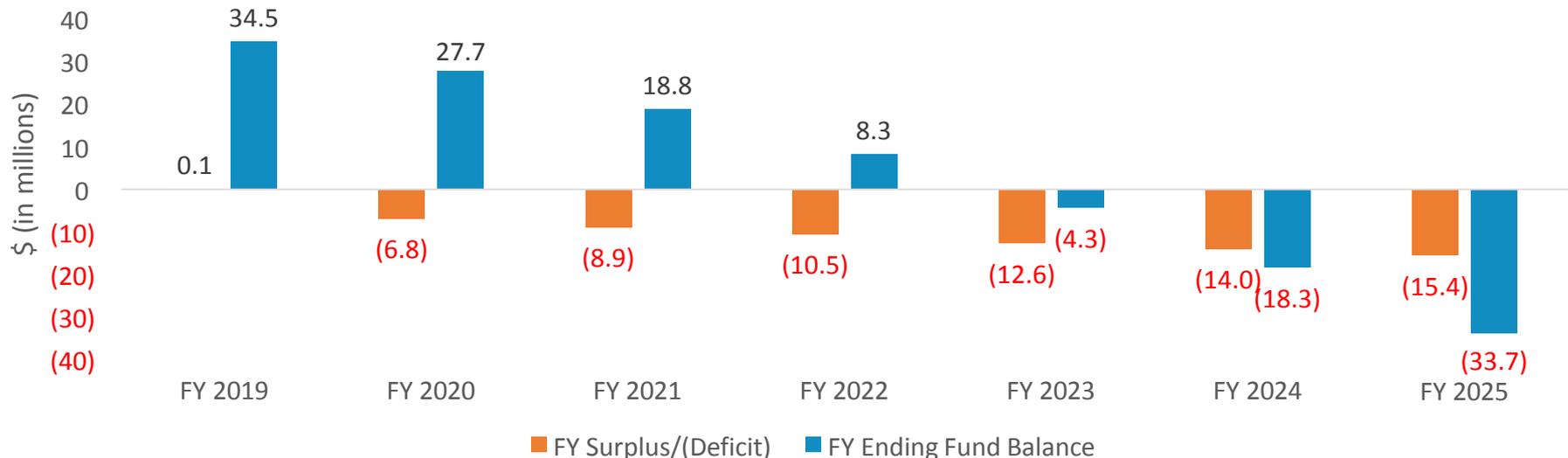


Alternate Baseline

with 1% Wage Growth Assumption

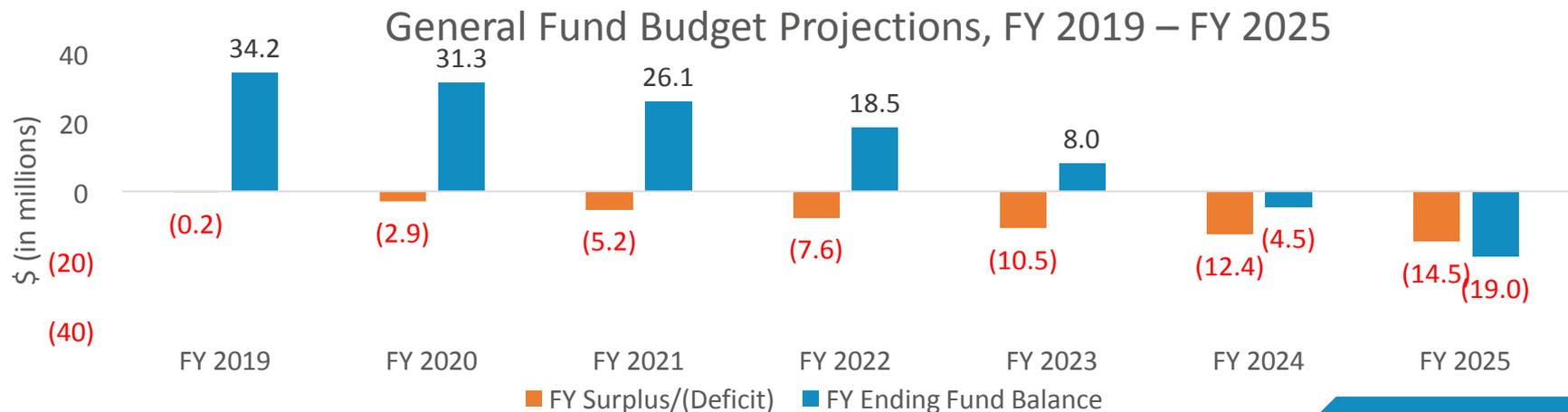
- Limiting salary and wage growth to 1 percent annually over the seven-year projection would result in a cumulative deficit of \$68.1 million and a FY 2025 ending fund balance of negative \$33.7 million.
- If the City reduced wage growth to 1 percent, it would save approximately \$13.2 million over the seven year period.
- However, even after controlling wage growth to 1 percent, the projected fund balance would still fall below required levels during FY 2020.

General Fund Budget Projections, FY 2019 – FY 2025



Alternate Baseline with Property Tax Levy Growth and No Cap

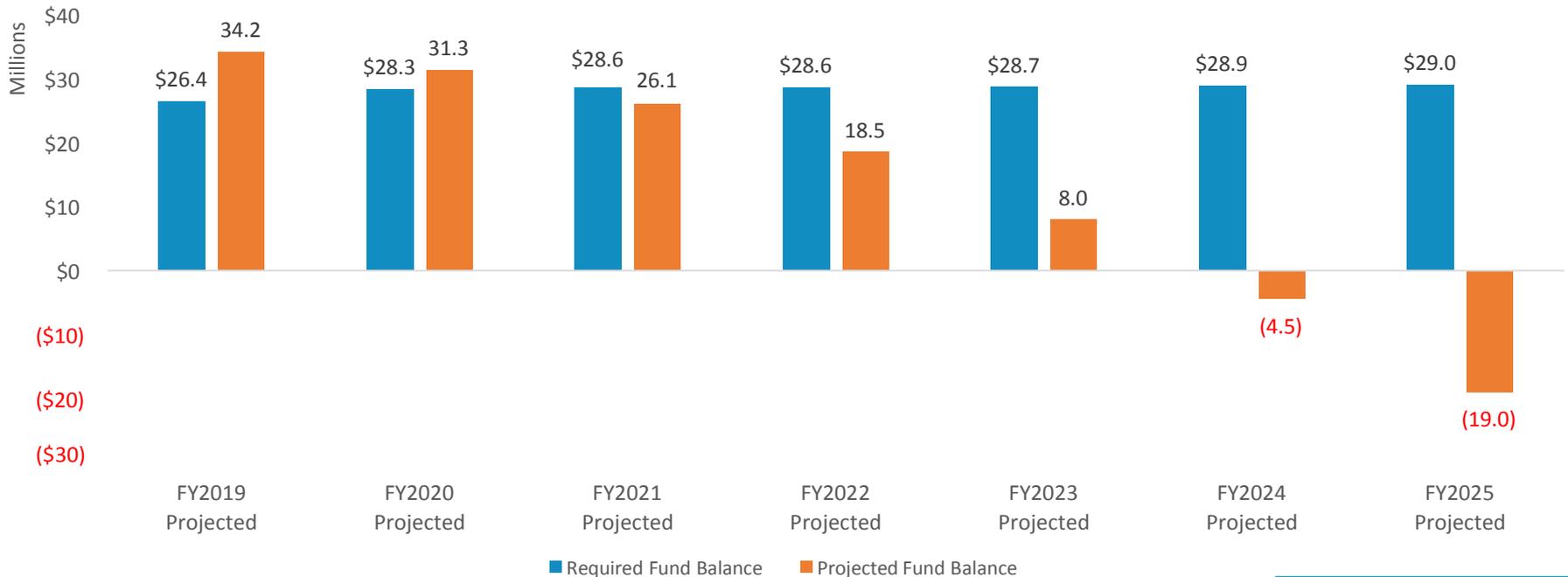
- The City’s property tax levy is capped by an inflationary rate limit each year.
- The alternate baseline projection maximizes the Police and Fire pension levies while limiting growth in other levies to keep property tax revenue below the inflationary cap.
- If the City did not have an inflationary property tax limit and adopted a policy of property tax levy growth, an additional \$4.7 million in property tax revenue could be levied.
- Even with the addition of this revenue, the resulting cumulative deficit is \$53.3 million and the FY 2025 ending fund balance is negative \$19.0 million.



Alternate Baseline with Property Tax Levy Growth and No Cap

- Even with no inflationary cap on property tax revenue and minimal growth in the property tax levy, the City’s projected fund balance would fall below the required 20 percent of the fiscal year General Fund expenditures in FY 2021.

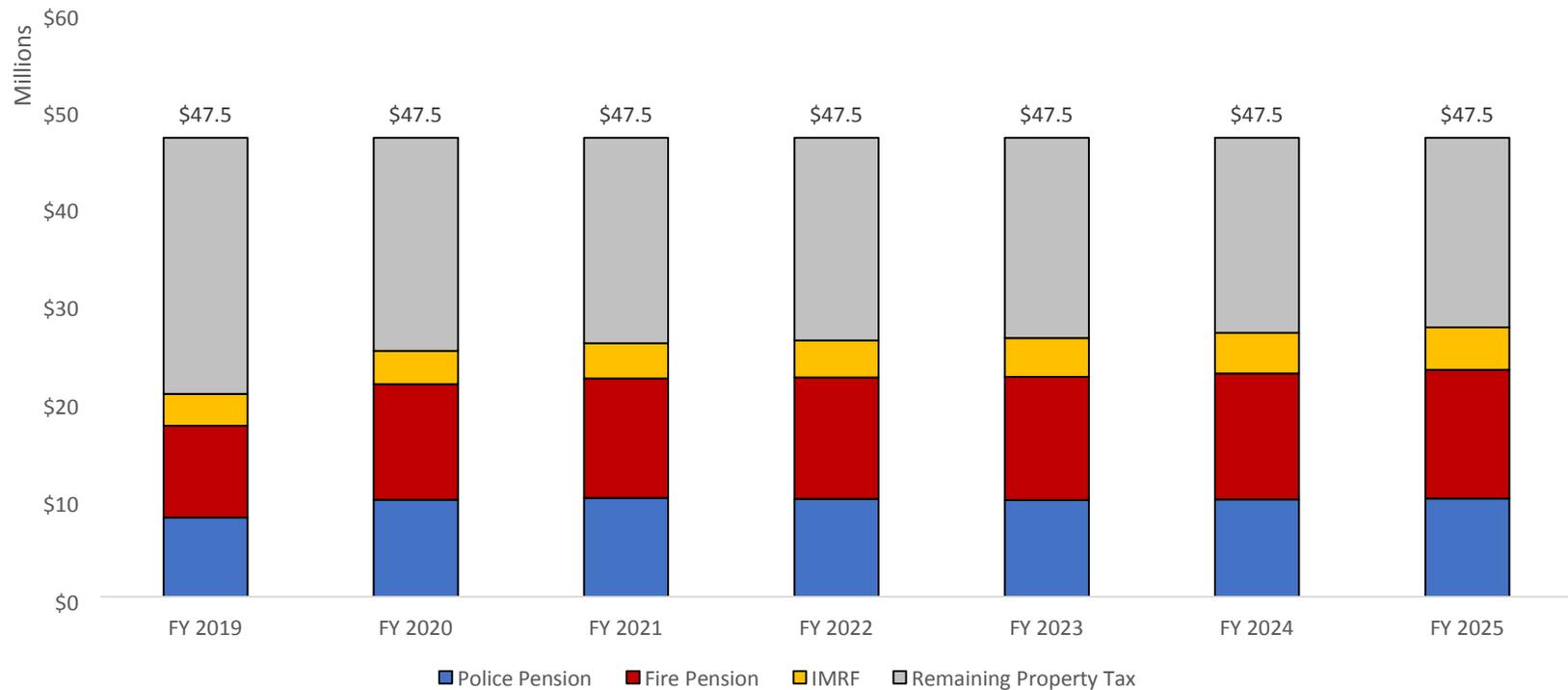
Projected vs Required General Fund Balance with no Property Tax Levy Cap, FY 2019 – FY 2025



Growing Pension Obligations

- Pension contributions are projected to equal 59 percent of property tax revenue by FY 2025.

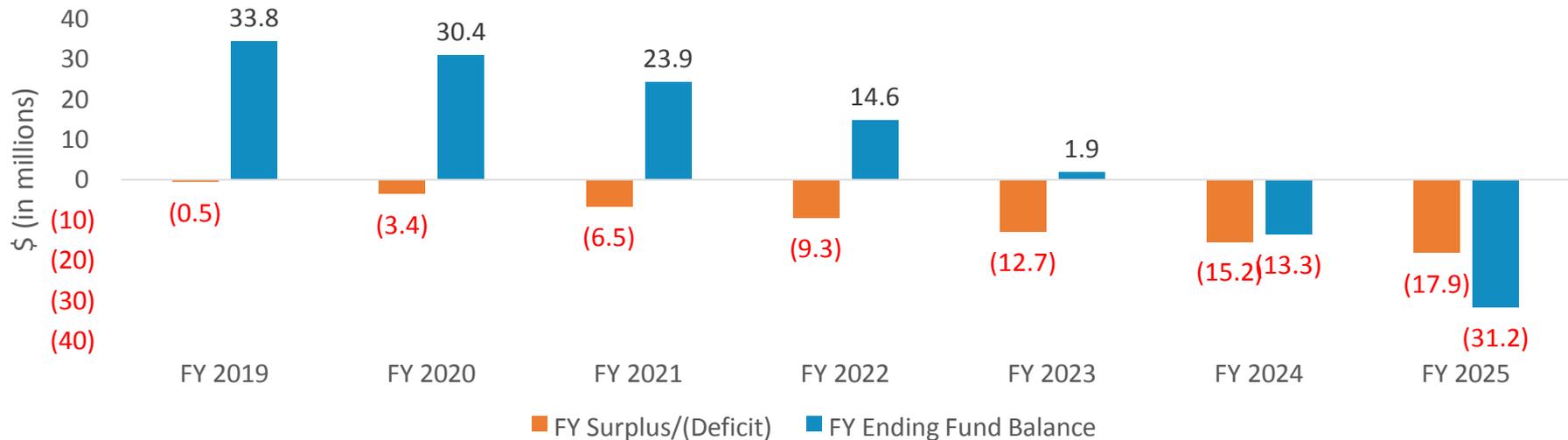
Projected Pension Contributions vs Property Tax Revenue
FY 2019 – FY 2025



Alternate Pension Contribution Scenario: Payroll Growth Assumption

- The baseline uses the actuary’s projected Police and Fire Pension contributions with a 2 percent payroll growth assumption, consistent with the wage growth assumptions in the model.
- Growing pension contributions by the actuary’s projections with the City’s current 5 percent payroll growth assumption (while maintaining wage growth of 2 percent) results in a lower cumulative deficit of approximately \$65.5 million over the seven-year period and a FY 2025 ending fund balance of negative \$31.2 million.

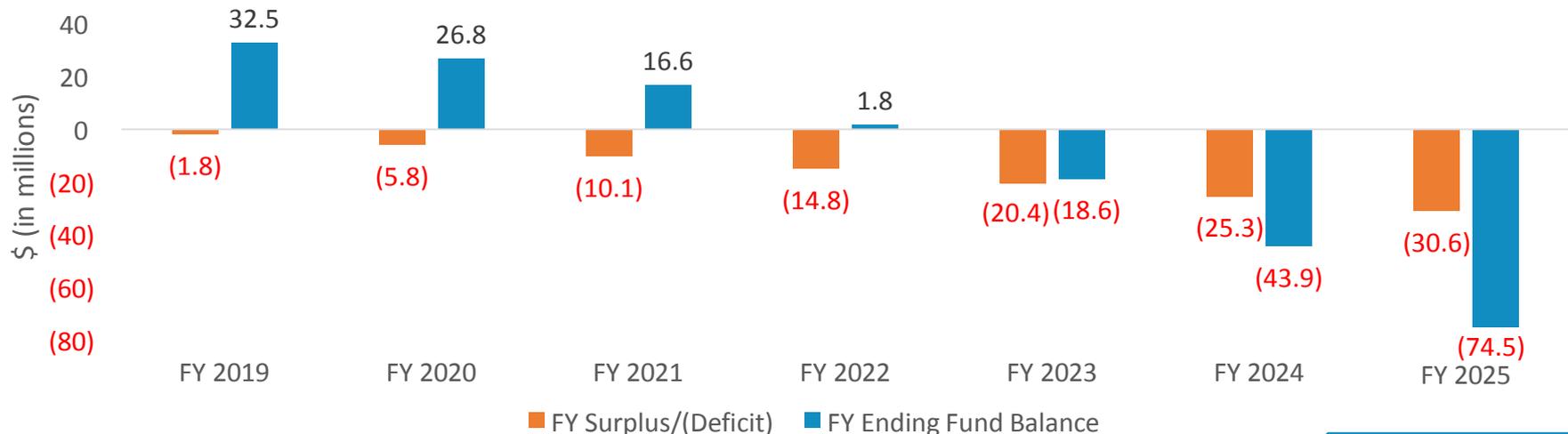
General Fund Budget Projections, FY 2019 – FY 2025



Alternate Pension Contribution Scenario: *Historical Growth*

- The baseline uses the actuary’s projected Police and Fire Pension contributions (with a 2 percent payroll growth assumption) and a 5 percent growth rate for contributions to the State pension system.
- The City’s pension contributions increased by an average compounded annual growth of 11 percent from FY 2014 to FY 2018.
- Growing pension contributions by historical growth rates results in a higher cumulative deficit of \$108.8 million over the seven-year period and a FY 2025 ending fund balance of negative \$74.5 million.

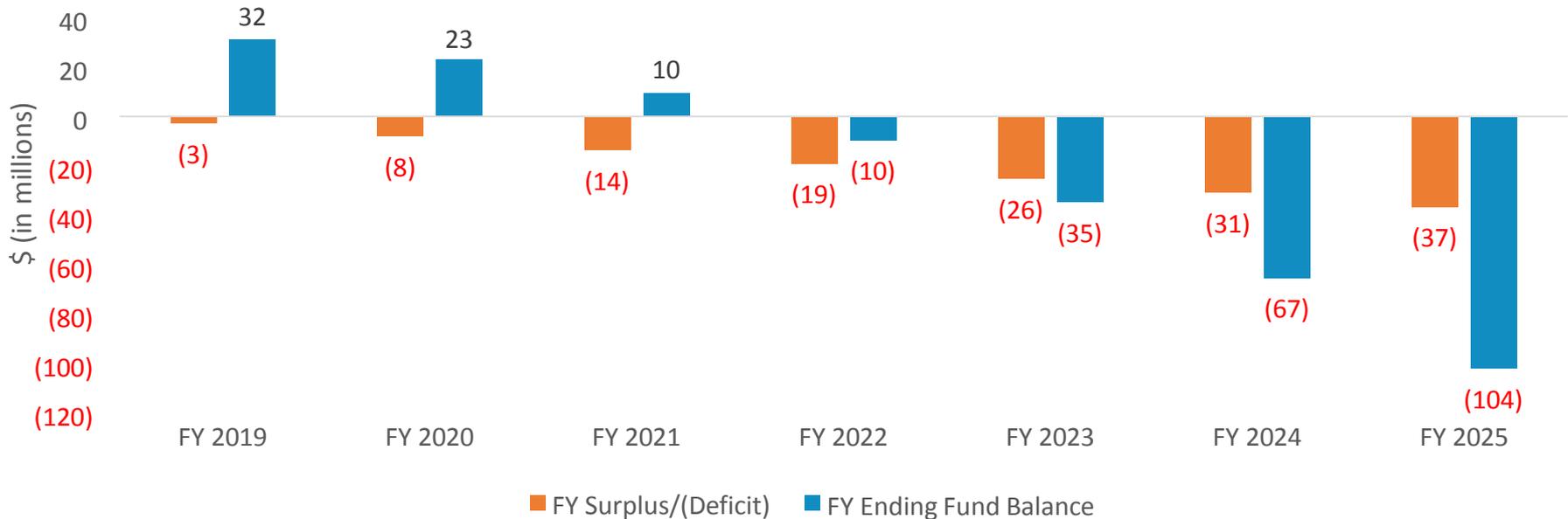
General Fund Budget Projections, FY 2019 – FY 2025



Alternate Pension Contribution Scenario: 5% Wage Growth

- Growing pension contributions by the City's current actuarial projections (with a 5 percent payroll growth assumption) and matching 5 percent wage growth results in a significantly higher cumulative deficit of approximately \$138.3 million over the seven-year period and a FY 2025 ending fund balance of negative \$103.9 million.

General Fund Budget Projections, FY 2019 – FY 2025



Summary of Alternate Scenarios

Scenario	FY 2025 Ending Fund Balance	Cumulative Deficit
<i>Baseline without Utility Tax Revenue</i>	<i>(\$111.8 million)</i>	<i>(\$146.2 million)</i>
Baseline with actuary's 5 percent payroll growth assumptions and 5 percent wage growth in model	(\$103.9 million)	(\$138.3 million)
Baseline with Pension contributions based on historical growth	(\$74.5 million)	(\$108.8 million)
Baseline projection	(\$46.9 million)	(\$81.2 million)
Baseline with 1 percent wage growth in pension assumptions and model	(\$33.7 million)	(\$68.1 million)
Baseline with actuary's 5 percent payroll growth assumptions and 2 percent wage growth in model	(\$31.2 million)	(\$65.5 million)
Baseline with growing property tax levy	(\$23.7 million)	(\$58.0 million)
Baseline with wage freeze in pension assumptions and model	(\$19.4 million)	(\$53.7 million)
Baseline with growing property tax levy and no levy limit	(\$19.0 million)	(\$53.3 million)



Understanding Rockford's Economic Challenges



Putting Rockford's Condition in Context

- In order to create the best plan for Rockford, the Network team researched comparable jurisdictions and examined their economic and demographic conditions as well as their budgeting practices. City leadership can use this information to assist in decision-making in order to keep Rockford competitive.
- The team also convened the Advisory Committee to understand the community's needs. The Advisory Committee was established to:
 - Review the baseline seven-year financial analysis.
 - Provide input on potential revenue and savings initiatives.
 - Advise City leadership on the impacts of various policy choices on the community.
 - Review and provide input on the seven-year financial analysis incorporating various policy choices (“the Plan”).
 - Support City leadership in explaining the Plan and creating buy-in among members of the community.

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%

*As of August 2018, Rockford's unemployment rate is 5.3%

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

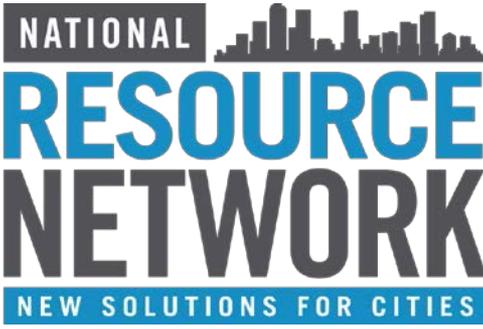
Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates; Bureau of Labor Statistics

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



Local Tax Burden



Limited Revenue Options

- **Non-Home Rule:** In late March, Rockford voters rejected a referendum to grant the City government “home rule” authority, limiting the types of taxes and fees that Rockford is permitted to impose.
 - As an alternative, the City Council approved new utility taxes on electricity and natural gas.
 - Though the City anticipates \$4.3 million in revenue from these additional taxes in FY 2018, it equates to 4 percent of total revenues.
- **Decreasing Assessed Property Values:**
 - Rockford’s assessed property values (EAV) decreased by one-third since the housing market crash – from \$2.1 billion in 2008 to \$1.4 billion in 2016.
- **Tax Increment Financing (TIF) Districts:**
 - TIFs are intended to incentivize further development, though a City may forego some property tax revenue in the short term.
 - When property values decline, the TIF receives no revenue but may have already incurred expenditures.
 - Rockford has 30 TIF districts – ten of which have a projected ending deficit, potentially requiring subsidization from the City’s General Fund, Redevelopment Fund, or an alternative approach.

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.

Tax Burden Analysis – Why do it?

- Local tax rates and structures vary greatly: a family that moves between jurisdictions would find a significant change in how much they pay in taxes on their home, their groceries, and their everyday purchases.
- A tax burden analysis can:
 - Determine whether a city’s tax structure is competitive and equitable compared to its peers.
 - Quantify how different municipal tax policies affect residents.
 - Control for outside factors, such as the real estate market and regional wage levels.
- The following tax burden analysis focuses on the most significant and most common taxes that vary across Illinois.
 - State income tax and federal taxes are excluded because Illinois residents’ tax liabilities do not vary by place of residence.
 - Local taxes on airplanes are excluded because it is not reasonable to assume that every family owns an airplane.
 - Local business taxes are excluded because this analysis focuses on residents.

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

Methodology: Property Tax Burden

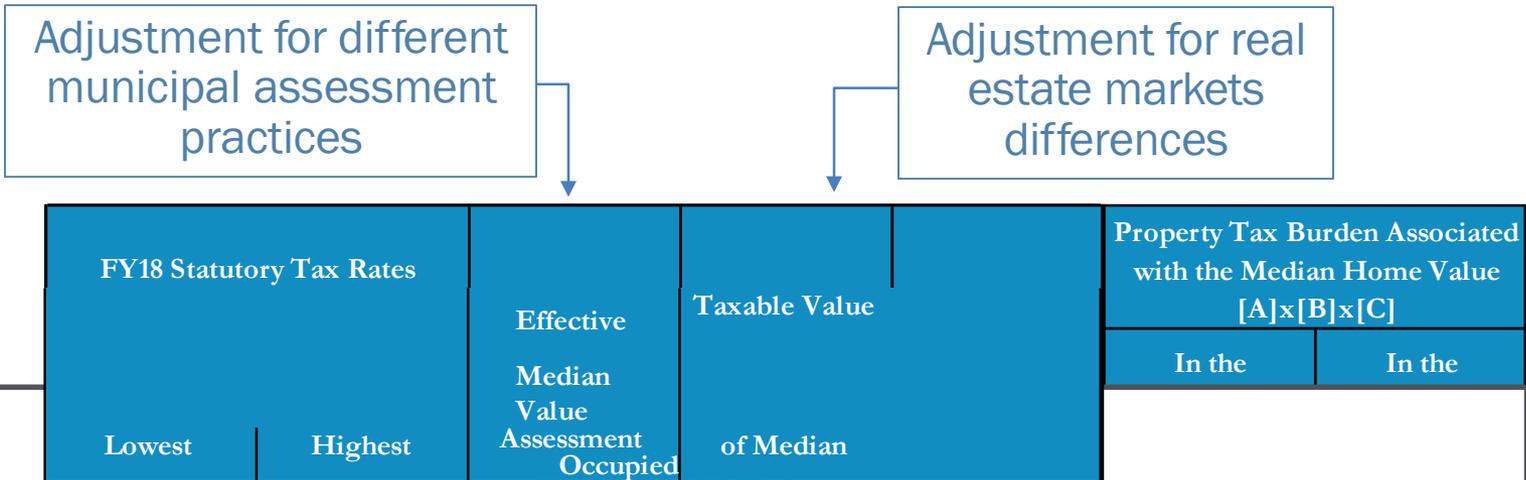
Adjustment for different municipal assessment practices

Adjustment for real estate markets differences

	FY18 Statutory Tax Rates		Effective Assessment Ratio* [B]	Median Value of Owner-Occupied Homes [C]	Taxable Value of Median Home [B]x[C]	Property Tax Burden Associated with the Median Home Value [A]x[B]x[C]	
	Lowest Aggregate Rate within City Limits [A]	Highest Aggregate Rate within City Limits [A']				In the geographic area with the lowest tax rate	In the geographic area with the highest tax rate
Rockford	12.60%	15.38%	33.35%	\$91,400	\$30,482	\$3,842.15	\$4,689.06
Aurora	9.81%	11.87%	33.25%	\$168,100	\$55,893	\$5,484.58	\$6,624.95
Bloomington	8.25%	8.63%	33.27%	\$164,100	\$54,596	\$4,503.30	\$4,710.32
Champaign	7.99%	9.04%	33.31%	\$152,000	\$50,631	\$4,047.31	\$4,575.04
Dekalb	10.03%	13.09%	33.26%	\$150,200	\$49,957	\$5,008.46	\$6,538.29
Elgin	9.36%	11.43%	33.30%	\$166,500	\$55,445	\$5,185.72	\$6,344.13
Joliet	8.76%	11.05%	33.24%	\$163,900	\$54,472	\$4,767.27	\$6,023.36
Peoria	9.64%	10.14%	33.37%	\$127,200	\$42,447	\$4,092.03	\$4,306.16
Springfield	7.12%	9.10%	33.32%	\$123,700	\$41,217	\$2,932.91	\$3,749.00
Median	9.06%	10.60%	33.29%	\$157,950	\$52,552	\$4,635.28	\$5,366.84
Rockford vs Median	3.54%	4.79%	0.07%	-\$66,550	-\$22,070	-\$793.13	-\$677.78
Rockford vs Median	28.1%	31.1%	0.2%	-72.8%	-72.4%	-20.6%	-14.5%
Rockford Rank	1	1	2	9	9	8	6

Sources: Illinois Department of Revenue 2016 Final Equalization Factors; Respective County 2017 Tax District Rates, 2012-2016 American Community Survey

Methodology: Property Tax Burden



Key Findings:

A median Rockford home is billed between \$678 and \$793 less per year in property taxes compared to the median in peer cities. Only in Springfield will the median home value incur less in annual property tax bills.

The low taxes bills are due to Rockford's low home values.

Median	9.06%	10.60%	33.29%	\$157,950	\$52,552	\$4,635.28	\$5,366.84
Rockford vs Median	3.54%	4.79%	0.07%	-\$66,550	-\$22,070	-\$793.13	-\$677.78
Rockford vs Median	28.1%	31.1%	0.2%	-72.8%	-72.4%	-20.6%	-14.5%
Rockford Rank	1	1	2	9	9	8	6

Sources: Illinois Department of Revenue 2016 Final Equalization Factors; Respective County 2017 Tax District Rates, 2012-2016 American Community Survey

Methodology: Sales Tax Burden

2017 Midwest estimates of the average % of household income allocated to various purchases

x

Census estimates of median household income, by City

x

Aggregate Statutory Sales & Use Tax Rates

=

Estimated Sales and Use Taxes Paid Annually on a Median Household Income

	Median Household Income	Misc Taxable Purchases	Qualifying Food and Drugs		Motor Fuel		Telecommunications	Total Annual Sales Tax Paid	
			Minimum	Maximum	Minimum	Maximum		Minimum	Maximum
Rockford	\$40,143	\$720	\$28		\$95		\$118	\$960	
Aurora	\$63,967	\$1,182	\$44	\$77	\$151	\$183	\$189	\$1,565	\$1,630
Bloomington	\$63,115	\$1,200	\$43		\$149		\$186	\$1,579	
Champaign	\$45,198	\$884	\$31		\$107		\$133	\$1,155	
Dekalb	\$38,647	\$672	\$27		\$91		\$114	\$904	
Elgin	\$60,375	\$1,378	\$73	\$93	\$142	\$172	\$178	\$1,771	\$1,822
Joliet	\$61,834	\$1,310	\$42	\$74	\$146		\$182	\$1,681	\$1,713
Peoria	\$46,547	\$1,012	\$32		\$110		\$137	\$1,291	
Springfield	\$50,191	\$1,064	\$34		\$118		\$125	\$1,342	
Median	\$55,283	\$1,123	\$38	\$39	\$130	\$132	\$157.58	\$1,453	\$1,460
Rockford vs Median	-\$15,140	-\$403	-\$11	-\$11	-\$36	-\$37	-\$39.26	-\$493	-\$500
Rockford vs Median	-37.7%	-56.0%	-39.5%	-41.1%	-37.7%	-39.5%	-33.2%	-51.3%	-52.0%
Rank	8	8	8	8	8	8	8	8	8

Sources: Illinois Department of Revenue 2016 Final Equalization Factors; Respective County 2017 Tax District Rates, 2012-2016 American Community Survey

Methodology: Sales Tax Burden

Key Finding: A Rockford household living on a median income pays approximately \$500 per year less in sales tax than peers in other cities.

- Reason 1: Residents of Illinois pay more in general sales tax than in other types of local sales taxes, and Rockford's general sales tax rates are very competitive.
 - The portion of Rockford that lies within Ogle County has the lowest aggregate sales tax rate of all peer cities (7.25 percent)
 - The portion of Rockford that lies within Winnebago County has an aggregate sales tax rate of 8.25 percent; only DeKalb's rate (8.0 percent) and other areas of Rockford are lower.
 - Rockford is prohibited from raising its local sales tax rate due to its lack of home-rule status.
- Reason 2: At \$40,143, the median income among Rockford households is the second lowest of all peer cities analyzed, after DeKalb. With less disposable income, Rockford households likely spend less on taxable goods than their peers living in other cities.

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

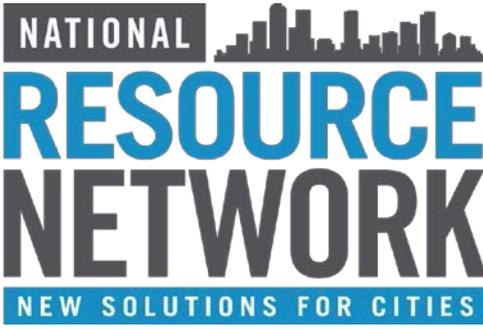
Finding 2: High Household Tax Burden

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

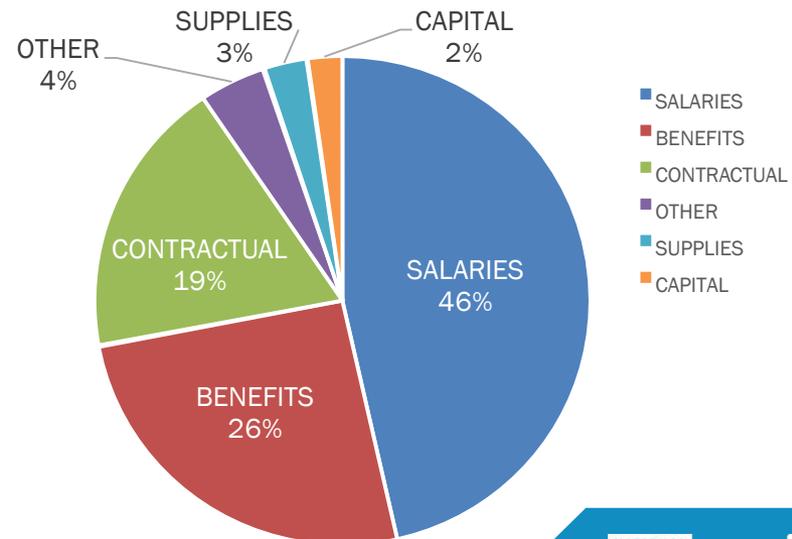
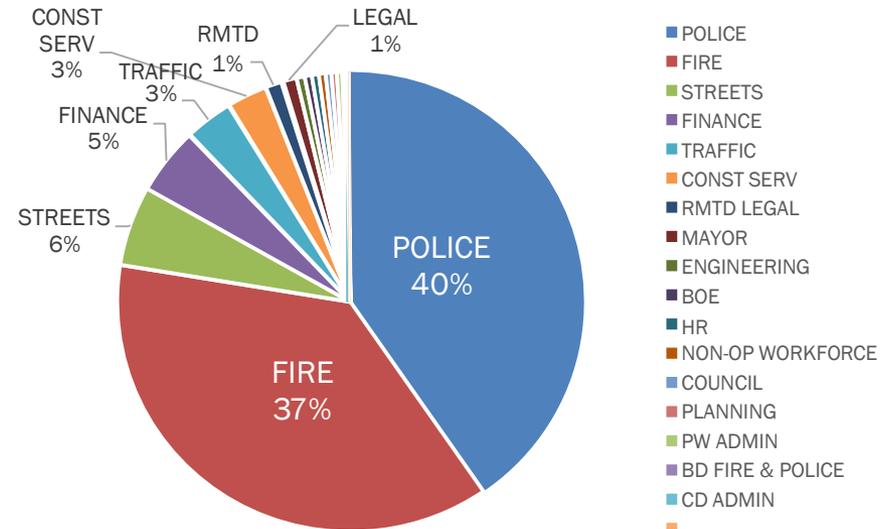


Rockford's Urgent Challenge

- 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.

Baseline Forecast in Context

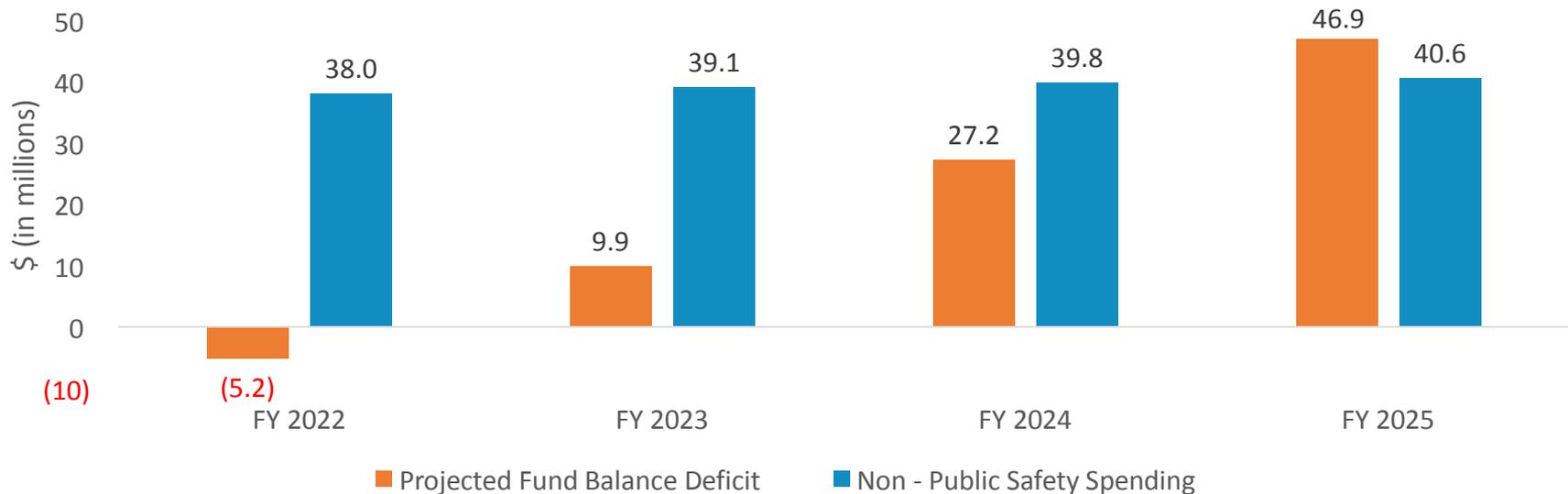
- There are no easy ways to close Rockford's cumulative deficit.
- Due to the City's non-home rule status, its revenue options are limited.
- Public safety expenses and salaries/benefits comprise the majority of the City's expenditures
 - Non-public safety expenses were only 22 percent of Rockford's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



Opportunities for Reform

- Specific recommended initiatives for the City follow. The initiatives herein represent the Network's findings including additional information to inform decision-making and justify specific recommendations.
- 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, could not) be pursued simultaneously. However, the Plan provides the means to fix its structural deficit while identifying resources for re-investment.

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.



More Efficient and Effective Public Safety



Rockford Police Department (RPD)

- With more employees and a larger budget than any other department, City leadership will need to take a hard look at the level of Police Department staffing and operations. The City should aim to continue providing the same level of service with fewer sworn officers and less demand for resources. To do so, the City should maximize time on patrol, reduce domestic violence, invest non-law enforcement dollars in prevention to increase protective factors among at-risk youth, and address group/gang violence.
- To address its budget constraints, Rockford should do the following in order:
 - 1) Complete implementation of the recently approved “notice to appear” ordinance, which will increase the number of hours officers are on the street;
 - 2) Civilianize 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) Invest in a cross-agency crime reduction plan that focuses on prevention and intervention activities, led by a Violence Reduction Coordinator; *and then, based on reductions in crime and workload,*
 - 4) Bring staffing more in line with the city’s population, aligned with a decline in violent crime and calls for service, through department attrition, ultimately reducing FTEs by 22 over five years.

Rockford Police Department (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

Rockford Police Department (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

Rockford Police Department (RPD)

- With more employees and a larger budget than any other department, City leadership will need to take a hard look at the level of Police Department staffing and operations.
- The City should aim to continue providing the same level of service with fewer sworn officers and less demand for resources. To do so, the City should maximize time on patrol, reduce domestic violence, invest non-law enforcement dollars in prevention to increase protective factors among at-risk youth, and address group/gang violence.
- To address its budget constraints, Rockford should do the following in order:
 - 1) Complete implementation of the recently approved “notice to appear” ordinance, which will increase the number of hours officers are on the street;
 - 2) Civilianize 18 sworn FTEs and shift those officers to patrol (specifically crime scene technicians and community service officers);
 - 3) Invest in a cross-agency crime reduction plan that focuses on prevention and intervention activities through a Violence Reduction Coordinator;
 - 4) Bring staffing more in line with the city’s population, aligned with a decline in violent crime and calls for service, through department attrition, ultimately reducing FTEs by 22 over six years.

FY 2019 – FY 2025

Investments and Savings

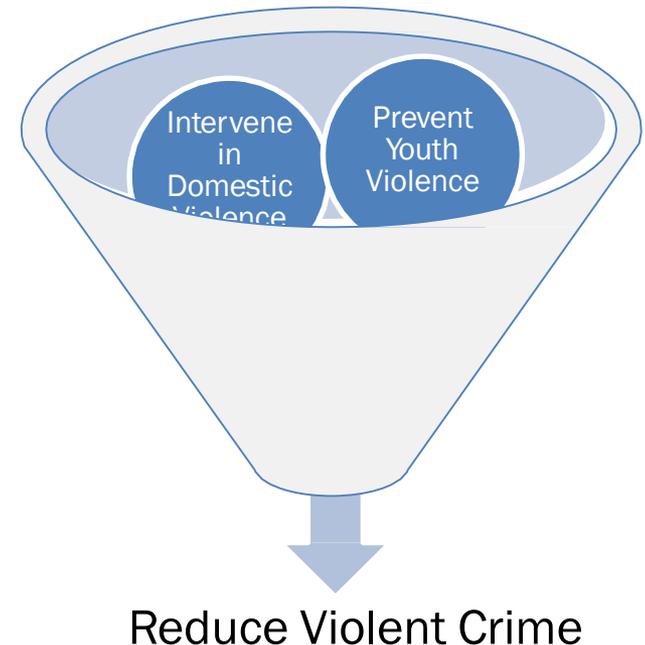
- A cross-agency investment in prevention, policies that increase officer time on the streets, and civilianization that maintains patrol strength will allow RPD to reduce demand on its department resources, and save \$9.3 million through attrition.

	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

Comprehensive Approach to Crime Reduction

- Law enforcement is not the only department with a role in reducing crime. Rockford's multi-agency strategy should include strategies that prevent, intervene and disrupt violent crime. Rockford must then evaluate outcomes on a regular basis to track progress and make adjustments as necessary.
- With a cumulative investment of \$13.0 million in a Violence Reduction Coordinator, initial Family Justice Center staff, school-based prevention programs, and civilianization of 18 sworn FTEs, combined with a phased-in hiring freeze at RPD, Rockford can realize cumulative net savings of \$9.3 million through FY 2025.



Comprehensive Approach to Crime Reduction

- Cumulative Investment through FY 2025 - \$13.0 million
- Cumulative Net Savings through FY 2025 - \$9.3 million

Prevent Youth Violence

- There is a significant evidence base of programs and strategies that work to prevent youth violence. These programs aim to reduce the likelihood that at risk youth will engage in violence.
- Crime prevention plans should include a mix of law enforcement activities and investment in prevention programs, which are a cost-effective means of reducing future involvement in crime.
- School-based prevention programs reach a large number of youth for less cost and without increasing FTEs. In the evidence-based models on the following slide, teachers and other school staff receive training from national experts, and implement the curricula in their classrooms.
- With implementation and coordination support from the Violence Reduction Coordinator and the community, Rockford Public Schools should implement the programs on the following slides in a phased approach, and scale up to add more schools in future years. Initial schools should be those with higher-than-average rates of suspension, expulsion, and truancy.
In Year 4, after one to two years of successful implementation, RPS can select additional schools to scale-up the programs.

Prevent Youth Violence

- Positive Behavioral Intervention & Supports (PBIS) is aimed at reducing behavior problems that lead to office discipline referrals and suspensions, and change perceptions of school safety. The model utilizes behavioral, social learning, and organizational behavioral principles. This program has been implemented in several elementary schools, and can be expanded to additional schools that fit the profile.
 - Target age: Elementary school students
 - Cost to implement over 2 years: \$24,800/school or \$124,000 for 5 schools
- Positive Action is a social emotional learning program that teaches understanding and management of self and how to interact with others through positive behavior, with school climate programs used to reinforce the classroom concepts school-wide.
 - Target age: Elementary and middle school students
 - Cost to implement: \$9,859/school or \$108,449 for 5 elementary and all 6 middle schools
- Safe Dates is a dating abuse prevention program designed to raise students' awareness of what constitutes healthy and abusive dating relationships, as well as the causes and consequences of dating abuse.
 - Target age: Middle school students
 - Cost to implement: \$6,900/school or \$41,400 for all 6 middle schools

Reduce Domestic Violence

- Rockford must make domestic violence a priority in order to reduce crime.
 - RPD reports that 35 percent of violent crimes are domestic-related, and
 - 75 percent of youth arrested for violent crimes in 2016 and 2017 reported being victim of, or witness to, domestic violence in the home.
- The Mayor has established an Office of Domestic Violence and Human Trafficking, which is taking lead on two important initiatives:
 - Family Justice Center: The city received grant funds to plan for and launch the Family Justice Center. Annual staffing for a Director and 2 Case Managers will total roughly \$290,000.
 - Domestic Violence Enhanced Response Team (DVERT), a coordinated response among criminal justice, public safety, and support service leaders. A similar juvenile response team is in its early stages.
- These initiatives will provide a foundation to implement the *Blueprint for Safety*. *Blueprint* is a prototype that links criminal justice agencies together in a coherent domestic violence intervention model.
 - Technical assistance costs up to \$450,000 over several years, but the provider, Praxis International, will help identify grant dollars to fund it.
- RPD received a 3-year Lethality Assessment Program (LAP) grant to align its DV Unit with best practices. Detectives are assigned to cases with high likelihood for lethality and 3 case managers connect victims to services. If the evaluation shows success, it should be maintained beyond the grant period.

Disrupt Violent Networks

- RPD indicated that groups and gangs are responsible for a large share of violent crime. The Gang Unit informally collects information about these networks, but it is neither reviewed consistently nor shared across the department.
- The Regional Planning Council and RPD have held three “call-ins” as part of a focused deterrence approach. The criteria to identify community or probation attendees could be more clear across the department, and RPD has not established a follow-up response to violent activity after a call-in.
- The focused deterrence approach can be enhanced in the following ways:
 - Establish criteria for selecting attendees and regular meetings;
 - Leverage intelligence from the Gang Unit to select people/groups for call-ins and follow-up enforcement responses; and
 - Clarify what triggers a call-in (e.g. enforcement action); what is law enforcement’s response to violent crime after a call-in; types of services offered; how data is tracked and what outcomes are measured, including for Custom Notifications.
- Illinois State’s Attorneys have the authority similar to federal prosecutors to make RICO (conspiracy) cases. RPD should partner with a dedicated ASA to enhance prosecution on guns and groups/gangs.

Optimize Scheduling

- To further increase patrol strength, RPD should consider steps to optimize scheduling.
- RPD currently operates with three shifts on a 4/10 schedule, which results in 30 hours of police officer coverage in a 24 hour period.
- In 2015, RPD piloted 12-hour shifts on a limited basis to better align commanders with the officers they supervised. However, the pilot shift was discontinued after pushback from labor representatives.
- RPD has issued an RFP for a resource allocation study to examine schedule and beat optimization. The study is expected to be available by the end of 2018.
- Once the study is complete, RPD should use its findings to determine whether it wants to move to a different schedule, add a 4th shift, or keep the status quo.

Notice to Appear

- Patrol strength can also be increased through greater use of notices to appear (NTAs).
- Each notice to appear issued in lieu of a physical arrest would return an officer to patrol 62 minutes sooner than they currently do, and could apply to an estimated 2,500 arrests.
- Nationally, 81 percent of law enforcement agencies give officers discretion to use non-custodial arrests for eligible offenses. They can be called a summons, citation, notice to appear, and many other things, but the intention is the same: notify an individual that they are under arrest and must appear in court, without booking them in the jail until that date.
- Non-custodial arrests alleviate some of the workload associated with physical arrests, namely the time spent booking someone.
- On average, a physical arrest removes an officer from the street for 86 minutes compared to 24 minutes for a summons or citation.
- In June 2018, the Rockford City Council passed an ordinance that will allow officers to issue a “notice to appear” in court for certain low-level offenses, eliminating the need to book them in jail. RPD anticipates the policy will go into effect January 2019.

Civilianization and Attrition

- To bring staffing more in line with comparative populations, the City should work to reduce staffing levels through planned attrition. This would reduce staffing by 40 sworn officers over 6 years.
- Through civilianization and reduced demand, RPD can continue to provide the same level of patrol service:
 - RPD should hire civilians specialized in community engagement, outreach and problem solving in the 9 community service positions at a cost of approximately \$455,000 per year. The current community service officers can backfill retiring patrol officers.
 - RPD should hire retired officers in the 9 civilian crime scene technician positions at a cost of approximately \$950,000 per year. The current investigators in those positions can backfill retiring investigators or patrol officers. This move would require changes to the current collective bargaining agreement to allow civilians to be hired as crime scene techs.
- With civilianization, the total impact on headcount is a reduction of 22 FTEs.

RPD Civilianization and Attrition

- FY 2021 Investment in Civilianization - \$1.3 million
- Cumulative Net Savings through FY 2025- \$13.6 million

COPS Grant

- COPS Hiring Program awards federal funds to local municipalities to cover 75 percent of the cost of entry-level salaries and fringe benefits of full-time officers over a 36 month award period.
 - \$625,000 from DOJ
 - \$890,515 match from the City
- In January 2018, Rockford increased sworn headcount by 5 FTEs with COPS funding and must maintain a sworn headcount of 301 through Jan. 2022. Federal funds cover a portion of the salaries only through Jan. 2021.
- The COPS award will limit RPD’s ability to realize savings through civilianization and attrition unless it does one of the following:
 - Demonstrate to DOJ that a local reduction in force (RIF) is necessary and unrelated to the receipt of COPS funding (e.g. fiscal distress, organizational restructuring, or civilianization plans) and that the reduction would have occurred even in the absence of the COPS award; or
 - Return the grant to relieve the Department of the sustained commitment to a sworn headcount of 301 for a longer period than it will receive funds from DOJ.
- If RPD does not receive approval or return the grant, the attrition plan will be delayed until FY 2022 at a loss of \$3.7 million in savings.

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)

- With more employees and a larger budget than any other department except RPD, City leadership will need to take a hard look at the level of Fire Department staffing and operations.
- The City can aim to reduce staffing levels with minimal disruptions to service. To do so, the City will need to expand their prevention-first approach and take other steps to reduce calls and unnecessary transports. With decreased demand, RFD could then move to reduce staffing.
- To address its budget constraints, RFD should:
 - Reduce emergency response calls by expanding Mobile Integrated Healthcare and assigning a registered nurse to 911 dispatch.
 - Explore EMS transport alternatives.
 - Align response times to calls' priority level.
 - Bring staffing more in line with the city's population through a department hiring freeze and attrition of 27 firefighters.
 - Evaluate station locations and study a potential station closure.

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

Expand Community Paramedicine

- Fire departments across the U.S. are working to reduce frequent 911 calls through community paramedicine initiatives. Under those initiatives, firefighters responding to frequent medical calls can refer residents to alternative health and social service programs or telecommunicate with doctors from the response scene to avoid the need for transport, emergency room care and future calls.
- 79 percent of calls to the RFD are for medical calls, which are driving the overall increase in RFD calls for service. Many calls to RFD for medical response are from individuals who frequently call 911. Often these are calls for relatively minor medical incidents and could be avoided with preventative interactions.
- RFD established a Mobile Integrated Healthcare (MIH) program with Swedish American Hospital in 2016 to connect underserved patients to underutilized services in Rockford. This program was expanded in 2017 to include Humana patients, and will expand further in late 2018 with a third position, funded by another managed care organization (MCO).

Expand Community Paramedicine

- RFD can continue its work to drive down the number of 911 calls and associated costs by expanding MIH. This expansion could be achieved through the following efforts:
 - Assign additional firefighters to the program (annual cost = \$168,000 each)
 - Pair MIH firefighters with case managers who are trained to assess the immediate needs of frequent callers and can connect them to appropriate services (annual cost = \$75,000 each).
 - Increased support from hospital partners through an in-kind donation of a Registered Nurse or Nurse Practitioner.
 - Reevaluate the referral process as capacity increases. MIH paramedics should be trained to approach identified “super users”.
- If RPD assigned one more firefighter to MIH, and hired four case managers to support them, the total cost would be \$468,000 in the first year.
 - Masters of Social Work interns may defray these costs if a LCSW is identified to supervise them.

Other Steps to Reduce Medical Calls

- As part of a broader effort to improve medical care in Rockford, the City's Department of Human Services, a non-profit organization, a hospital, or the RFD could coordinate grant funds for ride share/taxi services or bus tokens to transport frequent users to their medical appointments.
- Chief Bergsten expressed interest in having a Registered Nurse (RN) in the 911 dispatch center who could help reschedule doctor appointments and deal with medication issues over the phone so paramedics would not have to respond in person.
 - Based on comparable public sector salaries for an RN, it's expected that this would cost \$87,000 in the first year. Over time, the goal would be for the position to “pay for itself” as part of the larger demand reduction effort.

Transport Alternatives

- If RFD were able to receive reimbursement for transport to entities other than hospitals (e.g. clinics, crisis center, etc), firefighters and ambulances could return to service more quickly.
- However, Illinois state law limits reimbursement to transports to hospitals.
- RFD recently received a waiver from the state that will allow them to pilot a transport alternative, using a \$300,000 grant from the Department of Justice. The grant will allow RFD to transport patients in crisis to a behavioral health center rather than the emergency department.
- This grant is an opportunity to demonstrate to prove the need for, and success of, alternative transport destinations. If the waiver continues to be granted, RFD should continue to explore alternatives like clinics as a means to use its resources more efficiently and return firefighters and ambulances to service more quickly.

Tiered Call Response

- Based on 2017 NFRIS data, 79 percent of calls for service were medical.
- Currently, RFD responds to every call in the same way, regardless of the severity of the incident.
- Clinics ask RFD to transport patients to hospitals, including those who are physically capable of transporting themselves or need to travel a short distance.
- Firefighters have indicated that they would like the discretion to respond less quickly to low-priority calls.
- To alleviate time response pressures, RFD should consider a tiered call response approach.
- Tiered call response would not reduce the number of calls or number of transports, but it could help reduce some of the work load if lower priority calls could be responded to more slowly.

RFD Phased In Attrition + Reduced Mandatory Minimums

- 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, it's recommended to 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

Evaluate Station Locations

- The number of responses per station does not always align with the number of incidents in the area of the station. This misalignment may indicate that stations are not staffed in accordance with the frequency of incidents in their surrounding area.
- RFD staff also expressed concern about increased response time due to the move of Mercy Hospital.
- In 2016, RFD completed a Standards of Cover evaluation, which included an assessment of coverage gaps. In response to the report, RFD swapped the functions of two facilities to optimize coverage.
- RFD should engage a third-party study that looks at the location and staffing of each station to ensure resources are being maximized. After a thorough analysis of demand, response time, and facility age, the City could opt to close one fire station.
- Closing one of the fire stations could affect the City's ISO 2 rating, however the ISO rating is more likely to affect the insurance rates of jurisdictions with ratings of 5 or higher.

Evaluate Station Locations

Station Area/Station	Unit(s)	2017 Incidents by Station Area	2017 Responses per Station
1	Engine 1, Ladder 1/Rescue 1	4,382	5,937
2	Engine 2, Ladder 2/Rescue 2	4,686	6,322
3	Engine 3, Medic 3	1,412	6,165
4	Engine 4	2,030	2,272
5	Ladder 5, Medic 5	2,598	6,002
6	Engine 6, Medic 6	2,165	5,830
7	Engine 7, Medic 7	2,372	4,828
8	Engine 8	1,509	2,035
9	Ladder 9, Medic 9	2,705	6,607
10	Engine 10, Medic 10	2,115	6,644
11	Engine 11, Medic 11	2,357	6,674



Controlling Personnel Costs



Aligning Compensation with Revenue

- At its core, the City's structural deficit is driven by the fact that the growth in employee compensation is outpacing growth in revenue.
- This section of the plan outlines a series of options related to curbing the growth in the cost of compensation and more closely linking growth rates to growth in the City's ability to pay.
- The City should consider total compensation in determining the best steps to curb growth in personnel costs. For example, it may make sense to provide for a form of "gainsharing" where employees benefit from increased salary in return for savings in benefits and other related costs. In the alternative, decisions to keep current benefit levels might be directly tied to limits in salary compensation.
- Additionally, because collective bargaining agreements dictate many of these terms, the City must have a comprehensive strategy for its labor negotiations. Outside collective bargaining, the City has little ability to make workforce changes.

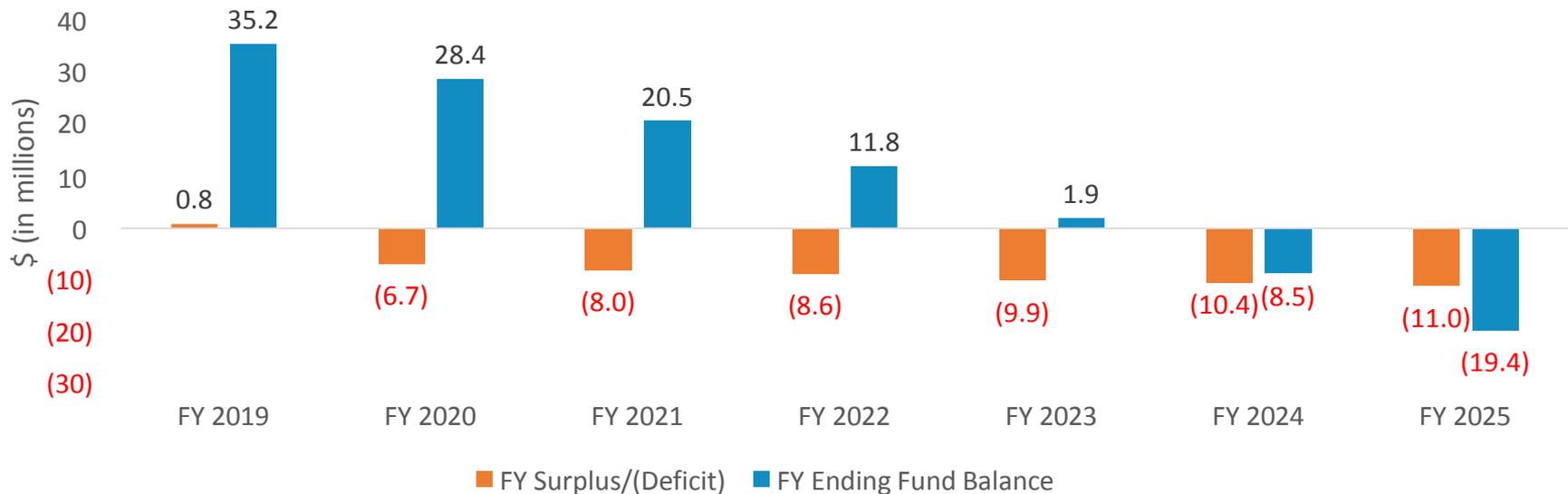
Reforms to Employee Compensation

- The City should review employee total compensation as salary and benefits expenditures make up 72 percent of the City's annual budget.
- The City should aim to align salary and benefits to the City's ability to pay and seek to adjust active health benefits levels to comparator jurisdictions.
- To address its budget constraints, the City should:
 - Conduct a full total compensation analysis for positions in Police, Fire, and AFSCME bargaining groups.
 - Cap year-to-year salary growth by freezing wages or significantly reducing negotiated increases.
 - Evaluate sick leave and longevity pay policies that may be out-of-sync with peer cities' policies.
 - Implement a more formal review process for filling vacant positions.
 - Require Police and Fire employees to contribute to HSA health care premiums.
 - Increase employees' contribution to health care premiums to a level more in line with comparator jurisdictions.
 - Incentivize employees to take advantage of available health care coverage outside of City plans.

Alternate Baseline with Wage Freeze

- If the City froze salaries and wages at FY 2018 budget levels, the resulting cumulative deficit would be \$53.7 million and the FY 2025 ending fund balance would be negative \$19.4 million.
- A wage freeze would save the City approximately \$27.4 million over the seven year period.
- However, even after freezing wages, the projected fund balance would still fall below required levels during FY 2020.

General Fund Budget Projections, FY 2019 – FY 2025

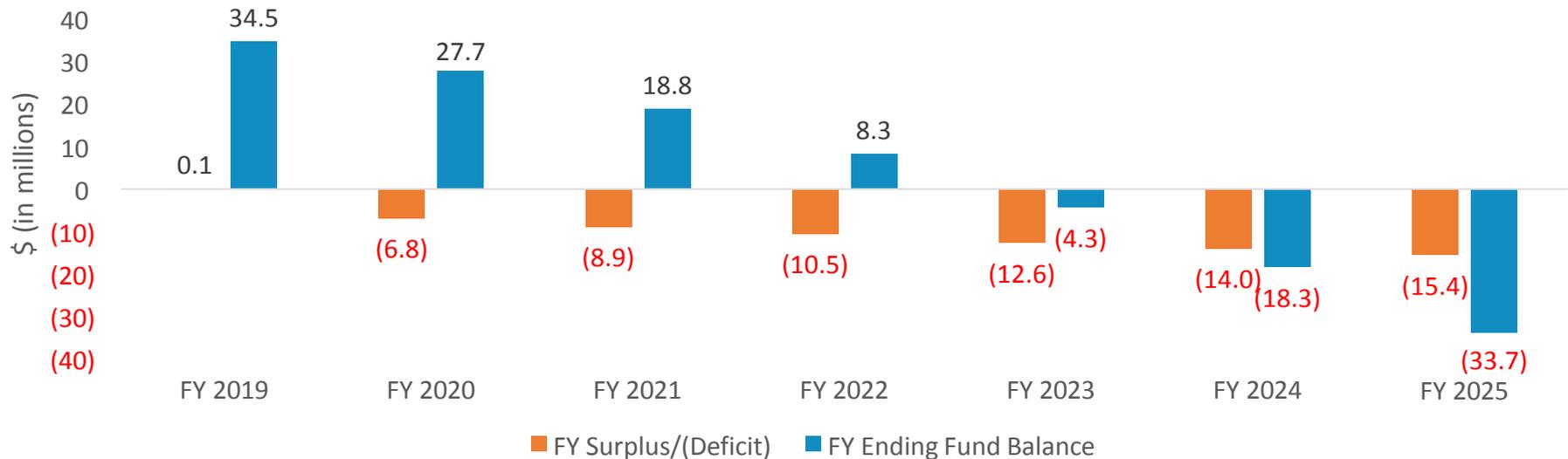


Alternate Baseline

with 1% Wage Growth Assumption

- Limiting salary and wage growth to 1 percent annually over the seven-year projection would result in a cumulative deficit of \$68.1 million and a FY 2025 ending fund balance of negative \$33.7 million.
- If the City reduced wage growth to 1 percent, it would save approximately \$13.2 million over the seven year period.
- However, even after controlling wage growth to 1 percent, the projected fund balance would still fall below required levels during FY 2020.

General Fund Budget Projections, FY 2019 – FY 2025



Evaluate Sick Leave Policies

- Like any kind of paid leave, sick leave can drive overtime expenses higher by creating shifts that must be covered (or backlogs that must be reduced) using overtime. Sick leave absences are typically not planned and management has little time to adjust staff schedules to compensate for the absence without utilizing overtime.
- Rockford's sick leave policies are generous compared to other local and state governments and private sector employers.
- Rockford police can accrue unlimited sick leave and fire staff can accrue up to 2,160 hours.
- As part of evaluating sick leave and vacation policies, the City should also aim to reduce the maximum sick leave payout at retirement.
 - Non – sworn employees or their designated beneficiaries currently receive payment for 75 percent of accumulated sick leave.
 - A maximum of 600 hours of accrued sick leave is eligible for this payment.
- In FY 2017, General Fund sick and vacation pay expenditures were \$5.5 million. Expenses have increased by a compound annual growth rate of 9.6 percent from FY 2013 to FY 2017.

Evaluate Longevity Pay Plan

- Rockford's longevity plan is percentage-based, meaning that any wage increases also increase longevity pay.
 - For each five years of service, IAFF and PBPA employees receive an increase of two percent of the base salary up to a maximum of 10 percent.
 - AFSCME employees also receive an increase of 2 percent of the base salary for each five years of service.
- Based solely on years of service, this form of longevity pay provides no incentive for employees to improve productivity or job performance.
- Moreover, longevity pay is provided over and above annual step pay increments already granted.
- Other public employers experiencing fiscal strain have eliminated, restructured, or frozen longevity pay.
- Rockford should consider freezing longevity at current dollar amounts and eliminating longevity eligibility for new hires.
- The City could also consider converting from percentage-based longevity pay to a flat dollar tiered rate.

Enhanced Vacancy Control

- Vacant positions offer leadership an opportunity to re-evaluate the performance and service level of their division or department.
- In FY 2017, the City filled 51 vacant positions and had 18 approved vacancies remaining. As of January 2018, the City had filled 3 vacant positions, had 9 approved vacant positions, and 3 vacant positions waiting for approval.
- The FY 2018 approved budget includes a net increase of 5.3 new full-time equivalent (FTE) positions from the prior fiscal year. The City administration has held certain positions open to address budget constraints.
- The City does not formally track the length of time positions are left vacant and does not have an additional review policy for positions vacant for extended periods of time.
- Rockford should consider creating a more informed and formalized process for reviewing vacant positions that requires departments to justify the need to fill positions with the HR Director and City Administrator.
- The City should work to ensure that collective bargaining agreements allow the implementation of vacancy control where necessary.
- The City should also consider instituting a partial hiring freeze during the projected period. The freeze would allow City and department leadership to evaluate the productivity and efficiency of current staffing levels to better inform future positions.

Conduct Compensation Analysis

- Rockford has not conducted analysis on the compensation levels of non-represented and Fire employees since 2014 and has not conducted the exercise for Police and AFSCME represented employees.
- While Rockford monitors year to year awards and benefit levels of comparator jurisdictions, the City would benefit from having a greater understanding of how base salary and wages compare to other cities.
- The City should conduct a citywide compensation analysis. The findings of the analysis could influence the City's labor strategy to advocate for total compensation in line with comparators.

Conduct Citywide Compensation Analysis

- FY 2020 Savings - **(\$0.25 million)**
- Cumulative Savings through FY 2025 - **(\$0.25 million)**

Active Health Benefits

- Health insurance costs are the largest expenditure category in the General Fund budget outside of employee salaries and pension contributions.
- The cost of health care premiums are anticipated to grow to \$18.8 million (5.4 percent annually) by FY 2025.
- To address the growing structural deficit, the City should pursue options to reduce its health care costs.
- The City should consider that any changes to employee health insurance contributions will have to be negotiated with the City's bargaining units.
 - Require Police and Fire employees to contribute to HSA
 - Increase employee contributions for health insurance
 - Provide active employees with stipend to pay for benefits from another source
- The City is actively pursuing changes to its health benefits offerings with bargaining groups. Over the course of the plan, the City should continue to make incremental changes to plan design to be more in line with comparators and realize savings.

Require Police & Fire Employees to Contribute to HSA Plans

- Rockford Police and Fire employees do not currently contribute to HSA plan premiums.

– Police and Fire HSA Employee Contributions

HSA Plan	Annual EE Contribution	Payroll EE Contribution	Annual Deductible In-network	Annual Out-of-Pocket In-network
Single	\$0	\$0	\$1,500	\$3,000
Plus One	\$0	\$0	\$3,000	\$6,000
Family	\$0	\$0	\$3,000	\$6,000

– AFSCME and Non-represented Employee HSA Contributions

HSA Plan	Annual EE Contribution	Payroll EE Contribution	Annual Deductible In-network	Annual Out-of-Pocket In-network
Single	\$130	\$5	\$1,500	\$3,000
Plus One	\$260	\$10	\$3,000	\$6,000
Family	\$390	\$15	\$3,000	\$6,000

Require Police & Fire Employees to Contribute to HSA Plans

- 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.

Require Police & Fire Employees to Contribute to HSA Plans

- FY 2020 Savings - \$0.28 million
- Cumulative Savings through FY 2025 - \$1.9 million

Increase Employee Contribution to Health Premium

- Cities across the country are working to identify resources to address growing costs for health care coverage. According to the 2017 Kaiser survey, nationally, workers contribute 18 percent of their average annual health insurance premium for individual coverage and 31 percent of their average annual health insurance premium for family plans.
- Rockford's Traditional PPO is the City's highest enrolled plan (741 of 986 employees) vs. a high deductible plan with a health savings account.
- The City covers 92 percent of the PPO premium cost and 98 percent of the HSA premium cost for employees.

Rockford's Health Plans in Context

- Rockford's comparators require employees to contribute more towards the cost of health insurance premiums.

	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%

Increase Employee Contribution to Health Premium

- Other comparator jurisdictions have made year to year increases in employees' required contribution to health care.
- Champaign required Police employees with individual coverage to begin to contribute a monthly dollar rate towards their health insurance premiums. The dollar rate increased from the 2017 to 2018 plan year.
 - Employees were required to contribute \$20 per month in the 2017 plan year.
 - Employees' contribution increased to \$35 per month beginning in the 2018 plan year.
- Prior to the 2018 plan year, DeKalb covered the full cost of health insurance premiums for Police. Beginning in January 1, 2018 employees are required to contribute 20 percent of the insurance premium.
- Elgin increased employees contribution to health care for Police, Fire, and AFSCME bargaining units for employees hired after July 1, 2012.
 - Police and fire employee contributions increased from 12 to 20 percent.
 - AFSCME employee contributions increased from 15 to 20 percent.

Increase Employee Contribution to Health Premium

- The City should increase the employee contribution to overall health care premiums for all plans to 30 percent by FY 2025 to reduce the City's growing health insurance costs.
- Adjusting the employee contribution incrementally to 30 percent would reduce the City's annual health care burden.
 - The plan recommends incremental increases starting in FY 2020 until the employee is contributing the full 30 percent starting in FY 2023.
 - The City could also realize savings by requiring Police and Fire employees to contribute at the 30 percent level for HSA plans.

30/70 Employee Contribution – Excluding Police and Fire HSAs

- FY 2020 Savings - \$0.96 million
- Cumulative Savings through FY 2025- \$19.9 million

30/70 Employee Contribution – Including Police and Fire HSAs

- FY 2020 Savings - \$1.2 million
- Cumulative Savings through FY 2025- \$25.3 million

Offer Health Benefit Buy-Out

- A subset of City employees have access to other health benefit options (e.g. through a spouse, partner, or secondary employer).
- Rockford could provide a monetary incentive to these employees for waiving City coverage and enrolling in other eligible coverage. This incentive would in-turn limit the City's health care costs and liability.
- Rockford could see annual savings by offering \$100 monthly stipends to opt out of City coverage.
- Other jurisdictions in Rockford's comparator group offer opt-out incentives:
 - Aurora, IL offers all employees \$200 per month (\$2,400 per year) to enroll in health insurance coverage on a non-city plan.
 - DeKalb, IL offers Police employees who elect to opt-out of health insurance coverage upon demonstration of alternative coverage \$57.70 per pay period (\$1,500 per year).

Offer Health Benefit Buy-Out

- If 15 percent of Rockford employees enrolled in non-single plans opt-out of coverage, the City would realize year to year savings.
 - Further, a Buy-out program while moving forward with earlier initiatives to increase employee contributions and require Police and Fire employees to contribute to their HSA would allow the City to realize more savings.

\$100 Monthly Buy-out – 2018 Rates and Contributions

- FY 2020 Savings - \$2.4 million
- Cumulative Savings through FY 2025 – \$16.4 million

\$100 Monthly Buy-out – 30/70 Contributions (w/o Police and Fire HSA)

- FY 2020 Savings - \$5.7 million
- Cumulative Savings through FY 2025 – \$38.8 million

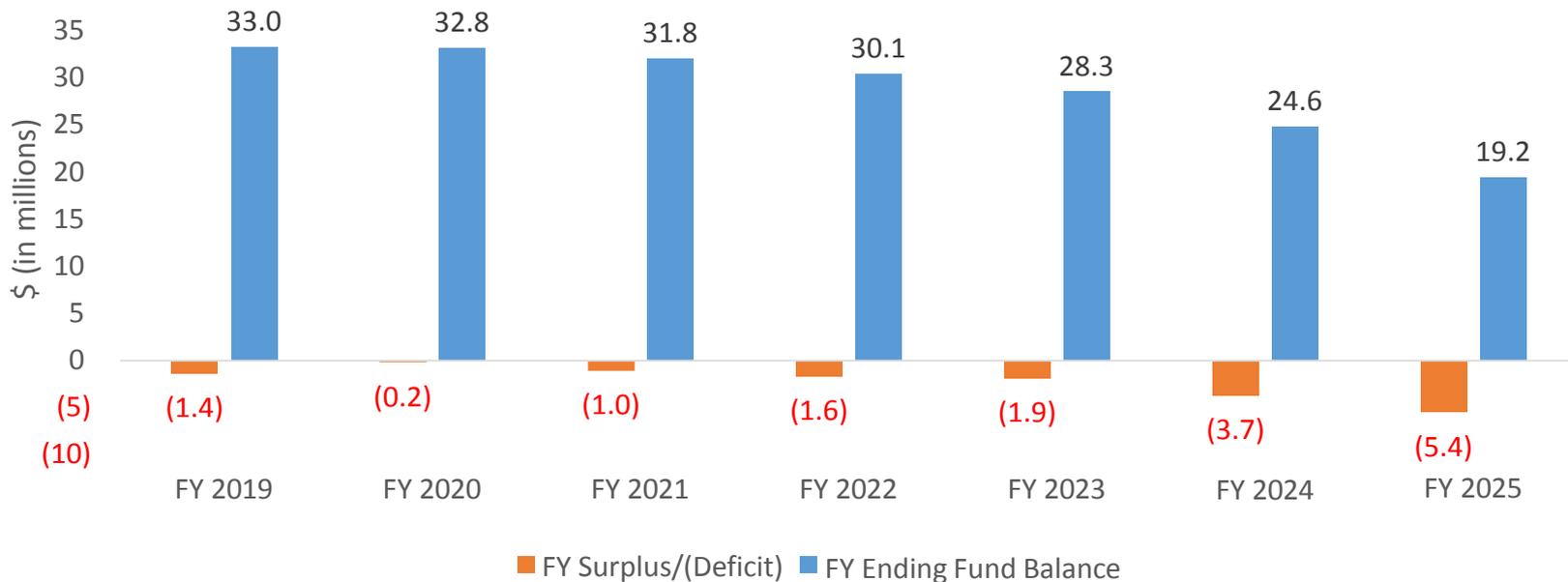
\$100 Monthly Buy-out – 30/70 Contributions (w/ Police and Fire HSA)

- FY 2019 Savings - \$6.6 million
- Cumulative Savings through FY 2025 – \$44.7 million

Alternate Baseline with Public Safety and Health Benefit Changes

- If the City implemented the public safety initiatives and required public safety employees to contribute equally to HSAs, began to pursue a 30/70 active health cost share, offered Health Buy-outs, and maintained a flat property tax levy, the City would still not eliminate out year deficits.

General Fund Budget Projections, FY 2019 – FY 2025



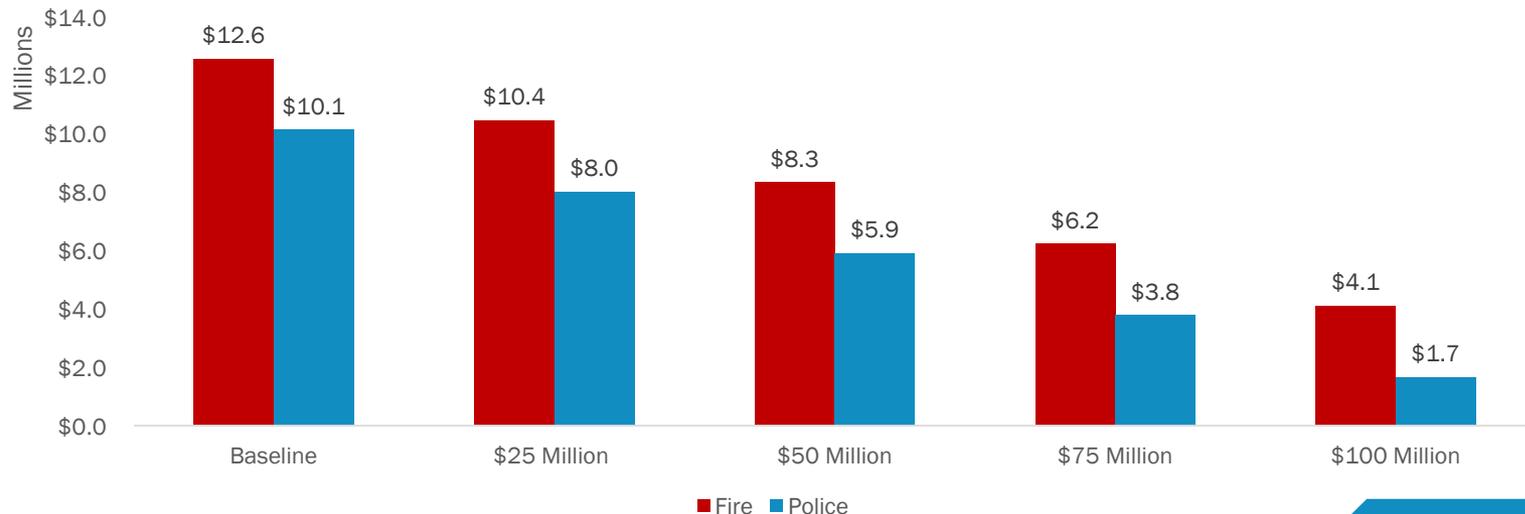
Pension Obligations

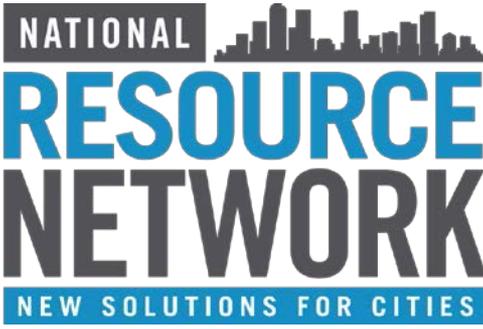
- Rockford has a total unfunded pension liability of \$261 million.
- The City of Rockford is obligated to participate in three different retirement systems for its employees: the Rockford Police Pension Plan, the Rockford Firefighters Pension Plan, and the Illinois Municipal Retirement Fund (IMRF).
- In FY 2017, pension contributions were 12.9 percent of total General Fund expenditures. Pension contributions are expected to grow 59 percent to \$27.9 million by FY 2025, or 15.9 percent of total General Fund expenditures.
- Employee and employer contributions to the IMRF are determined at the State level. Police and Fire pension contributions can also only be changed by the Illinois State legislature, leaving the City's hands tied and unable to adjust employee contributions to relieve some of the pension expense burden. City leaders have begun petitioning the State legislature to make pension changes, and these efforts should be continued.
- In order to close the City's baseline structural gap over the seven-year planning period, a payment of over \$160 million would need to be made against the City's outstanding pension liability by FY 2021.

Pension Contributions

- The City should explore options to pay down a significant portion of its pension liability in the short term to reduce growing annual payments.
- Aligning 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





New Revenue Solutions



Potential Sale of Water System

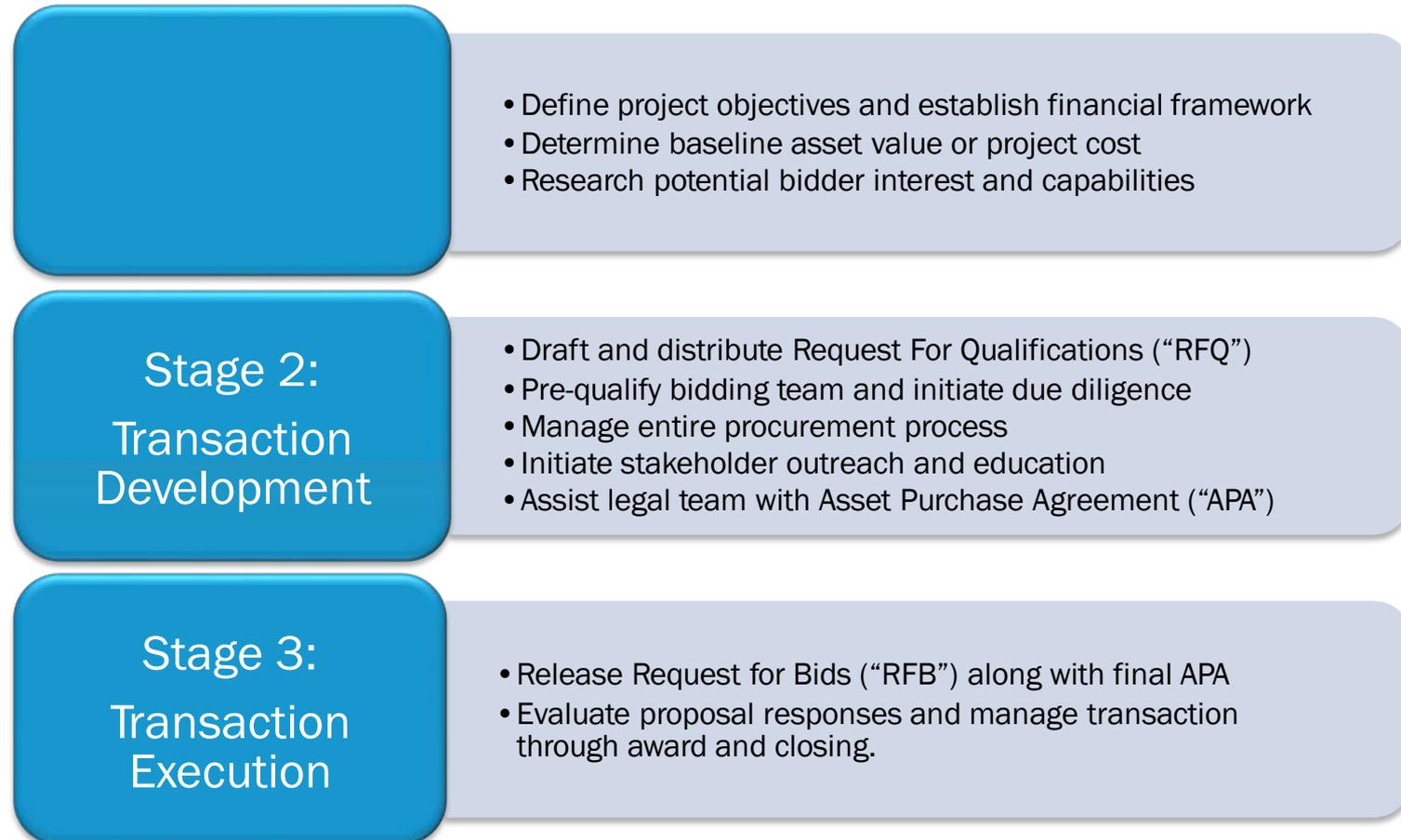
- Based on a very high-level, preliminary analysis, there appears to be potential for Rockford's Water System to be sold at a high value. While utility sales are complex transactions that are not always feasible, the Network team recommends the City explore the potential of selling its Water System.
- To pursue a sale of the water utility, Rockford will need to carefully review potential limitations to the sale including the utility's outstanding debt, capital needs, system structure, and state regulations.
- The Network's preliminary review of the water utility indicate minimal outstanding debt (\$28 million according to the FY 2017 CAFR) and a market for private water that may be interested in the sale. The utility has also kept pace with needed capital improvements and system maintenance.

Potential Sale of Water System

- Other jurisdictions have realized large proceeds from similar transactions. The City of Allentown, PA leased their water/sewer systems to a neighboring County Authority in 2013 for a 50-year term and received \$220 million up-front + \$500K annually.
 - The proceeds were used to stabilize the city's rapidly growing unfunded pension liability and provide a foundation for fiscal stability.
- The City of McKeesport, PA was in extreme financial distress and was considering the equivalent of municipal bankruptcy. The City sold its regional sewer system to American Water in 2017 for \$159 million.
 - The proceeds gave the City the ability to pay off debt and begin instituting long-term financial changes to fix structural problems.
- 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.

Monetization Initiatives

- Monetization of Rockford’s Water Utility or other assets would likely follow the below process over one to three years to realize monetization.



Water Fund PILOT

- 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.
- Though not currently common in Illinois, other municipalities across the country receive similar PILOTs.
 - Springfield, IL receives a 5 percent PILOT totaling \$8.4 million in FY 2018 from its municipally owned City Water, Light and Power (CWLP) utilities.
 - Columbia, MI receives a General Fund PILOT from its Water and Electric Utility Fund of (17.6 million) at the amount equal to the taxes that would be charged for utilities if the utility were privately owned.
 - Richmond, VA receives a General Fund PILOT from its Water and Wastewater Utility Fund totaling \$27.8 million in FY 2017.

Water Fund PILOT

- The water fund currently reimburses the General Fund for personnel-related expenses. This transfer was around \$2.4 million in FY 2017 and is anticipated to grow by 3 percent annually.
- The City could realize additional General Fund revenue over the seven-year period by adopting a 5 percent Water Fund PILOT.

Charge the Water Fund a 5 Percent PILOT

- FY 2019 Revenue - \$1.5 million
- Cumulative Revenue through FY 2025 - \$11.7 million

Other Revenue Initiatives

- 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.
- To address budget constraints and generate additional revenue, the City should consider the following initiatives:
 - Consider charging for on-street parking or privatizing the parking system.
 - Review ambulance fee collection process and evaluate options for increasing ambulance fee payment without criminalizing non-payment.
 - Align city fees with service costs by conducting a comprehensive fee study.
 - Pursue market-based revenue opportunities.
 - Consider tax-exempt payment in lieu of taxes (PILOTs) and service in lieu of taxes (SILOTs).
 - Institute fees and fines for rental unit or property registration.
 - Institute vacant property registry and fee.
- 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.

Property Taxes

- Rockford's largest source of General Fund revenue is from property taxes.
- There are a number of steps the City could take to potentially increase property tax revenue without increasing property tax rates:
 - Cap non-city property tax levies to ensure levy increases are directed towards the City using the Mayor's appointment authority over taxing district boards.
 - Evaluate property assessment practices to ensure Rockford's equalized assessed value is in line with comparable communities.

Charge for On-Street Parking

- In FY 2017, the City generated \$1.5 million in parking fees and fines. This revenue pays for the City's parking vendor and other personnel costs associated with parking services.
- The City could realize additional revenue from charging for on-street parking, while being sensitive to demand and concerns from residents and businesses.
- City staff have estimates from vendors and should develop a plan for establishing on-street parking charges.
- As part of establishing on-street parking charges, the City should also consider reducing or eliminating employee parking benefits.
 - In FY 2017, the City paid around \$267,000 towards the cost of employee parking.

Charge for On-Street Parking

- Four of Rockford’s peer cities levied charges for on-street parking: Aurora, Champaign, Joliet, and Peoria.
- Rockford has the third-highest number of public parking spaces available per 1,000 capita among peer cities examined.

	Charge for On Street Parking?	Public Parking Spaces per 1,000 Capita
Rockford, IL	No	28
Aurora, IL	Yes	14
Bloomington, IL	No	12
Champaign, IL	Yes	45
Joliet, IL	Yes	20
Peoria, IL	Yes	78
Median (Excl. Rockford)	N/A	20
Rank	N/A	3 of 6

Charge for On-Street Parking

- In FY 2017, Rockford generated the lowest parking fine revenue per 1,000 residents among peer cities.
- Cities that charge for on-street parking such as Champaign, Joliet, and Peoria generated, on average, nearly twice as much parking revenue per 1,000 residents than Rockford.

FY 2017 Parking Revenue per 1,000 Residents

	Parking Fine Revenue	Parking Fee and Permit Revenue	Meter Income	Total Revenue
Rockford, IL	\$168	\$9,712	\$0	\$9,879
Aurora, IL	\$1,605	\$906	\$0	\$2,511
Bloomington, IL	\$909	\$2,667	\$0	\$3,576
Champaign, IL	\$7,440	\$10,393	\$13,180	\$31,014
Joliet, IL	\$5,274	\$6,583	\$0	\$11,856
Peoria, IL	\$19,340	\$0	\$0	\$19,340
Springfield, IL	\$2,441	\$0	\$4,321	\$6,763
Median (Excl. Rockford)	\$3,857	\$1,787	N/A	\$9,310
Rank	7 of 7	2 of 7	N/A	4 of 7

Charge for On-Street Parking

- The City has conducted its own analysis of charging for on-street parking.
 - To estimate potential revenue from on-street parking, the City assumed it would use a mobile parking app to charge \$2/hour for its 1,800 available on-street spaces. The City also assumed 3.5 and .75 turns per day for 120 minute and 540 minute spaces respectively. The City assumed payment compliance of 70 percent and that a \$0.30 convenience fee would be charged to customers.
- Based on these assumptions, the City could generate \$1.1 million in revenue after netting out associated costs such as signs.
- Assuming parking rates and associated expenses grow with inflation, Rockford could potentially realize a total of \$8.4 million in revenue from on-street parking over the seven-year period.
- This additional revenue could help stabilize the City's Parking Fund, which has ended prior years in a deficit.

Charge for On-Street Parking

- FY 2019 Revenue - \$1.1 million
- Cumulative Revenue through FY 2025 - \$8.4 million

Ambulance Fee Collections

- From June 2017 to July 2018, 50.35 percent of ambulance fees were collected, excluding payments from Medicare and Medicaid.
- Though RFD's collection rate is within the national baseline of between 44 percent to 56 percent net effective collection rate (depending upon whether transport is for BL, ALS-1, or ALS-2 transports), there is potential for RFD to improve collection rates without criminalizing non-payment.
- Rockford could work with its third party collector to explore a number of strategies to increase collections or implement related charges used in other jurisdictions:
 - Improve quality assurance and documentation of patient information.
 - Improve data matching between hospitals and City billing data.
 - Design process to bill EMS co-pays sooner to improve co-pay collection rate.
 - Implementing a discount program for uninsured EMS patients and moving to secondary collections sooner.
 - Improving quality assurance and documentation inputs.

Ambulance Fee Collections

- If the ambulance fee collection rate could be increased to 52 percent through the aforementioned strategies, RFD could realize \$0.2 million in additional revenue in FY 2019 and \$1.4 million in additional revenue over the seven-year period.
- The table below demonstrates the potential additional revenue RFD could realize depending on the collection rate:

Collection Rate	Additional Annual Revenue in FY 2019	Additional Cumulative Revenue FY 2019 – FY 2025
52%	\$191,805	\$1,438,909
55%	\$541,197	\$4,060,031
60%	\$1,123,517	\$8,428,567
65%	\$1,705,838	\$12,797,104
75%	\$2,870,478	\$21,534,176
85%	\$4,035,119	\$30,271,249
100%	\$5,782,080	\$43,376,858

Increase Ambulance Fee Collection Rate to 52 Percent

- FY 2019 Revenue - \$0.2 million
- Cumulative Revenue through FY 2025- \$1.4 million

Align City Fees with Service Costs

- Rockford should conduct a comprehensive review of its fees and fines.
- Fee studies allow municipalities to assess their fees and charges for services and evaluate whether any particular fees should be increased to match those of comparable cities and/or the cost of providing the relevant services.
- While the City updates fees annually, it has not done a comprehensive analysis that considers the costs of personnel, service levels, and comparator rates.
- As part of the fee study, the City should also consider adding new fees and fines as permissible with non-home rule status.
- If the comprehensive fee 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.

Conduct a Comprehensive Fee Study

- FY 2019 Revenue - \$0.19 million
- Cumulative Revenue through FY 2025 - \$1.7 million

Pursue Market-based Revenue Opportunities (MBROs)

- A growing number of local governments have entered into agreements known as market based revenue opportunities (MBROs) to generate additional revenue.
- MBROs include allowing advertising on City property, auctioning naming rights for municipal properties, sponsorships of events, and food concession rights. MBROs can be flexible in design in order to meet the City's needs while providing additional revenues.
- Within Illinois, the City of Joliet sells advertising space on its downtown street pole lights through its "Boulevard Banner" program. Joliet charges around \$245 for each banner.
- The City of Chicago has also used MBROs to generate significant revenue. The City passed a Municipal Marketing Ordinance in FY 2013, which authorized the creation of a Digital Billboard Network for 34 sites on the City's express ways and on 400 BigBelly trash cans in the downtown area. The agreement is expected to bring in more than \$155 million over the 20-year contract. Prior to the agreement, the City received \$1 million from its 1,300 billboards.

Pursue Market-based Revenue Opportunities (MBROs)

- Rockford's City Council has previously considered MBRO strategies such as private ad water bill inserts. Other MBROs could include private ads on city vehicles, websites, parking structures, and other city spaces.
- With the help of a broker, Rockford should pursue an MBRO strategy by establishing a policy framework for such opportunities focused around economic or community development.
- At this juncture, it is not possible to project a potential revenue stream for this initiative; however, the associated revenue would not be likely to have a large impact on the City's budget, but could meaningfully offset select expenditures as part of a broader plan to increase the diversity of City revenues.

Tax Exempt PILOT or SILOT

- Payment in lieu of taxes (PILOTs) and service in lieu of taxes (SILOTs) are mechanisms for municipalities to recuperate the foregone property tax of non-profit and tax exempt entities.
- The State of Illinois allows for the creation of payment in lieu of taxes (PILOTs) between municipalities and tax exempt entities for the direct and indirect cost of services provided by the district. The agreements can be entered in for five years and renewed at the end of each five year period.
- Although the Winnebago County Assessor does not keep information on the value of the City's tax exempt properties, the Network has identified a number of potential entities, such as hospitals, that may participate in a PILOT/SILOT program.
 - While not a formal SILOT partnership, SwedishAmerican Hospital recently announced a partnership with an area non-profit to reduce the number of patients funneling through emergency rooms. SwedishAmerican's initiative directly relates to the City's emphasis on community paramedicine and would aid the City in driving down related costs in the Fire department.
- Other jurisdictions receive annual payments to offset General Fund spending and local community priorities.

Tax Exempt PILOT or SILOT

- Evanston, IL receives a \$350,000 annual PILOT from Northwestern University beginning in FY 2017 corresponding to the property taxes associated with new parcels the university acquired from the City. Further, the University agreed to donate \$1 million annually beginning in FY 2015 to the City's Good Neighbor Fund to support City facilities and services.
- In FY 2016, 49 of Boston's hospitals, higher education institutions, and cultural institutions provided community benefits and cash PILOT payments totaling \$32.1 million nearly 8 percent of their taxable value.
- Springfield, MA collects \$2.1 million annually from PILOTs. The FY 2017 budget also notes developing policy for negotiating PILOT payments to increase revenue and reflect the services provided to non-profit entities.
- In FY 2016, Providence, RI received \$8.2 million in PILOT payments – primarily from just four higher education institutions.
 - PILOT payments by these six institutions represent approximately 6.8 percent of their taxable obligation if not tax-exempt.
 - Lifespan, a local health system, contributes \$400,000 annually in lieu of taxes to the City, with a seven-year PILOT total of \$3.6 million to the City.

Institute Rental Registration Fees

- Like other cities across the country, Rockford uses rental property registration as a mechanism to monitor the quality and standards of rental housing units.
- Rockford has just over 12,000 rental properties registered with the City. Department leaders note that the current program has an 80 percent rate of compliance.
- Many home rule jurisdictions associate a fee with rental registration to offset the cost of monitoring units and for related registration inspections.
- Given the City's lack of home-rule status, there may be restrictions on the use of fee revenue, but the City is actively engaged in a effort to explore all available options.
- Rockford should start charging fees for rental registry on a per unit basis.
 - Associated with the registration fee, the City could offer discounts to landlords who are registering a larger number of units on one property or who comply with related training.
 - Peoria offers a \$75 discount off of its \$150 unit registration fee for those who attend a Landlord Training Program.

Institute Rental Registration Fees

- Six of Rockford’s eight comparators have a fee associated with registration.
- All of the comparators use a tier fee structure that incorporates a base fee with incremental increases depending on the number of units or dwellings.

	1 Unit	2 Units	5 Units	10 Units	20 Units
Peoria	\$150	\$190	\$250	\$350	\$550
Aurora	\$90	\$125	\$150	\$300	\$400
Elgin	\$71	\$71	\$71	\$107	\$178
Bloomington	\$65	\$65	\$90	\$115	\$165
DeKalb	\$50	\$81	\$126	\$203	\$355
Joliet	\$50	\$80	\$140	\$296	\$484
Median	\$68	\$80	\$133	\$249	\$378

Institute Rental Registration Fees

- Rockford should implement a rental registration fee assessed on the number of units at a particular property. Using 2017 ACS estimates, Rockford could assess fees on over 25,691 units. Annual revenue ranges from \$1.3 to \$3.0 million based on the fee outlined below.
- The City could also consider charging an annual fee per property. With 12,839 rental properties currently registered, the City could see \$0.6 to \$1.5 million in annual revenue based on the fee levels outlined below.

Annual Fee	Annual Revenue (Per Unit Fee)	Annual Revenue (Per Property Fee)
\$50	\$1,278,640	\$641,950
\$80	\$1,644,244	\$1,027,120
\$100	\$2,055,280	\$1,283,900
\$120	\$2,466,336	\$1,540,680

Institute Rental Registration Fees

- Rockford should also implement re-inspection fees and penalties for non-compliance. If Rockford adopted a similar fee structure to Elgin, the City could anticipate additional revenue for unit based registrations.

Fee	Fee Amount	Estimated % of Total Units	Annual Revenue
Re-inspection (following a prior inspection)	\$50	35%	\$499,592
Late payment on any fee 30-60 days overdue	\$50	0%	-
Late payment more than 60 days overdue	\$75	0%	-
Canceled or missed inspection	\$50	0%	-
Suspended license	\$100	5%	\$128,455
Revoked license	\$500	1%	\$128,455

Institute Vacant Property Registry and Fee

- Vacant property registration is a common mechanism to drive compliance for code and maintenance standards for vacant properties. The fee is intended to reduce blight and fund related code enforcement activities.
- Most comparators assess a vacant property registration fee. Fees in other Illinois cities are \$200 or \$250, with additional requirements for insurance.
 - Jurisdictions also include surcharges for multiple renewals to encourage property owners to occupy vacant properties.
- The City should start a vacant property registry and charge a \$250 annual registration fee.
- According to 2017 ACS estimates, the City has 2,170 vacant properties. Assuming a 5 percent reduction in the number of vacant properties per year, the City could see \$0.54 million per year in new revenue.
- Again, given the City's lack of home-rule status, there may be restrictions on the use of fee revenue, but the City is actively engaged in a effort to explore all available options.

Home Rule Revenue Opportunities

- 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

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.
 - Rockford is also more dependent on property taxes than peer cities because it does not have the ability to capture revenue from visitors.

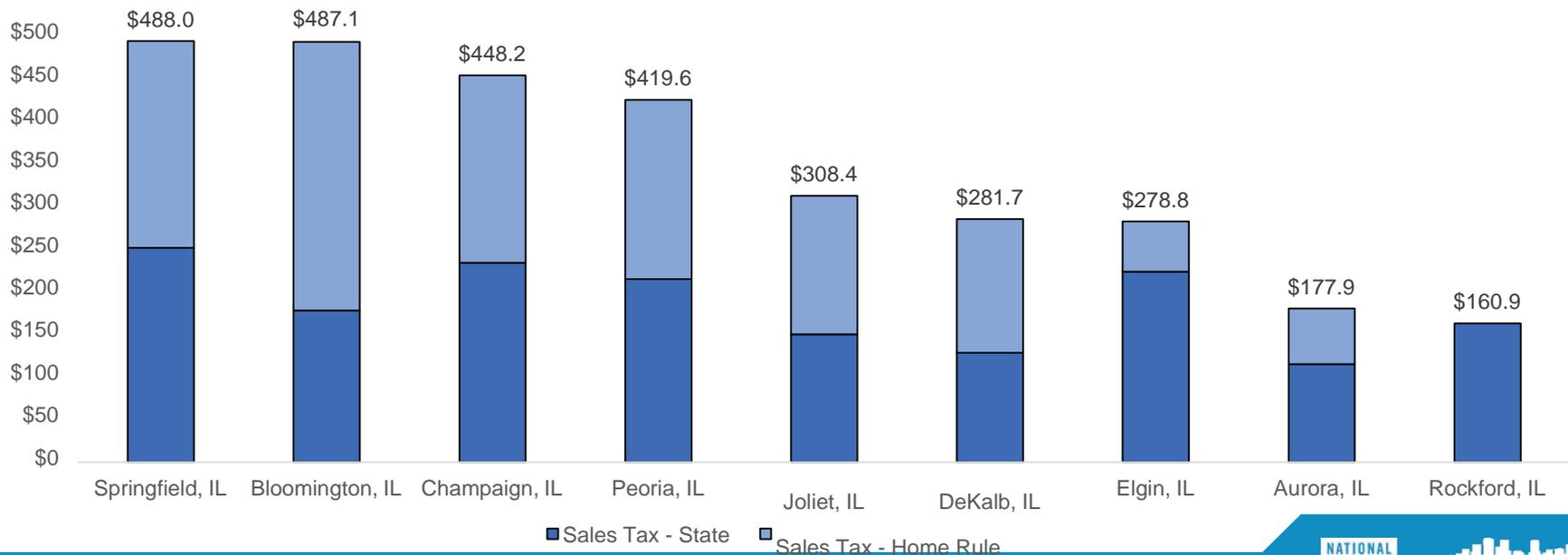
FY 2018 Budgeted Tax Revenue Per Capita, Rockford and Comparable Cities



Home Rule Revenue Opportunities

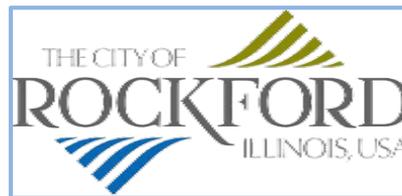
- Rockford generates 47 percent less sales tax revenue per capita than the median among comparable cities with home rule status.
- Home rule municipalities have the authority to impose a “home rule sales tax” with no maximum rate limit without voter approval. Non-home rule municipalities have a sales tax rate limit of 1 percent, which Rockford currently assesses.
- The home rule municipalities examined budgeted an average of \$18.1 million in home rule sales taxes for their FY 2018 General Funds.

FY 2018 General Fund Budgeted Sales Tax Revenue, Rockford and Comparable Cities





Regionalization and Efficiency



Staffing Compared to Peer Cities

- Rockford is above the median of its peer group for FTEs per 1,000 residents as a result of the number of public safety personnel.
- Rockford is also the only City that is responsible for providing health, welfare, and social services (typically a County-level function).

FTEs Per 1,000 Residents

Function	Rockford, IL	Median (excl. Rockford)	Percent Deviation	Rank
General government	0.42	0.75	-44%	9
Public Works	0.58	0.59	-1%	5
Health, welfare, and social services	0.59	0.00	N/A	1
Parks, recreation, and cultural	0.59	0.65	-10%	6
Community Development	0.07	0.15	-51%	8
Public Safety	4.49	3.69	22%	2
Total	6.74	6.03	12%	2

Staffing Compared to Peer Cities

- Rockford’s health, welfare, and social services FTEs are mostly employees funded by the federal Head Start program. Excluding these FTEs and Public Safety FTEs, Rockford is below the median of FTEs per 1,000 residents in its peer group.
- In May, the City laid off 15 Head Start teachers and seven bus. Upon receiving federal approval, the City partnered with the Rockford Public Schools to increase full-day preschool by 45 seats. The City also plans to open a new parent and child resource center in January of 2019.

FTEs Per 1,000 Residents (excluding Health, Welfare, and Social Services FTEs)

Function	Rockford, IL	Median (excl. Rockford)	Percent Deviation	Rank
General government	0.42	0.75	-44%	9
Public Works	0.58	0.59	-1%	5
Parks, recreation, and cultural	0.59	0.65	-10%	6
Community Development	0.07	0.15	-51%	8
Public Safety	4.49	3.69	22%	2
Total	6.15	6.00	2%	4

Staffing Compared to Peer Cities

- In fact, Rockford is near the median of the peer cities 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 the City is doing more with less and 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

Efficiency Initiatives

- To find more efficient models of service provision and address its budget constraints, the City should:
 - Review city vehicle utilization
 - Consider pursuing a managed competition process to potentially outsource city services.
 - A managed competition process for the Rockford Mass Transit District 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.
 - 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 Rockford Public Schools, Winnebago County, and the Park District.

City Vehicle Utilization

- Rockford has a vehicle replacement policy based on the determined service life for each vehicle type.
- The City uses tax-exempt municipal leases for financing then sells the vehicle at the end of its service life.
- The City should review utilization of each vehicle as a first step to identifying opportunities of efficiency. The City could conduct a “full-time vehicle equivalent” (FTVE) analysis to identify vehicle reduction targets.
 - The FTVE would allow the City to identify a minimum mileage threshold for annual vehicle use.
 - Upon FTVE analysis completion, the City could move forward with alternative vehicle options such as use of a central vehicle pool based on vehicle usage by location, department and position.

City Vehicle Utilization

- Take Home Vehicles is another area where the City could realize savings by implementing best practices.
- Currently, the City has 62 take home vehicles with the majority (43) distributed in the Police department.
- The PBPA has a contract stipulation that gives Primary On-call personnel the option to be assigned a take home vehicle. While Police personnel are entitled to a take home vehicle, many do not live within the City of Rockford and take vehicles outside of city limits daily.
- The City should evaluate it's current take home vehicle inventory and usage and create a formal take-home vehicle policy. The policy should note stipulations for take home vehicle use and reductions as well as outline alternatives like vehicle stipends.
 - It is important to note that the City will likely have to negotiate with the PBPA bargaining group to implement changes of the City's take home policy.
- Reductions in the City's vehicle utilization and take home vehicle policy could realize savings in fuel, maintenance, future vehicle leases.

Managed Competition

- The City maintains the right to contract out any work of any kind and to set standards of service to be offered to citizens.
- Outsourcing decisions can be subject to a “managed competition” process where City staff bids against private service providers to compete on cost.
 - When considering managed competition, the Government Finance Officers Association recommends that governments identify and evaluate service level, cost, efficiency, effectiveness, quality, customer service, and the ability to monitor the service provider’s work.
- A managed competition process allows the City to explore alternative models without committing to a particular course of action.
 - Cities like Charlotte, NC and Phoenix, AZ have used managed competition and realized savings. Charlotte conducted approximately 60 competitions from 1994 to 2010 and saved \$10 million dollars in the areas of transportation, neighborhood development, garbage collection and water treatment. Phoenix has leveraged managed competition since 1979 and realize annual savings of \$1.2 million per year.

Managed Competition

- The competitive process associated with Managed Competition helps to develop and ensure that costs remain low. Even in cases where the initial cost for contracting is higher, research indicates that a price differential of less than 10 percent between government in-house costs and private sector contract costs can encourage the process of cost savings.
- For services that are cheaper to provide “in-house,” regionalization and shared services arrangements across governmental entities should be explored.
- A managed competition process for the Rockford Mass Transit District might improve transportation services while eliminating or reducing the City’s fiscal obligation.

RMTD Alternatives

- The City, along with funding from Federal and State governments, currently finances the operating deficits of the Rockford Mass Transit District (RMTD).
 - Most comparators leverage a dedicated tax levy (authorized through home-rule) to fund non-Federal and State financing for transit.
- Rockford contributes \$1.5 million annually to RMTD from the City's General Fund.
- RMTD should consider a number of alternatives to increase revenue or reduce cost to decrease the General Fund subsidy by 20 percent.
 - Increase RMTD fare rates.
 - Explore Managed Competition for RMTD services.
 - Pursue home-rule status and dedicate tax funding to offset General Fund dollars

RMTD Alternatives

- In February 2018, Rockford Aldermen rejected a proposed 20 percent RMTD funding cut proposed by the Financial Task Force.
- RMTD rates were last increased in FY 2009 from \$1.00 to \$1.50.
- Recognizing that public transportation is often utilized by low income residents and seniors, the District has a discount program to provide free or reduced fares for some riders.
 - New York City, the Nation's largest transit system, created a new discount program in 2018 that cuts the cost of fare rates in half for residents living below the federal poverty line.

RMTD Alternatives

- Rockford should consider contracting with a private entity to provide or supplement transit services.
- PACE provides fixed route bus and paratransit services to municipalities across the state of Illinois. In FY 2018, PACE will contract with two private transit providers for fixed route service in 48 different communities.
- The Greater Peoria Mass Transit District, City Link, contract with a private transit company to offset local staff. The FY 2019 budget notes an additional contracted position as a cost saving measure to improve cost effectiveness and operation efficiency in the system's Operations area.
- Nationally, municipalities leverage private entities to provide or supplement transit services.
 - Bloomington, IN contracts with a private entity for fixed route bus service.
 - New Orleans, LA contracts with a private company to provide fixed route and street car service.
 - Waco, TX contracts for fixed route bus services.

Conduct a Facilities Space Review

- The City currently owns and maintains around 960 properties totaling 65.7 million square feet.
- Of these properties, around 400, or 41.5 percent, are listed as vacant. These properties total approximately 10.2 million square feet.
- The City needs a formalized process to dispose of property. They have had recent success with selling properties on MLS, or “Multiple Listing Service”.

Vacant Land by Zoning Designation	Square Footage
Industrial	2,810,078
Commercial	3,410,128
Residential	2,778,282
Urban Mixed Use	541,674
Limited Office	125,510
Not Zoned/Other	522,335
Total Vacant Square Feet	10,188,008

Conduct a Facilities Space Review

- Rockford should review opportunities to sell or repurpose underutilized or vacant city properties.
- In addition to the potential revenue from the sale of such properties, the City would also reduce expenditures for servicing the buildings, including maintenance and utilities.
- If the City's review of its underutilized and vacant properties identifies opportunities for disposal it could use the one-time revenue to support one-time funding needs for capital spending
- Development of vacant lots could also help expand the City's property tax base by increasing the City's equalized assessed value.

Conduct a Facilities Space Review

- The Property Division of the Public Works Department employ one Supervisor and ten maintenance repair workers to oversee the all of the City's municipal properties.
- The Division adopted a FY 2018 budget of \$3.5 million.
- The City may realize some maintenance savings by eliminating the number of facilities the Property Division staff are required to maintain.
- The City could save \$1.3 million over the seven year period by reducing the Property Division budget by 5 percent due to reductions in supplies and materials, or staff attrition.

Reduce Maintenance Costs as a Result of Facilities Space Review

- FY 2019 Savings - \$0.18 million
- Cumulative Savings through FY 2025- \$1.3 million

Create Productivity Bank

- A productivity bank is 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. Examples could include purchasing more efficient equipment that could lower future operating costs or technology upgrades that could enhance staffing deployment and utilization.
- In other cities, projects included upgrading computer systems for improved delinquent tax collection, up-front funding of energy-efficient light bulb replacement efforts, etc.
- Establishing a productivity bank can also serve as a means of fostering a culture of performance and provide opportunities for employees to develop creative solutions to eliminate inefficiencies within their own departments.
- Rockford could capitalize a productivity bank with a small portion of the savings achieved from successful implementation of other initiatives in the Plan. Doing so would provide the City with a perpetual funding mechanism to implement cost-saving approaches that require up-front funding.

Regionalization Initiatives and Shared Services

- As the largest municipality in the region, Rockford provides services that may benefit other jurisdictions. By charging for these services or allocating costs to recipients, the City could increase revenue and/or reduce expenditures.
- The City has a number of intergovernmental and service agreements with the County and Park District to provide mowing and other maintenance services.
- Rockford should review other opportunities to provide regional services to and with other municipalities in the region – including, but not limited to potential opportunities in:
 - Dispatch services
 - Fleet management/maintenance
 - Library services and branch operations

Regionalize 911 Dispatch Services

- Rockford has recently agreed to take on 911 dispatch services for Winnebago County when requested.
- The County has agreed to pay the City \$13,500 per week for the services in addition to sending a county 911 worker to the City's 911 dispatch center.
- City and County leaders have discussed consolidating 911 services to improve efficiency and potentially reduce costs but no decisions have been made.
- A recent report commissioned by the Emergency Telephone Systems Board (ETSB) recommends a new governance structure for the County 911 operations, and eventual consolidation between the city and county, but not immediate. The initial report stated that dispatch services should be governed by Rockford.
- The report says only one recommendation will provide cost-savings, full consolidation, which would move Rockford's services to the County. Pending the discussions about oversight and governance, moving towards full consolidation may be a logical next step.

Fleet Management/Maintenance

- Rockford should consider alternatives to in-house fleet management and maintenance.
- The City could instead pursue more cost-effective opportunities like alternative to internal performance of maintenance and repair. Doing so, the City could privatize/outsourcing maintenance and repair – either completely, or for specific repairs (e.g. glass replacement).
- Rockford should also consider use of vendor-managed parts warehousing as an alternative to managing in-house. In this model, the vendor maintains the parts inventory on-site and manages all aspects of procuring/supplying/tracking/invoicing.
- Making changes to how the City manages and maintain its fleet may realize efficiency savings.

Regionalize Public Libraries

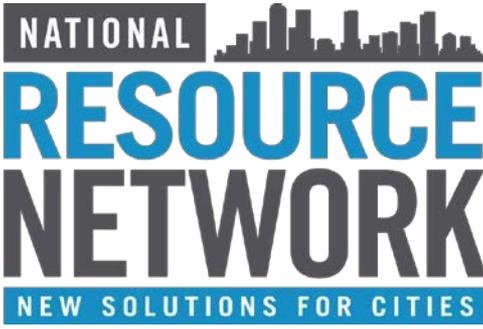
Rockford Public Library:

- Rockford’s Public Library is mostly funded by a separate property tax levy. For FY 2017, total revenues were \$8.7 million.
- Rockford has the second highest FTEs per 1,000 residents and branches per 1,000 residents among peer cities that operate public libraries.
- Though independent, the Mayor appoints all members of the Library Board of Directors.

	2017 FTEs	2017 FTEs per 1,000 Capita	Number of Branches	Branches per 1,000 Capita
Rockford, IL	88	0.59	6	0.040
Aurora, IL	114	0.57	3	0.015
Bloomington, IL	45	0.57	1	0.013
Peoria, IL	73	0.63	5	0.043
Springfield, IL	41	0.35	1	0.009
Median (excl. Rockford)	73	0.57	2	0.014
Rank	2 of 5	2 of 5	1 of 5	2 of 5

Regionalize Public Libraries

- Rockford should consider opportunities to consolidate library services through a Regional Library District. With Rockford serving as the lead branch based on its size and proximity to neighboring jurisdictions.
- Post consolidation, the regional system may be able to find efficiencies from economies of scale that would allow for the District to reduce cost or close branches.
- By finding efficiencies across the system would allow the District to reduce its tax levy and free up some ability for the City to increase the City tax levy without increasing the overall tax burden.



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 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, streetscaping, 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.

Attract Development to Downtown

Additional opportunities for Rockford to focus and improve economic development efforts include:

1. Explore Establishment of a Special Services Area – SSA4 (BID)
 - The City should do this to provide a formal method for communicating with local businesses, business training and customer services.

2. Create a Small Business Incubator
 - A small incubator 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.

Explore Establishment of a Special Services Area – SSA4 (Business Improvement District)



- Identify BID area, parcels and properties effected – residential, commercial, industrial.
- Reach out to property owners about idea of forming SSA: partner with River District Association, Rockford Chamber of Commerce.
- Form a steering committee with property owners and River District Association to determined scope of BID activities (e.g. trash, maintenance, placemaking, marketing, signage, façade improvement, business support, etc.): Look to Rockford’s Downtown Strategic Action Plan for visioning and initial direction.
- Allow 6-12 months to form BID.
- Cost:
 - Staffing – 20 hours per week for start up.
 - Full time Executive Director once started – can be paid by the BID or the City – seek grants from state and/or regional philanthropies.

Explore Establishment of a Special Services Area – SSA4 (Business Improvement District)

- BID Taxing:
 - Amount to tax businesses is open-ended and should be determined through a community process with property owners.
 - One method to estimate is as follows (requires operating budget for BID):

Parcel Property Tax		
Property Taxes Collected Across the BID	X	BID Operating Expenses

- Typically BID taxes range between 5 to 20 percent .
- Local Illinois application materials and Chicago example with estimated start up costs:
<https://www.cityofchicago.org/content/dam/city/depts/dcd/ssa/2019SSA/2019SSADesignationStepsFINAL.pdf>

Create Small Business Incubator

- Determine type of incubator – conduct a market assessment to determine competitive industries with potential to generate opportunities in the area, build on competitive advantage, address leakages and workforce skills – identify one sector to begin incubator.
- Find a partnership to operate and manage the incubator.
- Identify location for incubator – size dependent industry, typically 20,000 sf minimum. The incubator will need to generate revenue through multiple business line to be sustainable: office and co-working space, trainings, membership fees, event rental, etc.
- Best practices suggest 3 staff, although 2 is possible at the start.
- Cost:
 - Recommended for a retail-focused incubator in Baltimore (for comparison):
 - \$200,000 starting budget for salaries and programming: Executive Director, office manager, partnership/communications coordinator.
 - Additional costs include property costs and utilities.

A Targeted Comprehensive Strategy

The Network team proposes a comprehensive two-part approach to community and economic development.

- 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.

Neighborhood Stabilization

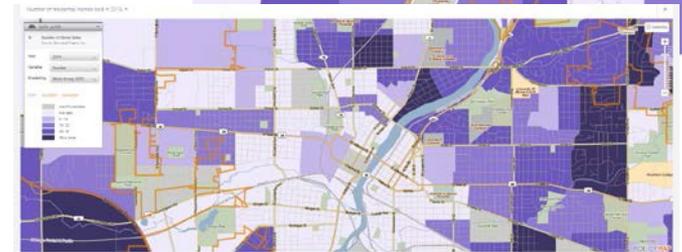
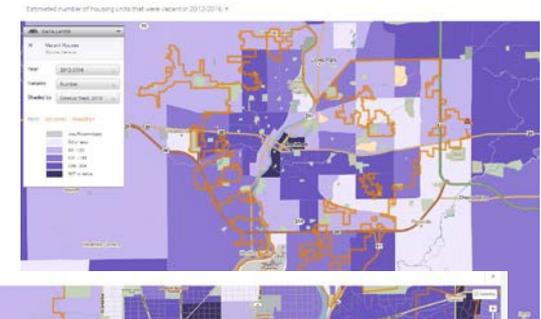
- The 2008 housing and financial crash devastated Rockford's housing market.
- However, Rockford's housing market showed signs of weakness well before the Recession and the ensuing foreclosure crisis. A 2004 market study recommended that the City rehab or demolish 1,000 homes over five years to bring the housing market to equilibrium.
- More recently, the City received an Abandoned Properties Grant from the Illinois Housing Development Authority (IHDA), which assisted the City in demolishing approximately 100 blighted properties per year between 2015 and 2018.
- In 2016, Rockford received an additional \$1.19 million from the IDHA to continue acquisition and demolition of problem properties.

Neighborhood Stabilization

- The City maintains a demolition list that incorporates an objective ranking system, which takes into account indicators such as title status, taxes owed, neighborhood standards, visual appearance, criminal activity and unsecured premises.
- The demolition list includes properties across the city; however, there are a few neighborhoods that experience high concentrations of vacancy.
- The majority of demolitions have been on properties located on the west side of the city, with approximately 40 percent of demolitions occurring in the City's 13th ward.
- Demolition should be done in areas where it will have the most benefit.

1. Housing Market Typology

- Develop a Housing Market Typology for Rockford. Either pursue a contract with The Reinvestment Fund for a Market Value Analysis (MVA) to create a housing market typology, or conduct self-guided analysis at the census tract level. PolicyMap has an open source GIS data portal that is available for free and paid services.
- Housing Market Typology options:
 - The Reinvestment Fund MVA analysis - price varies, approx. \$100,000
<https://www.reinvestment.com/policy-solutions/market-value-analysis/>
 - Self-guided analysis using MVA methodology and open source resources such as PolicyMap - \$5,200 annual premium subscription or free service
<https://www.policymap.com/>
<https://www.federalreserve.gov/publications/putting-data-to-work-market-value-analysis.htm#Figure1.BaltimoreMarketValueAnalysis-CB600368>



2. Strong Neighborhoods Initiative (SNI)

- Following Housing Market Typology analysis, identify neighborhoods that show emerging market potential and adjacency to areas currently experiencing reinvestment.
- Partner with Transform Rockford to support the *Great Neighborhoods Rockford Region* community outreach and planning efforts
- Coordinate *Great Neighborhoods Community Plans* with the City's broader strategic housing market investment approach to develop interventions for neighborhoods at different stages of revitalization:
 - *Stable: Operate as nodes of strength upon which interventions in markets that manifest early signs of blight can be based*
 - *Emerging/Transitional: Adjacent to more stable markets that may be undermined by high levels of distress, and may threaten nearby stable areas*
 - *Distressed: Large areas of distress requiring larger-scale interventions with blighting influences so great that minor interventions are not likely to promote market change*
- Prioritize CIP infrastructure investment in target neighborhoods
- Foster mixed-income communities with amenities
- Build on community planning and outreach to engage local residents in neighborhood improvement implementation

3. Expedite Property Availability for Rehabilitation or Demolition

- Complete development of a Regional Land Bank in partnership with Winnebago County, the City of Belvedere and the Rockford Metropolitan Agency for Planning.
- Create a receivership program similar to Baltimore's to speed up the transfer of properties available for rehabilitation through court-ordered property transfer to a nonprofit receiver.
- Using Baltimore receivership nonprofit as a proxy: One House At A Time (OHAAT), <http://www.onehousebaltimore.org/>
- Cost:
 - Claimed \$164,655 in employee salaries in 2016 (three staff and an attorney)
 - \$671,432 in total revenues
 - \$393,085 in total expenses
 - The organization has been in operation since 2003

OHAAT IRS 2016 Form 990 <https://www.guidestar.org/FinDocuments/2016/260/079/2016-260079524-0e8fa68e-9.pdf>

4. Establish Neighborhood Development Corporation

- Strengthen local partnerships to support City staff and strategic implementation, as well as lead fundraising for philanthropic contributions to support neighborhood revitalization.
- Engage Transform Rockford, or another stable/sustainable local community development corporation, to become a certified Community Housing Development Corporation (CHDO).
- Develop a partnership focused on executing important neighborhood stabilization functions, such as:
 - Community planning and participation;
 - Neighborhood marketing;
 - Home and rental renovation programs;
 - Vacant land reuse programs;
 - Foreclosure prevention counseling;
 - Home Equity Protection Insurance Fund;
 - Property receivership and transfer as part of broader targeted neighborhood investment strategy.
- Begin partnership in Year 1, and provide support for organizational and program development.
- Cost:
 - CHDOs are eligible to receive up to 15 percent of the City’s HOME allocation, or \$37,051 as per the City’s 2018 Annual Action Plan.
 - The Youngstown Neighborhood Development Corporation (YNDC) in Youngstown, OH was launched with a \$500,000 investment from the City. <http://www.yndc.org/>

5. Create Citizen Code Enforcement Team

- Develop a Citizen Code Enforcement Team training program to promote healthy neighborhoods through community empowerment.
- Train residents to provide reports of suspected code violations to improve the safety and appearance of neighborhoods.
- The goals are to:
 - Allow code enforcement officers the opportunity to devote more time to chronic, complex or dangerous neighborhood issues.
 - Encourage residents and property owners to maintain homes and yards to preserve property values and discourage crime.
 - Foster a sense of community pride and empowerment.
- Cost:
 - Model program: Fort Worth, TX Code Rangers Program
<http://fortworthtexas.gov/coderangers/>
 - Budget expense = \$0
 - Staff time to perform bi-monthly 4-hour trainings, and ongoing outreach and support for participants

6. Opportunity Zones

- Opportunity Zones are low-income communities and adjacent census tracts which are now eligible to receive private investment through Opportunity Funds.
- Individuals and businesses are eligible to receive graduated tax benefits – temporary tax deferral, tax reduction, and/or tax exemption – when they invest capital gains from a prior investment into Opportunity Funds.
- Opportunity Funds are a new class of investment vehicle set up as a partnership or corporation to aggregate and deploy private investment into Opportunity Zones.
- Investors will need to invest into an Opportunity Fund by the end of 2019; Funds are required to deploy funding by the end of June 2020.
- Federal guidelines will be released by the end of 2018.
- Additional resources on Enterprise's website:
www.OpportunityZonesInfo.org.

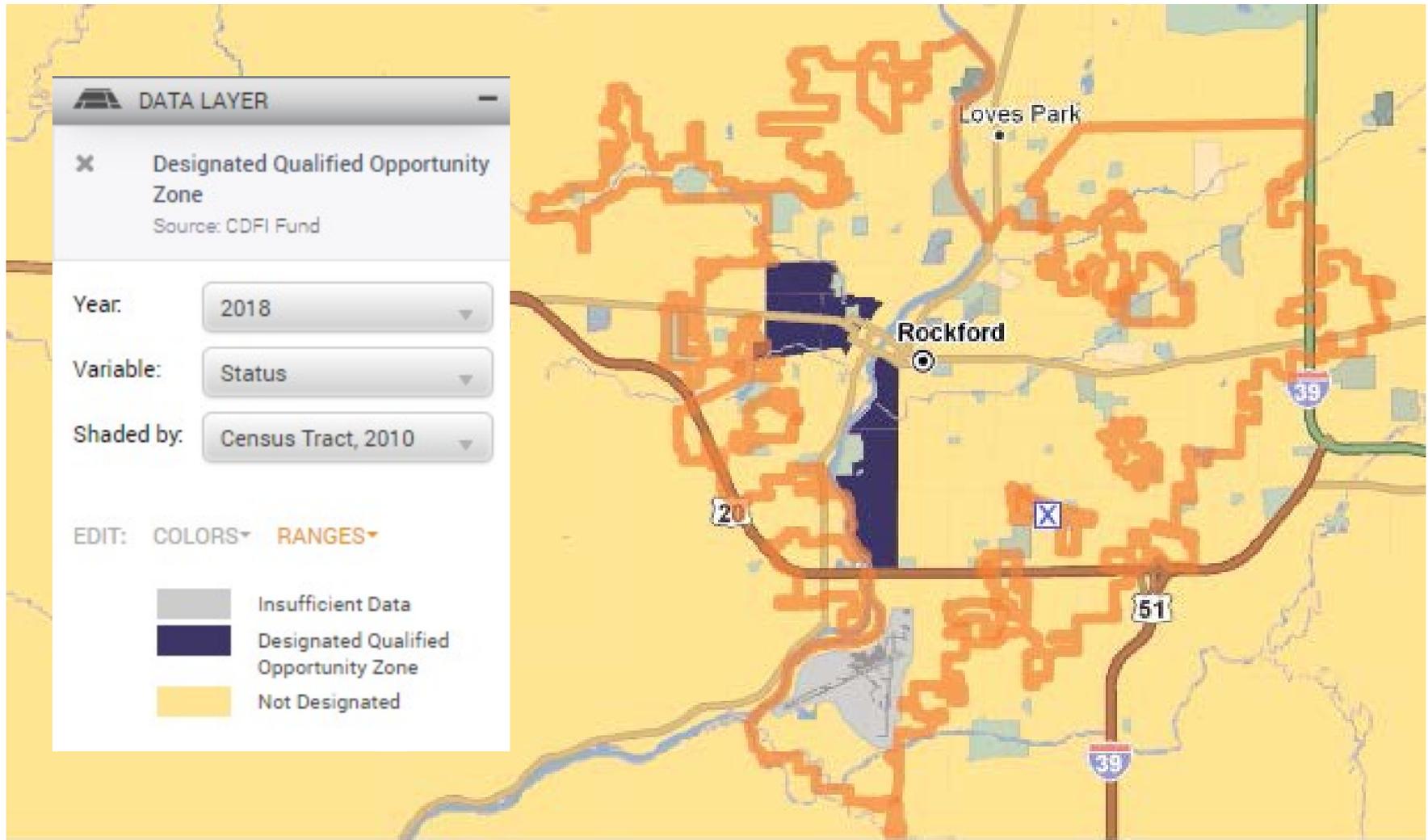
6. Opportunity Zones

- Rockford has five census tracts designated as federal Opportunity Zones that combine to create two large investment areas in the city
- This is a private market-driven program, so Rockford should begin to work with local financing partners to create an Opportunity Fund (RLDC would be a possible partner, and others in the region and state) to focus on investments in Rockford.
- Rockford should begin thinking about a potential pipeline of projects based on the City's needs and impacts. At this point (while waiting for further federal guidance) projects should include both housing and economic development projects. At this time, the ideal size of projects is unknown, and there is no cap to funding; creating a list of catalytic projects would be ideal.
- Rockford should target maximum impact for the neighborhood census tracts, and think about catalytic impact as leverage when talking to investors.

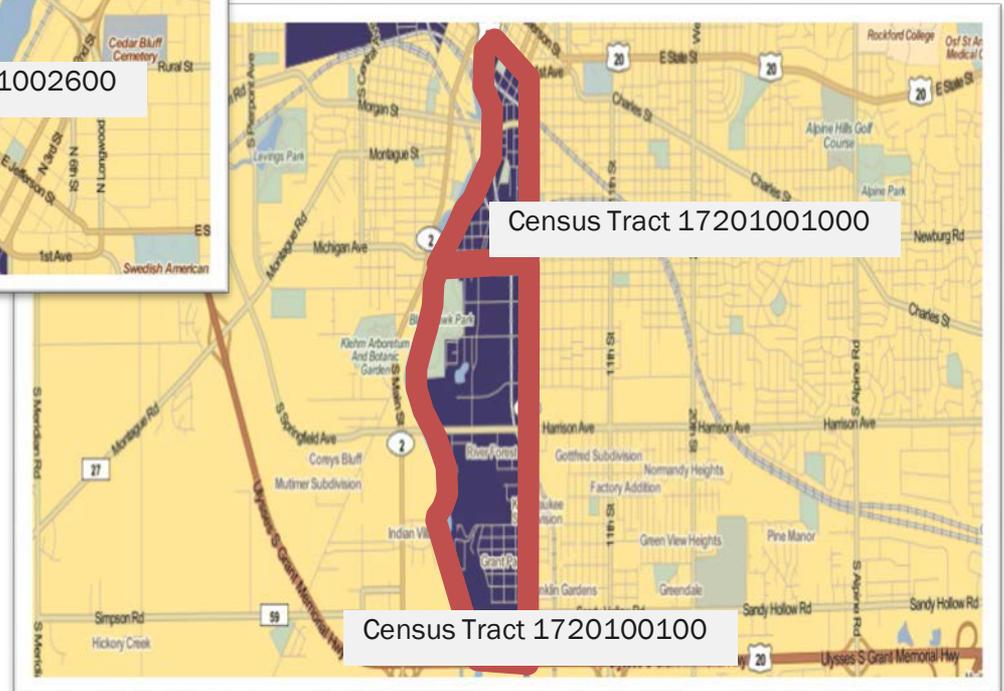
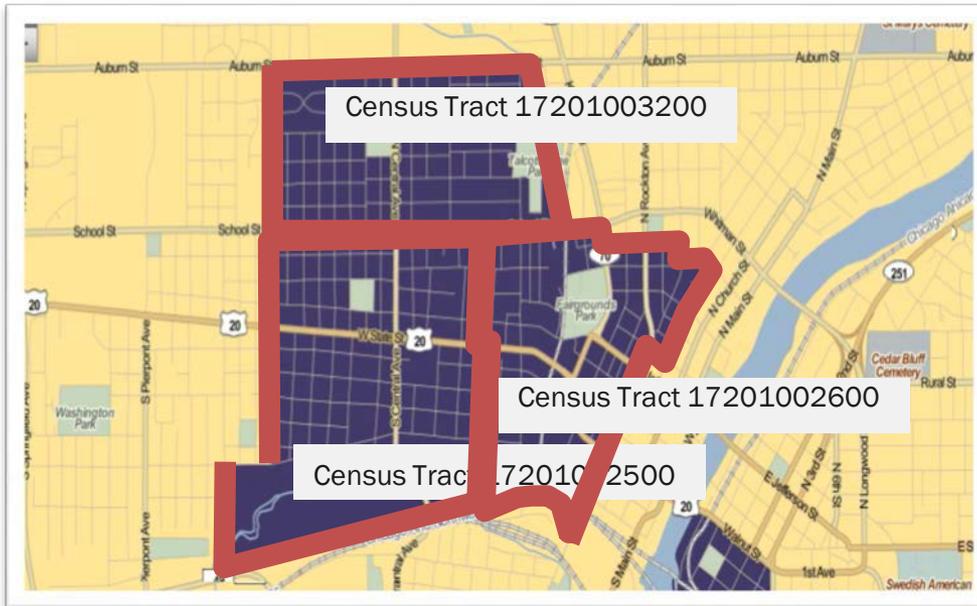
6. Opportunity Zones

- All investors have to invest by the end of 2019, so if projects are not shovel-ready, then the City should begin preparing a pipeline of projects now. Opportunity Funds can be layered with all other funding – NMTC, LIHTC, Preservation tax credits, etc.
- Property owners need to go out and pitch the projects (if properties are City-owned, then they will pitch these projects) – Rockford should start thinking about additional incentives on top of federal benefits – these can be through city financial incentives, or through expedited permitting and approvals, etc.
- Rockford should prioritize projects that have a maximum return on investment and impact in the community – not only financial feasibility.
- Not every project on the City’s pipeline list will be funded, so the City should create a robust list of strong potential projects for investors to choose from.
- Benefit to investors: tax deferral up to 15 percent on investment, and if they invest for 10 years, then any capital gain on that investment.

6. Opportunity Zones



6. Opportunity Zones



7. Reduce Energy Cost and Create Jobs

- Due to the age of the City's housing stock and commercial infrastructure, energy efficiency is particularly important.
- Any additional tax revenue stemming from community and economic development could be re-invested into energy efficiency programs.
- For example, Rockford could potentially pursue the creation of a Property Assessed Clean Energy ("PACE") program, which makes it possible for owners of commercial, industrial, multifamily, and nonprofit properties to obtain low-cost, long-term financing for energy efficiency, water conservation, and renewable energy projects.
- Businesses and organizations can obtain 100 percent financing for clean energy improvements from a local PACE program. Municipalities and counties work with private-sector lenders to provide this financing for qualified projects, such as solar panel installations, which is paid back through an annual assessment on the organization's property tax bill. A marketing campaign directed toward landlords and other potential beneficiaries of the program can be used to boost participation.

7. Reduce Energy Cost and Create Jobs

- Illinois is one of 36 states with PACE-enabling legislation, signed just last year by Gov. Rauner. There are three local programs in development: Chicago, DuPage County, and Kane County.
- A financial advisor with specialization in environmental finance or energy efficiency programs could recommend a specific program structure and the magnitude of the initial investment, but approximately \$2 million would be consistent with comparable programs for a City of Rockford's size.
- Any capital investment could ultimately raise property values and property tax collections over time and would also reduce utility bills, freeing up capacity for additional revenue from other sources while holding the overall burden on resident and businesses constant.
- Investment in energy efficiency would also yield short-term employment opportunities for local residents. "Green jobs" could be created from the accelerated design, installation, and maintenance of energy efficiency systems and retrofitting of Rockford's residential and commercial stock – and these jobs can often pay a higher wage than comparable construction jobs.

Case Study: Baltimore

Vacants to Value Program

Baltimore's population is approximately 620,000

- 16,636 vacant properties city-wide (2014)

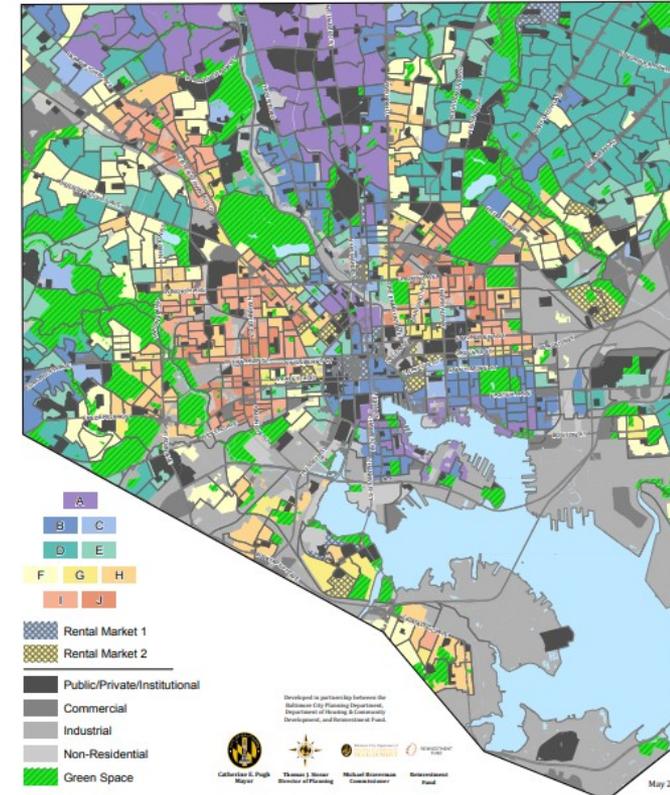
Launched in 2010

- 1,585 vacant properties renovated as of 2014 evaluation.
- 1,800 vacant or abandoned properties razed or slated for demolition.
- Focus is blight elimination – demolition and rehabilitation.

Program strategies:

- Streamline the Disposition of City-Owned Properties.
- Streamline Code Enforcement in Stronger Neighborhoods.
- Facilitate Investment in Emerging Markets.
- Target Homebuying Incentives.
- Support Large-Scale Redevelopment in Projects Already Underway.
- Demolish and Maintain Severely Distressed Blocks.
- Provide Concentrated Green, Healthy, and Sustainable Home and Neighborhood Improvements.

Baltimore City's 2017 Housing Market Typology



Market	Number of BG	Median Sales Price	Sales Price Variance	Foreclosures as % of Sales	% of Land either Vacant Building or Vacant Land	% Owner Occupied	% Residential Properties >\$10k Permits	Housing Units per Acre
A	42	\$ 403,995	0.53	7.7%	0.3%	61.5%	5.0%	8.2
B	78	\$ 223,970	0.48	10.3%	1.0%	55.9%	4.8%	33.4
C	23	\$ 191,653	0.56	14.2%	5.8%	21.2%	5.2%	32.1
D	92	\$ 102,989	0.53	26.9%	1.4%	78.1%	3.5%	10.0
E	57	\$ 89,397	0.64	25.2%	3.8%	32.2%	3.6%	23.2
F	85	\$ 52,015	0.71	30.5%	4.2%	55.8%	2.6%	18.5
G	26	\$ 34,827	0.97	24.5%	9.1%	20.1%	2.5%	32.9
H	74	\$ 31,332	0.82	25.6%	7.0%	51.4%	1.9%	26.5
I	82	\$ 16,508	1.10	20.4%	15.9%	42.5%	1.1%	33.8
J	46	\$ 9,249	1.16	15.8%	21.1%	33.4%	0.7%	38.5
Split	10	\$ 124,461	0.54	20%	5%	49%	4%	27.0
Other	38	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Case Study: Baltimore

A Targeted Geographic Approach

- Conducted Market Value Analysis (MVA) to determine a housing market typology for Baltimore:
 - Analysis at the block level
 - Ground-truthed to ensure nuanced understanding of neighborhoods
 - Gold Standard MVA was conducted by The Reinvestment Fund, a Philadelphia-based nonprofit developer and lender (cost: up to \$100,000)
- Baltimore's Housing Market Typology categorizes neighborhoods based on market potential and proximity to stronger, stable neighborhoods.
- Targets intervention based on market typology.

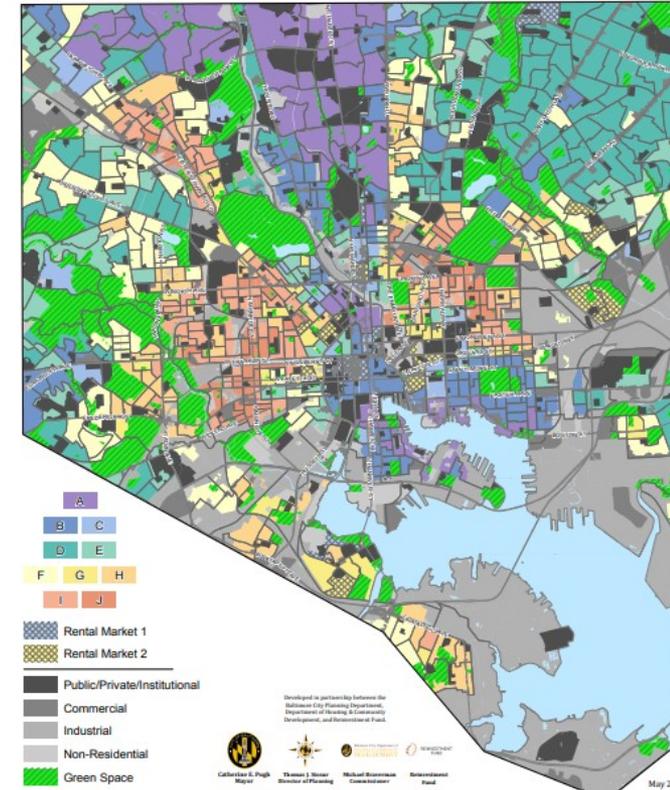
For a detailed account of the MVA analysis, see:

<https://www.federalreserve.gov/publications/putting-data-to-work-market-value-analysis.htm#Figure1.BaltimoreMarketValueAnalysis-CB600368>

For an evaluation of the Vacants to Value program and outcomes, see:

<https://www.abell.org/sites/default/files/files/cd-vacants2-value1115.pdf>

Baltimore City's 2017 Housing Market Typology



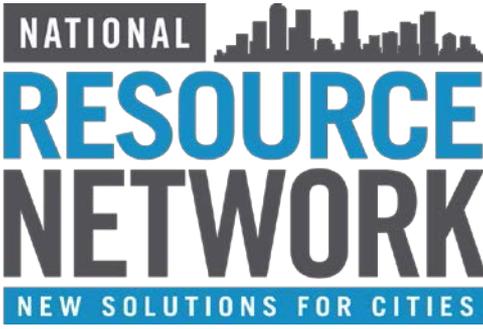
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Case Study: Baltimore

Streamlining city sales, receivership, and citations to support market investment

- Selling city-owned houses:
 - Streamlining system to award properties within a few months after public advertising to prequalified buyers.
- Receivership auctions of privately owned houses:
 - Auctioning court-ordered private properties by a receiver to prequalified buyers to reclaim vacant properties.
- Housing code enforcement laws to spur owners to renovate vacant houses has also been modestly successful:
 - \$900 citation to prod owners of vacant buildings to make repairs.
 - Of the 1,113 properties that received \$900 citations, 278 (or 25 percent) later received occupancy permits (17 percent percent of all completed properties).*
- Whether the houses are renovated for rental or homeownership is not a priority. However, the City supports homeownership through booster grants up to \$10,000 towards closing costs.

*“Receivership: The Key Strategy in Baltimore’s Fight Against Vacants” <https://www.abell.org/sites/default/files/files/Vacants2-Receivership-Addendum.pdf>



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.

The Need to Engage with Labor

- A comprehensive labor relations strategy includes:
 - Creating a negotiations team which includes legal and financial capabilities as well as staff with decision-making capabilities.
 - Explaining the City’s financial situation to the union groups.
 - Developing a core set of proposals across all bargaining units (and non-represented employees) that addresses the financial reality.
 - It is very important that all bargaining units and non-represented employees contribute to the City’s financial turnaround.
 - Providing explanations to the unions for why these proposals are necessary.
 - Providing the City’s negotiating team with the necessary information to bargain and support for the respective proposals.
 - Such information includes current salary (W-2) and benefit levels, comparability analysis, and knowledge of the City’s overall fiscal condition.
 - Leading high-level oversight of the bargaining process and continuous communication with the negotiating team.