

# Executive Overview

This section includes overall revenues and expenditures presented by fund type, debt levels, overall headcount, and other budget assumptions. More detailed information may be found in the *Department Budget Summary* and *Capital Improvement Plan* section of the budget proposal.

## Contents

Fund Structure .....	3
City Government .....	4
General Fund .....	5
General Fund Revenues .....	5
General Fund Expenditures .....	8
Special Revenue Funds .....	12
Capital Funds .....	14
Debt Service Funds .....	16
Enterprise Funds .....	18
Internal Service Funds .....	21
Fiduciary Funds .....	22
All Funds Combined .....	23

## Fund Structure

The City budgets based upon Governmental Accounting Standards Board (GASB) guidelines. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds may be divided into seven categories: General Fund, Special Revenue Funds, Enterprise Funds, Capital Funds, Debt Service Funds, Internal Service Funds, and Fiduciary Funds. All of the funds included in this budget document are appropriated by the City Council. While the budget is prepared on a cash-basis, final adjustments during the year-end financial audit may be made to properly account for full accrual accounting requirements based upon the type of fund.

Governmental funds account for the inflow and outflow of spendable resources. The City maintains several individual governmental funds, with the General Fund accounting for the majority of the City's activity. The City also has Special Revenue Funds, such as 911, Narcotics Forfeiture, Motor Fuel Tax, and Tax Increment Financing (TIF) Funds. These Special Revenue Funds are earmarked for special purposes and fund certain specialized aspects of City activity.

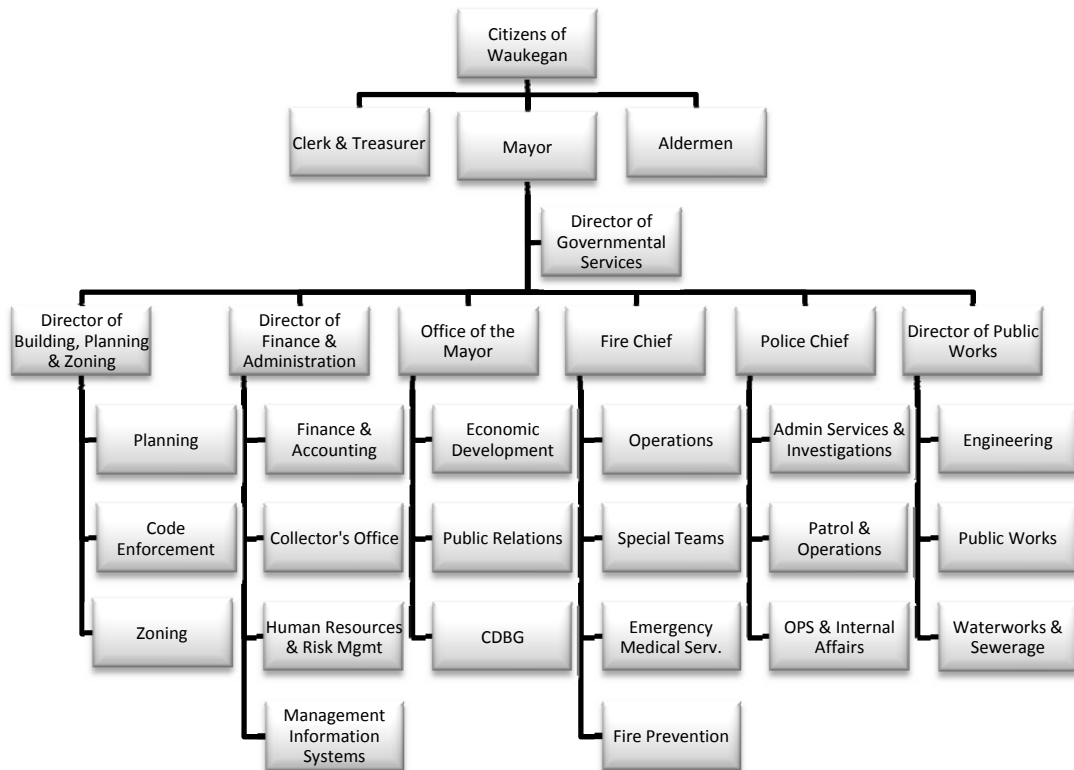
Currently, the City has two Enterprise Funds. Enterprise funds are used to report business-type activities and are intended to be self-supporting. This includes the City's Waterworks & Sewerage Fund, as well as the City's Motor Vehicle Parking System Fund. Capital Funds account for the City's investments in long-term, fixed assets including buildings, roadways and large-scale equipment. The resources for these projects are most often funded by the issuance of long-term municipal bonds. The repayment of the City's long-term debt is recorded in the Debt Service Funds.

Internal Service Funds are used to charge-back costs of business to the various City departments. The City utilizes the Safety & Risk Management Fund to account for the costs of workers compensation, general liability, property, and automobile claims. The second fund is the City's Employment Benefit Plan that is used to account for costs associated with medical and dental insurance programs offered to the City's employees.

Fiduciary Funds include the Working Cash Fund, Cemetery Fund, and the Police and Fire Pension Funds. The Working Cash Fund is the result of a taxable cash-flow borrowing, and is used to track the "lending" of those proceeds to various other City funds. The Cemetery Fund accounts for the assets associated with Cemetery operations. Lastly, the City acts as the fiduciary for the Police and Fire Pension Funds. These funds are supported by employee and City contributions and are established as single-employer funds. The funds are managed by pension boards and are not available to support the City's programs.

# City Government

The City is a home-rule unit of government; therefore has no tax rate or debt limitations, nor is it required to conduct a referendum to issue debt or increase property taxes. The City of Waukegan's services are divided among six major areas including the Office of the Mayor; Building, Planning & Zoning; Finance & Administration; Fire Department; Police Department; and Public Works. Effective May 1<sup>st</sup>, some units that previously reported directly to the Mayor will be streamlined under other departments to make more efficient and effective use of the City's human and other assets. This includes the combining of Planning & Development with the Building Department; the Collector's Office will be brought under the responsibility center of Finance & Administration; likewise Engineering and Waterworks & Sewerage will be streamlined into the Public Works responsibility center. The Office of the Mayor, Legislative Offices, City Clerk, City Treasurer, and Finance & Administration are combined under "Central Services" for budget presentation purposes.

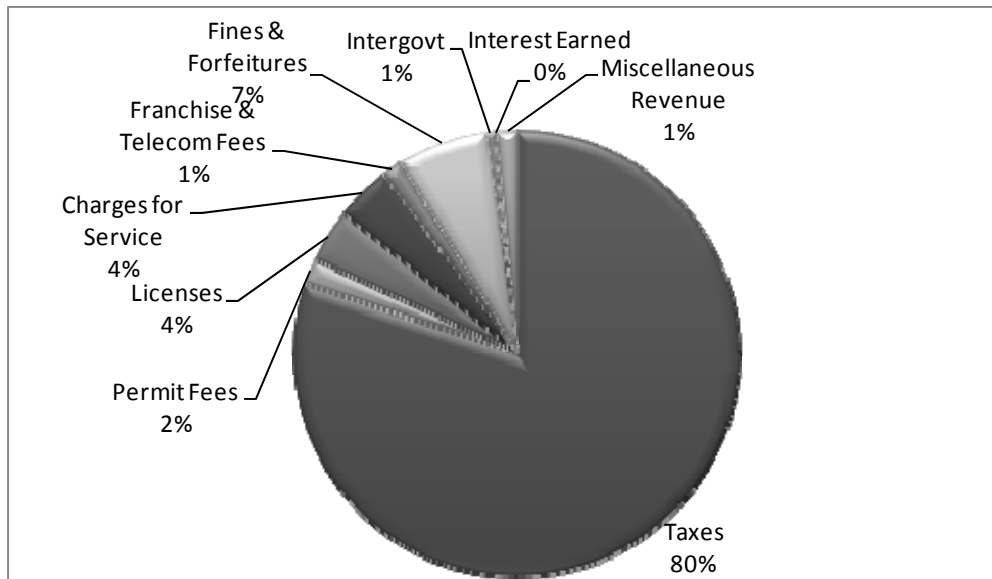


# General Fund

## General Fund Revenues

The General Fund accounts for the majority of City operations. The City is projecting \$57.6 million in revenues before transfers, a \$4.1 million or 8% increase over the prior year.

	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
GENERAL FUND REVENUES	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Taxes	46,057,480	45,650,212	39,322,195	46,110,913	6,788,718	17%
Permit Fees	1,552,145	1,369,754	1,401,500	1,052,443	(349,057)	-25%
Licenses	2,245,794	2,419,635	2,393,675	2,226,585	(167,090)	-7%
Charges for Service	2,476,921	1,969,542	2,261,574	2,316,099	54,525	2%
Franchise & Telecom Fees	946,310	909,114	845,000	848,000	3,000	0%
Fines & Forfeitures	3,427,184	3,908,416	4,070,000	3,782,200	(287,800)	-7%
Intergovernmental	553,737	462,120	1,765,452	301,080	(1,464,372)	-83%
Interest Earned	434,480	69,802	100,000	100,000	-	0%
Miscellaneous Revenue	1,395,768	1,215,283	1,367,050	850,700	(516,350)	-38%
<b>Total Revenues</b>	<b>59,089,818</b>	<b>57,973,877</b>	<b>53,526,446</b>	<b>57,588,021</b>	<b>4,061,575</b>	<b>8%</b>
Other Financing Sources	772,179	27,523	280,000	3,000	(277,000)	-99%
Transfers In	1,762,977	1,972,752	1,695,000	5,181,838	3,486,838	206%
<b>Total Revenues &amp; Other Sources</b>	<b>61,624,974</b>	<b>59,974,152</b>	<b>55,501,446</b>	<b>62,772,859</b>	<b>7,271,413</b>	<b>13%</b>

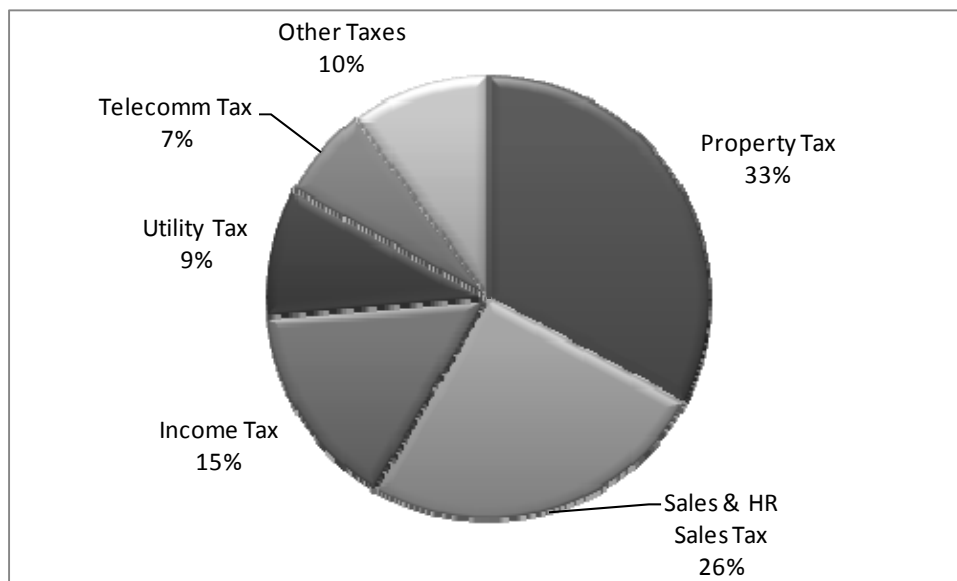


The City's largest revenue source comes from taxes. The City of Waukegan levies real estate taxes in order to pay for government operations, pension obligations, bonded debt service, and on behalf of the

Waukegan Public Library. The General Corporate, Police Pension, and Fire Pension Levies are accounted for in the General Fund. The General Property Tax, unrelated to debt service and the Library, was levied to increase 4%, or \$371 thousand. The Police and Fire Pension Funds were not included in the 09/10 budget; and were only accounted for erroneously in those separate fiduciary funds last fiscal year. They are correctly included in the current budget proposal. The Police Pension and Fire Pension tax levies are calculated by an independent actuary based on a number of assumptions,

and are calculated to increase 9.4% to \$3.6 million, and 11.3% to \$2.6 million respectively over the prior year.

GENERAL FUND TAX REVENUES	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Property Tax	7,811,889	8,193,391	8,610,956	8,981,581	370,625	4%
Property Tax- Police Pension	2,740,350	3,250,376	-	3,556,176	3,556,176	N/A
Property Tax- Fire Pension	2,272,088	2,350,341	-	2,615,716	2,615,716	N/A
State Sales Tax	8,808,677	8,228,092	7,900,000	7,800,000	(100,000)	-1%
Local Use Tax	1,253,487	1,305,306	1,200,000	972,000	(228,000)	-19%
Utility Tax	4,711,968	4,895,372	4,800,000	4,320,000	(480,000)	-10%
Telecommunications Tax	3,447,743	3,413,590	3,500,000	3,150,000	(350,000)	-10%
Income Tax	8,760,708	8,098,684	8,120,686	6,983,800	(1,136,886)	-14%
Personal Property Replacement Tax	3,871,554	3,471,610	2,800,000	2,380,000	(420,000)	-15%
Hotel & Motel Tax	904,504	956,875	925,000	925,000	-	0%
Home Rule Sales Tax	1,089,550	1,070,523	1,060,800	4,031,040	2,970,240	280%
Road & Bridge Tax	362,771	394,994	381,127	380,000	(1,127)	0%
Other Taxes	22,191	21,059	23,626	15,600	(8,026)	-34%
	<u>46,057,480</u>	<u>45,650,212</u>	<u>39,322,195</u>	<u>46,110,913</u>	<u>6,788,718</u>	<u>17%</u>



The non-property tax revenues are heavily dependent on economic conditions, and, as a result, are projected to significantly decrease versus the prior year budget. One exception to that decrease is the Home Rule Sales Tax. While the overall collections

of the tax are not expected to increase, it is recommended the use of this resource be fully retained in the General Fund versus the prior years' practice of tapping it for funding the Lakefront and Downtown Redevelopment and Capital Improvement Funds, along with forgoing debt service abatement for the fiscal year. This one-year benefit to the General Fund will increase that revenue source by just under \$3 million.

The budget proposal assumes new monies of \$420 thousand via the institution of a \$5 per quarter charge for Residential Refuse Collection. This brings the Charges for Services category up slightly. Another area of significant change is Intergovernmental Revenue. The 09/10 budget called for a one-time grant of \$1.1 million for the hiring of police officers. The City did not receive this federal grant, nor is it assumed that those

grant monies will be forthcoming in the 10/11 fiscal year. Hence, the Intergovernmental category is down -83%.

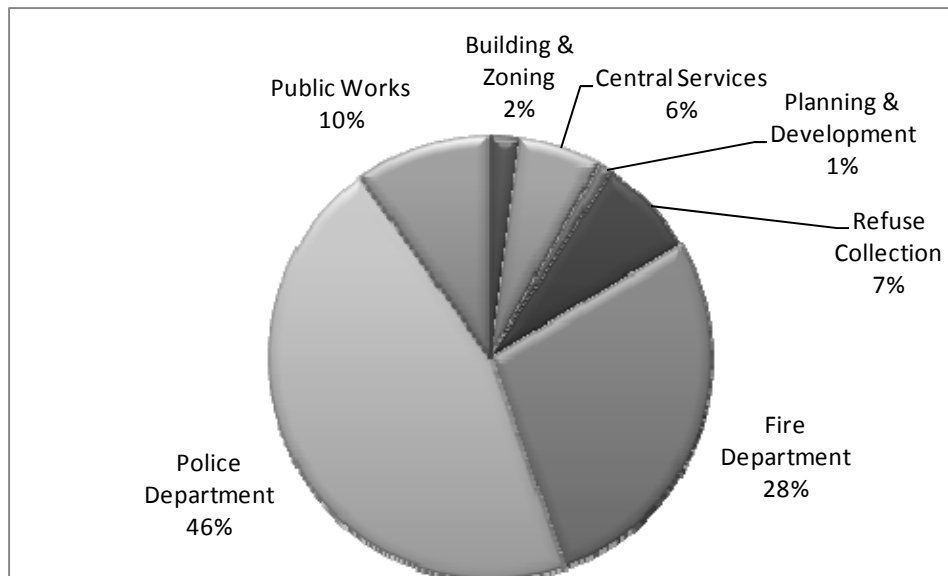
The City will benefit from one-time transfers into the Fund to balance the bottom line. This is a one-time solution to the on-going operational costs of the City, and will not be recurring. Transfers include an estimated at \$330 thousand out of two TIF funds set to close, a one-time transfer from the Lakefront and Development Redevelopment Fund of \$1 million, the remaining \$2.7 million from the 2009 Working Cash Bond, and \$1.3 million in transfers from other funds including Motor Fuel Tax and Waterworks & Sewerage. Once these one-time inflows of cash are included, the General Fund total resources for the 10/11 fiscal year total \$62.8 million.

While this may be considered a “balanced budget,” as resources are matched to uses, the true operating deficit stands slightly above \$5 million. In other words, if the General Fund’s current revenues were to be matched against the budgeted expenditures without the benefit of one-time cash transfers, the City faces a \$5 million short-fall for the 2010/2011 fiscal year.

## General Fund Expenditures

The City is projecting \$62.8 million in General Fund expenditures, a \$6 million or 11% increase over the prior year.

	FY07/08	FY08/09	FY09/10	FY 10/11	FY11 vs FY10 Budget	
<b>GENERAL FUND EXPENSES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Building & Zoning	2,108,866	2,241,277	2,119,761	1,358,501	(761,260)	-36%
Central Services	6,479,167	6,256,408	5,379,899	3,757,055	(1,622,844)	-30%
Planning & Development	1,545,420	1,269,200	1,508,237	672,598	(835,639)	-55%
Refuse Collection	3,560,624	3,888,639	4,214,117	4,551,246	337,129	8%
Fire Department	15,637,246	16,131,700	14,077,477	17,629,993	3,552,516	25%
Police Department	26,223,566	26,641,749	22,319,566	28,544,973	6,225,407	28%
Public Works	7,309,133	7,412,288	7,072,964	6,258,492	(814,472)	-12%
<b>Total General Fund Expenditures</b>	<b>62,864,022</b>	<b>63,841,261</b>	<b>56,692,021</b>	<b>62,772,859</b>	<b>6,080,838</b>	<b>11%</b>



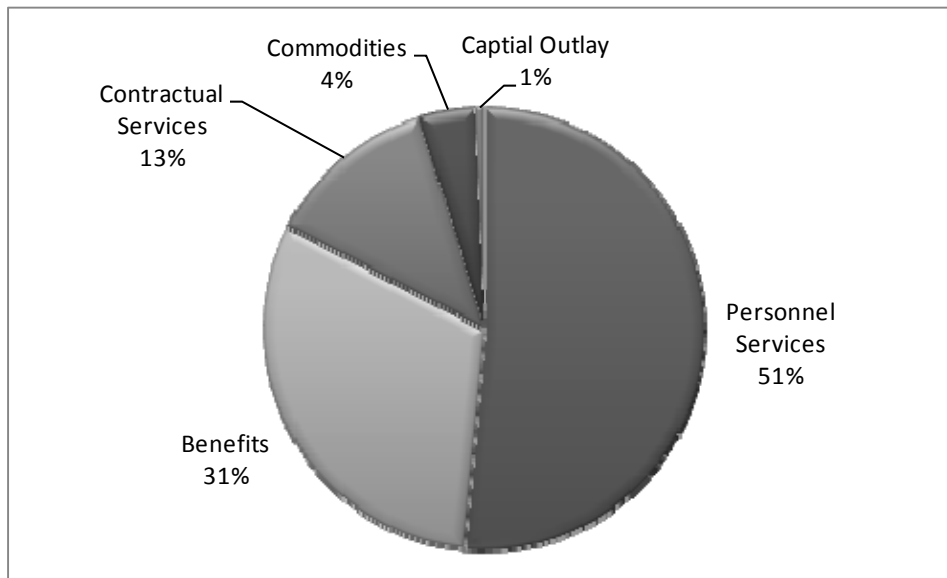
The City's public safety operations – Police and Fire Departments – account for 74% of the General Fund expenditures, followed by Public Works at 10%, Refuse Collection at 7%, Central Services at 6%, and Planning & Development combined with

Building & Zoning at 3%. Every department is expected to decrease expenditures versus the prior year budget except for Refuse Collection, the Fire Department, and the Police Department.

This budget assumes a significant decrease in overall headcount resulting from fiscal year 09/10 activities including workforce attrition, layoffs, Early Retirement Initiative, and a Voluntary Separation Plan. Part-time and seasonal positions, including the Municipal Band and Municipal Beach personnel have been eliminated from the budget. There are additional lay-offs factored into the 10/11 budget proposal. It should be noted that in the prior budget proposal, the police and fire pension contributions were not budgeted; therefore, discounting the 10/11 budget proposal by those amounts, the total overall budget would be decreasing by \$(382) thousand, or -1%.



	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>GENERAL FUND EXPENSES</b>						
Personnel Services	32,495,540	34,072,583	33,407,052	32,336,692	(1,070,360)	-3%
Benefits	16,178,126	17,756,174	12,110,513	19,584,221	7,473,708	62%
Contractual Services	9,481,701	9,089,524	8,070,156	7,861,701	(208,455)	-3%
Commodities	3,190,583	2,781,853	2,743,800	2,626,013	(117,787)	-4%
Capital Outlay	1,518,072	141,127	360,500	364,231	3,731	1%
Total General Fund Expenditures	62,864,022	63,841,261	56,692,021	62,772,859	6,080,838	11%



The majority of General Fund expenditures relate to wages and benefits, 82% of the total. The overall wages in the General Fund are budgeted to decline \$(1) million or -3% compared to the prior year budget. Personnel in the City include employees

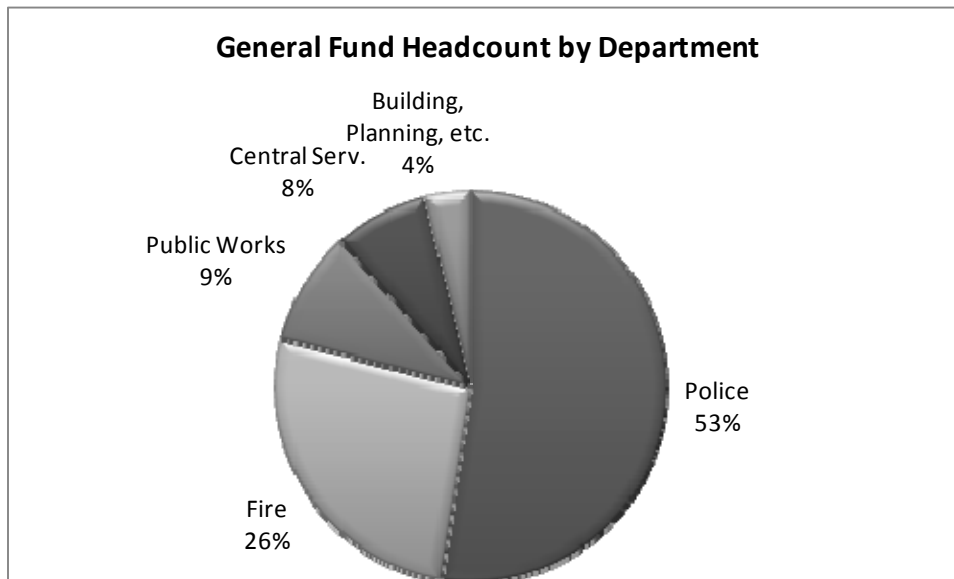
covered by the following Collective Bargaining Agreements (CBA): American Federation of State, County & Municipal Employees (AFSCME), International Association of Fire Fighters (IAFF), Metropolitan Alliance of Police (MAP), Police Benevolent Labor Committee (PBLC), Service Employees International Unions (SEIU), and non-union personnel.

At the time of this proposal, the following information was used for budget assumptions. PBLC employees will receive a 3% Cost of Living Adjustment (COLA) on April 1, 2010 and a ~1% equity increase on November 1, 2010 per their CBA. IAFF Lieutenants will receive a deferred \$750 Equity Increase per the Variance Agreement dated July 2009, and the agreed-upon 4% Cost of Living Adjustment (COLA) on May 1, 2010 per the CBA. On May 1<sup>st</sup>, IAFF Firefighters will receive a deferred \$750 Equity Increase and deferred COLA of 4% per the Variance Agreement dated July 2009. The remaining employee groups do not have a COLA bargained or agreed to at the present time related to fiscal year 10/11. It should be noted that this may change as the collective bargaining process moves forward on contracts set to expire April 30, 2010. All employees are able to receive a step increase upon anniversary date, which varies depending on employee classification, if they are not topped out in their salary range. Managerial employees, including those covered by the City's Salary Ordinances Grade 12 and higher, Police Brass, and non-bargained Fire Brass will be subject to twelve unpaid furlough days for the fiscal year.

<b>General Fund - Full &amp; Part Time Positions</b>	<b>FY09/10</b>	<b>FY10/11</b>	<b>Change</b>
Building & Zoning	26	13	(13)
Central Services	129	33	(96)
Planning & Development	14	3	(11)
Fire Department	123	112	(11)
Police Department	261	222	(39)
Public Works	73	40	(33)
	<b>626</b>	<b>423</b>	<b>(203)</b>

The General Fund budget, as currently proposed, eliminates 203 full and part-time positions compared to 09/10 including vacancies and lay-offs. There are also lay-offs contemplated in other funds to be discussed later in this presentation. Further detail on impacted positions may be found in

the *Departmental Budget Summary* section of this proposal. As currently proposed, public safety employees would account for the largest percentage of personnel, with Police and Fire Departments making up a combined 79% of the City's General Fund



workforce, followed by 9% in Public Works, 8% in Central Services, and 4% in Building & Zoning, Planning & Development.

Benefits are budgeted to increase \$7.5 million, or 62%; however, \$3.6 million and \$2.6 million of this increase are

related to the change in accounting treatment of the Police and Fire Pension funds respectively. Not inclusive of those changes, the category would be increasing \$1.3 million. The City's full-time employees are part of the City's fringe benefit programs including medical / dental insurance, workers compensation / general liability coverage, and pension plans. The budgeted employer cost per employee for medical/dental coverage is \$12,700 annually. The City's costs of retiree health insurance, budgeted at \$1.3 million in total for the year, are being moved to the departmental budgets to more accurately reflect the genesis of those costs.

Sworn public safety and public works personnel have a higher risk of workers compensation claims; therefore a budget assumption of employer cost for workers compensation is \$15,000 per sworn employee and \$5,000 for public works employee. Budget assumptions are \$1,000 annually for civilian personnel workers compensation. An assumption of \$3,500 for sworn personnel and \$750 annually for civilian personnel on general liability costs are included as well.

The City's full-time employees participate in three of the City's pension programs. Non-sworn personnel qualify for the Illinois Municipal Retirement Pension Plan (IMRF). The employer contribution rate is budgeted at 9% of wages paid during the year. The estimated employer contribution to IMRF in the General Fund is \$704 thousand for FY10/11. Lump sum employer contributions are made to the Fire and Police Pensions based upon an independent actuarial calculation. The fiscal year 10/11 lump sum contribution is \$2.6 million for the Fire Pension. This is roughly equal to 29% of sworn officers' base salary. The fiscal year 10/11 lump sum contribution to the Police Pension Fund is \$3.6 million. This is roughly equal to 28% of sworn officers' base salary.

The remaining 18% of the General Fund budget account for contractual, commodity and capital costs. These costs have been reduced or held relatively flat compared to the prior year budget. Some items such as lease agreements, sales tax agreements, and equipment replacement and renewal are subject to contractual agreements. Each Agency Head will be expected to closely control and monitor these costs throughout the fiscal year to ensure that budget targets are met in these areas.

## Special Revenue Funds

The City has several Special Revenue Funds that account for specialized programs and personnel. This includes the revenues and expenditures related to the Waukegan Public Library (a component unit of the City), Motor Fuel Tax, Emergency 911, Tax Increment Financing (TIF) Districts, CDBG, Lakefront Redevelopment, DUI/Narcotics, Grants, and Environmental Remediation.

	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
<b>SPECIAL REVENUE FUNDS REVENUES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Taxes	9,530,245	9,067,324	10,090,485	7,286,700	(2,803,785)	72%
Permit Fees	215,032	114,134	71,500	87,800	16,300	123%
Licenses	215,032	114,134	71,500	-	(71,500)	0%
Charges for Service	690,440	1,013,387	876,738	881,738	5,000	101%
Franchise & Telecom Fees	-	6,744	4,058	-	(4,058)	0%
Fines & Forfeitures	861,612	656,559	1,015,025	564,010	(451,015)	56%
Intergovernmental	1,348,856	1,255,486	2,168,879	1,363,222	(805,657)	63%
Interest Earned	230,567	91,310	71,600	18,370	(53,230)	26%
Miscellaneous Revenue	921,167	1,087,304	1,792,561	1,310,299	(482,262)	73%
<b>Total Revenues</b>	<b>14,012,950</b>	<b>13,406,382</b>	<b>16,162,346</b>	<b>11,512,139</b>	<b>(4,650,207)</b>	<b>71%</b>
Net Transfers In / (Out)	2,127,665	9,392	1,260,382	(1,955,000)	(3,215,382)	-155%
Total Revenues & Other Sources	16,140,615	13,415,774	17,422,728	9,557,139	(7,865,589)	55%
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
<b>SPECIAL REVENUE FUNDS EXPENSES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Personnel Services	3,503,692	4,096,860	4,074,275	3,668,797	(405,478)	90%
Benefits	1,183,883	1,319,262	1,344,503	1,245,632	(98,871)	93%
Contractual Services	7,080,301	6,762,785	7,181,726	3,927,671	(3,254,055)	55%
Commodities	1,085,988	1,076,075	825,195	696,525	(128,670)	84%
Capital Outlay	993,210	2,539,807	1,780,345	1,531,902	(248,443)	86%
<b>Total Expenditures</b>	<b>13,847,074</b>	<b>15,794,789</b>	<b>15,206,044</b>	<b>11,070,527</b>	<b>(4,135,517)</b>	<b>73%</b>

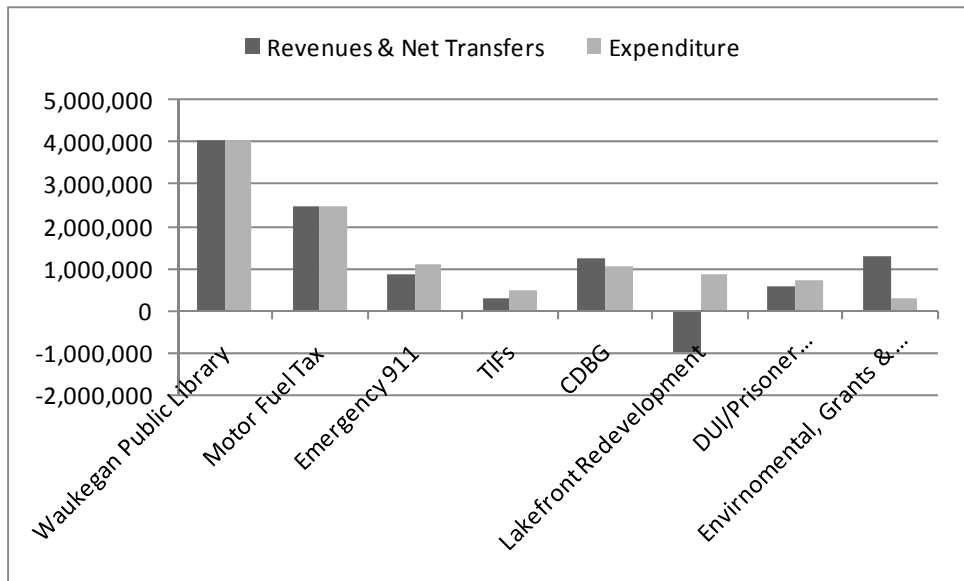
Both the resources and related expenditures have decreased in total over the prior year. Significant recommendations include collapsing two defunct Tax Increment Financing districts, moving idle cash balances from the Lakefront Redevelopment Fund to the

<b>Special Revenue Funds- Full &amp; Part Time Positions</b>	FY09/10	FY10/11	Change
Building & Zoning	-	-	-
Central Services	6	6	-
Planning & Development	-	-	-
Fire Department	-	-	-
Police Department	7	6	(1)
Public Works	13	13	-
	26	25	(1)

General Fund, and transferring some personnel between cost centers. The Scoopin' Genesee Fund has a zero budget amount allocated due to lack of funding. Presently, Central Services has the Director of Lakefront Development fully funded from the Lakefront Redevelopment Fund; and five CDBG employees are funded from

HUD and Lake County Grants. Some patrol and emergency dispatch personnel are funded from E911 and Narcotics. While there is an overall reduction of one in the Special Revenue headcount related to Police, this is simply due to reallocation of personnel between fund types and does not indicate a lay-off in these funds. Public

Works accounts for personnel dedicated to roadway maintenance out of the Motor Fuel Tax Fund. The specific information on personnel and related assumptions is discussed more fully in the *Department Summary Budget* section.



There is a purposeful spend-down of idle fund balances planned from some of these funds. The E911 Fund has estimated unrestricted fund balances in excess of \$900 thousand after accounting for personnel and other operational costs.

Approximately one-third of these funds are proposed to be utilized for overdue technology and infrastructure upgrades related to emergency dispatch. Those expenditures are subject to approval of the independent E911 Board.

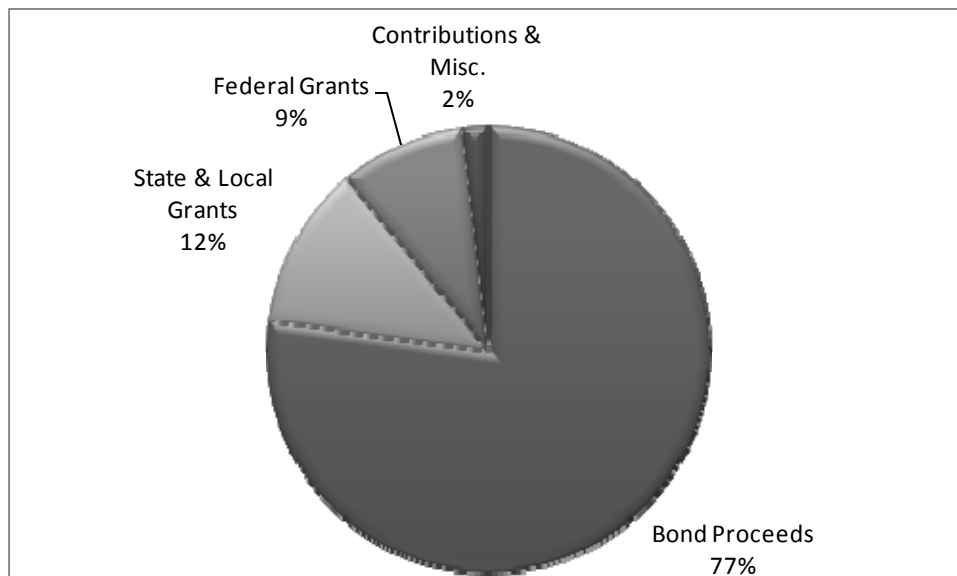
Two TIFs that were approved for closure will have excess balances returned to the appropriate taxing bodies, including an estimated one-time transfer of \$330 thousand coming into the City's General Fund. The TIFs are the Lewis Avenue TIF #2 and the Lewis Belvidere TIF #3. Other spend-downs include a one-time transfer of \$1 million out of the Lakefront Redevelopment Fund to the General Fund to fill the operational budget gap for the City. Lastly, the Prisoner Review/DUI Funds receive revenues restricted to public safety use. Specifically, Prisoner Review Fees are limited to the acquisition or repair of police vehicles by State Statute. The fund balances in these funds have grown to over \$200 thousand over the past few years; as a result, this proposal includes tapping those funds for the purchase of six new squad cars.

Under counsel of the City's new independent auditors, the City will be reviewing the justification for separate Special Revenue Funds when programs and activities would be more accurately reflected in the General Fund. Some of these funds with no activity or dedicated revenue stream will be closed-out during the 2010/2011 fiscal year.

## Capital Funds

Capital improvements are the bricks and mortar type investments that municipalities need to make in order to maintain the City's infrastructure, buildings, and equipment in fair condition. Street resurfacing, police and fire stations, and beautification projects are all capital improvements. Capital Funds account for the City's such investments. Water and Sewer projects are accounted for in the Enterprise Funds and not included here. It is entirely appropriate for an organization to match the funding of such investments to their useful life. A general rule is that only those items that are in single instance in excess of \$50,000 with a useful life longer than 5-years would be included in these funds.

	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
<b>CAPITAL PROJECT FUNDS REVENUES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Home Rule Sales Tax	1099286.29	1070523.29	1,122,000	-	(1,122,000)	N/A
Bond Proceeds	-	-	-	8,142,000	8,142,000	N/A
Federal Grants	-	-	-	967,000	967,000	N/A
State & Local Grants	-	80,000	-	1,249,000	1,249,000	N/A
Contributions & Misc.	878,903	251	610,000	200,000	(410,000)	N/A
<b>Total Revenues</b>	<b>1,978,189</b>	<b>1,150,774</b>	<b>1,732,000</b>	<b>10,558,000</b>	<b>8,826,000</b>	<b>510%</b>
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
<b>CAPITAL PROJECT FUNDS EXPENDITURES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Building & Improvement	-	-	-	3,450,000	3,450,000	N/A
Environmental	-	-	-	700,000	700,000	N/A
Street & Sidewalks	1,987,276	1,978,214	1,450,000	4,508,000	3,058,000	211%
Vehicles & Equipment	-	-	-	1,900,000	1,900,000	N/A
<b>Total Expenditures</b>	<b>1,987,276</b>	<b>1,978,214</b>	<b>1,450,000</b>	<b>10,558,000</b>	<b>9,108,000</b>	<b>628%</b>
<b>CAPITAL PROJECT FUNDS SURPLUS / (DEFICIT)</b>	<b>(9,086)</b>	<b>(827,440)</b>	<b>282,000</b>	<b>-</b>		

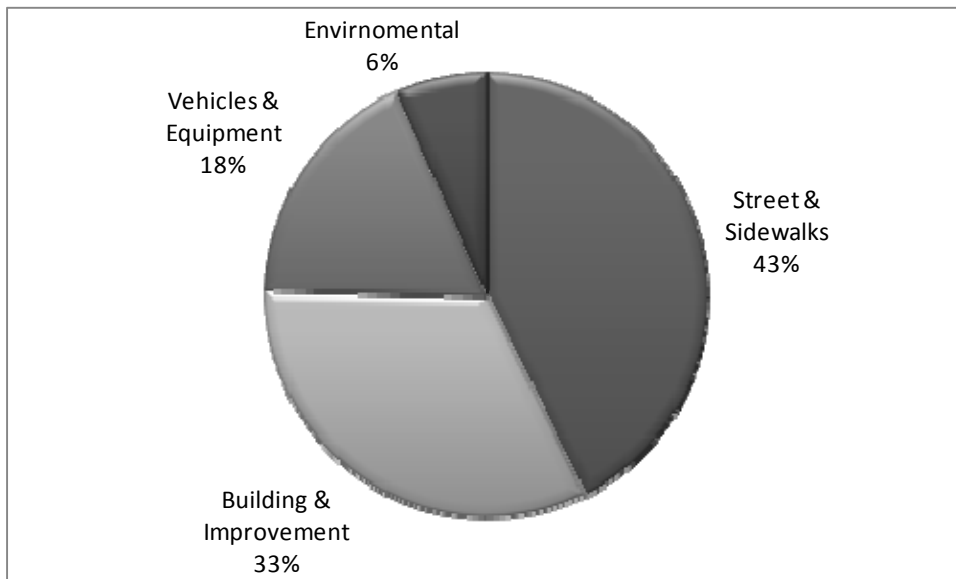


Utilizing long-term capital financing is an important funding mechanism to retain sufficient cash balances in operations, while ensuring the integrity of the City's property and infrastructure system. It is

important for the City to maintain an adequate balance between capital improvements and non-capital expenditures, as both play an important role in the long-term financial health of the City.

Over the past three years, the City has allocated a share of Home Rules Sales Tax to the reinvestment in the City's roadways. As a result, the Home Rules Sales Taxes were diverted from day-to-day operations impacting the General Fund's bottom line, and an insufficient amount of funding was made available for the upkeep of the City's assets.

Areas including building improvements, environmental programs, and vehicle and equipment renewal and replacement have been neglected, and street reinvestment has been lacking. Therefore, it is recommended that the City make use of local and federal grant programs combined with a bond issue to fund capital projects for the year. This is an ideal time to enter the capital markets due to historically low interest rates coupled with soon expiring federal legislation which makes municipal bonds attractive to



investors. And, as discussed in the next section, the City does have adequate debt service levels to back-load maturities and structure future bond issues to prevent one-time spikes in property tax levies.

Further detail on the specific

projects proposed, including Water and Sewer projects, is further discussed in the *Capital Projects Summary* section of this presentation. Engineering and Finance staff continues to develop a multi-year Capital Improvement Plan to present to the City Council in the near future which will assist in long-term planning and future allocation of funds.

## Debt Service Funds

The City accounts for the repayment of long-term General Obligation (tax-supported) debt in the Debt Service Funds. Over the past few years, the City used Home Rule Sales Tax and inter-fund transfers to abate the tax levy for the real estate taxes on file with the County related to the repayment of the outstanding bonds. However, the City's lack of idle cash for this purpose made abatement impossible for the 10/11 fiscal year.

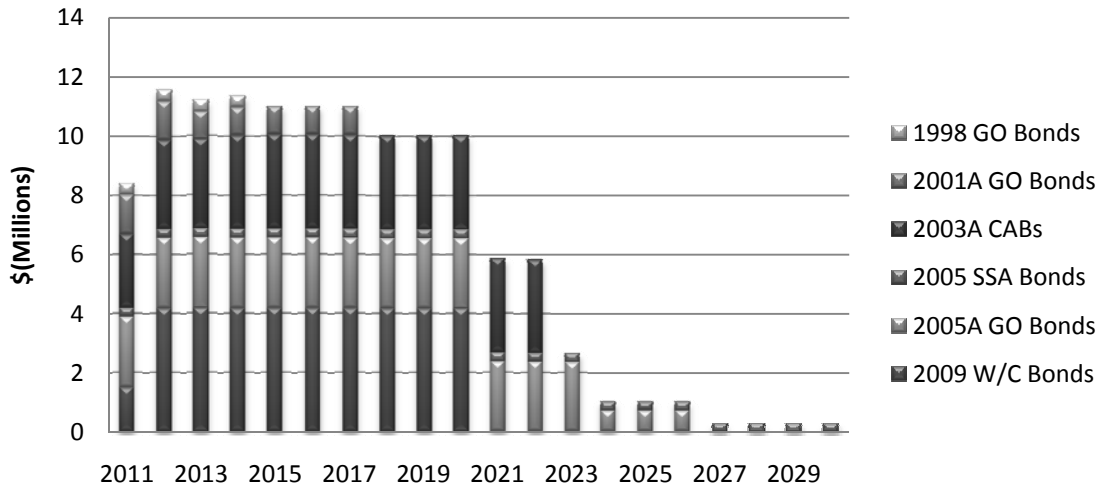
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>DEBT SERVICE FUNDS REVENUES</b>						
Property Taxes & Special Assessments	4,012,107	4,384,504	5,777,343	8,403,070	2,625,727	145%
Home Rule Sales Tax	1,099,286	1,070,523	1,060,800	-	-	0%
Interest Earned	203,265	62,781	230,824	-	(230,824)	0%
Miscellaneous Revenue	657,898	677,877	-	-	-	N/A
<b>Total Revenues</b>	<b>5,972,557</b>	<b>6,195,686</b>	<b>7,068,967</b>	<b>8,403,070</b>	<b>2,394,903</b>	<b>119%</b>
Net Transfers In	1,181,057	861,989	628,498	-	(628,498)	0%
Total Revenues & Other Sources	7,153,613	7,057,675	7,697,465	8,403,070	1,766,405	109%
<b>DEBT SERVICE FUNDS EXPENSES</b>						
Principal Retirement	6,068,054	5,110,220	4,501,373	4,749,425	248,052	6%
Interest Payment	2,010,719	1,955,162	2,089,802	3,653,645	1,563,843	75%
Bond Service Fees	8,071	10,568	-	-	-	N/A
<b>Total Expenditures</b>	<b>8,086,843</b>	<b>7,075,950</b>	<b>6,591,175</b>	<b>8,403,070</b>	<b>1,811,895</b>	<b>27%</b>
<b>DEBT SERVICE FUNDS SURPLUS / (DEFICIT)</b>						
	<b>(933,230)</b>	<b>(18,275)</b>	<b>1,106,290</b>	-		

The total general obligation debt service payable from the Debt Service Funds totals \$8.4 million for the fiscal year. The 27% increase in overall debt service over the prior year budget is mostly attributable to the first annual interest-only payment of \$1.5 million on the \$30 Million Working Cash Bonds, Series 2009. At the drafting of this proposal, the City was undertaking a refunding of prior outstanding debt to lower annual debt service costs \$40 to \$50 thousand per year beginning in the 2011/2012 fiscal year.

The City, a home-rule community, does not have to adhere to State Statute debt limits for non-home rule municipalities; however, it is a good indicator of a City's possible debt threshold used by bond rating agencies, et cetera. The limitation set by the Statute is 8.625% of the most recent Equalized Assessed Valuation (EAV) of the Real Estate in the corporate boundaries of the City. The City's outstanding principal on May 1, 2010 will be just under \$92 million, which is equal to 5.68% of the 2009 EAV. It should be noted that the City has an outstanding \$11.5 million Bond Anticipation Note (BAN) maturing in June 2010 related to a judgment claim against the City that is not included in this calculation as it is short-term in nature. If it were included in the calculation, the ratio is raised to 6.4%, still well below the statutory limit.



## City of Waukegan General Obligation Bonded Debt Service by Fiscal Year



The City's current General Obligation outstanding bond debt service, not inclusive of the aforementioned refunding and assuming no new debt issued, will peak next fiscal year at \$11.6 million, drop to \$10.9 million in the 14/15 fiscal year, drop again to \$10 million in the 17/18 fiscal year, and then level off at \$2.7 million in 22/23.

## Enterprise Funds

The City accounts for the Waterworks & Sewage and Motor Vehicle Parking System in Enterprise Funds.

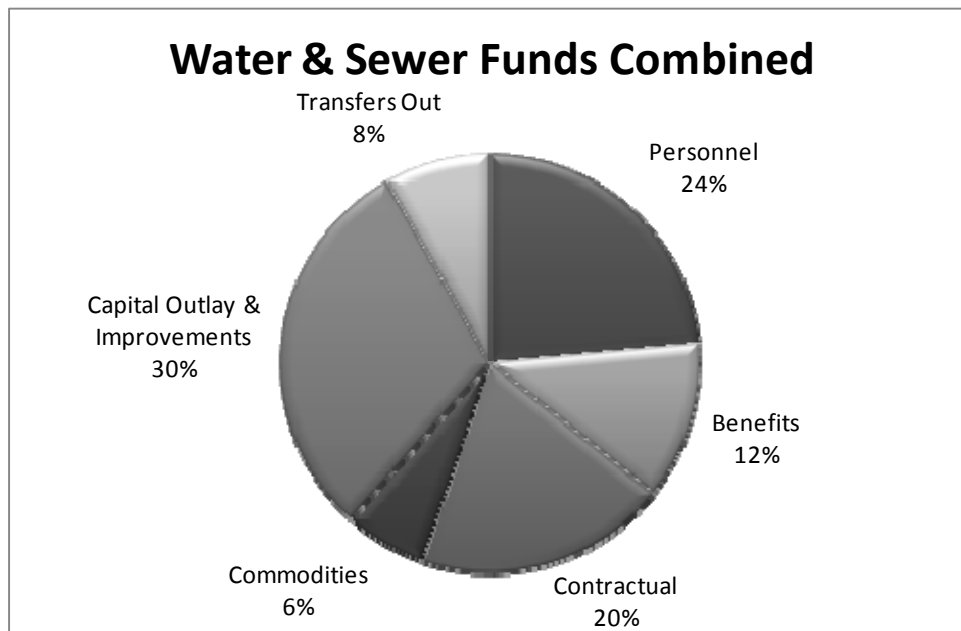
The City operates a water filtration plant and system lines that provide water to residential, commercial and industrial customers. The City also maintains the sewer system and collects the sewage, although treatment is the responsibility of North Shore Sanitary District. The Water and Sewerage operations are shown separately for purposes of this proposal.

Due to the current economic condition, overall fees are expected to decline as vacancies increase and potential development slows. An overall decline versus the prior year budget for water and sewer sales is assumed at 16% below the 2010/2011 budget. The large increase in Intergovernmental Revenue is related to several Federal Grants to be used for Water Plant improvements. Bond Proceeds are also being proposed to fully fund the capital program on a tax-exempt basis for the fiscal year. This will be a change over prior years where cash balances were tapped on a pay-as-you-go basis, bringing the fund into several years of a deficit position.

<b>WATER FUND</b>						
<b>PUBLIC WORKS DEPARTMENT</b>						
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>WATER FUND REVENUES &amp; SOURCES</b>						
Permits	325,296	174,519	215,000	10,000	(205,000)	-95%
Fees	32,725	19,330	21,000	2,000	(19,000)	-90%
Fines	213,154	245,990	225,000	190,000	(35,000)	-16%
Intergovernmental Revenue	125,000	250,000	102,303	3,742,000	3,639,697	3558%
Special Assessment Revenue	12,029	-	-	5,300	5,300	N/A
Interest Earned	35,854	604	-	-	-	N/A
Miscellaneous Revenue	7,921	41,758	49,000	8,641	(40,359)	-82%
Sewer and Water Sales	10,473,091	10,300,408	9,628,000	8,040,700	(1,587,300)	-16%
Sewer and Water Charges	81,275	76,150	72,000	60,550	(11,450)	-16%
<b>Total Revenues</b>	<b>11,306,344</b>	<b>11,108,760</b>	<b>10,312,303</b>	<b>12,059,191</b>	<b>1,746,888</b>	<b>17%</b>
Transfers In & Bond Proceeds	690,800	513,646	-	1,335,000	1,335,000	N/A
<b>Total Revenues &amp; Other Sources</b>	<b>11,997,144</b>	<b>11,622,406</b>	<b>10,312,303</b>	<b>13,394,191</b>	<b>3,081,888</b>	<b>30%</b>
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>WATER FUND EXPENDITURES &amp; USES</b>						
Personnel Services	3,335,215	3,372,477	3,424,111	3,219,030	(205,081)	-6%
Personnel Benefits	1,510,247	1,610,865	1,656,294	1,686,113	29,819	2%
Contractual Services	2,784,590	2,230,401	2,121,902	2,054,570	(67,332)	-3%
Commodities	1,097,764	1,167,780	1,108,800	875,100	(233,700)	-21%
Capital Outlay	50,125	115,844	11,000	45,000	34,000	309%
Capital Improvements	3,022,042	1,972,193	4,021,000	4,230,000	209,000	5%
Non-Cash Expense	(1,103,613)	4,811	1,400,000	-	(1,400,000)	-100%
Total Expenditures	10,696,370	10,474,371	13,743,107	12,109,813	(1,633,294)	-12%
Transfers To	2,095,173	1,569,300	1,700,000	1,163,000	(537,000)	-32%
<b>Total Expenditures &amp; Other Uses</b>	<b>12,791,543</b>	<b>12,043,671</b>	<b>15,443,107</b>	<b>13,272,813</b>	<b>(2,170,294)</b>	<b>-14%</b>
<b>WATER FUND SURPLUS / (DEFICIT)</b>	<b>(794,399)</b>	<b>(421,265)</b>	<b>(5,130,804)</b>	<b>121,378</b>		

<b>SEWER FUND</b>						
<b>PUBLIC WORKS DEPARTMENT</b>						
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>SEWER FUND REVENUES &amp; SOURCES</b>						
Fees	736,614	737,343	724,000	607,000	(117,000)	-16%
Interest Earned	27,015	24	10,000	33	(9,967)	-100%
Miscellaneous Revenue	131,022	142,856	231,000	134,500	(96,500)	-42%
<b>Total Revenues</b>	<b>894,651</b>	<b>880,223</b>	<b>965,000</b>	<b>741,533</b>	<b>(223,467)</b>	<b>-23%</b>
Transfers In	522,277	5,565	-	-	-	N/A
<b>Total Revenues &amp; Other Sources</b>	<b>1,416,928</b>	<b>885,788</b>	<b>965,000</b>	<b>741,533</b>	<b>(223,467)</b>	<b>-23%</b>
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>SEWER FUND EXPENDITURES &amp; USES</b>						
Personnel Services	112,268	117,247	117,778	101,810	(15,968)	-14%
Personnel Benefits	34,841	48,284	48,951	45,851	(3,100)	-6%
Contractual Services	639,382	360,856	784,117	708,000	(76,117)	-10%
Commodities	101,121	34,856	38,000	7,250	(30,750)	-81%
Capital Outlay	7,850	5,565	30,000	-	(30,000)	-100%
Non-Cash Expense	615,898	20,718	80,000	-	(80,000)	-100%
<b>Total Expenditures</b>	<b>1,511,359</b>	<b>587,524</b>	<b>1,098,846</b>	<b>862,911</b>	<b>(235,935)</b>	<b>-21%</b>
Transfers To	165,779	260,687	-	-	-	N/A
<b>Total Expenditures &amp; Uses</b>	<b>1,677,138</b>	<b>848,211</b>	<b>1,098,846</b>	<b>862,911</b>	<b>(235,935)</b>	<b>-21%</b>
<b>SEWER FUND SURPLUS / (DEFICIT)</b>	<b>(260,210)</b>	<b>37,577</b>	<b>(133,846)</b>	<b>(121,378)</b>		

Personnel and related benefits make up 36% of the Water and Sewer Funds expenditures on a combined basis. Personnel are dedicated to the operations of the



Waterworks and Sewage operations, and the collection of the Water and Sewer service charges. The same personnel assumptions explained in the General Fund discussion were used. A more detailed discussion is provided in the

*Department Budget Summary.* Commodities are costs associated with the operation of the facility, and are expected to decrease overall due to more thoughtful management of those functions. Capital outlay and improvements include several projects to be funded via Federal grants, and are discussed more thoroughly in the *Capital Improvement Plan* section of this budget proposal. Lastly, transfers are made to the General Fund to account for overhead costs associated with management of the operations.

The City's Motor Vehicle Parking System accounts for the operations of the City's on and off-street parking garages, lots, other facilities and the related debt service on those facilities.

	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>PARKING FUND REVENUES</b>						
Home Rule Sales Tax	-	-	-	121,378	121,378	N/A
Fees	736,614	737,343	724,000	607,000	(117,000)	84%
Interest Earned	27,015	24	10,000	33	(9,967)	0%
Miscellaneous Revenue	131,022	142,856	231,000	134,500	(96,500)	58%
<b>Total Revenues</b>	<b>894,651</b>	<b>880,223</b>	<b>965,000</b>	<b>862,911</b>	<b>(102,089)</b>	<b>89%</b>
Net Transfers In	356,498	(255,122)	-	-	-	N/A
<b>Total Revenues &amp; Other Sources</b>	<b>1,251,149</b>	<b>625,102</b>	<b>965,000</b>	<b>862,911</b>	<b>(102,089)</b>	<b>89%</b>
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
<b>PARKING FUND EXPENSES</b>						
Personnel	112,268	117,247	117,778	101,810	(15,968)	86%
Benefits	34,841	48,284	48,951	45,851	(3,100)	94%
Contratual	96,748	218,228	104,700	74,500	(30,200)	71%
Commodities	101,121	34,856	38,000	7,250	(30,750)	19%
Princ & Interest	542,634	142,627	639,417	588,500	(50,917)	92%
Capital	7,850	5,565	30,000	-	(30,000)	0%
Misc.	615,898	20,718	120,000	45,000	(75,000)	38%
<b>Total Expenditures</b>	<b>1,511,359</b>	<b>587,524</b>	<b>1,098,846</b>	<b>862,911</b>	<b>(235,935)</b>	<b>79%</b>
<b>PARKING FUND SURPLUS / (DEFICIT)</b>	<b>(260,210)</b>	<b>37,577</b>	<b>(133,846)</b>	<b>(0)</b>		

Parking lot fees have dropped. As a result, the outstanding bonds issued to build the facility call for the use of Sales Tax to pay any debt service shortfall by indenture. The proposal assumes \$121 thousand will be necessary for this purpose.

<b>Enterprise Funds Full &amp; Part Time Positions</b>	<u>FY09/10</u>	<u>FY10/11</u>	<u>Change</u>
Building & Zoning	-	-	-
Central Services	4	2	(2)
Planning & Development	-	-	-
Fire Department	-	-	-
Police Department	-	-	-
Public Works	58	54	(4)
	<b>62</b>	<b>56</b>	<b>(6)</b>

full-time employees dedicated to the Parking Lot operations.

Full and part-time personnel dedicated to the Waterworks and Sewerage operations are planned to decrease by four positions. In addition, the Parking Fund part-time employees were laid-off in 2009/2010 fiscal year, so the current budget accounts for two

## Internal Service Funds

The City maintains various arrangements for medical and dental insurance coverage with various employee groups and retirees. The City's plan is run-through the Employee Benefit Plan Fund with charges assigned back to the generating department. In addition, the City is exposed to various risks of loss related to workers compensation, property damage, torts, errors and omissions, et cetera. The financial activity related to these risks are run through the Safety and Risk Management Fund, and then charged back to the appropriate departmental budget to recoup the costs. As demonstrated below, the City will be refinancing a Bond Anticipation Note (BAN) into a long-term judgment bond related to a judgment entered against City with settlement and other costs in excess of \$11.5 million.

	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
<b>INTERNAL SERVICE FUNDS REVENUES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Bond Proceeds	-	-	-	11,600,000	11,600,000	N/A
Interest Income	35,518	(628)	500	-	(500)	-100%
Settlement / Misc. Revenue	349,419	42,049	60,000	50,000	(10,000)	-17%
Premium Contributions	12,582,590	13,170,124	14,618,961	16,173,321	1,554,360	11%
Total Revenues	12,967,527	13,211,545	14,679,461	27,823,321	13,143,860	90%
	FY07/08	FY 08/09	FY 09/10	FY 10/11	FY11 vs FY10 Budget	
<b>INTERNAL SERVICE FUNDS EXPENDITURES</b>	Actual	Actual (Unaudited)	Budget	Budget Proposal	\$	%
Personnel	106,099	104,978	154,327	-	(154,327)	-100%
Benefits	41,858	44,456	43,271	-	(43,271)	-100%
Contractual	13,264,429	13,868,105	14,274,308	15,914,655	1,640,347	11%
Commodities	4,836	5,482	8,125	5,000	(3,125)	-38%
Bond Repayment	-	-	-	11,546,000	11,546,000	N/A
Total Expenditures	13,417,221	14,023,020	14,480,031	27,465,655	12,985,624	90%
<b>INTERNAL SERVICE FUNDS SURPLUS / (DEFICIT)</b>	(449,694)	(811,476)	199,430	357,666		

<b>Internal Service Funds- Full &amp; Part Time Positions</b>	FY09/10	FY10/11	Change
Building & Zoning	-	-	-
Central Services	4	-	(4)
Planning & Development	-	-	-
Fire Department	-	-	-
Police Department	-	-	-
Public Works	-	-	-
	4	-	(4)

It should be noted that, going forward, no personnel will be funded from either of these Internal Service Funds. As part of the City's annual premium for stop-loss coverage, dedicated staffing solutions are provided full-time for the City through Aon Risk Services.

Furthermore, the prior year actual data and budget should be read with caution, as the City is still in the process of a financial audit for the 2008/2009 fiscal year, and as a result there may be significant changes in the treatment of claims unpaid, and departments being "under-charged" for those claims. These should have been expenses against the year incurred and are expected to place these funds into a "deficit" position upon restatement.

## Fiduciary Funds

Fiduciary Funds are used to account for resources held by the City, but restricted to their use for parties outside of the government's ongoing operations. As the fiscal year 2009/2010 financial audit was not complete at the drafting of this budget proposal, actual data for that year was unavailable for this presentation.

	2008 ACTUAL	2009 ACTUAL (UNAUDITED)	2010 BUDGET	2011 BUDGET
<b>Working Cash Fund 714</b>				
Revenues & Sources	46,090	N/A	-	-
Expenditures & Uses	-	N/A	-	2,676,838
Net Surplus / (Deficit)	46,090	N/A	-	(2,676,838)
<b>Police Pension Fund 719</b>				
Revenues & Sources	2,743,694	N/A	6,712,510	7,186,423
Expenditures & Uses	4,071,324	N/A	4,309,177	4,520,886
Net Surplus / (Deficit)	(1,327,630)	N/A	2,403,333	2,665,537
<b>Fire Pension Fund 720</b>				
Revenues & Sources	2,274,861	N/A	4,690,415	5,067,609
Expenditures & Uses	-	N/A	4,057,949	4,283,346
Net Surplus / (Deficit)	2,274,861	N/A	632,466	784,262
<b>Cemetery Trust Fund 721</b>				
Revenues & Sources	2,143	N/A	1,000	-
Expenditures & Uses	2,143	N/A	1,000	-
Net Surplus / (Deficit)	-	N/A	-	-

The City has historically budgeted limited activity in the Working Cash, Police Pension, Fire Pension, and Cemetery Trust Fund. The Working Cash Fund was replenished in 2009/2010 fiscal year via a taxable bond issue to temporarily replenish the City's cash reserves. The 2009/2010 large operating deficit coupled with the negative cash position of the Internal Service funds quickly depleted the majority of the bond proceeds. The remaining balance is proposed to be used in the 2010/2011 fiscal year to plug the General Fund operational deficit. The funds that "borrow" from the Working Cash Fund are charged monthly interest until such time the funds are repaid, and the bonds are retired. The Police and Fire Pension Funds budgets that are subject to the City's appropriation are limited to the employer contribution and disbursement only. As the pension funds have professionalized the accounting and benefits administration functions by hiring a CPA firm, in future years City management hopes to include a more comprehensive budget for those funds. Lastly, the City's Cemetery Fund is limited to the resources associated with the City-owned Oakwood Cemetery.

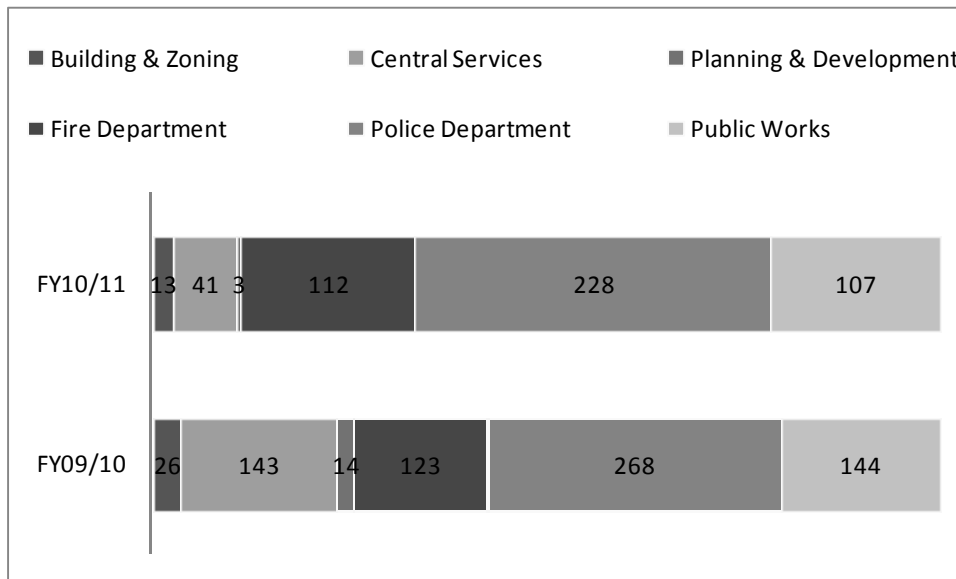
## All Funds Combined

Every effort was made to match available resources to the City's needs and uses as part of this budget proposal. Significant reductions are planned in the City's workforce, spend-down of available fund balances are contemplated, and the issuance of debt to fund long-term investment in the City's assets is planned.

All Funds Full & Part Time Positions	FY09/10	FY10/11	Change
Building & Zoning	26	13	(13)
Central Services	143	41	(102)
Planning & Development	14	3	(11)
Fire Department	123	112	(11)
Police Department	268	228	(40)
Public Works	144	107	(37)
	718	504	(214)

The total budget, as currently proposed, eliminates 214 full and part time positions compared to 09/10. This includes cutting 181 full and part time vacant positions, plus 33 lay-offs of existing full-time personnel. The proposed layoffs will eliminate approximately half of the City's administrative / support

staff, positions that do not impact core services, and a reduction in sworn fire personnel including seven (7) Administrative Assistants; one (1) Assistant Planner; thirteen (13) Clerical Technicians; two (2) Custodians; one (1) Fire Captain; five (5) Firefighters; one (1) Fiscal Assistant; one (1) GIS Analyst; and two (2) Office Supervisors. Further detail on positions and impact on City's operations and services may be found in the *Departmental Budget Summary* section of this proposal.



Accounting for both full and part time positions, this proposal will increase the overall percentage of the City's workforce dedicated to public safety from 54% to 68%; 20% to 21% dedicated to public works, with the remaining employee population shifting from 25% to 11%

of overall full and part time positions.

A summary of the City's funds versus the prior year budget are shown below. The City's General Fund is balanced, as are the Capital, Debt Service and Enterprise Funds. Special Revenue Funds have a planned deficit as idle cash balances are proposed to

be tapped for use in the City's day-to-day operations. In addition, the City's Internal Service Funds are showing a "surplus" as actual claims incurred will be charged back to the generating departments plus a 5% "mark-up" to defray the costs of interest on the Working Cash Fund loans. While Fiduciary Funds are shown as well, they are restricted in their use and may not be used for City operations. Last fiscal year, the City's key operational funds – General Fund and the Enterprise Funds – had an operational deficit of \$6.5 million. Using revenue enhancements, one-time transfers and significant cuts, those funds are balanced for the 10/11 fiscal year.

<b>REVENUE &amp; EXPENDITURE SUMMARY BY FUND</b>				
	2010 BUDGET	2011 BUDGET	\$ CHANGE	% CHANGE
<b>Revenues &amp; Net Transfers</b>				
General	55,501,446	62,772,859	7,271,413	13%
Special Revenue	17,422,728	9,557,139	(7,865,589)	-45%
Capital	1,732,000	10,558,000	8,826,000	510%
Debt Service	7,697,465	8,403,070	705,605	9%
Enterprise	12,242,303	14,257,102	2,014,799	16%
Internal Service	14,679,461	27,823,321	13,143,860	90%
Total City Funds	109,275,403	133,371,491	24,096,088	22%
Fiduciary	11,403,925	12,254,032	850,107	7%
Grand Total	120,679,328	145,625,523	24,946,195	21%
<b>Expenditures</b>				
General	56,692,021	62,772,859	6,080,838	11%
Special Revenue	15,206,044	11,070,527	(4,135,517)	-27%
Capital	1,450,000	10,558,000	9,108,000	628%
Debt Service	6,591,175	8,403,070	1,811,895	27%
Enterprise	17,640,799	14,135,724	(3,505,075)	-20%
Internal Service	14,480,031	27,465,655	12,985,624	90%
Total City Funds	112,060,070	134,405,835	22,345,765	20%
Fiduciary	8,368,126	11,481,070	3,112,944	37%
Total	120,428,196	145,886,905	25,458,709	21%
<b>Surplus / (Deficit)</b>				
General	(1,190,575)	-		
Special Revenue	2,216,684	(1,513,388)		
Capital	282,000	-		
Debt Service	1,106,290	-		
Enterprise	(5,398,496)	121,378		
Internal Service	199,430	357,666		
Total City Funds	(2,784,667)	(1,034,344)		
Fiduciary	3,035,799	772,962		
Total	251,132	(261,382)		

In summary, this budget proposal was drafted with the intent to shift the City's limited resources back to the City's core functions of public safety and public works; an eye toward long overdue reinvestment in the City's infrastructure and other fixed assets, all while under the constraints of union contracts, declining revenues and general economic malaise. One-time budget gaps were identified and filled, but these one-year solutions must be acknowledged. Long-term financial planning must be addressed going forward to bring the City back to a sound financial position.