

EXECUTIVE OVERVIEW

PROPOSED BUDGET

Fiscal Year

2019-2020

Executive Overview

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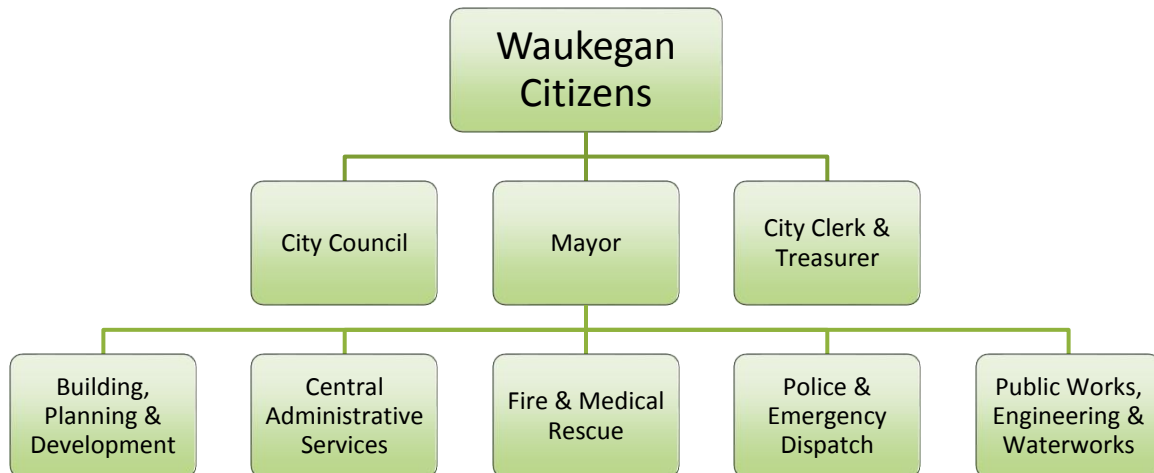
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INTRODUCTION

Waukegan, first visited by Pere Marquette in 1673, is one of the oldest communities in Illinois. The city started as a French trading post and Potawatomi settlement known as "Little Fort." Little Fort, which changed its name to Waukegan (the Potawatomi word for "fort" or "trading post") in 1859, had a population of 2,500. At the time of incorporation, the town covered an area of 5.62 square miles. Today, the City of Waukegan has a population of approximately 90,000 and encompasses a total area of approximately 25 square miles. The City is the ninth-largest city in Illinois by population, and is the fifth-largest city on the western shore of Lake Michigan after Chicago, Milwaukee, Green Bay, and Kenosha.

Waukegan is a full-service municipal government with a full-time elected Mayor and nine Aldermen elected to represent wards. The City Clerk and City Treasurer are also elected. The City provides police, fire, emergency dispatch, and public works services to its residents, as well as maintaining a water plant and providing other important municipal services such as code enforcement and economic development. City government is divided among five functional areas: Building, Planning & Development; Central Administrative Services; Fire & Medical Emergency; Police & Emergency Dispatch; and Public Works, Engineering & Waterworks.

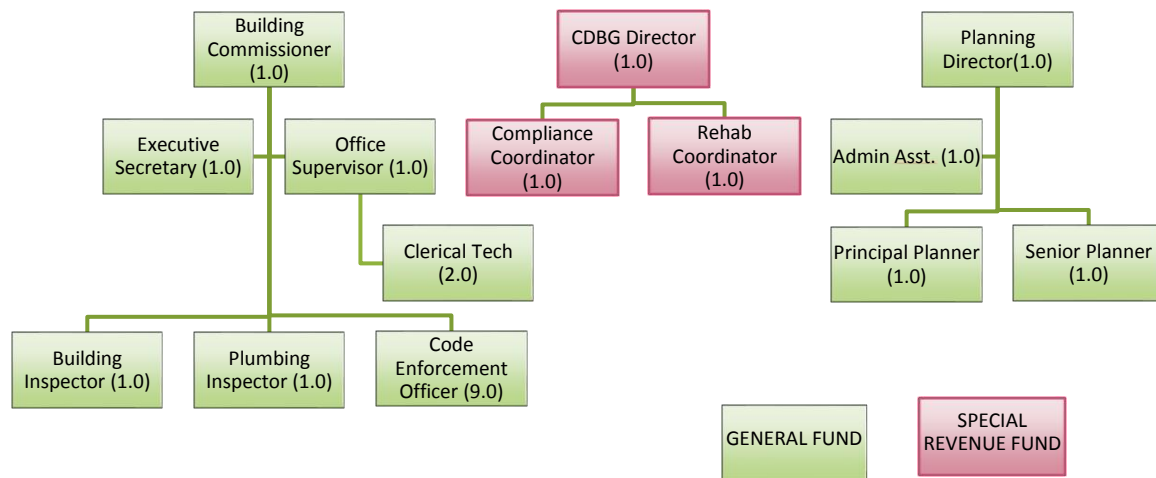


Building, Planning & Development

The Building Department is responsible for plan review and construction inspection for properties within the City of Waukegan; and handles code compliance including the BOCA Property Maintenance Code, Zoning Code, Sign Ordinance, and other related City Codes. The Community Development Block Grant (CDBG) Department receives federal

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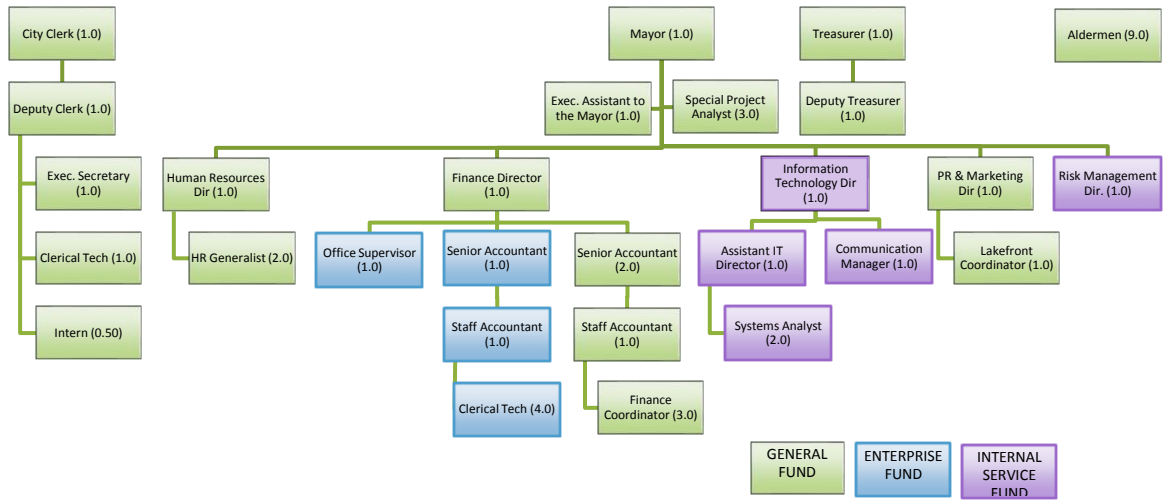
grant funding, offering financial assistance to eligible property owners and organizations to provide a suitable living environment and expanded economic opportunities, principally for low and moderate-income persons in the community. The Planning and Development Department reviews and provides recommendations on all land use and zoning matters, long-range and development plans, and City ordinances. Planning and Development works with property and business owners, and with developers, on economic development projects, managing the City's Opportunity Zones and Enterprise Zone, and is involved in the Tax Increment Financing program.



Central Administrative Services

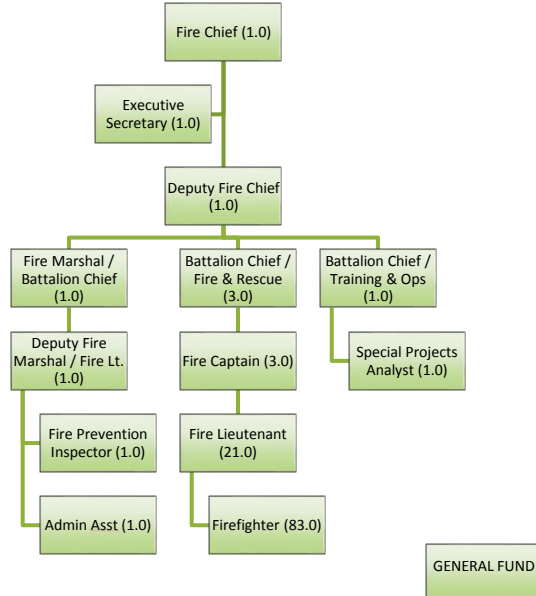
Central Services provides a direct link between Waukegan residents and the elected officials and administrative support departments. The City Council is comprised of nine aldermen representing individual wards of the City. The City Council serves as the legislative body for Waukegan, approves the spending of public dollars and letting of contracts, and passes Ordinances and Resolutions to govern the City. The Mayor serves as the chief executive officer of the City of Waukegan, responsible for organizational leadership and policy implementation. The City Clerk completes the necessary arrangements to ensure an effective City Council meeting, and is the principal record keeper for the City. The City Treasurer is responsible for the management of the city investment program, and administering and documenting the City's cash management program. Central Services supports day-to-day operations of the City of Waukegan and includes the Finance, Human Resources, Information Technology, Public Relations, and Risk Management Departments.

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Fire & Medical Emergency

The Waukegan Fire Department serves to safeguard the lives and property of the citizens of Waukegan and those that visit the City. This is accomplished as an all-encompassing life safety response by delivering quality emergency medical services, fire suppression, public education to all residents, and fire prevention through an effective Fire Prevention Bureau, which completes fire and life safety inspections.

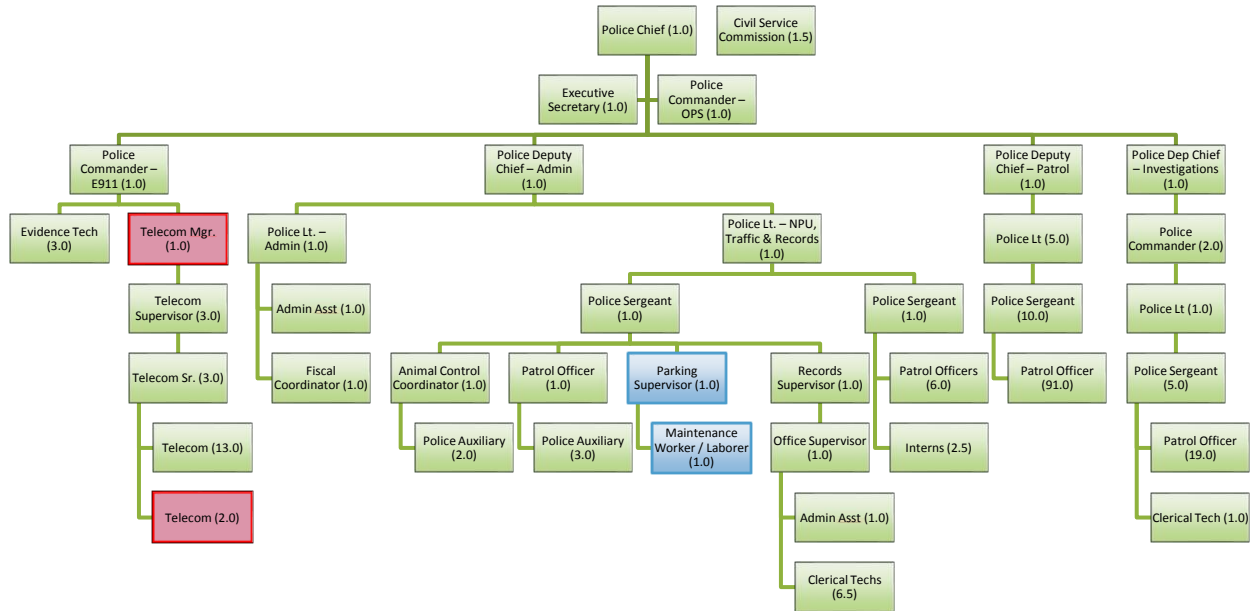


Police & Emergency Dispatch

The Waukegan Police Department’s mission is to serve the community by preventing crime, equally enforcing laws, and by maintaining order. The Police Chief manages the Patrol Division, Investigations Division, Traffic & Records Division, Neighborhood Policing Division, and Communications Division. These units respond to both emergency (9-1-1)

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calls and non-emergency calls for service, conduct crime investigations, plan and implement traffic safety, assist with quality of life issues within the community, and provide Emergency 9-1-1 dispatch for the police and fire departments.

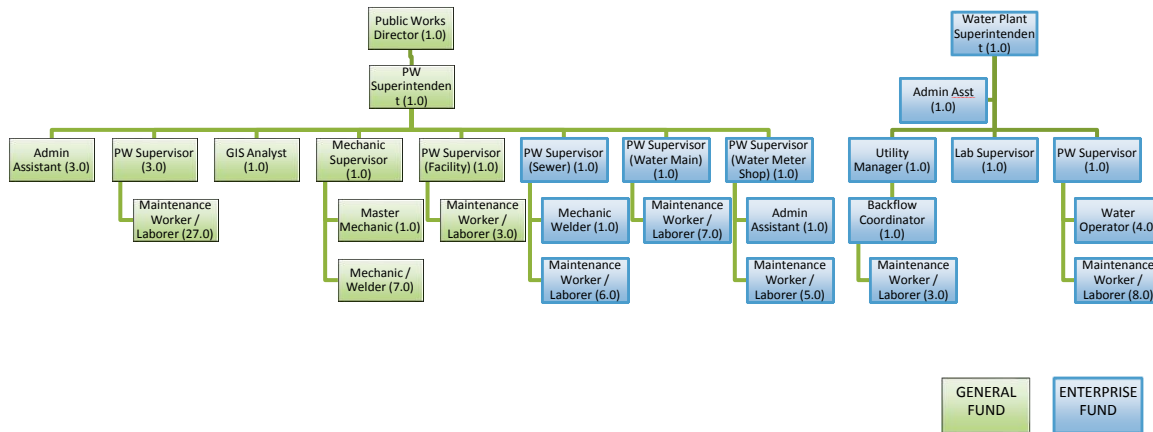


Public Works, Engineering & Water Works



Public Works maintains and repairs the City’s infrastructure including roadways, sanitary sewer collection /pumping systems, storm water system, facilities, street signs, light fixtures, traffic lights, and vehicles. In addition, Public Works is responsible for snow and ice control operations, the maintenance of city maps; and ensuring the City’s construction activities are meeting national engineering standards. The Water Works Department is responsible for operating and maintaining the City’s Lake Michigan water treatment plant and water distribution system.

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BUDGET PROCESS

This budget document is the result of the City’s financial and operational planning process. The budget serves as a guide for implementing those plans for the May 1st to April 30th fiscal year. By submitting this document to the public, Aldermen, and other City stakeholders in advance of public hearings, it is the Administration’s goal to further the planning process by shaping the City’s goals and objectives in a time of strained resources. All budget requests are made with the City’s mission and core values in mind.

The budget was developed as a “bottom-up” process. The Finance Department projects revenues and fund balances available in the upcoming year to determine “bottom line” for resources. Assumptions including debt service payments, pension obligations, and personnel costs were prepared. Individual departments are responsible for assessing current conditions, programs, and needs. Meetings were held with department heads to discuss major operational changes, objectives and project requests. Every effort is made to combine requests across departments and accomplish their goals more efficiently. In conjunction with department heads, the Mayor’s office cuts unjustified items from the budget.

Fund Structure

The City budgets based upon Governmental Accounting Standards Board (GASB) guidelines. The City uses fund accounting to demonstrate compliance with finance-related and 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.

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The General Fund accounts for the majority of the City's day-to-day operations and is, therefore, a significant section of this budget document. Special Revenue Funds are used to account for programs funded from specific and legally restricted financing, such as grants and tax increment financing. Capital Project Funds are used in governmental accounting to track the financing and construction of major capital assets, such as roadways and sidewalks. A Debt Service Fund records the taxes collected and remitted to pay interest and principal payments on long-term debt such as bond issues and capital leases. Enterprise Funds are used to report the business-type activities the City engages in, and are services intended to pay for themselves. This includes the City's water operations and parking garage. Internal Service Funds allow the City to pay insurance claims or premiums promptly and then charge-back to the appropriate fund on a monthly basis. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government.

All of the funds included in this budget proposal are appropriated by the City Council. Each fund type is presented in its own section of this document. The reader is encouraged to read each section in order to obtain a full understanding of the City's budgetary plan for the upcoming fiscal year.

ACCOUNT NUMBERS

The account numbers used by the City of Waukegan identify the fund from which the expenditures come, the department making the expenditure, and the type of expense.

Account numbers look like this: 100-301925469

- The first three digits indicate to which fund the expenditure is charged. In this example **100**-301925469, **100** indicates the General Fund.
- The next number indicates the Agency generating the expense. In this example 100-**30**1925469, **3** is the Fire Department.
- The following three digits indicate the division generating the expense. In this example 100-3**019**25469, **019** is Fire Suppression.
- The sub-account is then indicated by the subsequent two numbers. In this example 100-3019**25**469, **25** is Commodities.
- The last three digits delineate the object. In this example 100-301925**469**, **469** is Uniforms expense.

Detailed listings of account numbers and the proposed funding allocated to those line items are provided in each Fund section of the proposed budget. In addition, a prior-to-current budget comparison by line item is provided in the Appendix.

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The revenues, expenditures, and net transfers between Funds are shown below. More detailed information is provided in the various Funds section of this proposal, including descriptions of the Funds and multi-year data.

The General Fund, the City’s main operating budget, includes budgeted revenues and transfers-in of \$71.5 million and expenses of \$75.0 million, resulting in an operating deficit of \$3.5 million. This deficit will be absorbed by fund balances in the General Fund. In simple terms, fund balance is the difference between the City’s General Corporate assets and liabilities, including cash and investments, which may be used as a resource available to finance expenditures of future fiscal periods. Because these balances are neither a revenue (in-flow) nor an expense (out-flow), they are not included in the annual budget proposal. The Special Revenue Funds’ deficit, after transfers, of \$999 thousand is purposeful spend-down of funds held in reserve and specifically earmarked for spending made under grant or statutory regulations. The Capital and Enterprise deficits are related to the use of bond funds held by the City Treasurer which were intentionally retained from the prior fiscal year to fund capital projects over a multi-year period. It is estimated that the City will have more than \$20 million in unexpended General Obligation bond proceeds and \$13 million in unexpended Water Revenue bond proceeds available at the start of FY20. The \$15.2 million operating surplus in the Fiduciary Funds is dedicated to partially cover long-term liabilities associated with Police and Fire pension plans. The FY20 total budget has total revenues of \$162.1 million and expenditures of \$181.1 million.

Fund	Revenues	Expenditures	Net Surplus / Deficit	Net Transfers	Net Surplus / Deficit, after Transfers
General	71,399,000	-75,011,000	-3,612,000	112,000	-3,500,000
Special Revenue	21,772,000	-19,878,000	1,894,000	-2,893,000	-999,000
Capital	792,000	-21,946,000	-21,154,000	-220,000	-21,374,000
Debt Service	12,507,000	-15,582,000	-3,075,000	3,075,000	0
Enterprise	17,210,000	-25,785,000	-8,575,000	220,000	-8,355,000
Internal Service	7,150,000	-7,150,000	0	0	0
Fiduciary Funds	31,251,000	-15,744,000	15,507,000	-294,000	15,213,000
TOTAL	162,081,000	-181,096,000	-19,015,000	0	-19,015,000

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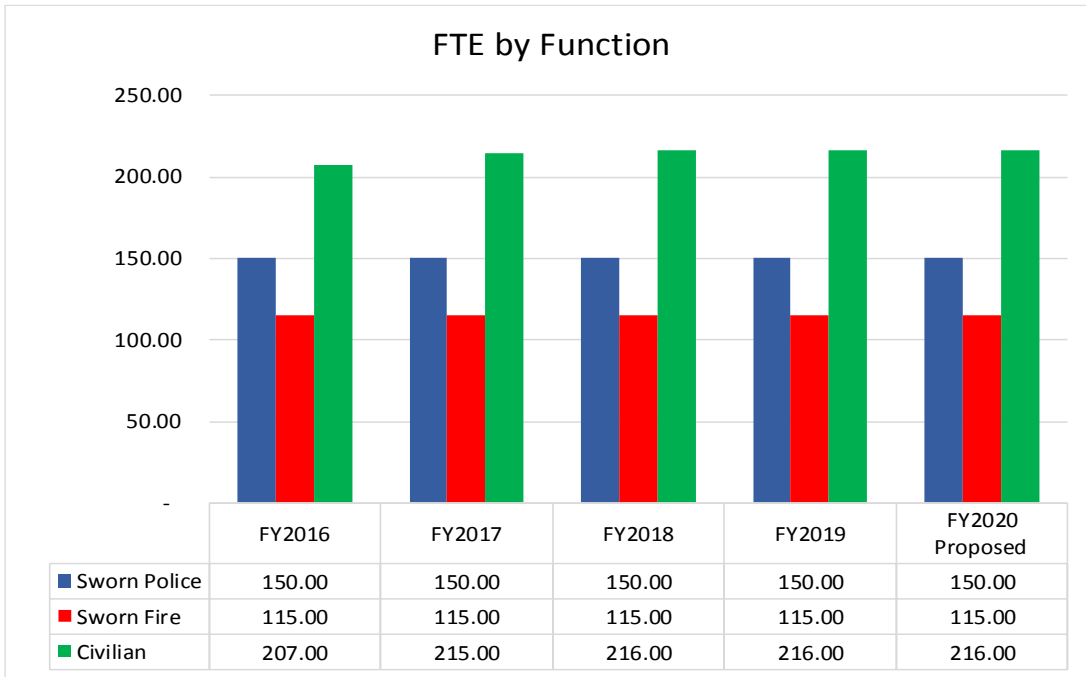
TOTAL CITY HEADCOUNT

For the upcoming fiscal year, a total headcount of 481.00 full time equivalent (FTE) positions are planned. This reflects no increase in headcount for the third consecutive fiscal year. There are 416.00 FTE proposed in the General Fund, 6.00 in Special Revenue Funds, 53.00 in Enterprise Funds, and 6.00 in Internal Service Funds.

Headcount Overview	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020 Proposed</u>	<u>Change</u>
Building, Planning & Development						
General Fund	16.50	18.00	20.00	20.00	20.00	-
Special Revenue Fund	4.00	4.00	3.00	3.00	3.00	-
	20.50	22.00	23.00	23.00	23.00	-
Central Services						-
General Fund	34.50	37.00	38.50	37.50	32.50	(5.00)
Enterprise Fund	10.50	12.50	7.50	7.00	7.00	-
Internal Serv. Fund	-	-	-	1.00	6.00	5.00
	45.00	49.50	46.00	45.50	45.50	-
Fire Department						
General Fund	120.00	120.00	120.00	119.00	119.00	-
Special Revenue Fund	-	-	-	-	-	-
	120.00	120.00	120.00	119.00	119.00	-
Police Department						
General Fund	177.50	193.50	195.00	195.50	195.50	-
Special Revenue Fund	15.00	-	3.00	3.00	3.00	-
Enterprise Fund	-	-	2.00	2.00	2.00	-
	192.50	193.50	200.00	200.50	200.50	-
Public Works						
General Fund	35.00	33.00	49.00	49.00	49.00	-
Special Revenue Fund	15.00	15.00	-	-	-	-
Enterprise Fund	44.00	47.00	43.00	44.00	44.00	-
	94.00	95.00	92.00	93.00	93.00	-
Total	472.00	480.00	481.00	481.00	481.00	-

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Total FTE dedicated to public safety remains at 55% of budgeted headcount, consistent with the prior year.



Finally, the FTE covered by Union contracts remains at 81% of overall headcount for FY20, unchanged from the prior fiscal year.

