



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Rock Island  
Illinois**

For the Fiscal Year Beginning

**April 1, 2008**

Handwritten signature of the President of the GFOA.

President

Handwritten signature of the Executive Director of the GFOA.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Rock Island, Illinois for its annual budget for the fiscal year beginning April 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another year.



ROCK ISLAND  
ILLINOIS

The budget digest gives an overview of the city including the economic condition, the major initiatives and top priorities that were considered in preparing the 2009/10 budget. It also explains the organization of the budget document, budgetary procedures, budgetary accounting and fund structure. In addition, the digest provides information on revenue and expenditure trends and the assumptions used to create the 2009/10 budget.

### GENERAL INFORMATION ABOUT THE CITY OF ROCK ISLAND

Rock Island is located in western Illinois along the Mississippi River. Rock Island, Moline and East Moline in Rock Island County, Illinois and Davenport, in Scott County, Iowa make up the "Quad Cities". They are the largest Cities in the Davenport - Rock Island - Moline Standard Metropolitan Statistical Area which had a 2000 population of 359,062. Chicago is 175 miles to the east and Des Moines is approximately 162 miles to the west. The economy of the area has traditionally centered around agriculture - rich farming areas in the rural area and farm implement makers in the urban area. Deere and Company is headquartered in Moline and is the largest employer in the three county area with approximately 6,400 employees.

The Indian Village of Sauk-e-Nuk with its late 1700's population of some 7,000 (now in the City of Rock Island) and the nearby high bluff now known as Black Hawk State Park were the sites of the westernmost battle of the Revolutionary War. The first structure erected in the present Quad-Cities was Fort Armstrong built in 1816 on the lower end of Rock Island----today the Rock Island Arsenal. Many of today's municipal corporations were named after local military commanders (Col. Davenport and Generals Whiteside and Scott) in the 1800's.

The Illinois General Assembly established Rock Island County in approving an Act on February 9, 1831 that defined the County's boundaries including an area of 452 square miles of which 424 square miles are land area. The area comprising the new Rock Island County had been a part of Jo Davies County with the county seat at Galena since 1827. In 1856 a referendum established the formation of 16 townships. The County's principal municipalities include: the City of Rock Island-prior to its incorporation as a town in 1841 it was the Village of Stephenson; the City of Moline (taken from the French name "Moulin" meaning city of mills) incorporated in 1848; and East Moline (first name Port Byron Junction due to many converging railroad lines) incorporated in 1903.

The population of the City of Rock Island, the County Seat of Rock Island County, peaked at 51,863 at the 1960 census (up 6.5% from 48,710 at the 1950 Census). Population since 1960 has declined with 50,166 at the 1970 Census, 46,928 at the 1980 Census, and 40,552 at the 1990 Census. The 2000 Census reported the City's population at 39,684, a decrease of 2.14% from the 1990 census. While each of the five counties in the Quad Cities area lost population in the 1980's-Rock Island County down 10.8%; Whiteside County down 8.8%; Henry County down 11.7%; Mercer County down 10.3%; and, Scott County, Iowa down 5.7%, the 2000 census showed a stabilizing of the area and population with the combined population of 436,672 up 1.9% from 1990's 428,307.

### Rock Island Arsenal

Rock Island Arsenal Island is on an island in the Mississippi River that is three miles long, 3/4 of a mile wide and consists of 946.3 acres. It is located between Rock Island and Moline, Illinois, and Davenport and Bettendorf, Iowa. The Rock Island Arsenal Industrial Complex occupies approximately 866.5 acres. The balance of the Island consists of the Veterans Administration (70.3 acres) with a U.S. National Cemetery, a Confederate Cemetery (the burial place of 1,961 men who died in the Island's Confederate Prison Camp which housed approximately 12,000 Confederate prisoners) and the headquarters of the Rock Island District Corps of Engineers (9.3 acres).

The Joint Manufacturing and Technology Center – Rock Island is the Army's only vertically integrated metal manufacturing facility. It supports the armed services through the manufacture of armaments and the fabrication/assembly of sets, kits and outfits and basic issue items. Core products are the howitzers,

cradles, recoils, mounts, tool sets and shelters. Rock Island Arsenal is the only domestic producer of hydro-pneumatic recoil mechanisms for artillery systems. Current production also includes armored door kits and machine gun pedestals for contingencies in southwest Asia, the prototype and production of the Forward Repair System, Shop Equipment Maintenance vehicle, M2 machine gun parts, artillery components, Petroleum Quality Analytical System, Dragon Fire mortar system prototypes, and many other parts of critical importance to our Joint Services. The RIA-JMTC employs approximately 1,100 personnel, over half of whom are directly involved in the manufacturing and logistics missions.

Three tenant organizations located on the Arsenal employ approximately 6,600 employees. Some of the major tenant organizations are the headquarters of the U.S. Army Sustainment Command and U.S. Army Joint Munitions Command, the U.S. Army TACOM Life Cycle Management Command-Rock Island, the U.S. Army Civilian Human Resource Agency-North Central Region, the Defense Finance and Accounting Service-Rock Island, Installation Management Command-West.

### **Economic Activity in the City of Rock Island**

The Rock Island City Council has identified community and economic development as a top priority and has supported a number of initiatives directed at creating and retaining jobs in the community, expanding the city's tax base and promoting the city as a place to work, live and play.

The downtown area, known regionally as "The District", has become a destination for some 100,000 people who attend one of ten major events and weekly music presentations throughout the year. This success in attracting regional residents to the downtown has fostered the establishment of over thirty restaurants, bars, art galleries and entertainment outlets generating significant private investment. Retail art establishments such as the Art Place and Left Bank Gallery and the Quad City Arts offer unique venues for experiencing and purchasing art. Dphilms, a commercial video production business, maintains state of the art video production facilities along with Brass Rail Recordings who provide complementary audio recording support. Services for District patrons and residents have expanded too with the opening of nationally known eating establishments like Subway and Bennigan's complementing more unique local restaurants like LeFigaro, Huckleberry's and Atlante. Aside from arts and entertainment, downtown Rock Island continues to benefit from the home office operations of five insurance companies: Modern Woodman of America, Royal Neighbors of America, Illinois Casualty, Bitco and the Cleveland Agency. Two office projects were also completed over the past year. JTM Concepts, a company that works closely with the US Department of Defense on the drafting of technical manuals and 3D simulations, expanded their office space and KJWW Engineering Consultants expanded their Rock Island home office which now employs over 200 engineers and technical professionals.

Housing in the District has also been an area of major focus and investment. To provide ownership opportunities, Rock Island GROWTH has been instrumental in creating over 150 units of housing in the downtown. Projects such as the \$1.6 million Clipper condos, the \$5 million Voss Lofts, the \$5 million Sala Flats and the newest project, the \$6 million McKesson redevelopment, have greatly increased downtown housing opportunities, expanded the downtown resident population and helped achieve the goal of creating a downtown neighborhood. While GROWTH has led the way, several private developers have followed with projects to convert the upper floors of six commercial buildings into living space. A unique project to be completed in spring 2009 is the DuMarche Market on 3<sup>rd</sup>. This project will create six live-work town home units designed to accommodate art displays, studio and living space all in one location.

A major change for the District and the City in late 2008 was the opening of the new Jumer's Casino. The current casino operations moved from its Mississippi River waterfront location in the District to a new 110 acre site in southwest Rock Island at the intersection of Interstate 280 and Illinois Route 92. At \$150 million, the project represents the largest single private development project in the City's history. The casino complex includes a 250 room hotel, four restaurants, a 700 seat multi-purpose conference center and various support facilities. Employment doubled and revenue to the city is expected to increase significantly. Relocation of the casino will allow the City to reclaim a key piece of downtown waterfront for public use. For some months, an active community planning effort has been underway to detail the elements of a new park that will serve both as a front door to the City and as a legacy for generations to come. Scheduled to begin construction in mid-2009, the park will add a major and needed green component to the City's downtown and will be a place for Rock Island citizens to gather either for special

events or just to enjoy the riverfront. The park development represents the fulfillment of a long standing City goal of providing greater access to one of the most well known attractions, the Mississippi River. Planning for new growth and redevelopment is critically important as the city looks to the future. Two major geographic areas of activity with plans in place and undergoing transformation are located at the northeastern and northwestern corners of the city: Columbia Park and the New Old Chicago Neighborhood. The Columbia Park project entails conversion of the old International Harvester Farmall Tractor manufacturing property into a mixed use development. When completed, Columbia Park will blend a mix of residential, commercial and recreational uses at an eighty acre waterfront location mid-point between downtown Rock Island and downtown Moline, adjacent to the Augustana College campus and the Quad City Botanical Center. The first phase of redevelopment is nearing completion with one million square feet of obsolete building structures under demolition and the completion of Phase I environmental assessment. Work on the Sylvan Slough Natural Area, a five acre park adjacent to the property was completed in 2007. In the northwestern part of the City, the New Old Chicago Neighborhood redevelopment is moving forward as planned. A major street reconstruction project was completed last year with landscaping, bike lanes and decorative lighting as integral elements to enhance both the street views and improve access. A planned \$3 million expansion of the Martin Luther King Jr. community center and a new public park are additional public investments that will compliment private investment in new housing and commercial enterprise.

Several significant health care industry projects have also been either announced or completed. Trinity Health Systems recently finished a \$5 million improvement to their Rock Island campus involving the reconstruction of surgical suits at the facility. Over the past five years, Trinity has made significant investments in their Rock Island property to ensure the availability of state-of-the-art health services for area residents. Not far from the Trinity campus, the Verdi Eye Clinic completed work on a new eye care center and Eye Surgeons Associates will complete work on a similar facility in fall of 2008.

Over the past decade in the city's southwest area, several projects have been completed that build on the already strong warehouse/distribution sector. For example, Performance Food Group –Thoms Proestler Company, expanded their 240,000 square feet distribution facility by adding 200,000 square feet of freezer space. Employment at the company has reached over 300 and sales continue to grow. Also in the southwest, Thermo King refrigeration completed construction of a new 35,000 square foot facility and Steel Warehouse Company added 40,000 square feet to their existing 80,000 square foot steel processing plant. These companies complement major existing warehousing, production and transportation facilities operated by Miller Container, USF Holland, CCS, Group O, Valspar and Export Packaging.

Increasing city revenues, with particular emphasis on retail sales taxes, has been a city goal for some time. In May 2008, the Hy-Vee company opened a new 65,000 square foot full service grocery store. The new store is approximately two and a half times the size of an existing store and will be a major generator of new retail sales taxes. The Hy-Vee project is along the 18<sup>th</sup> Avenue commercial corridor which has recently been the site of development by Ace Hardware, Advanced Auto Parts, CVS and two smaller strip centers.

From a growth standpoint, the City continues to move steadily forward, avoiding the major development peaks and valleys experienced in other areas of the country. Modest, steady and sustainable growth has allowed the City to maintain high service levels at very reasonable costs.

## **MUNICIPAL SERVICES**

The City of Rock Island is organized under the Council-Manager form of government, with legislative authority vested in a City Council made up of a Mayor and seven members. Council members are elected from wards to staggered four-year terms. The City became a home rule unit with the adoption of the 1970 Illinois Constitution. As such, the City has no tax rate or debt limits, nor is it required to conduct a referendum to authorize the issuance of debt or to increase property taxes.

The City has unified its administrative functions through the appointment of a City Manager (the position was created by action of the City Council on July 1, 1952), who is responsible for the day-to-day operations of the City and its full-time employees. The City's police department, with 84 sworn police officers, is housed at City Hall. The City has had an enhanced 911 system since 1990. The fire

department currently has four stations housing the department's 61 full-time personnel. The City negotiates with the following bargaining units: Fraternal Order of Police (65 employees, contract expires March 21, 2010); Police Command (18 employees, contract expires March 21, 2010); Fire Fighters (59 employees, contract expires March 31, 2009); Library (12 full-time employees and 25 part-time employees, UAW contract expires March 22, 2009); Public Works (73 employees, AFSME A contract expires March 21, 2010), and Office/Professional 81 employees, AFSME B contract expires March 21, 2010). The City considers its employee relations to be good.

The city's source of water is the Mississippi River. The municipal water system consists of over 220 miles of water mains, 12 million gallons of storage, and a 16 million gallon per day (MGD) water plant, with average consumption of 5.4 MGD and peak consumption of 10.5 MGD. Sewage collection and treatment are also City responsibilities. The city operates two sewage treatment plants with 17.5 MGD design capacity and 8.32 MGD average load.

The City Library serves the community through a main library and its two branches, and provides services on a contractual basis to Blackhawk Township and Village of Milan. In 1985-1986, the main library underwent a \$1.8 million renovation and expansion. The City provides all park and recreational services (there is no separate municipal corporation providing park district services). The City operates 26 parks on 850 acres, including two golf courses. Other major facilities include a 485 -slip marina on the Mississippi River and an aquatic center. A portion of the proceeds of the Series 2001 Bonds (\$1,325,000) together with \$2,900,000 of locally raised funds was used to fund a Family Aquatic Center, which replaced a pool built in 1956. The \$4.2 million facility includes a tube flume slide, a body flume slide and two drop slides. The main pool has a zero depth entry with spray toys in the shallow area and four, 25-meter lap lanes. The facility is placed in such a way as to take advantage of the hillside for the slides and visibility of the community. Joint reciprocity agreements with the public school system and a parochial high school serve to expand the facilities for the City's recreational programs.

On September 10, 1990 the former Rock Island Family YMCA building with its indoor running track and swimming pool became the Rock Island Park and Recreation department Fitness and Activity Center (RIFAC). Since 1990, the City has renovated the facility, which currently consists of an indoor pool, gymnasium, fitness-cardiac room, weight room, three racquetball courts and five classroom areas. The \$2,300,000 expansion of RIFAC includes expanded locker room space, new cardiac and weight room area, expanded running track and basement storage area. The City's parks are supplemented by 2,292 acres owned by the Rock Island County Forest Preserve District. The district operates five preserves, including the 228-acre Niabi Zoological Preserve.

The City's 1979 Annual Financial Report was awarded the Certificate of Achievement for financial reporting by the Government Finance Officers Association (GFOA) of the United States and Canada. A supplemental Certificate of Achievement was awarded for the City's 1981-1985 and 1987-2005 reports. The significance of the GFOA award is emphasized by their statement. . . "The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a governmental unit and its management." The City's 1987/88-2007/08 budget received the Award for Distinguished budget Presentation awarded by the GFOA. The GFOA notes . . . In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

Other examples of the City's strengthened planning and financial management policies include: Comprehensive Plan; Capital Improvements Program; Statement of Financial Policies; and, an Investment Policy. The Comprehensive Plan was first prepared in 1957-58 by outside consultants. The last update was done by City staff members and was adopted by the Council in 1986 (several neighborhood plans have been completed since that time).

The City's Statement of Financial Policies was adopted on September 14, 1987 with updates dated December, 1989 and November 1994 by the City Council. The statement, which was formulated by the City of Rock Island Financial Planning Task force (membership included representatives of the local banks, insurance companies, accounting firms and Augustana college), includes policies on borrowing, General Fund cash and fund balance, revenue sources, accounting and financial reporting, reserves for the General Fund and for equipment replacement, the appropriate uses of debt, various other fund

balances, etc. The statement also calls for a five-year projection of General Fund operations, updated annually.

While it is the policy of the City to establish and maintain sufficient cash in its General Fund so a positive cash balance and fund balance is maintained at the end of each fiscal year, it is the City's goal to maintain a positive unrestricted and non-designated balance at a level equal to an amount representing 90 days of budgeted operating expenditures for the following fiscal year. This financial goal was revised in 2005 from 60 days to 90 days and is being phased in over a five year period ending in fiscal year 2009. Any General Fund balance in excess of this requirement is transferred to the Capital Improvements Fund at the completion of the annual audit. The City transferred \$4,027,748 to the Capital Improvements Fund over the last five completed years (2005-2009).

## STRATEGIC PLAN

In preparing the 2009/10 budget, the City of Rock Island identified major programs needed to meet citizens' needs for services, safeguard the environment in conformity with applicable federal and state standards and promote cultural and economic development. These programs are developed within the framework of a strategic plan consisting of the following:

- |                |                                     |
|----------------|-------------------------------------|
| 1. Vision 2022 | Desired destination for Rock Island |
| 2. Plan 2013   | Map to Rock Island's destination    |
| 3. Execution   | The route for next year             |
| 4. Mission     | Responsibilities of City Government |
| 5. Beliefs     | Expectations of City Employees      |

### Vision 2022

Rock Island is a GROWING CITY with BEAUTIFUL REVERFRONTS, a VIBRANT DOWNTOWN and LIVABLE NEIGHBORHOODS. Rock Island is a PROUD COMMUNITY that RESPECTS DIVERSITY AND HISTORY. Our citizens have choices for EDUCATIONAL, CULTURAL AND OCCUPATIONAL OPPORTUNITIES, QUALITY HOMES and PLACES FOR ENJOYMENT AND FUN.

The Vision's guiding principles mean the following:

Rock Island is a growing city with:

- Increased city population with a range of income backgrounds.
- More housing units within Rock Island.
- Opportunities to develop and grow a business in Rock Island.
- Government partnering with the private sector for growth that benefits the whole community.
- Expanded local economy through new industries including high tech, sustainability and environmental businesses and retail stores.
- Expanded city boundaries with opportunities for growth following a defined annexation strategy.
- Technology infrastructure available for businesses and residents.

Rock Island has a beautiful riverfront with:

- Parks and recreation opportunities on the rivers and along riverfronts.
- People viewing the rivers as a prime location to live and enjoy.
- Clean and attractive riverfronts with public access.
- Well-integrated mixed-use development with old industrial sites reused and cleaned up.
- Specialty retail and restaurant opportunities along the rivers.
- Connected riverfronts by path and trolley with links to other communities.

Rock Island has a vibrant downtown with:

- Business center for financial institutions, insurance companies, professional offices and specialty retail businesses.

- Attractive urban center for the Rock Island community and the Quad City region.
- People living in Downtown neighborhoods with services available for residents.
- Successful community events, festivals and celebrations with family events and activities.
- Well balanced activities for day time and evening time.
- Revitalized “Arts and Entertainment District” serving the Quad Cities.
- Armory Park developed as a focal point, a designation and a community gathering place linked to downtown.

Rock Island has livable neighborhoods with:

- Quality neighborhood streets, alleys and infrastructure.
- Strong, distinctive and diverse neighborhood identities and pride.
- Neighbors helping neighbors and taking responsibility for their neighborhood.
- Neighborhoods promoted as a key Rock Island strength.
- Convenient services and neighborhood retail.
- Campus-town neighborhood partnering with Augustana College.

Rock Island is a proud community with:

- A positive image with other cities, State of Illinois and nationally.
- A positive image with our residents.
- Every resident contributing to make Rock Island a better community.
- Strong community partnerships: business, schools and colleges, community organizations.
- Preservation and celebration of the history and heritage of Rock Island.
- Citizens promoting Rock Island and celebrating community successes.

Respects Diversity and History because:

- People respect people and acting as one community.
- People enjoying and celebrate socio-economic diversity.
- Historic sites are incorporated into marketing Rock Island.
- People celebrate cultural traditions and heritage.
- Of cultural and ethnic diversity.

Educational, Cultural and Occupational Opportunities for:

- Job opportunities for residents
- Diverse cultural activities.
- Dominant presence within Quad Cities for performing and visual arts.
- Strong partnerships with schools and colleges for quality education.
- Strong partnership with employers.
- Availability of strong workforce.
- Identification as a technology “state of the art” community.

Quality Homes with:

- New residential subdivisions in Rock Island.
- Downtown and infill housing developed consistent with neighborhood character.
- Choices of housing: location, types and prices.
- Renovation or removal of blighted homes.
- Quality rental homes and properties.
- Positive image with realtors, developers, homebuyers.
- Mixed-income housing development at appropriate locations.

Places for Enjoyment and Fun including:

- Quality parks, swimming facility and community centers.
- Quality libraries, galleries and museums.
- Active use of two riverfronts by residents.

- Variety of entertainment venues throughout the city and downtown.
- World-class Botanical Center and Gardens
- Multi-use trails connecting the City and the region.

### Mission

Rock Island city government is financially sound and provides the best services in the Quad Cities.

### Goals

Rock Island has six major goals for 2013. These six goals are:

1. Quality services, financially sound city
2. Grow the economy
3. More and better retail
4. Improve Riverfronts and downtown
5. More new homes, upgraded older homes
6. Great neighborhoods

These goals, their objectives, the short-term challenges and opportunities and the action plans for 2008-2009 are:

#### Goal #1 - Quality Services, Financially Sound City.

The objectives of this goal are:

- Expand City tax base
- City service delivered in a customer-driven and cost-effective manner.
- Control the cost of government
- Financially responsible actions creating a long-term, sustainable city government.
- Adequate resources to support defined services and service levels.
- Invest in well-maintained city infrastructure

The short-term challenges and opportunities are:

- Rising cost of doing business for the city.
- Funding for current services and service levels
- Unexpected expenses during 2008 due to storms and no reimbursements
- Funding for city's infrastructure maintenance and upgrades
- Willingness to increase taxes and fees
- Rising demands for services and residents' expectations
- Funding for passenger rail service and stations
- More cost-effective city operations.

The city will take the following actions in 2008-2009 towards this goal:

#### Policy agenda

- Study alternative revenue sources
- Passenger rail service
- Curbside recycling program evaluation and directions
- Tax rate direction.

#### Management Agenda

- Green team and initiatives
- Management succession plan
- Capital improvement plan: upgrade and funding
- City hall efficiency building upgrade

#### Management in progress

- Long-term control plan for wastewater treatment
- Financial software

- Compensation policy and labor negotiations
- Legal contract direction

## Goal #2 – Grow The Economy.

The objectives of this goal are:

- Create and retain more jobs
- Retain and expand local businesses.
- Expand high tech and environmentally sustainability economy.
- Attract and retain the “creative class” and young professionals.
- Attract high tax generating businesses.

The short-term challenges and opportunities are:

- Positive perception of proactive city government and economic development tools.
- Threat of air quality non compliance
- Smaller sites ready for development
- Attracting new businesses
- Expansion of current businesses
- Expansion of Rock Island Arsenal
- Leadership in green initiatives
- Global positioning and trends.

The city will take the following actions in 2008-2009 towards this goal:

### Policy agenda

- Casino area development in Southwest.
- Columbia Park development
- Small business focus for economic development including small business incubator program.
- Arsenal expansion strategy and city actions
- Regional economic development and relations with the Quad Cities Development Group.
- Evaluation and direction for new economic development tools including new market tax credit.

### Management in progress

- Business retention and visitation program

## Goal #3 – More And Better Retail

The objectives of this goal are:

- Attract new retail businesses
- More grocery stores
- Strengthen retail corridors
- Retain and expand current retailers
- Target retail for future development.

The short-term challenges and opportunities are:

- Retaining existing retail businesses.
- Retail around casino development
- Developing retail along corridor
- Defining Rock Island’s niche and needs
- Attracting retailers to downtown
- Communicating the special use permits to applicants.

The city will take the following actions in 2008-2009 towards this goal:

Policy agenda

- Black Hawk corridor retail development – 9<sup>th</sup> Street to 44<sup>th</sup> Street
- Southwest Andalusia Road/Casino area retail development
- Campustown retail development
- 11<sup>th</sup> Street retail development including beautification and property
- 18<sup>th</sup> Avenue retail development

Management in progress

- Refocus retail strategy

Goal #4 - Quality Services, Financially Sound City.

The objectives of this goal are:

- Reuse of demolished old industrial sites and Armory
- Expand public control of riverfront.
- More retail and dining in
- Enhance arts and entertainment district.
- Expand public uses of riverfront.
- Downtown is a tech-friendly neighborhood
- More residential opportunities

The short-term challenges and opportunities are:

- Changing liquor license regulations.
- Future direction of the “District”
- Perception and feeling of personal safety
- Developing retail opportunities
- Competition from other cities – creating a unique destination in Rock Island downtown
- Working with property owners and business owners.

The city will take the following actions in 2008-2009 towards this goal:

Policy agenda

- Liquor license modifications
- Downtown retail development
- Downtown vision and master plan refinement

Management Agenda

- District safety and security plan
- Events planning and staffing; direction and funding

Goal #5 – More New Homes, Upgraded Older Homes.

The objectives of this goal are:

- Better marketing of Rock Island housing
- More downtown and riverfront residential units.
- More new homes built in Southwest Rock Island
- Better quality rental units.
- More infill housing in older neighborhoods.
- Upgrade older homes and removal if necessary

The short-term challenges and opportunities are:

- Realtor’s “spin”; Iowa vs. Illinois.
- Lack of housing \$130,000 to \$200,000

- Lack of middle and high income rental units
- Attracting homebuyers to think about Rock Island
- Uncertain housing market
- Reduced funding for housing
- Perception of special needs, low income and middle income housing
- Vacant homes.

The city will take the following actions in 2008-2009 towards this goal:

Policy agenda

- Columbia Park development
- Affordable housing strategy (\$130,000 - \$200,000)
- Campustown housing development
- Mixed use/mixed income developments: location and strategy
- Upper income rental property development.

Management Agenda

- Promotion campaign: "Cosmopolitan City"

Goal #6 – Great Neighborhoods.

The objectives of this goal are:

- Upgrade neighborhood infrastructure, streets and facilities
- Stronger neighborhood identity and pride with stronger neighborhood associations and block clubs.
- More attractive and beautiful neighborhoods, corridors and gateways.
- People feel and are safe in their neighborhoods
- People want to live in the neighborhoods.
- Design new neighborhoods (infill and southwest)

The short-term challenges and opportunities are:

- Aging neighborhood infrastructure.
- Addressing neighborhood nuisance issues
- Financing infill developments
- Perception of Rock Island – real and perception
- Differing views on leaf burning

The city will take the following actions in 2008-2009 towards this goal:

Policy agenda

- Crime: real vs. perceived strategy and actions including antiviolence task force proposal
- Rental housing inspections program staffing and funding
- Old Lincoln school alternative uses
- Leaf burning policy: study, cost and direction

Management Agenda

- Media and communications strategy including television, videos, online and "blast" list
- King Center expansion
- 11<sup>th</sup> Street beautification and property fix ups and funding.
- City hall efficiency building upgrade

The major priorities for the fiscal 2010 budget as determined by city council to address these goals are:

Top priorities

- Support “Green Initiatives” identified by the Green Team.
- Develop media and communications strategy including television, videos, online and “blast: list.
- Develop a downtown “District” safety and security plan.
- Promote Rock Island as a “Cosmopolitan City”.

High priorities

- Continue management succession planning.
- Adopt the Five Year Capital Improvement Plan
- Enhance 11<sup>th</sup> Street corridor through beautification and property improvements.
- Expansion of the Martin Luther King Jr. Center
- Complete city hall efficiency building upgrade.

For the future. Maintenance and expansion of the community's general infrastructure (such as roads, bridges and sidewalks) remains a major priority of the City of Rock Island. To address this concern, the City has developed a five-year capital improvement plan that provides a framework for the development and maintenance of infrastructure to meet current and future needs. The City's 5-year capital improvement program is updated annually and includes only those capital and infrastructure maintenance projects that the City can realistically finance. The proposed fiscal year 2010-2014 program anticipates the expenditure of almost \$85 million over the five-year period. In addition, the City continues aggressive economic development efforts. A variety of business assistance programs are available in the City to promote the creation of jobs and expansion of the City's tax base.

**DOCUMENT ORGANIZATION**

The budget is organized by the function rather than accounting structure.

Legislative/Administrative	Wastewater
Mayor and Council	Stormwater
City Clerk	Fleet Maintenance
General Administration	Engineering
Personnel	Capital Improvement Projects
Finance	Motor Vehicle Parking System
Information Technology	
Community/Economic Development	Cultural/Recreational
Community Development	Parks
Economic Development	Recreational Programs
Planning and Redevelopment	Golf Courses
Inspection Services	Aquatic Center
Rental Inspection Services	Fitness Center
Martin Luther King Center	Libraries
	Sunset Marina
Public Safety	Non-Operating Funds
Police	Police Pension
Fire	Fire Pension
Emergency Services	Illinois Municipal Retirement
Ambulance	Fund
Police/Fire Commission	Employees Health Benefit Plan
	Liability Insurance
Public Works	Workmen`s Compensation
Public Works Administration	Unemployment Benefits
Building Maintenance	Cafeteria Plan
Streets	Debt Service
Refuse	Special Assessments
Water	

The Financial Summary Section, contains tables which summarize revenues, expenditures, and financial trends. It is a useful tool for developing an overall understanding of the budget and the city fund structure. The Financial Trend Monitoring System, which follows this section, was reviewed by Council at the beginning of the budget process. Approximately fifty charts show economic and financial trends affecting the City of Rock Island.

### **Departments, Divisions, Cost Centers**

Programs are grouped together into departments within each functional area. The first page of each department contains a listing of department goals and a department organizational chart. Department goals identify ongoing results of work which departments have been directed to achieve. The second page of the department narrative provides a written overview of the entire department. This narrative gives a general description of proposed 2009/2010 activities and describes significant changes in operations, staffing and services. Changes in policy, funding sources and accounting procedures are also highlighted.

Staffing, expenditure and revenue schedules are the last information provided at the department level. These schedules compare actual 2006/07, actual 2007/08, budget 2008/09, estimated 2008/09 and proposed 2009/10 activity. Expenditures are classified by type. The number of employees working within the department is provided along with a staffing count in full time equivalents (fte's).

The program description is a specific statement found on each of the cost center pages. It identifies the principal 2009/10 activity for that cost center. Activities planned are further defined by a set of program objectives which relate to Council goals. These goals are outlined on the first page of the Mayor/Council Department. Council goals are defined the preceding fall during the Council goal-setting session which starts the budget process. Council goals are summarized by the City Manager who then instructs city departments on their implementation. Goals at the Council level are very general. They become less general and more specific as they pass down through the various levels of the city organization; City Manager, Department and Cost Center. One objective of the budget is to provide a link between the specific cost center goals and objectives, and the general Council goals and objectives.

Goals, objectives and focus statements must meet the following guidelines:

- They must be relevant and meet the highest priority needs.
- They must be understandable, clearly and concisely written.
- They must be measurable and have established success indicators.
- They must have the commitment of those assigned to complete the task.
- They must be achievable.

In addition to the program description and objectives, each cost center has a series of service indicators. These are statistical measures of actual and planned performance which report on four important characteristics of each program ----- demand, workload, productivity and effectiveness.

Demand is the external factor that demonstrates the need for the program. Demand data enables adjustments in services and costs in response to changes in the direction and/or magnitude of the demand for the service. Demand describes how much service is required or requested. Examples of demand indicators are eligible populations, service area size, deficient conditions, requests or applications and complaints.

Workload tells how much service is being provided. It allows the comparison of outputs to demand for the services. Workload data is the basis along with total expenditures, for unit cost, or productivity measures. Examples of workload indicators are units of output, transactions processed, people served and time spent.

Productivity indicators tell if the program is being run efficiently by providing the average cost of one unit of service. Productivity unit costs can be used to quickly estimate the cost of adding more service or the savings that can be realized by reductions in service.

Effectiveness tells how well the program is doing. Effectiveness data can show that quality does not suffer as productivity increases, or that quality improves if productivity declines. Examples of effectiveness indicators are response time, workload and a percentage of demand, objectives accomplished, error rate and interval between service repetitions.

## **FINANCIAL INFORMATION**

Management of the City of Rock Island is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Rock Island are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principals. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the City of Rock Island also is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City of Rock Island.

As part of the City of Rock Island's single audit, tests are made of the internal control structure and its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing is not sufficient to support an opinion on the City of Rock Islands internal control system or its compliance with laws and regulations related to non-major federal financial assistance programs, the audit for the year ended March 31, 2008 disclosed no material internal control weaknesses or material violations of laws and regulation. There were however, several findings regarding internal control which are discussed in the comprehensive annual financial report.

Budgeting Controls. In addition, the City of Rock Island maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Rock Island City Council. Activities of all city funds including the general fund, special revenue, capital improvement, debt service, enterprise, internal service, fiduciary funds are included in the annual budget and audited financial statements. Project-length financial plans are adopted for the capital projects funds.

The budget process begins with the annual council goal setting session in September. This process identifies council priorities for the upcoming fiscal year. These priorities fall within the framework of the city's long-term "2022 Vision". These priorities are then incorporated into department budgets. Departments submit their budgets to the finance department for review in October. This review culminates with budget meetings during which individual department budgets are reviewed in detail with the city manager during November. The next step is adoption of a property tax levy, which in Illinois must occur before the end of December. This process requires a public hearing if the proposed property tax levy increase is greater than 5%. It also typically includes discussion during several council "study session" meetings. These are informal council meetings that occur approximately two hours immediately preceding the formal council meeting. The budget is finalized during January. The city manager presents a draft budget to council February. At this point in the process, the draft budget is available for public inspection on the internet at <http://www.rigov.org>. The budget presentation is followed by two separate Saturday council budget review meetings. Council reviews each department budget in detail during these meetings,. The next step is a formal public hearing on the proposed budget. The budget is adopted in March before the beginning of the fiscal year on April 1.

The budget is not amended during the fiscal year, however the City Manager may make adjustments within any departmental budget as it becomes necessary, providing that those revisions do not delete or basically change any activity or program approved by the City Council in the budget ordinance. Any such adjustments shall not cause total expenditures within the budget to exceed the revenues anticipated to finance them unless City Council approval is obtained. Reported budget amounts represent the adopted budget. In some funds, budgeted expenditures may exceed budgeted revenue. This typically occurs when funds are accumulated for capital projects and the projects are carried forward from one fiscal year

to another. Therefore, a budget is defined as balanced when cash plus budgeted revenue is equal to or exceeds budgeted expenditures. Due to the City's power as a home rule unit and its ordinance establishing budget policies and procedures, actual budget expenditures and operating transfers-out can exceed budgeted amounts without violating any State laws. However, spending and administrative control of expenditures and operating transfers-out is monitored through detailed line item department budgets. The City of Rock Island also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Basis of Budgeting. The budget is prepared on a cash basis for all funds. Accounts are converted to accrual at the end of each fiscal year prior to preparing the Comprehensive Annual Financial Report (CAFR). Table 14 in the "Miscellaneous" section converts each fund from a cash to accrual basis to project net income for each fund. City resources are allocated to, and accounted for, in individual funds based upon the purpose for which they will be spent and the means by which spending activity is controlled. Each fund is considered to be a separate accounting entity with separate self balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. Since the emphasis of the cost center budget is on services provided, the budget is organized by the functions of the operating departments and not by fund.

### **FUND TYPES AND DESCRIPTIONS**

General Fund

101 - General Fund

Special Revenue Funds

201 – Public Benefit  
 202 – TIF District #1  
 204 – TIF District #2  
 205 – TIF District #3  
 206 – TIF District #4  
 207 – Community & Economic Development  
 211 – Martin Luther King Jr. Community Center  
 221 – Motor Fuel Tax  
 222 – Foreign Fire Insurance  
 223 – Riverboat Gaming  
 224 – State Drug Prevention  
 225 – DUI Fine Law  
 241 – Federal COPS Grant  
 242 – Community Development Block Grant  
 243 – Federal Drug Prevention  
 251 – Rock Island Public Library  
 272 – DARE  
 273 – Animal Shelter Contributions  
 274 – Elderly Service Officer Contributions  
 275 – Rock Island Auxiliary Police  
 276 – Rock Island Labor Day Parade  
 277 – Elderly Service Officer Christmas Tour  
 282 – Lead Grant

Capital Improvement Fund

301 – Capital Improvements

Debt Service Fund

405 – Debt Service

Enterprise Funds

501 – Water Operation and Maintenance  
 506 – Wastewater Operation and Maintenance  
 507 – Stormwater Operation and Maintenance  
 541 – Sunset Marina  
 555 – Park and Recreation  
 581 – Community Development Block Grant Loan Programs  
 582 – State Affordable Housing Loans  
 583 – Community and Economic Development Loans  
 584 – Commercial and Industrial Revolving Loans (CIRLF)  
 585 – MPF Endowment Loans

Internal Service Funds

601 – Equipment Maintenance and Amortization  
 606 – Engineering  
 609 – Hydroelectric Plant  
 621 – Self-Insurance  
 626 – Employee Health Plan

Fiduciary Funds

701 – Fire Pension  
 706 – Police Pension  
 711 – Section 125 Cafeteria Plan

Component Unit Funds

901 – Martin Luther King Jr. Activity Fund  
 906 – Martin Luther King Jr. Drug Prevention  
 950 – Rock Island Public Library Foundation

### **GENERAL GOVERNMENT FUNCTIONS**

The following schedules present a summary of proposed general fund, special revenue funds and debt service fund budgeted revenues and expenditures for the fiscal year ended March 31, 2010 and the

amount and percentage of increases and decreases in relation to prior year budgeted revenues and expenditures. Governmental funds are those through which most governmental functions of the city are financed. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

## General Fund

The General Fund is used to account for all financial transactions not properly included in other funds. Property tax, sales tax, state income tax, replacement tax, permit fees, general government, charges for services and rental income provide the majority of revenue to the General Fund. Expenditures of the General Fund are accounted for in the following departments:

Mayor and City Council Accounts for the costs related to the salaries and activities of the elected legislative body of the city.

General Administration Accounts for the centralized administration of all city operations and activities. The costs related to the office of the City Manager are charged here.

City Clerk The City Clerk was appointed to a four-year term beginning in November, 2006. This department accounts for all costs of the office of City Clerk.

Personnel Accounts for all costs related to personnel, legal services, safety services, insurance coverage and unemployment compensation.

Building Maintenance Accounts for all maintenance costs for most non-enterprise facilities. These include: City Hall, Police station, Public Works Administration building, Street Maintenance facility, and National Guard Armory.

Finance Accounts for the administration and coordination of all financial services to the city. This includes coordinating the operations involved in collections, accounting, budget preparation and treasury.

Information Technology Accounts for the administration and coordination of all data and voice communication services for the city.

Community And Economic Development Accounts for those expenditures for community development, economic development, planning, and inspection which are not included under the Community Development Block Grant programs.

Police Accounts for cost related to police programs and activities.

Fire Accounts for cost related to fire protection, prevention, ambulance service and emergency/disaster planning and response.

Public Works Accounts for public works administration, streets, refuse, electrical maintenance and motor vehicle parking system.

	2009 Budget Adopted	2010 Budget Proposed	Percent of total	Increase (decrease)	Percent Increase (decrease)
Property Taxes	6,874,690	7,169,918	22.6%	295,228	4.3%
Local Taxes	6,007,500	6,163,292	19.4%	155,792	2.6%
State Tax	9,536,478	9,237,618	29.2%	(298,860)	-3.1%
Business License/Permit	324,000	356,335	1.1%	32,335	10.0%
Non-Business License/Permit	443,650	493,695	1.6%	50,045	11.3%
Federal Grants	74,116	117,431	0.4%	43,315	58.4%
State Grants	-	-	0.0%	-	-----
Local Grants	54,684	79,368	0.3%	24,684	45.1%

Charges for Services	3,581,444	3,664,243	11.6%	82,799	2.3%
Rents & Royalties	65,800	30,850	0.1%	(34,950)	-53.1%
Transfer for Charges	1,749,919	1,815,539	5.7%	65,620	3.7%
Investment & Loans	395,000	166,036	0.5%	(228,964)	-58.0%
Contributions/Donations	-	0	0.0%	-	-----
Reimbursements	300	100	0.0%	(200)	-66.7%
Proceeds of Fixed Asset	-	2,450	0.0%	2,450	-----
Operating Transfers	1,447,600	2,386,531	7.5%	938,931	64.9%
Other	5,000	6,000	0.0%	1,000	20.0%
	<u>30,560,181</u>	<u>31,689,406</u>	<u>100.0%</u>	<u>1,129,225</u>	<u>3.7%</u>

Property Tax. In 2009/10, the property tax will be 22.6% of General Fund revenues. General fund property tax revenue includes levies for General Fund operations, Police Pension and Fire Pension. The property tax levy for general fund operations decreased \$72,983, while police pension increased \$270,371, and Fire Pension increased \$96,736. Police and fire pension levies are determined by an independent actuary.

	Tax extension FY 2009	Tax levy FY 2010	Difference	Variance
General Fund	3,739,419	3,666,436	(72,983)	-2.0%
Fire Pension	1,675,223	1,771,959	96,736	5.8%
Police Pension	1,461,152	1,731,523	270,371	18.5%
Public Benefits	218,626	234,327	15,701	7.2%
Library	1,910,247	1,910,247	-	0.0%
Recreation	856,884	856,884	-	0.0%
Park	842,936	842,936	-	0.0%
	<u>10,704,487</u>	<u>11,014,312</u>	<u>309,825</u>	<u>2.9%</u>
General Fund	6,875,794	7,169,918	294,124	4.3%
Property valuation	455,471,305	468,654,252	13,182,947	2.9%
Property tax rate	2.3502	2.3502	(0.0000)	0.0%

Changes in property assessments have a significant impact upon the General Fund. Assessed valuation is the value of all real property in a taxing district. Property in Rock Island is assessed at 1/3 of market value less a \$3,500 homestead exemption for those who qualify. The tax rate is applied to each one hundred dollars of assessed valuation to determine the amount of property tax. The city projects a total tax rate of \$2.35 per \$100 of assessed property value. This is equal to the tax rate for the previous year. This is due to increases in the value of taxable property at the same rate as the rate of increase in the levy.

Trend analysis shows that assessed values in the City of Rock Island declined 32.9% from 1983/84 to 1990/91. This trend has reversed with assessed values increasing annually in recent years. The following schedule shows anticipated trends for assessed valuations, property tax rates and property tax levies. The schedule predicts gradual increases in assessed valuations of 2.9% percent annually through 2012/13. The schedule also shows increases in the property tax levy that correspond to the predicted increase in property values, assuming future tax rates will remain at current levels.

Fiscal year ended March 31,	Property values	Property tax levy	Property tax rate
2010	468,679,973	11,014,312	2.35
2011	482,271,692	11,333,385	2.35
2012	496,257,571	11,662,053	2.35

2013	510,649,041	12,000,252	2.35
2014	525,457,863	12,348,260	2.35

Other Taxes. Other tax revenues are sales and use taxes, income tax, personal property replacement tax, municipal utility tax, gasoline/diesel tax. Major changes are; income tax - up \$67,242, replacement tax - down \$408,396, utility tax – up \$47,500, and the telecommunications tax – down \$85,000.

Utility and Telecommunication Tax On January 1, 1983 the City of Rock Island imposed a 1% tax on gas and electricity and a 5% tax on telephone service. Effective November 1, 1986 the tax on gas and electricity was increased from 1% to 5%. The tax on natural gas was reduced to 3.2% for six months effective March 1, 2001 in response to the nationwide shortage that affected natural gas prices. The six percent telecommunications tax was added statewide in FY 2003/04. It replaced the utility infrastructure tax that was ruled to be illegal. It also removed the communication component from the five percent utility tax. In 2009/10 the utility tax and telecommunications taxes will generate 11% of the General Fund revenue. Utility tax revenue is collected by utility companies and distributed to the city monthly. Telecommunication tax revenue is collected by the State of Illinois and also distributed to the city monthly. The utility tax has been a relatively stable revenue source with the exception of periodic changes in the utility rates. With the exception of the recent temporary decrease in the tax on natural gas, the city has reached the statutory limit on the percentage of tax it can impose, therefore revenues will remain relatively constant in the future years, fluctuating with the price and level of consumption.

Income Tax Income tax is 16% of General Fund revenues. The tax is collected by the State and distributed to the city monthly based upon population. The budget assumes an increase of \$67,242 in income tax revenue from the amount budgeted for 2008/09. This projection is based on the revenue estimate provided by the Illinois Municipal League. In future years, income tax is projected to increase by 2% annually.

Replacement Tax The State of Illinois enacted this tax in August 1979 to provide replacement revenues to local taxing units that previously levied a tax on personal property. The tax comes from three sources:

Invested Capital of:	
Utility Companies	0.8%
Partnerships	1.5%
Corporations	2.5%

Taxing districts outside of Cook County received 48.55% of replacement tax revenues collected throughout the State. The tax is distributed based upon the percentage of personal property tax collections in 1977.

Replacement tax revenue is 11% of total General Fund revenue. Like income tax, revenue is dependent on the level of economic activity in the business community throughout the state. Since its enactment, revenue has been rather uneven with significant annual increases and decreases. The budget assumes a \$408,396 decrease in replacement tax revenue from the amount budgeted for 2008/09. This projection is based on the Illinois Municipal League estimate. The projection for the next five years assumes annual increases of 2.0%.

Sales Tax Sales and use taxes are 14% of total General Fund revenue. The sales tax rate within the City of Rock Island is 7.0%. The State of Illinois collects the sales tax and distributes it to the city on a monthly basis. The tax of 7.0% is distributed as follows:

State of Illinois	5.00%
Rock Island County	0.25%
City of Rock Island	1.75%

The city's portion of the tax has two components; the state mandated 1.00% and the local option sales tax of 0.75% which the city began collecting September 1, 1991.

The budget projection for the next five years assumes annual increases of 1.0%. (Also see sales tax trends in the financial summary section of this document.)

Food and Beverage Tax This tax was effective April 1, 2004. It added a one percent tax to the retail purchase of liquor and prepared foods. It is projected to produce \$494,500 in FY 2010.

Gasoline Tax On April 6, 1987, the city imposed a user tax of \$.01 on retail and bulk purchases of motor fuel with the city. The tax replaced the wheel tax. This tax is collected monthly from bulk fuel users and retail fuel establishments. Gasoline tax revenue represents less than 1% of total General Fund revenue. The 2009/10 budget assumes a \$7,000 increase from budgeted 2008/09 revenue based on history. No growth is projected for gasoline tax.

Licenses & Permits. The two components of this revenue category are Business Licenses and Permits and Non-Business Licenses and Permits. Budgeted revenue is up 82,380.

Federal, State & Local Grants. This is a category which fluctuates from year to year as the City receives grants which are one time grants and nonrecurring from year to year. It also includes state reimbursements for basic training of new police officers and fire fighters.

Charges for Services. Charges for services includes billings for the city ambulance services and other miscellaneous public health and public safety services. Total charges for services increased \$82,799.

Interest. Interest decreased \$228,964. This projection is based on 2008/09 experience and declining interest rates.

Transfers. Included are General Fund charges to other funds for administrative services and operating transfers. Transfers include a \$800,000 increase in the transfer from the motor fuel tax fund for street maintenance.

The following schedule is a summary of budgeted general fund expenditures for the fiscal year ended March 31, 2010 and the percentage of increases and decreases in relation to the prior year budget.

	2009 Budget	2010 Proposed	Percent of total	Increase (decrease)	Percent Increase (decrease)
Personnel Services	20,831,481	21,906,680	69.1%	1,075,199	5.2%
Supplies	1,293,310	1,482,332	4.7%	189,022	14.6%
Services	7,004,979	6,932,699	21.9%	(72,280)	-1.0%
Other	196,830	176,908	0.6%	(19,922)	-10.1%
CED Loan/Program Costs	50,000	50,000	0.2%	-	-----
Capital	49,500	0	0.0%	(49,500)	-100.0%
Transfers	139,893	119,077	0.4%	(20,816)	-14.9%
Other	994,188	1,021,710	3.2%	27,522	2.8%
	<u>30,560,181</u>	<u>31,689,406</u>	<u>100.0%</u>	<u>1,129,225</u>	<u>3.7%</u>

Personnel costs: Sixty-nine percent of General Fund expenditures are personnel related. Salaries increased \$433,999 or 3.1%. Salaries are 40% of the total increase in personnel costs. Health insurance increased \$169,412 or 10.0%. The other major expenditures are pensions. They increased \$406,204 or 11.8%.

Supplies: Supplies are five percent of total General Fund expenditures. They increased fifteen percent or \$189,022. This is primarily due the cost of road salt which increased from \$45 per ton to \$100 per ton.

- Services: Services are twenty-two percent of the General fund budget. They decreased \$72,280 or one percent. The primary decrease is elimination of \$303,000 for contracted inspection services for the new casino development. Increases include waste disposal services –up \$88,635, software maintenance – up \$56,000, and automotive charges – up \$39,030.
- Other: Other is less than one percent of total expenditures. This category decreased by \$19,922.
- Programs: The distribution of \$50,000 to Rock Island social service agencies is included as a Community and Economic Development program.
- Capital: There are no general fund capital expenditures.
- Transfers: Transfers to other funds total \$119,077. \$66,500 is transferred to the Martin Luther King Center to offset the decrease in federal block grant funds for operations of the Center, \$5,000 is transferred to the Park fund for non-park landscaping maintenance, \$47,577 is transferred to the Engineering fund.
- Contingency: City financial policies set the General fund contingency at 1% of budgeted expenditures. The general fund contingency is budgeted at \$320,250.

### **General Fund Balance**

It is the policy of the City to establish and maintain sufficient cash in its General Fund so a positive cash balance and fund balance is maintained at the end of each fiscal year, it is the City's goal to maintain a positive unrestricted and undesignated balance at a level equal to an amount representing 90 days of budgeted operating expenditures for the following fiscal year. This financial goal was revised in 2005 from 60 days to 90 days and is being phased in over a five year period ending in fiscal year 2009. Any general fund balance in excess of this requirement will be transferred to the capital improvements fund at the completion of the annual audit.

Although the financial condition of the General Fund has improved dramatically over the past twenty years, it remains a concern to the city. Increasing operational costs (most notably employee benefits), flat sales tax revenues and the highly competitive nature of the gaming industry point to a need to be cautiously optimistic regarding the financial future of this fund.

Another concern is that future General Fund revenues are predicted to be relatively flat and statewide distributed tax revenue is projected to decline. The five-year General Fund forecast, which is included as Table 6 in the miscellaneous section of this document, anticipates modest increases in revenues. However, expenditures are anticipated to grow at a faster rate than the increases in revenues.

This five-year projection (see Table 6) is an important financial tool for the City of Rock Island. It forces a review of trends over prior years for various revenues and expenses. It also enables the city to look ahead and view the longer-term impact of decisions made today, and serves to show the outside investment community that city financial planning is a normal continual process.

The projection, however, is only a tool. The assumptions are not statements of policy and should not be interpreted as what "will" occur. Rather, the projection is an indication of the direction the city will most likely take unless actions are taken to change the pattern. Considered in this light, the five-year projection is a useful planning and budgeting tool.

### **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. The city's special revenue funds and their purposes are:

#201 Public Benefit Fund Accounts for expenditures related to the city's portion of the cost of special assessment projects. Revenue to the fund is gained through levy of property taxes.

#202 Tax Incremental Financing District Fund#1 Accounts for incremental sales tax receipts within the city's first TIF district collected and distributed by the State of Illinois, and incremental property tax receipts with the district collected and distributed by Rock Island County.

#204 Tax Incremental Financing District Fund #2 Accounts for incremental property tax receipts with the district collected and distributed by Rock Island County.

#205 Tax Incremental Financing District Fund #3  
Accounts for incremental property tax receipts with the district collected and distributed by Rock Island County.

#206 Tax Incremental Financing District Fund #3  
Accounts for incremental property tax receipts with the district collected and distributed by Rock Island County.

#207 Community Development Fund Accounts for revenue and expenditures for non-loan community and economic development projects, contributions and rebate programs and promotion of tourism in the Quad City area. Revenue is gained through a 5% pillow tax.

#211 Martin Luther King Center Accounts for costs related to the operation of the Martin Luther King Community Center.

#221 Motor Fuel Tax Fund Accounts for expenditures related to approved motor fuel tax projects. Revenue is received through the state gasoline tax which is collected and distributed by the State of Illinois.

#222 Foreign Fire Insurance Fund Accounts for Fire Department expenditures financed with the Foreign Fire Insurance tax.

#223 River Boat Gaming Fund Accounts for revenue and expenditures from river boat gaming.

#224 State Drug Traffic Prevention Fund Accounts for revenue and expenditures related to enforcement of State of Illinois drug laws. Revenue is gained from forfeiture of assets of drug dealers.

#241 Federal Drug Traffic Prevention Fund Accounts for revenue and expenditures related to enforcement of federal drug laws. Revenue is gained from forfeiture of assets of drug dealers.

#242 Housing And Community Development Fund Accounts for revenue and expenditures of the Community Development Block Grant programs.

#251 Public Library Fund Accounts for services related to the operation of the city library.

#271 Honor Guard Contributions Accounts for revenue and expenditures related to contributions to support the police honor guard.

#272 DARE Accounts for revenue and expenditures related to police assistance provided to city schools for drug awareness education.

#273 Police Contributions Accounts for revenue and expenditures related to contributions for police programs including: animal shelter, K-9, bicycle patrol, patrol equipment, "Shop with a COP", and the senior volunteer program.

#274 Elderly Service Accounts for revenue and expenditures related to police assistance and services specifically benefiting the elderly community.

#275 Auxiliary Police Accounts for revenue and expenditures related to police assistance provided by the police auxiliary primary in the areas of traffic and crowd control.

#276 Labor Day Parade Accounts for revenue and expenditures related to the annual Labor Day parade.

#277 ESO Parade Accounts for revenue and expenditures related to the annual holiday Christmas lights bus tour for the elderly. Revenue is gained from an elderly service officer grant and donations.

#282 Lead Grant Accounts for revenue and expenditures related to the \$1.9 million federal grant for lead abatement received September 23, 2005.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent Increase (decrease)
Property Taxes	4,552,027	4,937,182	25.4%	385,155	8.5%
Local Taxes	1,051,248	340,000	1.8%	(711,248)	-67.7%
State Tax	4,032,100	6,983,689	35.9%	2,951,589	73.2%
Government Grants	2,931,291	3,436,240	17.7%	504,949	17.2%
Charges for Services	411,895	566,074	2.9%	154,179	37.4%
Investment & Loans	499,079	411,567	2.1%	(87,512)	-17.5%
Contributions/Donations	183,160	1,294,448	6.7%	1,111,288	606.7%
Proceeds from LT liabilities	1,000,000	0	0%	(1,000,000)	-100.0%
Operating Transfers	1,758,595	1,417,250	7.3%	(341,345)	-19.4%
Other	37,883	40,200	0.2%	2,317	6.1%
	<u>16,457,278</u>	<u>19,426,650</u>	<u>100.0%</u>	<u>2,969,372</u>	<u>18.0%</u>

Property tax. Special revenue property tax revenues include levies for Public Benefits (\$234,327) and Library (\$1,910,247) funds. TIF property tax receipts are expected to increase by \$368,808. The Library levy is unchanged.

Other Taxes. Other tax revenues are municipal utility tax, motor fuel tax and wagering tax. The wagering tax is up \$3,063,900.

Wagering Tax River boat gambling began City of Rock Island operations in March 1992 when the "Casino Rock Island" opened at "The Boatworks" on the Mississippi River. The city receives \$1.00 per person plus approximately 5% of the wagering losses. Although 1992/93 and 1993/94 revenues exceeded projections, this same experience did not occur thereafter. Casino Rock Island operated in a very competitive business environment compared to most of the other Illinois riverboat casinos. This was due to the direct competition from larger Iowa based operations that had a competitive edge with the differences between Iowa and Illinois gaming laws because dockside gaming was allowed in Iowa and Illinois law only began allowing dockside gaming in June 1999.

The city amended its development agreement with the Casino Rock Island effective June 1, 1995. The modification provided monthly rebates of gaming taxes and fees paid to the city. Due to this amendment, no gaming revenue was budgeted in 1996/97. Since 1997/98, the budget included only rebates to the Casino Rock Island and debt service issued for gaming developments. The adoption of dockside gaming changed this budget assumption. For 2009/10, the gaming fund includes \$2,763,168 in transfers to other funds to support capital projects, economic development projects and contracted infrastructure maintenance.

Government Grants The \$504,949 increase is due to grants received by the Martin Luther King Jr. Community Center for expansion of the facility.

Operating Transfers These transfers decreased \$341,345 due to a deferral of street projects funded with gaming revenue.

Proceeds from long-term liabilities The \$1,000,000 in FY 2009 was is due to the sale of \$1,000,000 in general obligation bonds for expansion of the Martin Luther King Jr. Community Center.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent increase (decrease)
Personnel Services	2,377,249	2,425,202	11.6%	47,953	2.0%
Supplies	333,942	452,955	2.2%	119,013	35.6%
Services	4,625,770	3,439,775	16.5%	(1,185,995)	-25.6%
Other	1,273,208	1,475,333	7.1%	202,125	15.9%
CED Loan/Program Costs	4,175,943	3,648,383	17.5%	(527,560)	-12.6%
Capital	1,296,711	3,466,284	16.6%	2,169,573	167.3%
Transfers	5,709,857	5,684,526	27.3%	(25,331)	-0.4%
Other	20,000	250,000	1.2%	230,000	1150.0%
	19,812,680	20,842,458	100.0%	1,029,778	5.2%

Personnel. Special revenue funds with personnel expenditures include Library, Federal Programs (COPS grant) and Block Grant. Personnel expenditures make up 11.6% of special revenue fund expenditures. Personnel costs are up 2.0% due to wage and benefit increases.

Supplies. Supplies expenditures make up 2.2% of special revenue fund expenditures. Budgeted expenditures are up 35.6%.

Services. Services expenditures make up 16.5% of special revenue fund expenditures. These decreased \$1,185,995 due to economic development and street projects. These include deferral of the 30th Street project and shifting of \$800,000 of motor fuel Tax funds to the general fund for street maintenance.

Other. Seven percent of special revenue fund expenditures are categorized as other. These expenditures increased 15.9% or \$202,125.

Programs. Seventeen and one-half percent of special revenue fund expenditures are categorized as programs. These decreased \$527,560 or 12.6% due to elimination of the lead abatement grant.

Capital. Special revenue capital is up 167.3% or \$2,169,573. This is due to the expansion project for Martin Luther King Jr, Community Center.

Transfers. Transfers decreased \$25,331 or 0.4%. Detail of transfers is located in Table 15 in the miscellaneous section of the budget.

## #205 Debt Service Fund

The Debt Service funds are used to account for the accumulation of resources for payment of general long term debt principal, interest and related costs. Special assessment debt service on individual special assessment projects is also included here. General long-term debt is supported by transfers from other funds.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent increase (decrease)
Miscellaneous	35,012	53,062	3.5%	18,050	51.6%

Other Financing Sources	848,529	1,474,001	96.5%	625,472	73.7%
	883,541	1,527,063	100.0%	643,522	72.8%

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent increase (decrease)
Other	240	240	0.0%	-	0.0%
Debt Service	848,531	1,473,944	100.0%	625,413	73.7%
	848,771	1,474,184	100.0%	625,413	73.7%

Debt (See table 16 in the Miscellaneous section for a detailed debt service schedule.)

### PROPRIETARY FUND TYPES

Proprietary funds account for the city's ongoing activities that are similar to private business. The measurement focus is determination of net income. Proprietary funds are classified as enterprise or internal service funds.

#### Enterprise Operations

Enterprise Funds are proprietary funds that account for operations that are financed and operated in a manner similar to private business enterprise, and where the city has decided that the periodic determination of revenue earned, expenses incurred, and net income is necessary for capital maintenance, public policy, management control and accountability. The City of Rock Island's enterprise operations consist of separate and distinct activities: Sunset Marina, Waterworks, Wastewater Treatment, Stormwater Management, Park and Recreation, and Housing and Community Development Loans. The following are the city's enterprise funds:

#501 Water Operation And Maintenance Fund Accounts for the operating revenue and expenses for providing a safe and adequate water supply for fire protection, domestic and industrial usage.

#506 Wastewater Operation And Maintenance Funds Accounts for the operating revenue and expenses for maintaining a dependable system for collecting and treating the waste waters of the City of Rock Island.

#507 Stormwater Operation and Maintenance Fund Accounts for the operating revenue and expenses for maintaining a dependable system for collecting and treating the storm waters of the City of Rock Island.

#541 Sunset Marina Fund Accounts for revenue and expenses for the operation and maintenance of Sunset Marina.

#555 Park Fund Accounts for the operating revenue and expenses associated with park and recreation activities including the fitness center (RIFAC), Saukie golf course, and Highland Springs golf course.

#581 Rehab and #584 CIRLF Loans The Housing and Community Development Loan fund accounts for loans funded Federal Block Grants. As loans are paid, the money is then made available for other repayable low-interest loans. These loans may be for housing rehabilitation within an established neighborhood strategy area or commercial development for expansion of city business.

#582 State Affordable Housing Accounts for the revenue and expenses associated with the issuance and collection of housing loans to home owners who fall into an established area.

#583 Community Development Loans Accounts for the revenue and expenses associated with the issuance and collection of loans made from general tax revenues (not federal or state grant funds) for city development projects.

#585 MPF Endowment Loans Accounts for the revenue and expenses associated with the pilot loan program through the Chicago Home Loan Bank.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent increase (decrease)
Property taxes	1,699,047	1,699,820	7.9%	773	0.0%
Government grants	268,700	256,000	1.2%	(12,700)	-4.7%
Charges for services	15,138,865	16,658,642	77.2%	1,519,777	10.0%
Program fees	338,165	371,880	1.7%	33,715	10.0%
Concessions	434,628	443,668	2.1%	9,040	2.1%
Rents and royalties	735,993	732,980	3.4%	(3,013)	-0.4%
Transfers for charges	164,800	157,956	0.7%	(6,844)	-4.2%
Investments and loans	840,918	751,775	3.5%	(89,143)	-10.6%
Contributions/donations	14,300	64,300	0.3%	50,000	349.7%
Bond Proceeds	2,600,000	0	0.0%	(2,600,000)	-100.0%
Operating transfers	216,780	364,356	1.7%	147,576	68.1%
Other	47,746	68,496	0.3%	20,750	43.5%
	<u>22,499,942</u>	<u>21,569,873</u>	<u>100.0%</u>	<u>(930,069)</u>	<u>-4.1%</u>

Property Tax – The property tax supports certain Park fund activities. The levy did not change from the fiscal 2009 property tax extension.

Government Grants – The FY 2008 and 2009 budgets included \$249,000 for the Rock River Bridge bike trail. The same grant is included in FY 2010.

Charges for services – Water, wastewater and stormwater projections include FY2009 rate increases of five, twenty and three percent. Revenue from water charges is \$5,292,000 this is a budgeted increase of \$252,000. Revenue from wastewater charges is \$6,624,000. This is a budgeted increase of \$1,104,000. Revenue from stormwater charges is \$1,545,000. This is a budgeted increase of \$145,000.

Rents and royalties - The budget includes \$275,000 from the lease of water tower space to cellular telephone companies and \$346,350 from golf cart rentals.

Bond proceeds – A \$2.6 million wastewater general obligation bond issue was budgeted in FY 2009 for the First Avenue interceptor sewer project. No general obligation bond issues are budgeted for FY 2010.

Operating transfers – Transfers increased \$147,576. Table 15 in the Miscellaneous section details interfund transfers.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent increase (decrease)
Personnel	6,404,369	6,851,110	23.3%	446,741	7.0%
Supplies	1,889,455	2,432,820	8.3%	543,365	28.8%
Services	4,506,763	3,913,689	13.3%	(593,074)	-13.2%
Other	129,133	150,786	0.5%	21,653	16.8%
Programs	1,030,271	1,141,690	3.9%	111,419	10.8%
Capital	5,053,286	9,204,094	31.3%	4,150,808	82.1%
Debt Service	1,589,607	1,746,379	5.9%	156,772	9.9%
Transfers	1,651,530	1,871,457	6.4%	219,927	13.3%

Other	2,472,126	2,059,938	7.0%	(412,188)	-16.7%
	24,726,540	29,371,963	100.0%	4,645,423	18.8%

Personnel. Enterprise funds with personnel expenditures include Water, Wastewater, Stormwater, Sunset Marina, and Park. The \$446,741 increase results from contracted wages and benefits.

Supplies. Increases total \$543,365 or 28.8%. The greatest increase is \$439,266 or 104% for water treatment chemicals.

Services. Services are down \$593,074 or 13.2%. The major change is the elimination of \$423,000 for painting the Saukie water tower that was budgeted in FY 2009.

Programs. Programs are up \$111,419 or 10.8%. The increases are in the Community and Economic Development loan funds.

Capital. See Table 1 in the miscellaneous section of the document for a listing of capital projects. The primary reason for the increase is the \$3,600,000 expansion of the Rock Island Fitness and Activities Center (RIFAC).

Debt. Debt service is up 9.9% due the long term wastewater control plan

Transfers. See Table 15 in the miscellaneous section of the document for a listing of transfers.

### Internal Service Operations

Internal Service Funds account for the financing of goods or services provided by one department to other departments of the city on a cost reimbursement basis. In all these funds, revenue is generated by charging the costs of services provided to the user departments. The City of Rock Island has the following four Internal Service Funds:

#601 Fleet Maintenance Fund The Fleet Maintenance Fund provides for the maintenance, repair and purchase of vehicles used in the operation of City services. Revenue is from rental charges to user departments. Expenses include costs of labor, materials, supplies and services. Replacement of equipment is part of the rental rate for equipment.

#606 Engineering Fund This fund was reinstated in FY 2005. It provides engineering services for all capital and major infrastructure maintenance projects.

#609 Hydroelectric Plant This fund accounts for operational and capital costs associated with the operation of the city hydroelectric facility that supplies electricity to city facilities.

#621 Self Insurance Fund The Self-insurance Fund accounts for premium and claim payments for workers' compensation, general liability and property insurance. The revenues and expenditures in this fund tend to fluctuate depending on the volatility of claims encountered.

#626 Employee Health Benefit Fund The Employee Health Benefit Fund accounts for premium and claim payments for the self-insured group health insurance plan for City employees provided through HCH Administration.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent Increase (decrease)
Government grants	45,000	45,000	0.4%	-	-----
Charges for services	85,165	99,180	0.9%	14,015	16.5%
Employer contribution	3,519,510	3,759,327	33.7%	239,817	6.8%
Employee contribution	919,817	992,502	8.9%	72,685	7.9%

Retiree contribution	705,725	740,298	6.6%	34,573	4.9%
Engineering	1,170,865	1,186,588	10.6%	15,723	1.3%
Equipment maintenance	3,034,087	3,563,880	32.0%	529,793	17.5%
Hydroelectric charges	115,786	257,445	2.3%	141,659	122.3%
Investment & Loans	52,000	114,295	1.0%	62,295	119.8%
Proceeds LT debt	2,185,000	-	0.0%	(2,185,000)	-100.0%
Transfers	160,000	284,308	2.6%	124,308	77.7%
Other	21,000	99,817	0.9%	78,817	375.3%
	<u>12,013,955</u>	<u>11,142,640</u>	<u>100.0%</u>	<u>(871,315)</u>	<u>-7.3%</u>

Charges for services – Included are receipts from damage to city property, equipment repairs and street cuts.

Employer contributions - The employer share of health premiums increased \$228,887 or 9%. The employer share of self insurance costs increased \$10,930 or 1%.

Employee contributions - The employee share of health premiums increased \$72,685 or 7.9%.

Retiree contributions - The retiree share of health premiums decreased \$34,573 or 4.9%.

Engineering – Charges to other funds for engineering services increased \$15,723 or 1.3%.

Fleet Services - Vehicle charges to departments increased \$529,793 or 17.5%.

Transfers – Increases in transfers are \$44,000 from the park fund to the fleet services fund for purchase of two pickup trucks and a total of \$190,308 from the general, water, wastewater, and stormwater funds to the engineering fund for GIS services.

	Adopted Budget 2009	Proposed Budget 2010	Percent of total	Increase (decrease)	Percent Increase (decrease)
Personnel	1,868,488	1,977,692	17.4%	109,204	5.8%
Supplies	1,106,521	940,543	8.3%	(165,978)	-15.0%
Services	5,031,538	5,482,091	48.3%	450,553	9.0%
Other	16,185	16,510	0.1%	325	2.0%
Capital	2,977,001	1,591,416	14.0%	(1,385,585)	-46.5%
Debt service	-	175,239	1.5%	175,239	-----
Transfers	394,229	409,012	3.6%	14,783	3.7%
Other	638,809	763,023	6.7%	124,214	19.4%
	<u>12,032,771</u>	<u>11,355,526</u>	<u>100.0%</u>	<u>(677,245)</u>	<u>-5.6%</u>

Personnel. The increase results from union contracts, increases in health benefit costs and a change in the employer contribution rate for the Illinois Municipal Retirement Fund (IMRF) and negotiated wage increases.

Supplies. Automotive fuel supplies are down \$300,291 or 46.2%. Automotive equipment supplies are up \$101,331 or 28.9%.

Services. Services increased \$450,553 or nine percent. Insurance premiums decreased \$39,112 or 4.2%. Insurance claims increased \$451,728 or 12.7%.

Capital. Expenditures related to the hydroelectric plant have been reduced in the FY 2010 budget.

Debt Service New debt was issued for renovation of the hydroelectric plant.

Contingency Increases include depreciation expense of \$84,000 for the hydropower plant and \$49,960 for fleet services.

### FIDUCIARY FUND TYPES

Trust and Agency Funds are used to account for assets held by the city as a trustee or agent for individuals, private organizations and other governmental units. The following are the city's fiduciary fund types:

#701 Fire Pension Fund The pension trust fund accounts for the firemen's pension. Revenue includes property taxes, contributions from participants and interest earned. Total net assets of the Fire Pension fund decreased \$691,480 to \$23,062,773 at March 31, 2008.

#706 Police Pension Fund The pension trust fund accounts for the police officer's pension. Revenue includes property taxes, contributions from participants and interest earned. Total net assets of the Police Pension Fund increased \$171,591 to \$26,517,764 at March 31, 2008.

#711 Cafeteria Plan Accounts for revenue and expenditures related to the maintenance of the Section 125 Cafeteria Plan.

### CAPITAL IMPROVEMENTS

Proposed 2009/10 capital outlay is \$26,821,395. A detailed list of 2009/10 capital outlay and major infrastructure maintenance projects is included in the separate Capital section of this document. Additionally, capital outlay is detailed in the Miscellaneous section, Table 1 and infrastructure maintenance is detailed in the Miscellaneous section, Table 2.

Capital assets include property, plant, equipment and infrastructure assets (e.g. roads, bridges and similar items). They are budgeted in the applicable governmental or business-type fund. Capital assets are defined by the City of Rock Island as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City of Rock Island, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10 to 40
Improvements other than buildings	5 to 40
Machinery and equipment	3 to 20
Waterworks system	5 to 40
Wastewater treatment system	10 to 40
Bridges and approaches	10 to 67
Marina facilities	10 to 20
Infrastructure	50 to 100
	(1969 to present = 50 years)
	(before 1969 = 100 years)

## OTHER INFORMATION

### Debt Administration

At March 31, 2008, the City of Rock Island has \$18,131,000 general obligation bonds and \$70,000 special assessment debt outstanding. Property tax revenue is not used for general obligation debt. Moody's Investors Service assigned a rating of A1 to the City's 2008 general obligation bonds.

With the adoption of the 1970 Illinois Constitution any municipality with a population of 25,000 or more automatically became a Home Rule city. Prior to 1970, municipalities had only those powers specifically granted by the legislature. Under Home Rule, local governments are given all powers not specifically denied by the Illinois legislature. Home rule cities have unlimited power to incur debt payable from property taxes and other revenue, such as sales tax allotments. Rock Island is a home rule city. Therefore, the city has no legal debt limits and schedules concerning tax levy ceilings and computations of legal debt margins are not included in this budget.

### Cash Management

Cash temporarily idle during the year was invested in time deposits, certificates of deposit, obligations of the U. S. Treasury, and repurchase agreements. Last year, the average yield on pooled investments, except for the pension trust funds gradually increased from 6.72% at March 31, 2007 to 7.65% at March 31, 2008. The Police Pension Fund achieved an actuarially computed rate of 5.81% and the Fire Pension fund achieved a rate of 5.74% over the past ten years. (The pension fund rates are net of all investment and monitoring fees. City investments earned \$1,740,560 for the year ended March 31, 2008.

The City's investment policy was formally adopted by City Council during the fiscal year ended March 31, 1990. The objective of this policy is to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were generally insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name

### Risk Management

The City of Rock Island accumulates resources in two internal service funds, the Self-Insurance Fund and Employee Health Benefit Fund to meet potential losses from workers' compensation, general liability, property and health benefit claims. Various risk control techniques, including employee accident prevention training, have been implemented in past years to minimize accident-related losses. Additionally, the City carries stop-loss coverage for most of these self-insured areas.

### Independent Audit

State statutes require an annual audit by independent certified public accountants. The firm of Eide Bailly, LLP was selected by the Rock Island City Council. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement.

### Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rock Island for its comprehensive annual financial report for the fiscal year ended March 31, 2008. This was twenty-second consecutive year that the City of Rock Island has received this prestigious award. In order to be awarded a Certificate of Achievements, the City of Rock Island published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The City of Rock Island has received the GFOAs Award for Distinguished Budget Presentation for its annual budget for twenty-one consecutive years. In order to qualify for the Distinguished Budget Presentation Award, the City of Rock Island's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

### **Summary**

Council goals continue to stress the importance of economic development activities to increase property values and generate retail sales. Increased economic development will also have a positive effect on utility tax revenue and assessed valuations. The city must continue efforts to increase property values and retail sales, because it relies heavily on the property tax to support the General Fund. Property values that suffered steady steep declines in the 1980's have increased at a steady rate during the past decade. However, statewide revenues from income and replacement taxes that had produced steady increases in General Fund revenues are projected to decline in fiscal year 2010.