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**DATE:** Monday, December 08, 2025  
**TIME:** 7:00 PM  
**PLACE:** 400 South Vine Street, Urbana, IL 61801

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## AGENDA

- A. Call to Order and Roll Call
- B. Additions to the Agenda
- C. Presentation and Public Input
- D. Council Input and Communications
- E. Mayoral Appointments
  - 1. *Interim Fire Chief*
    - Tal Prendergast (term ending on or before June 5, 2026)
  - 2. *The Urbana Free Library Board of Trustees*
    - Justin Kingston (term ending June 30, 2026)
  - Human Rights Commission*
    - Adam Ruggieri (term ending June 30, 2028)
- F. Staff Report
  - 1. Financial Forecast FY2027 – FY2031 Report
- G. Adjournment

## PUBLIC INPUT

The City of Urbana welcomes Public Input during open meetings of the City Council, the City Council's Committee of the Whole, City Boards and Commissions, and other City-sponsored meetings. Our goal is to foster respect for the meeting process, and respect for all people participating as members of the public body, city staff, and the general public. The City is required to conduct all business during public meetings. The presiding officer is responsible for conducting those meetings in an orderly and efficient manner. Public Input will be taken in the following ways:

### Email Input

Public comments must be received prior to the closing of the meeting record (at the time of adjournment unless otherwise noted) at the following: [citycouncil@urbanail.gov](mailto:citycouncil@urbanail.gov). The subject line of the email must include the words "PUBLIC INPUT" and the meeting date. Your email will be sent to all City Council members, the Mayor, City Administrator, and City Clerk. Emailed public comments labeled as such will be incorporated into the public meeting record, with personal identifying information redacted. Copies of emails will be posted after the meeting minutes have been approved.

### Written Input

Any member of the public may submit their comments addressed to the members of the public body in writing. If a person wishes their written comments to be included in the record of Public Input for the meeting, the writing should so state. Written comments must be received prior to the closing of the meeting record (at the time of adjournment unless otherwise noted).

### Verbal Input

Protocol for Public Input is one of respect for the process of addressing the business of the City. Obscene or profane language, or other conduct that threatens to impede the orderly progress of the business conducted at the meeting is unacceptable.

Public comment shall be limited to no more than five (5) minutes per person. The Public Input portion of the meeting shall total no more than two (2) hours, unless otherwise shortened or extended by majority vote of the public body members present. The presiding officer or the city clerk or their designee, shall monitor each speaker's use of time and shall notify the speaker when the allotted time has expired. A person may participate and provide Public Input once during a meeting and may not cede time to another person, or split their time if Public Input is held at two (2) or more different times during a meeting. The presiding officer may give priority to those persons who indicate they wish to speak on an agenda item upon which a vote will be taken.

The presiding officer or public body members shall not enter into a dialogue with citizens. Questions from the public body members shall be for clarification purposes only. Public Input shall not be used as a time for problem solving or reacting to comments made but, rather, for hearing citizens for informational purposes only.

In order to maintain the efficient and orderly conduct and progress of the public meeting, the presiding officer of the meeting shall have the authority to raise a point of order and provide a verbal warning to a speaker who engages in the conduct or behavior proscribed under "Verbal Input". Any member of the public body participating in the meeting may also raise a point of order with the presiding officer and request that they provide a verbal warning to a speaker. If the speaker refuses to cease such conduct or

behavior after being warned by the presiding officer, the presiding officer shall have the authority to mute the speaker's microphone and/or video presence at the meeting. The presiding officer will inform the speaker that they may send the remainder of their remarks via e-mail to the public body for inclusion in the meeting record.

**Accommodation**

If an accommodation is needed to participate in a City meeting, please contact the City Clerk's Office at least 48 hours in advance so that special arrangements can be made using one of the following methods:

- Phone: 217.384.2366
- Email: [CityClerk@urbanil.gov](mailto:CityClerk@urbanil.gov)



**MEMORANDUM FROM THE OFFICE OF THE MAYOR TO THE CITY COUNCIL**

**Meeting:** December 8, 2025, City Council Meeting  
**Subject:** Staff Appointment

**Summary**

*Action Requested*

City Council is asked to approve the appointment of Tal Prendergast as Interim Fire Chief for a term ending on or before June 5, 2026.

*Brief Background*

The attached summary of job responsibilities and information on the appointee is provided to the City Council as information to support the Mayor's recommended appointment.

**Relationship to City Services and Priorities**

*Impact on Core Services*

Appointments made by the Mayor and approved by Council ensure that qualified individuals are placed in key leadership and operational roles, supporting effective governance, accountability, and continuity in the delivery of municipal services in line with community needs and policy goals.

*Strategic Goals & Plans*

N/A

*Previous Council Actions*

N/A

**Discussion**

*Recommendation*

City Council is asked to approve the appointment of Tal Prendergast as Interim Fire Chief for a term ending on or before June 5, 2026.

*Next Steps*

If approved, the Office of the Mayor will notify Tal Prendergast of his staff appointment.

**Attachments**

1. Mayoral Appointment Information

Originated by: Kate Levy, Executive Coordinator  
Reviewed by: Darius L. White, City Administrator  
Approved: DeShawn B. Williams, Mayor

Fire Department

Interim Fire Chief

## **TAL PRENDERGAST**

### Job Summary

The Fire Chief provides leadership, mentorship and strategic direction for the overall operation and management of the Urbana Fire Department. Primary responsibilities of the position include planning, directing, coordinating, and administering operational firefighting, fire prevention programs, rescue calls, emergency operations, medical services, facility/equipment maintenance, and training activities. This position responds to and assumes command of emergency incidents as needed.

Tal Prendergast has served with the Urbana Fire Department for more than 16 years and has been Deputy Fire Chief since October 2024. Alongside his work with the City of Urbana, he has held a range of progressively responsible administrative roles at the University of Illinois Fire Service Institute, including Program Director and Firefighting Program Administrative Coordinator. Before joining the Urbana Fire Department, Prendergast served as a Firefighter with the Danville Fire Department. He holds a bachelor's degree in Technical Systems Management from the University of Illinois.



City of Urbana  
400 S. Vine Street, Urbana, IL 61801  
www.UrbanaIL.gov

**MEMORANDUM FROM THE OFFICE OF THE MAYOR  
TO THE URBANA CITY COUNCIL**

**Meeting:** December 8, 2025, Council Meeting  
**Subject:** Board and Commission Appointments

**Summary**

*Action Requested*

City Council is asked to approve the following appointments:

- Justin Kingston to The Urbana Free Library Board of Trustees for a term ending June 30, 2026; and
- Adam Ruggieri to the Human Rights Commission for a term ending June 30, 2028.

*Brief Background*

A 3-year Urbana resident, Justin Kingston oversees all IT functions at Farnsworth Group, an architecture and engineering firm, including technology strategy, budgeting, vendor relations, and management of IT staff nationwide. Previously, he served as Assistant Director and IT Manager for the Hayner Public Library District, where he led multiple projects including phone system upgrades, infrastructure overhaul, and planning for an RFID implementation, while also managing facilities staff and engaging regularly with the board and press.

***“I grew up in Illinois (from Paxton originally), and after leaving in 2000, relocated from Denver, CO to Urbana in 2019 with my spouse. One thing that I wanted to focus on after leaving urban life was being able to be more active in the community. With my previous library system experience, I feel like I’d be a good fit for this board. I believe wholly in the Library’s mission, and believe libraries play a key role in the democratization of information for all.”***

A 28-year Urbana resident, Adam Ruggieri is Production Manager at Minuteman Press in Champaign, where he has worked for nearly 14 years overseeing production, staff, quality, and operations. He has over 20 years of experience studying and teaching martial arts, giving him insight into discipline, objectivity, and working with others. Previously a tree cutter and climber, he brings hands-on problem-solving skills and a careful, thoughtful approach to complex tasks.

***“My interest in serving the City of Urbana comes from a deep desire to serve my community for the better. It takes people willing to do the work. I have life experience here, I live here, and I love here. I want good things for Urbana and***

***someone has to take responsibility for getting that done. I tended my life, now as an extension of that, I would like to help tend my home.”***

### **Relationship to City Services and Priorities**

#### *Impact on Core Services*

City of Urbana Board and Commission members play a crucial role in helping City leaders address specific issues, offering professional expertise, involving the community in decision-making, and connecting residents, City staff, and Council.

The Human Rights Commission ensures fairness and equality by enforcing the Human Rights Ordinance, which protects against discrimination in housing, employment, and public services. It advises City leadership, monitors equal opportunity in City contracting, supports investigations of complaints, and works to strengthen community relations.

The Urbana Free Library Board of Trustees is responsible for the overall operations and service of The Urbana Free Library, including budget, policy, and planning.

*Strategic Goals & Plans N/A*

*Previous Council Actions N/A*

### **Discussion**

#### *Recommendation*

City Council is asked to approve the appointment of Justin Kingston to The Urbana Free Library Board of Trustees for a term ending June 30, 2026, and Adam Ruggieri to the Human Rights Commission for a term ending June 30, 2028.

#### *Next Steps*

If approved, the Office of the Mayor will notify Justin Kingston and Adam Ruggieri of their appointments as Board and Commission members and of Open Meetings Act requirements.

Originated by: Kate Levy, Executive Coordinator

Reviewed: Darius L. White, City Administrator

Approved: DeShawn B. Williams, Mayor



## MEMORANDUM TO THE MAYOR AND CITY COUNCIL

**Meeting:** December 8, 2025 City Council Meeting  
**Subject:** Financial Forecast for FY2027 – FY2031

### Summary

#### *Action Requested*

Review the attached Financial Forecast in preparation for the presentation on December 8, 2025.

#### *Brief Background*

The City's Financial Policies require that Finance Department staff prepare a five-year financial forecast for the City's General Operating Fund annually. The City's financial forecast serves as a fiscal management tool, providing insight to inform and guide decision-making throughout the annual budget process.

### Relationship to City Services and Priorities

#### *Impact on Core Services*

This Forecast may inform decisions regarding City services.

#### *Strategic Goals & Plans*

Decisions made as a result of the information provided in this report may support a variety of services, including those related to Mayor and Council goals.

#### *Previous Council Actions*

The City Council previously approved [Financial Policies](#), including the requirement to prepare an annual financial forecast.

### Discussion

#### *Fiscal and Budget Impact*

The Financial Forecast itself has no direct fiscal impact. However, the recommended strategies are designed to ensure continued financial sustainability.

#### *Recommendation*

Review the attached Financial Forecast in preparation for the presentation on December 8, 2025.

*Next Steps*

Staff will proceed with development of the annual budget and plans to present the proposed budget to City Council in May 2026.

**Attachments**

1. Financial Forecast FY2027 – FY2031 Report

Originated by: Don Ho, Senior Financial Analyst / Budget Coordinator

Reviewed: Elizabeth Hannan, HR & Finance Director / CFO

Approved: Darius White, City Administrator



# FINANCIAL FORECAST

**FY2027 – FY2031**



# FINANCIAL FORECAST: FY2027-FY2031

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# FINANCIAL FORECAST: FY2027-FY2031

## Summary

### FORECASTING, IN GENERAL

Preparing a financial forecast is challenging because of the large number of economic, demographic, and policy variables involved. This year's forecast is particularly challenging because of uncertainty about the federal budget beyond January, and mixed signals about the economy. Many factors are beyond our control and cannot be known with certainty in advance. We make reasonable assumptions about these variables to produce a forecast. However, the only certainty is that the forecast will not be precisely accurate in predicting the future. It is, however, useful for examining trends, which allows us to strategize for both fiscal risks and opportunities.

The City's Financial Policies require that Finance Department staff prepare an updated forecast annually. This forecast serves as an integral part among various fiscal management tools, providing essential insights to inform and guide decision-making throughout the annual budget process.

### GENERAL FUND FOCUS

The report focuses on the City's General Operating Fund, which provides funding for most basic City services, such as police protection, fire suppression, and most public works services.

### KEY DRIVERS OF FORECAST

Certain items merit special note because their impact on the forecast is so significant.

After reaching multi-decade highs earlier in the 2020s, inflation has continued to moderate through 2024 and 2025 as earlier Federal Reserve interest rate increases and improving supply conditions worked their way through the economy. By late 2025, inflation is closer to the Federal Reserve's long-run target, though still somewhat above 2 percent, and prices remain higher than they would have been without the earlier inflation spike. At the same time, changes to federal trade policy and tariffs on selected imported goods continue to put upward pressure on some construction materials, vehicles, and equipment, which could affect City project and operating costs over the forecast period.

## FINANCIAL FORECAST: FY2027-FY2031

Major revenues in FY2025 finished on par with projections, and year-to-date FY2026 results show continued resilience in key General Operating Fund revenue sources. Recent Federal Reserve rate cuts, following an extended period of higher interest rates, point to a gradual transition toward a more neutral policy stance, but national economic data remain mixed. The City's current forecast does not assume a near-term recession, but it acknowledges uncertainty related to future federal economic policy and broader national conditions. Maintaining reserves consistent with the City's financial policies remains essential to preserve flexibility in the event of slower growth or an unexpected downturn.

Beginning in FY2027, the forecast for sales and use tax incorporates recent Illinois tax law changes. The State has shifted more online and out-of-state transactions into "destination-based" sales tax sourcing and is eliminating the 200-transaction threshold for remote sellers in 2026, which means more purchases will generate local revenue based on where goods are delivered.

In addition, effective January 1, 2026, the State's 1 percent grocery tax will be eliminated, and the City has adopted a 1 percent local grocery tax to maintain this revenue base. Together, these changes support modest but steady growth assumptions for sales, use, and local grocery tax revenues across the FY2027–FY2031 forecast period.

Although General Operating Fund projections have improved in recent years, supported by stronger than expected revenues, it remains important for the City to maintain reserves consistent with its financial policies. Strong reserves provide a financial safety net to manage inflationary cost pressures, higher prices from tariffs on certain goods, and any unexpected slowdown in the economy or changes in federal policy over the FY2027 through FY2031 forecast period.

### CAUTIONS

- This forecast should be used to evaluate strategy and make course corrections. It is not intended to be accurate at a detailed level.
- Forecasting is prone to error, and those errors are amplified as we look further into the future, because the forecast for each year builds on prior years. Therefore, we should place less reliance on the later years in the forecast in making decisions about the budget.

## FINANCIAL FORECAST: FY2027-FY2031

- Additionally, with the current federal administration's priorities and potential policy shifts, we should proactively prepare for possible changes by remaining flexible and responsive, ensuring our strategy accounts for their evolving goals and initiatives.

### SUMMARY OF LIKELY PATH

The City is projected to end FY2026 with an unassigned fund balance equal to 33.8 percent of recurring expenditures, which is approximately \$4.08 million above the 25 percent policy minimum. Although recurring expenditures are currently below the policy target of 98.5 percent of recurring revenues, this margin is expected to narrow within the next two years because expenditures are projected to grow faster than revenues. This forecast assumes that the City maintains current service levels and does not add new ongoing services or programs. Adding new ongoing services would likely require new sources of revenue.

The financial outlook for the next several years remains uncertain. At the national level, interest rate policy, inflation trends, and tariff changes continue to influence economic conditions and may affect the City's major revenue sources through their impact on employment, wages, and consumer spending. There is also a chance that the federal government could reduce or discontinue the City's HOME and Community Development Block Grant (CDBG) funding. In anticipation of this risk, the City has set aside local funds that can be used to support these programs if federal support is reduced.

At the state level, Illinois lawmakers have introduced legislation in recent sessions to modify Tier 2 pensions, and similar proposals are likely to re-emerge in future sessions. If enacted, these changes could increase pension costs for local governments in future years. Together, these factors highlight the need for ongoing monitoring and flexibility in the City's financial planning.

### RECOMMENDED STRATEGY

The City is projected to begin FY2027 with an unassigned fund balance above the 25 percent policy minimum, which provides some limited flexibility for managing unexpected costs. Updated projections indicate that the City can remain above the 25 percent threshold throughout the forecast period while maintaining, but not expanding, current services. Even with this improvement, the capacity to add new

## FINANCIAL FORECAST: FY2027-FY2031

programs or expand existing ones, especially on a recurring basis, will remain limited unless economic development is sufficient to buoy revenues or new revenue sources are identified.

The forecast also shows that the current margin between recurring revenues and recurring expenditures will be eliminated over the next two years (FY27 and FY28), even without any new recurring spending commitments. To preserve a healthy margin and avoid a structural imbalance, it will be important to continue evaluating additional revenue options in the near term.

# FINANCIAL FORECAST: FY2027-FY2031

## Methods & Key Assumptions

### METHODS

It is not practical to develop detailed forecasts for every item in the budget. Forecasting for expenditures is accomplished by grouping expenditures into categories, that share common “drivers.” For example, personnel costs are broken into salaries and directly related expenses, pensions, and discretionary personnel expenses, such as overtime. Discretionary personnel expenses can generally be controlled by management, at least to some extent. Some line items are forecast at a detailed level, either because they are very large or tend to be highly variable. All one-time expenditures are excluded when projecting recurring expenditures.

Staff develops projections for major revenue sources at a detailed level because of their significant impact on the budget, particularly sales, income, and property taxes. Other revenues, such as user fees, are aggregated. For example, most user fees, which are based on the City’s cost of providing services, are predicted to increase with wages, which are the most significant driver of our cost of providing services.

### ASSUMPTIONS

#### Financial Policies

The forecast assumes that the budget will comply with the Financial Policies adopted by the City Council. Relevant policies are listed below –

- The City will maintain reserves in the General Fund of at least 25% of recurring expenditures; this allows flexibility in responding to emergencies or unexpected events.
- Recurring expenditures will not exceed 98.5% of recurring revenues; this allows the City to respond to modest revenue fluctuations without reducing expenditures.
- The City will maintain a stable property tax rate, which is currently \$1.3499 per \$100 of assessed valuation.
- Capital improvement transfers will increase based on the construction cost index.

## FINANCIAL FORECAST: FY2027-FY2031

### Planned Use of Fund Balance

To the extent fund balance is available above the 25% policy limit, it is often allocated for capital improvements or one-time expenditures that occur over several years, such as the Community Engagement Team pilot project. Approximately \$5.47 million of fund balance is reserved for at risk federal & local grant programs and for the second and third years of the Community Engagement Team pilot program.

### Summary of Other Assumptions

The forecast is based upon assumptions about a variety of items. Some key assumptions are detailed in the following table. However, wages and some other assumptions are not detailed in the table due to potential impact on collective bargaining and negotiation for health insurance rates.

KEY ASSUMPTIONS			
	Likely Scenario	Best-Case	Worst-Case
<b>Indicators</b>			
Consumer Price Index (CPI-U)	2.4% for FY27, then 2.25% thereafter	2.15% for FY27, then 2.06% thereafter	3.4% for FY27, then 3.31% thereafter
Construction Cost Index (CCI)	2.47% CY25, then 2.5% thereafter	2.2% CY25, then 2.25% thereafter	2.97% CY25, then 3% thereafter
Population	40,975	Same	Same
Property Tax Rate	\$1.3499	Same	Same
Assessed Valuation Base	+6.5% in FY2027, then +2% annually	+8.5% in FY2027, then +4% annually	+4.5% in FY2027, then 0% annually
	Likely Scenario	Best-Case	Worst-Case
<b>Revenues</b>			
State & Home-Rule Sales Tax	<ul style="list-style-type: none"> <li>Revenue grows with inflation plus 0.5% economic growth</li> <li>2.9% in FY27, then 2.81% thereafter</li> <li>The City is anticipating more sales tax in FY27 due to changes in how the state collecting sales tax. Instead of use tax (which is based on population), the City is now receiving sales tax based on the destination</li> </ul>	<ul style="list-style-type: none"> <li>Revenue grows with inflation plus 1% economic growth</li> <li>3.4% in FY27, then 3.31% thereafter</li> </ul>	<ul style="list-style-type: none"> <li>Revenue grows 0.5% less than inflation</li> <li>1.9% in FY26, then 1.81% thereafter</li> </ul>
Use Tax	<ul style="list-style-type: none"> <li>40,975 population</li> <li>Revenue decrease by 1% beginning FY28</li> </ul>	<ul style="list-style-type: none"> <li>40,975 population</li> <li>Revenue grows 1.0% above likely</li> </ul>	<ul style="list-style-type: none"> <li>40,975 population</li> <li>Revenue grows 1.0% less than likely</li> </ul>

# FINANCIAL FORECAST: FY2027-FY2031

## KEY ASSUMPTIONS

Income Tax	<ul style="list-style-type: none"> <li>40,975 population</li> <li>1.5% annual growth beginning FY2026</li> </ul>	<ul style="list-style-type: none"> <li>40,975 population</li> <li>1% more than likely</li> </ul>	<ul style="list-style-type: none"> <li>40,975 population</li> <li>1% less than likely</li> </ul>
Police/Fire Pensions – Property Tax Revenue	Done with transition, increase with predicted wage increases	Same	Same
Parking Fund	<ul style="list-style-type: none"> <li>Parking fine revenue will be moved to the Parking Fund to ensure sustainability of the parking system</li> </ul>	Same	Same

## FINANCIAL FORECAST: FY2027-FY2031

	Likely Scenario	Best-Case	Worst-Case
<b>Expenditures</b>			
IMRF Rate	9.13% For CY2026, 9.13% for CY2027-2030.	9.13% For CY2026, 8.13% for CY2027-2030	9.13% For CY2026, 10.13% for CY2027. Then contributions are 15% higher than the Likely Scenario, due to elimination of Tier 2 pension beginning in FY27.
Police/Fire Pensions – Expense / Contributions	Increase with predicted wage increases.	Same	Contributions are 20% higher due to elimination of Tier 2 pensions beginning in FY27.
Supplies & Services	Inflation	Inflation	Inflation
Capital Improvement Transfers	<ul style="list-style-type: none"> <li>• 2.47% for CY2025 (FY27 budget),</li> <li>• 2.5% after, consistent with 10-year average, excluding 2 Covid years. (Use to estimate increase in capital transfer from GF)</li> </ul>	<ul style="list-style-type: none"> <li>• 2.2% for FY27</li> <li>• 2.25% after</li> </ul>	<ul style="list-style-type: none"> <li>• 2.97% for FY27</li> <li>• 3% after</li> </ul>
Community Engagement Team	Will start 1 <sup>st</sup> year in FY27 \$873,000 reserved for 2nd and 3rd year	Same	Same
Parking Enforcement	Parking Enforcement will be moved from the General Fund to the Parking Fund to ensure the sustainability of the parking system	Same	Same
Reserves	\$3.1 million reserved for at risk federal programs and \$1.5 million for other programs in Urbana	Same	Same
VERF Transfers	<ul style="list-style-type: none"> <li>• Annual contributions from departments increase by 2%</li> <li>• Remain funding at 85% of accumulated straight-line depreciation</li> </ul>	<ul style="list-style-type: none"> <li>• Annual contributions grow by -0.5% under likely scenario</li> <li>• Funding at 85%</li> </ul>	<ul style="list-style-type: none"> <li>• Annual contributions grow by +0.5% under likely scenario</li> <li>• Funding at 85%</li> </ul>
Retained Risk	3% increase annually	2% increase annually	3.5% increase annually
Underspending	3% below budget each year of forecast	Same	Same

# FINANCIAL FORECAST: FY2027-FY2031

## Forecast

### INDICATORS OF FISCAL HEALTH

We use two primary indicators of fiscal health in this forecast.

#### Recurring Expenditures as a Percent of Recurring Revenues

This measure indicates the ability to sustain expenditures for programs and services over the long-term and ensures that the City does not make long-term commitments for which funding may not be available in the future. The City's policy of budgeting recurring expenditures at not more than 98.5% of recurring revenue provides a cushion against modest fluctuations in recurring revenue so that expenditures will not exceed revenues.

#### Fund Balance as a Percent of Recurring Expenditures

This measure indicates the City's ability to withstand economic downturns, to finance cash flow given variability of revenue streams throughout the year, to provide a stable tax rate, to respond to natural disasters, and to provide for unanticipated needs or unexpected opportunities. The City's current policy of maintaining a fund balance of at least 25% of recurring expenditures provides a reasonable buffer.

### RISK ASSESSMENT

While the Likely scenario is based on assumptions that staff believes are most probable, there is always downside risk in the forecast. That risk remains higher than in many prior years, in part because of uncertainty surrounding the policies and initiatives that the current administration and Congress may pursue. Changes in federal priorities, regulations, and funding levels, including possible reductions in discretionary grant programs, could alter key assumptions in this forecast. This makes it especially important to monitor policy developments and adjust projections as new information becomes available.

In late January 2025, the federal government briefly issued guidance directing agencies to pause many grant and loan programs while a spending review was conducted. That directive was quickly rescinded, and courts have since blocked broad attempts to freeze federal financial assistance. Even so, the episode highlighted the vulnerability of discretionary programs, and future federal budget decisions could still reduce or delay funding that local governments rely on for capital projects,

## FINANCIAL FORECAST: FY2027-FY2031

housing, and public safety. There is also a possibility that the federal government could reduce or discontinue the City's HOME and Community Development Block Grant (CDBG) funding. In anticipation of this risk, the City has set aside local funds that can be used to support these programs if federal support is reduced.

A material reduction in federal assistance could affect the City in several ways. Funding for capital improvements could be delayed or eliminated, which would limit the City's ability to complete planned infrastructure projects. Programs that support housing and other social service initiatives could face funding gaps, requiring the City to reprioritize or reduce services unless replacement funding is identified. Grants that support local law enforcement and emergency response services could also be at risk, which would place additional pressure on the General Operating Fund if the City chose to maintain those service levels with local resources.

The State's fiscal condition also remains a concern. State income tax distributions to local governments, including the Local Government Distributive Fund, are subject to change through the state budget process, and proposals to reduce the local share have been considered in prior years. The possibility of new or expanded property tax limitations or increases in exemptions also remains and would reduce the growth in property tax revenue that is available to support City operations.

Beyond the State's overall fiscal health, several legislative initiatives could significantly affect the City. Proposals to enhance Tier 2 pension benefits are expected to continue emerging in future legislative sessions. These changes would increase pension costs for local governments and place additional pressure on the General Operating Fund, since pension contributions are funded primarily through property taxes. Any increase in the share of the levy devoted to pensions at the current tax rate would reduce the amount of property tax revenue available to pay for basic City services.

The General Fund also directly or indirectly supports a variety of other programs. For example, the City's Retained Risk Fund, which pays for insurance as well as liability and property claims, is primarily supported by the General Fund. Increases in insurance costs or changes in state law that increase the City's exposure to claims would therefore affect the General Fund. The City property tax levy also provides most of the revenue for Library operations, so any need for increased support for the Library would reduce the portion of the levy available to the General Fund.

## FINANCIAL FORECAST: FY2027-FY2031

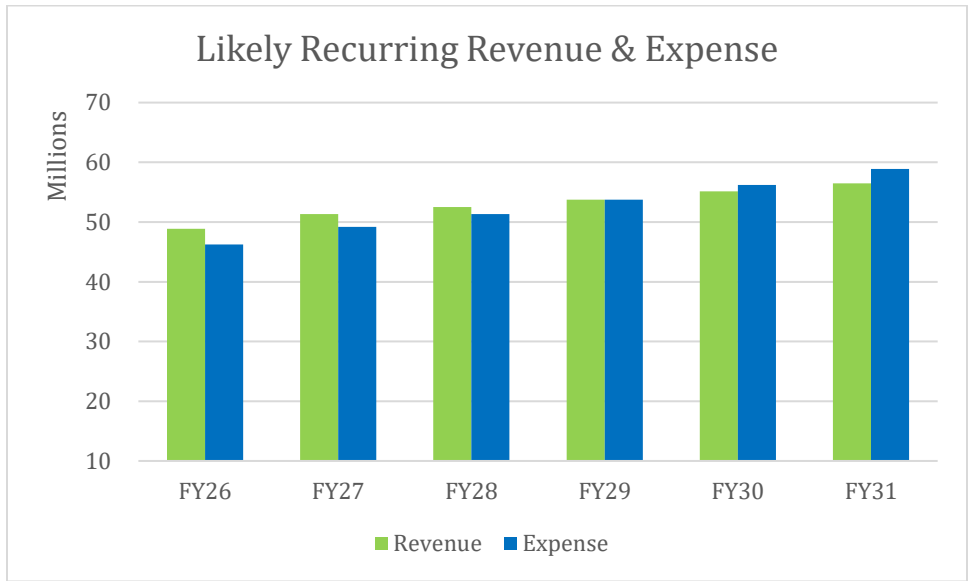
Employee health insurance costs are expected to continue rising faster than general inflation over the forecast period. Premium increases, higher utilization, and ongoing growth in medical and prescription drug costs will put additional pressure on the General Operating Fund, as health insurance is a major component of employee compensation. While staff will continue to explore plan design changes, cost-sharing strategies, and other options to manage these increases, sustained growth in health insurance costs may limit the City's capacity to add new positions or expand services without identifying additional revenues or offsets in other expenditure areas.

Taken together, these federal and state risks reinforce the importance of maintaining healthy reserves, preserving a positive margin between recurring revenues and recurring expenditures, and avoiding new ongoing commitments unless reliable, sustainable revenue sources are identified.

# FINANCIAL FORECAST: FY2027-FY2031

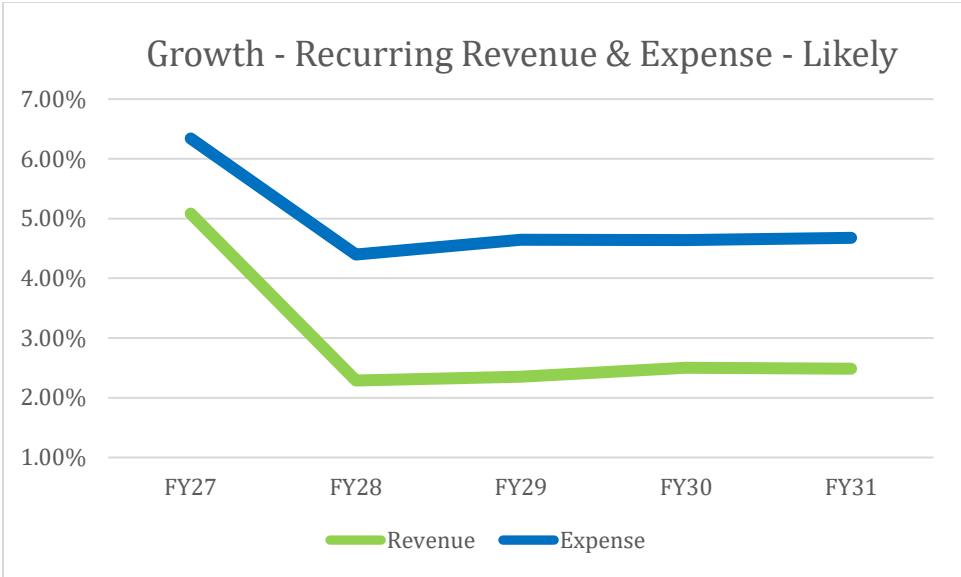
## REVENUES & EXPENDITURES

Recurring revenues and expenditures for the Likely scenario are depicted in the chart below. Recurring revenues will equal or exceed recurring expenditures through FY2029. However, the overall trend shows that recurring revenues are not growing as fast as recurring expenditures. Because of this, the City will need additional recurring revenues in future years just to maintain current services.



As shown in the chart above, the growth rate of recurring expenditures is higher than the growth rate of recurring revenues throughout the forecast period. This pattern has been a persistent challenge for the City of Urbana. Without corrective action, such as identifying additional revenue, the gap between recurring revenue growth and expenditure growth will make it more difficult to maintain current service levels over time.

# FINANCIAL FORECAST: FY2027-FY2031



The forecast assumes that sales and use tax revenues will grow at only about 0.5 percent above inflation. Legislative changes over the past few years have helped by requiring many online and marketplace sellers to collect and remit local sales taxes, reducing some of the revenue loss from online purchases. Even with this improvement, however, the modest overall growth rate limits the City’s ability to rely on sales and use tax to keep pace with rising personnel, service, and equipment costs.

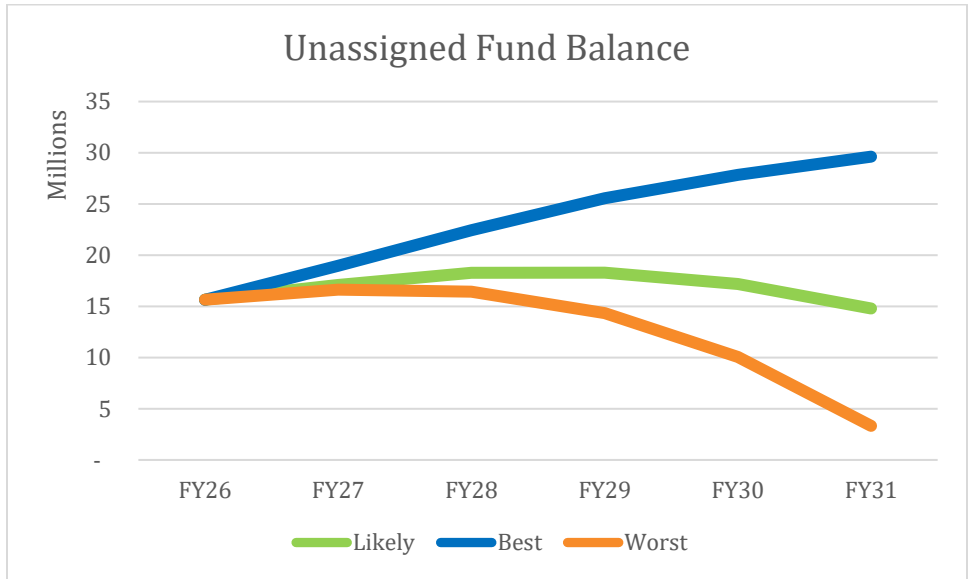
The opening of H-Mart and the rollout of Hotel Royer’s operations are expected to provide some positive offset. H-Mart’s role as a major regional retailer should attract both local residents and visitors and may also support nearby businesses, which can strengthen overall sales tax performance. Hotel Royer is expected to increase hotel tax receipts and support local economic activity through tourism and business travel. However, all hotel tax revenue is planned to be used to repay the bonds in approximately ten years, which limits the near-term flexibility of this revenue source.

Changes in the State’s grocery tax structure will also affect these projections. While the State is eliminating its grocery tax, the City has adopted a replacement local grocery tax in FY26 to protect this portion of the revenue base. This action helps preserve existing revenue but does not create significant new growth on its own. Over the long run, sustained development and redevelopment that broaden the tax base will be the key to closing the gap between recurring revenue and expenditure growth.

# FINANCIAL FORECAST: FY2027-FY2031

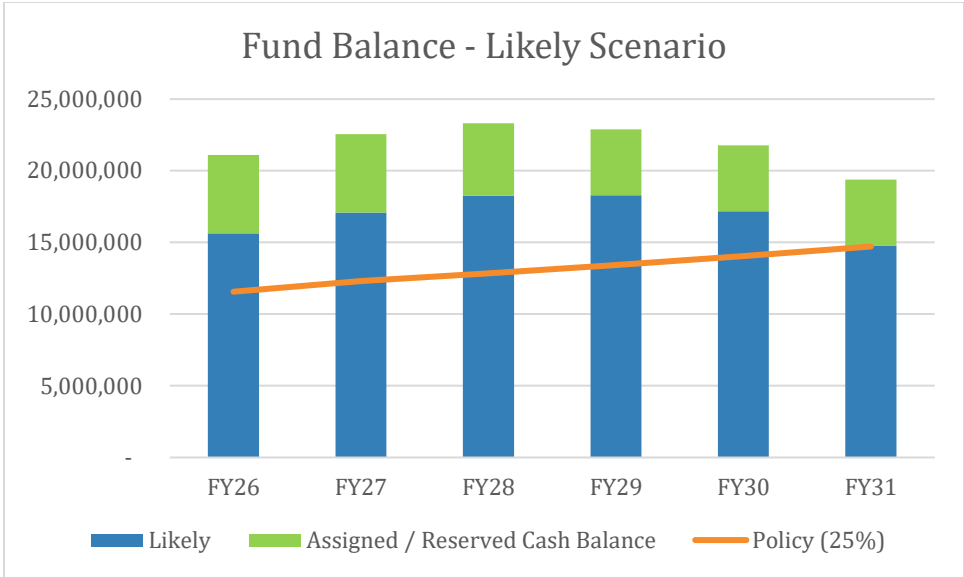
## FUND BALANCE

The chart shows that in the Likely scenario, unassigned fund balance remains relatively stable and stays above the City’s policy minimum through the forecast period. In the Best-Case scenario, fund balance increases steadily, while in the Worst-Case scenario it declines sharply over time.



In the Likely scenario, the fund balance is expected to remain at or above the 25% fund balance goal until FY2031. This provides a buffer against an unexpected event such as a natural disaster or another economic downturn.

# FINANCIAL FORECAST: FY2027-FY2031



In the Likely scenario, the General Fund is expected to have some capacity in FY2027 for additional one-time expenditures. However, adding new recurring expenditures is unlikely without identifying additional ongoing revenue sources.

## FINANCIAL FORECAST: FY2027-FY2031

### Recommended Strategy

A clear plan provides a foundation for sound financial decision making. Every significant decision that involves financial resources should be considered in the context of this plan. The following strategies are recommended to position the City for the Likely scenario, while remaining prepared for a full range of possible outcomes.

The following actions are recommended –

1. **Maintain Current Level of Services with Current Revenues.** Given the current financial forecast, staff recommends using current revenue sources to maintain the existing level of services for FY2027. This approach allows the City to meet its commitments and provide essential services without overextending its resources.

While the outlook for fund balance has improved, it is still not sufficient to support major new ongoing programs without new, reliable revenue sources. Significant service expansions or new programs should proceed only if accompanied by identified revenues that can support them over the long term. Staff recommends prioritizing stability, while continuing to evaluate options for future revenue growth.

2. **Plan for Revenue Increases.** Staff will continue to refine estimates for potential new General Fund revenue sources, with the understanding that revenue increases will likely be necessary to support new expenditures. Multiple options may be considered, depending upon the City Council’s desire to fund new expenditures. Options include, but are not limited to, the following:
  - Increasing the Local food and beverage tax
  - An amusement tax on streaming services, also referred to as a “Cloud Tax”

In addition, there are identified needs outside of the General Fund, particularly for infrastructure maintenance. Over the past year, motor fuel taxes and stormwater utility fees were increased, but other needs remain. In fact, the increase in the local motor fuel tax rate will only be sufficient to slow the decline of road conditions, rather than improve road conditions.

3. **Continue to Make Economic Development a Priority.** This is the best way to support long-term growth of the tax base, which will provide more stable

## FINANCIAL FORECAST: FY2027-FY2031

revenues. In particular, an emphasis on adding housing units in the Downtown area could drive economic growth in a variety of ways.

Staff evaluated the revenue impact of adding housing units in Urbana as a way to boost population and economic growth. With the assumption of setting 1,000 units as a realistic target with 50% occupied by new residents, this would increase the population by 3%. Based on this estimated population growth, the estimated increase in tax revenues in the General Fund would be about \$590,000 annually, this includes income tax, use tax, and sales tax.

Below is a breakdown of potential revenue increases in FY2026 resulting from a population increase of 1,000 people, based on a current population of 40,975. Revenues in some other funds, such as Motor Fuel Tax, would also be affected. This would have a significant impact.

Income tax (estimated @ \$180.66 per capita)	\$180,660
Use tax (estimated @ \$8.52 per capita)	\$8,520
State sales tax (estimated @ \$224 per capita)	\$224,000
Home-Rule sales tax (estimated @ \$177 per capita)	\$177,000
<b>Total</b>	<b>\$590,180</b>

#### 4. **Maintain Current Reserves for Potential Reductions in Federal Funding.**

Staff will continue to monitor federal budget and policy changes, with particular attention to programs that support the City's operations and capital projects, including HOME and Community Development Block Grant funding. The City cannot fully absorb the cost of all programs, services, and projects currently supported by federal grants.

As part of the City's risk management strategy, a portion of fund balance has been reserved to provide a temporary backstop for at risk federal grant programs. Staff will continue to develop contingency plans, including scaling projects, phasing commitments, or identifying replacement revenues where feasible, if federal funding is reduced.