



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: November 20, 2014

**SUBJECT: Budget Amendment Ordinance for AFSCME and NBU Wages
& Other Items**

Introduction: This Council Bill would amend the annual budget to address several issues, including wage increases for AFSCME and non-bargaining unit employees. Other changes include adjustments to the budget for the UC2B project, expenditures for a large workers compensation claim and increased insurance costs, creation of a new position in the Finance Department, and recognition of revenue from a large insurance reimbursement.

Background:

Wage Increases: On October 13, the City Council approved a collective bargaining agreement with AFSCME for the period July 1, 2013 through June 30, 2016. This agreement included wage increases of 1.5% retroactive to July 1, 2013, 1.75% retroactive to July 1, 2014, and 2.75% for the year beginning July 1, 2015. The City has traditionally provided the same increases to non-bargaining staff to maintain parity. The estimated cost of providing these wage increases is \$150,500 for retro pay for FY2013/14, \$328,389 for retro pay and wage increases for FY2014/15, and \$613,000 for wage increases in FY2014/15.

New Position in the Finance Department: Staff recommends adding a Financial Analyst position in the Finance Department. This employee would report to the Finance Director and work on seasonal activities such as audit and budget, as well as other special projects. A lack of capacity for analytical work, such as preparing revenue and expenditure forecasts is a concern. Adding this capacity would improve long-term financial planning and decision making. Staff has tentatively estimated a pay grade of 41, which is an entry-level professional position, but the final grade would be based on Civil Service Commission review.

UC2B: The budget in the Big Broadband Fund is insufficient to cover estimated expenses, which will total approximately \$102,000 this fiscal year. After the end of this fiscal year, expenditures should decline and stabilize at under \$20,000 annually for infeasible rights of use (IRU).

Workers Compensation Claims and Insurance: The City recently paid a large workers compensation claim totaling \$200,000 from the Retained Risk Fund. In addition, costs have increased significantly with the City's insurance renewal, particularly for workers compensation coverage. Staff recommends increasing the budget for workers comp benefit payments to cover the claim and provide for additional, smaller claims during the remainder of the year; as well as increasing the budget for outside insurance to cover the higher cost of insurance. In addition, staff recommends adding \$15,000 to the budget for an actuarial study to determine the appropriate level of funding for workers comp reserves. This will provide the basis for long-term planning for this fund. Because the budget showed a small deficit in the ending fund balance for the Retained Risk Fund, staff will also transfer funds from the Workers Compensation Reserve Fund to cover the large claim and eliminate the deficit.

Insurance Reimbursement: General Fund revenues will be increased to recognize a \$42,000 insurance reimbursement received by the City in late October. Placing this revenue in the General Fund compensates for related expenditures for legal services and for the original costs being reimbursed.

Fiscal Impact: Both revenues and expenditures will increase in the General Operating Fund, resulting in a decrease of \$200,869 in the estimated ending fund balance. Because much of the additional cost was offset by savings from positions that have been vacant for part of the fiscal year, the immediate impact is not as large as it would have been if the City had been fully staffed. The estimated ending fund balance would be \$4,044,931, which is 11.6% of General Operating Fund expenditures. This is a reasonably healthy fund balance.

The increase in recurring expenditures for salaries is \$328,000 in the General Operating Fund. In addition, the scheduled 2.75% increase in July, 2015 would increase recurring expenditures by an additional \$613,000.

The Equipment Services, Landscape Recycling Center, U-Cycle, Economic Development, Home Consortium Program, Community Development Block Grant, Big Broadband, Cable TV PEG, ARMS Programming, Motor Vehicle Parking System, Retained Risk, Workers Compensation Reserve, TIF #1, TIF #2, and TIF #4 Funds are all impacted by this budget amendment. Impact on ending fund balance is estimated for each of these funds on the attachment to the Ordinance. The Economic Development, Cable TV PEG, and TIF #1 Funds show significant deficits and addressing these deficits will require additional discussion and review in the budget process.

Recommendation: Adopt this Ordinance amending the annual budget to provide for the expenditure items described above.

ORDINANCE NO. 2014-11-109

**AN ORDINANCE REVISING THE ANNUAL BUDGET ORDINANCE
FOR FY2014/15**

(Wage Increases for AFSCME & Non-bargaining Unit Employees)

WHEREAS, the Annual Budget Ordinance of and for the City of Urbana, Champaign County, Illinois, for the fiscal year beginning July 1, 2014, and ending June 30, 2015, (the “Annual Budget Ordinance”) has been duly adopted according to Sections 8-2-9.1 et seq. of the Illinois Municipal Code (the “Municipal Code”) and Division 2, entitled “Budget”, of Article VI, entitled “Finances and Purchases”, of Chapter 2, entitled “Administration”, of the Code of Ordinances, City of Urbana, Illinois (the “City Code”); and

WHEREAS, the City Council of the said City of Urbana finds it necessary to revise said Annual Budget Ordinance by deleting, adding to, changing or creating sub-classes within object classes and object classes themselves; and

WHEREAS, funds are available to effectuate the purpose of such revision; and

WHEREAS, such revision is not one that may be made by the Budget Director under the authority so delegated to the Budget Director pursuant to section 8-2-9.6 of the Municipal Code and section 2-133 of the City Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the Annual Budget for FY2014/15, as revised, is hereby revised to provide as outlined in the attached Exhibit A.

Section 2. This Ordinance shall be effective immediately upon passage and approval and shall not be published.

Section 3. This Ordinance is hereby passed by the affirmative vote of two-thirds of the members of the corporate authorities then holding office, the "ayes" and "nays" being called at a regular meeting of said Council.

PASSED by the City Council this _____ day of _____, _____.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, _____.

Laurel Lunt Prussing, Mayor