



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: June 2, 2016

**SUBJECT: Ordinances Approving the FY2017 Annual Budget and Amending the
FY2016 Annual Budget, and Resolution Adopting Financial Policies**

Introduction: Attached are three Council Bills – an Ordinance adopting the FY2017 Annual Budget, an Ordinance amending the FY2016 Annual Budget, and a Resolution Adopting the City’s Financial Policies.

Discussion:

Background: Illinois law requires the City to adopt a budget before the beginning of the fiscal year on July 1. The proposed budget was reviewed with the City Council in meetings on May 16 and 23. A public hearing on the budget was advertised and will be held at the beginning of the June 6 meeting. The City Council reviewed proposed Financial Policies on May 23.

FY2017 Annual Budget: The Ordinance includes a detailed listing of changes from the proposed budget provided to Council on May 16. Most of these changes are housekeeping items. Changes of note include:

- Addition of \$5,000 to support the Pygmalion Festival, consistent with Council direction
- Addition of revenues and expenses related to two grants for Market at the Square (grant agreements will be approved separately)
- Addition of revenues and expenses related to the \$50,000 NEA grant for the public art program
- Revisions to match the final ARMS budget approved by the ARMS Policy Board on May 19

FY2016 Budget Amendment: This Ordinance amends the FY2017 estimates to conform to those included in the proposed budget, with changes detailed in the attachment. Again, most changes are housekeeping items. Significant changes include addition of a portion of grant funds for the Market that will be received and spent before the end of the current fiscal year.

There are also adjustments related to the closeout of the Supplemental Capital Improvement Fund. A transfer will be made from the Supplemental Capital Improvement Fund to the General Fund in the amount necessary to carry forward unexpended funds from FY16 in the Supplemental Capital Improvement Fund. Then, funds will be transferred from the Capital Improvement Fund to the Supplemental Capital Improvement Fund only in the amount necessary to leave the fund balance at zero. This will maximize resources in the Capital Improvement Fund.

Financial Policies: The attached Resolution would adopt the Financial Policies that were included in the proposed budget document and reviewed with the City Council on May 23. These policies will be developed further over time, and reviewed with the City Council annually.

Fiscal Impact: The unassigned fund balance in the General Operating Fund for FY2017 will be \$6,920,715, which is 21.4% of recurring expenditures of \$32,394,391.

Recommendation: Approve the Ordinances adopting the FY2017 Annual Budget and amending the FY2016 Annual Budget, and the Resolution adopting Financial Policies.

ORDINANCE NO. 2016-06-045

AN ORDINANCE APPROVING THE FISCAL YEAR 2016 – 2017 ANNUAL BUDGET

WHEREAS, the City of Urbana (“City”) is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, and the passage of this Ordinance constitutes an exercise of the City’s home rule powers and functions as granted in the Illinois Constitution, 1970; and

WHEREAS, the Budget Director has compiled a proposed annual budget ordinance for the fiscal year beginning July 1, 2016, and ending June 30, 2017, in accordance with 65 ILCS 5/8-2-9.1 through and including 65 ILCS 5/8-2-9.9 and Urbana City Code Chapter 2, Article VI, Division 2; and

WHEREAS, the Mayor has made the proposed annual budget ordinance conveniently available for public inspection by publication in pamphlet form and by posting on the City’s website at least 14 days prior to a public hearing on such ordinance; and

WHEREAS, the City Council held a public hearing on the proposed annual budget ordinance at 7:00 p.m. on Monday, June 6, 2016, after due and proper notice of the availability for inspection of such ordinance and notice of such public hearing having been given by publication in *The News-Gazette*, a newspaper having a general circulation in the City on a date at least 14 days prior to the time of the public hearing; and

WHEREAS, the City Council finds that the best interests of the City are served by approving the proposed annual budget ordinance as heretofore further changed, modified, and amended.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The City of Urbana Fiscal Year 2016 – 2017 Annual Budget, a true copy of which is attached hereto and made a part hereof, be and the same is hereby passed, approved, and adopted as the annual budget ordinance of and for the City of Urbana, Champaign County, Illinois, for the fiscal year beginning July 1, 2016, and ending June 30, 2017.

Section 2.

The City Clerk is directed to publish this Ordinance in pamphlet form by authority of the corporate authorities, and this Ordinance shall be in full force and effect from and after its passage and

publication in accordance with Section 1-2-4 of the Illinois Municipal Code.

This Ordinance is hereby passed by the affirmative vote, the “ayes” and “nays” being called, of a majority of the corporate authorities (5 of 8 votes) of the City of Urbana, Illinois, at a meeting of said corporate authorities.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor

Exhibit A

Revisions to FY2016/17 Budget

		Proposed Budget for FY17	Final Budget for FY17	Difference	Reason
<u>GENERAL OPERATING FUND</u>					
<u>REVENUES</u>					
009-0-0488-0000	TFR FROM ARMS FUND (L17)	28,540	28,579	39	ADJUST TO MATCH ARMS BUDGET
<u>TOTAL REVENUES</u>		<u>33,091,154</u>	<u>33,091,193</u>	<u>39</u>	
<u>EXPENDITURES</u>					
060-2-2200-2081	MATERIALS - TREE PLANTING	19,000	20,250	1,250	ADD FY16 PROGRAM REVENUE
060-2-2300-3185	GREENSCAPES (REVENUE BASED)	-	13,541	13,541	ADD FY16 PROGRAM REVENUE
060-2-2300-3504	LEGACY TREE PROGRAM	2,500	3,348	848	ADD FY16 PROGRAM REVENUE
090-1-1300-3500	MARKETING	10,000	15,000	5,000	PYGMALION FESTIVAL
095-1-1300-3000	TFR TO SOCIAL SERVICES FUND (F09)	70,000	65,000	(5,000)	\$5K FROM CDBG FOR \$70K TOTAL
<u>TOTAL EXPENDITURES</u>		<u>34,911,558</u>	<u>34,927,197</u>	<u>15,639</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>6,864,790</u>	<u>6,920,715</u>	<u>55,925</u>	+ \$71,525K FROM FY16 REVISED
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<u>SOCIAL SERVICES FUND</u>					
<u>REVENUES</u>					
F09-0-0050-0000	TFR - GENERAL FUND	70,000	65,000	(5,000)	CORRECT - \$5K FROM CDBG
<u>TOTAL REVENUES</u>		<u>70,500</u>	<u>65,500</u>	<u>(5,000)</u>	
<u>EXPENDITURES</u>					
F09-1-1300-0304	SOCIAL SERVICE PROGRAMS	70,000	65,000	(5,000)	CORRECT - \$5K FROM CDBG
<u>TOTAL EXPENDITURES</u>		<u>70,000</u>	<u>65,000</u>	<u>(5,000)</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>26,881</u>	<u>26,881</u>	<u>-</u>	
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<u>LANDSCAPE RECYCLING CENTER FUND</u>					
<u>EXPENDITURES</u>					
G11-1-1100-1302	TFR TO GEN OP FUND (PERSONNEL)	-	7,192	7,192	ERROR - MATCH GENERAL FUND
G11-1-1300-3924	TFR TO GEN OP FUND (SUPP SVCS)	23,130	24,539	1,409	ERROR - MATCH GENERAL FUND
<u>TOTAL EXPENDITURES</u>		<u>1,187,277</u>	<u>1,195,878</u>	<u>8,601</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>287,275</u>	<u>270,997</u>	<u>(16,278)</u>	- \$7,677 FROM FY16 REVISED

ECONOMIC DEVELOPMENT / MARKET FUND

REVENUES

J18-0-0077-0000	GRANT REVENUE	1,000	1,500	500	FIRST FED DONATION
J18-0-0084-0000	SNAP REVENUE	<u>5,000</u>	<u>11,000</u>	<u>6,000</u>	FARM CREDIT DONATION

TOTAL REVENUES 108,700 115,200 6,500

EXPENDITURES

J18-2-1200-2018	SPROUTS AT MARKET PROGRAM	2,200	2,700	500	FIRST FED DONATION
J18-2-1300-3506	SNAP GRANT DOUBLE VALUE	<u>5,000</u>	<u>11,000</u>	<u>6,000</u>	FARM CREDIT DONATION

TOTAL EXPENDITURES 111,361 117,861 6,500

ENDING FUND BALANCE (ESTIMATED) 57,096 57,096 -

ARMS FUND

EXPENDITURES

L17-1-1100-1100	PROGRAMMER / ANALYST	66,967	68,048	1,081	MATCH FINAL ARMS BUDGET
L17-1-1100-1300	OVERTIME	2,576	-	(2,576)	MATCH FINAL ARMS BUDGET
L17-1-1100-1850	IMRF PENSION	11,303	11,780	477	MATCH FINAL ARMS BUDGET
L17-1-1100-1855	FICA	6,641	6,921	280	MATCH FINAL ARMS BUDGET
L17-1-1100-3910	TFR TO GEN OP (CITY SUPPORT)	<u>28,540</u>	<u>28,579</u>	<u>39</u>	MATCH FINAL ARMS BUDGET

TOTAL EXPENDITURES 162,635 161,936 (699)

ENDING FUND BALANCE (ESTIMATED) 54,928 55,627 699

PUBLIC ARTS FUND

REVENUES

L19-0-0106-0000	DONATIONS/GRANTS/EVENTS	<u>1,750</u>	<u>51,750</u>	<u>50,000</u>	NEA GRANT
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TOTAL REVENUES 17,450 67,450 50,000

EXPENDITURES

L19-1-1300-3013	NEA PROGRAM	-	46,400	46,400	NEA GRANT
L19-1-2100-1200	NEA INTERN	-	3,340	3,340	NEA GRANT
L19-1-2100-1855	FICA (NEA INTERN)	-	<u>260</u>	<u>260</u>	NEA GRANT

TOTAL EXPENDITURES 24,714 74,714 50,000

ENDING FUND BALANCE (ESTIMATED) 55,393 55,393 -

TIF 1 FUND

REVENUES

T09-0-0060-0000	TRANSFER FROM TIF 2	<u>171,051</u>	<u>141,100</u>	<u>(29,951)</u>	ADJ TO BALANCE TIF 1 TO ZERO
<u>TOTAL REVENUES</u>		<u>494,005</u>	<u>464,054</u>	<u>(29,951)</u>	

EXPENDITURES

T09-1-1300-3009	NEA PROGRAM MATCH	-	15,000	15,000	NEA GRANT MATCH
T09-1-1300-3011	ARTS PROGRAMS	<u>22,000</u>	<u>7,000</u>	<u>(15,000)</u>	CREATE SEPARATE GL ACCOUNT
<u>TOTAL EXPENDITURES</u>		<u>696,018</u>	<u>696,018</u>	-	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>29,951</u>	-	<u>(29,951)</u>	

TIF 2 FUND

EXPENDITURES

T10-1-1400-4019	TRANSFER TO TIF 1	171,051	141,100	(29,951)	ADJUST TO BALANCE TIF 1 TO ZERO
<u>TOTAL EXPENDITURES</u>		<u>1,625,572</u>	<u>1,595,621</u>	<u>(29,951)</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>1,022,909</u>	<u>1,052,860</u>	<u>29,951</u>	

ORDINANCE NO. 2016-06-046

AN ORDINANCE REVISING THE FISCAL YEAR 2015 – 2016 ANNUAL BUDGET

(FY2016 Estimates)

WHEREAS, the corporate authorities heretofore did approve an annual budget for the City of Urbana (“City”) for the fiscal year beginning on July 1, 2015, and ending on June 30, 2016; and

WHEREAS, the corporate authorities find that the best interests of the City are served by revising the annual budget 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, the Budget Director may not make such revision under the authority so delegated to her pursuant to 65 ILCS 5/8-2-9.6 or Urbana City Code § 2-133.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The Fiscal Year 2015 – 2016 Annual Budget, as revised, is hereby further revised as set forth in the column labeled “FY16 Estimate,” on Exhibit A of the proposed fiscal year 2016 – 2017 budget document, which is attached hereto and incorporated herein by reference.

Section 2.

This Ordinance shall be in full force and effect from and after its passage and publication in accordance with Section 1-2-4 of the Illinois Municipal Code.

This Ordinance is hereby passed by the affirmative vote, the “ayes” and “nays” being called, of two-thirds of the corporate authorities then holding office (6 of 8 votes) of the City of Urbana, Illinois, at a meeting of the corporate authorities.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor

Budget Amendment FY2015/16

		FY 16 Estimate - Proposed Budget	FY16 Estimate - Final Budget	Difference	Reason
<u>GENERAL OPERATING FUND</u>					
<u>REVENUES</u>					
009-0-0432-0000	TFR FROM SUPP CAP IMPR (B09)	-	66,525	66,525	PLAN FOR B09 CLOSEOUT
<u>TOTAL REVENUES</u>		<u>34,263,739</u>	<u>34,330,264</u>	<u>66,525</u>	
<u>EXPENDITURES</u>					
095-1-1300-3000	TFR TO SOCIAL SERVICES FUND (F09)	70,000	65,000	(5,000)	\$5K FROM CDBG FOR \$70K TOTAL
<u>TOTAL EXPENDITURES</u>		<u>31,633,218</u>	<u>31,628,218</u>	<u>(5,000)</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>8,685,194</u>	<u>8,756,719</u>	<u>71,525</u>	
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<u>CAPITAL IMPROVEMENT FUND</u>					
<u>EXPENDITURES</u>					
A09-1-0300-0050	TFR TO SUPPL CAP IMPR FUND	174,771	236,000	61,229	CORRECT - ADJ TO BUDGET
<u>TOTAL EXPENDITURES</u>		<u>6,067,343</u>	<u>6,128,572</u>	<u>61,229</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>156,544</u>	<u>95,315</u>	<u>(61,229)</u>	
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<u>SUPPLEMENTAL CAPITAL IMPROVEMENT FUND</u>					
<u>REVENUES</u>					
B09-0-0030-0000	TFR FROM CAPITAL IMPR FUND	174,771	236,000	61,229	CORRECT - ADJ TO BUDGET
B09-0-0095-0000	LEGACY TREE DONATIONS	(848)	848	1,696	CORRECT ENTRY ERROR
B09-0-0130-0000	INTEREST	(1,800)	1,800	3,600	CORRECT ENTRY ERROR
<u>TOTAL REVENUES</u>		<u>197,123</u>	<u>263,648</u>	<u>66,525</u>	
<u>EXPENDITURES</u>					
B09-1-0400-0456	TFR TO GENERAL FUND (000)	-	66,525	66,525	PLAN FOR FUND CLOSEOUT
<u>TOTAL EXPENDITURES</u>		<u>395,283</u>	<u>461,808</u>	<u>66,525</u>	
<u>ENDING FUND BALANCE (ESTIMATED)</u>		<u>-</u>	<u>-</u>	<u>-</u>	

SOCIAL SERVICES FUND

REVENUES

F09-0-0050-0000 TFR - GENERAL FUND 5,000 - (5,000) CORRECT - \$5K FROM CDBG

TOTAL REVENUES 70,500 65,500 (5,000)

EXPENDITURES

F09-1-1300-0304 SOCIAL SERVICE PROGRAMS 70,000 65,000 (5,000) CORRECT - \$5K FROM CDBG

TOTAL EXPENDITURES 82,998 77,998 (5,000)

ENDING FUND BALANCE (ESTIMATED) 26,381 26,381 -

LANDSCAPE RECYCLING CENTER FUND

EXPENDITURES

G11-1-1100-1302 TFR TO GEN OP FUND (PERSONNEL) - 6,983 6,983 ERROR - MATCH GENERAL FUND

G11-1-1300-3924 TFR TO GEN OP FUND (SUPP SVCS) 23,130 23,824 694 ERROR - MATCH GENERAL FUND

TOTAL EXPENDITURES 646,434 654,111 7,677

ENDING FUND BALANCE (ESTIMATED) 787,552 779,875 (7,677)

ECONOMIC DEVELOPMENT / MARKET FUND

REVENUES

J18-0-0077-0000 GRANT REVENUE 1,000 2,000 1,000 FIRST FED DONATION

J18-0-0084-0000 SNAP REVENUE 5,000 7,000 2,000 FARM CREDIT DONATION

TOTAL REVENUES 86,850 89,850 3,000

EXPENDITURES

J18-2-1200-2018 SPROUTS AT MARKET PROGRAM 2,200 3,200 1,000 FIRST FED DONATION

J18-2-1300-3506 SNAP GRANT DOUBLE VALUE 5,000 7,000 2,000 FARM CREDIT DONATION

TOTAL EXPENDITURES 134,815 137,815 3,000

ENDING FUND BALANCE (ESTIMATED) 59,757 59,757 -

RESOLUTION NO. 2016-06-033R

A RESOLUTION ADOPTING FINANCIAL POLICIES

WHEREAS, the City of Urbana (“City”) is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, and the passage of this Ordinance constitutes an exercise of the City’s home rule powers and functions as granted in the Illinois Constitution, 1970; and

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The Financial Policies attached hereto and incorporated herein are hereby adopted to provide General guidance to the City Council and Administration in the development, adoption, and execution of the Annual Budget.

Section 2.

That these policies will be reviewed and modified, from time-to-time, as appropriate.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor

FINANCIAL POLICIES

- I. **Purpose:** Financial policies establish goals and targets for the City's financial operations. Formal policies provide for a consistent approach to planning and budgeting, and support the City's long-term financial stability.
- II. **Long-term Planning:** Each year the City's Finance Department will prepare a five-year financial forecast for the City's General Operating Fund to assess the City's future fiscal condition. The purpose of the forecast is to give context to decisions that will be made in the budget process.
- III. **Balanced Budget:** The City considers the budget to be balanced if budgeted, recurring expenditures in the General Operating Fund do not exceed budgeted, recurring revenues. In other City funds, unless specific reserve targets have been established, expenditures will not exceed the total of budgeted revenues and unassigned fund balance at the beginning of the year.
- IV. **Reserves:** The city will maintain adequate reserves to establish a cushion of available cash during economic downturns, finance cash flow needs, provide stable tax rates, and provide for unanticipated needs or unexpected opportunities.
 - A. **General Fund:** The City will maintain reserves of approximately 15% of recurring expenditures in the General Operating Fund. This is in addition to any reserve that is established for a specific purpose. The reserve will be depleted below 10% only in the event of a catastrophic need. If the reserve dips below 15%, the Finance Director will recommend a strategy to replenish the reserve over a period of no more than three to five years.

This level of reserve is appropriate given-

- the City's reliance on cyclical revenue sources (e.g., sales tax)
- the reliance of other funds (e.g., Retained Risk and Capital Improvements) on the General Fund as a source of revenue
- the current backlog of unmet capital needs, which could result in an immediate demand for funds due to infrastructure failures
- the potential for unavoidable cost increases imposed by the State of Illinois
- concerns about the potential impact of the State's fiscal situation, including potential reductions in State-shared revenues

B. Vehicle & Equipment Replacement Fund: The City will maintain adequate reserves for planned replacement of capital equipment. Annual charges will be made to various operating budgets at 90% of calculated straight-line depreciation for each capital asset accounted for in this fund. The replacement schedule will be updated on an annual basis. A capital asset is defined as equipment with an initial purchase price of \$5,000 or more and a useful life of 5 years or more.

Other funds, including the Landscape Recycling Center Fund and the Equipment Services Fund, may retain reserves for equipment replacement separate from the Vehicle and Equipment Replacement Fund. Adequate funds will be reserved in fund balance for planned equipment replacement.

C. Retained Risk: Retained Risk Fund reserves will be maintained to provide funding in the event of large workers compensation and liability claims. The reserve amount will be established based on a periodic actuarial review. Annual transfers will be made from operating budgets to support risk management activities such as insurance premiums and routine claims, as well as to replenish the reserve, when necessary. Reserves will be replenished over time to minimize impact on the operating budget.

V. Property Taxes: The City's goal is to maintain a property tax rate equal to that of the City of Champaign, and to work with overlapping taxing districts to create an overall tax rate equal to the City of Champaign.

A. Pension Funds: The City will levy property taxes to provide funding for pensions consistent with State of Illinois law, which requires 90% funding by 2040. 8.12% of the pension funding requirement will be allocated from personal property replacement tax, also consistent with State law.

B. Library General Fund: The City levies property taxes for the Library to support operations, which are funded from the Library's General Fund. The City Council approves the Library's budget, including estimated property tax revenues necessary to support the expenditure budget. When the City Council approves the property tax levy, it will include a levy sufficient to support the approved Library General Fund budget. (The City also allocates a portion of the Ameren franchise fee to the Library, based on the Library's proportionate benefit from free gas terms provided by Ameren prior to the franchise agreement approved in 2015. This allocation will continue in the same proportion.)

C. Corporate Tax Levy: Remaining funds that can be raised within the City's target tax rate will be allocated to the General Operating Fund to pay for public safety services.

VI. Capital Improvements: Capital improvements are defined as a project or activity costing more than \$10,000 resulting in construction, renovation, or acquisition of land, infrastructure, or buildings, with an expected life of at least 10 years.

A. Capital Improvement Fund: The Capital Improvement Fund is used to pay for capital improvements that do not have another source of funding, or for which other sources are insufficient. The City's goal is to increase funding for capital improvements each fiscal year by at least the amount of increase in the construction cost index for the prior calendar year. This funding is to be used only for the purpose of funding capital improvements.

As the budget allows, the City will consider additional one-time transfers to provide additional funding for infrastructure maintenance and improvements; or increasing the base level of the recurring transfer to provide a stable, ongoing source of funding.

B. Stormwater and Sewer Improvement Funds: These enterprise funds are established to provide ongoing funding for maintenance and improvements to the City's stormwater and sanitary sewer systems. Fees will be established to provide funding consistent with long-term plans for operation and maintenance of these systems.

C. State and Local Motor Fuel Tax Funds: These funds are reserved for transportation improvements.

VII. Debt: The City may use long-term borrowing for capital projects that cannot be funded from current resources, when the improvements have a useful life of 25 years or more. Debt maturities will not exceed the useful life of the improvement. Combined debt service payments will not exceed 10% of recurring General Operating Fund revenues, regardless of the source of repayment. The City will generally use bank qualified bonds because of the lower cost of borrowing and reduced administrative burden.