



DATE: October 19, 2016

TO: Honorable Mayor John Rey
City Council

FROM: Anne Marie Gaura, City Manager
Cathy Haley, Finance Director
Robert Miller, Assistant Finance Director

SUBJECT: Amending the Fiscal Year-End June 30, 2016 Budget. (First Reading)

I. Summary

A Management Letter comment was received from the City's auditors during the FY2013 and FY2014 annual audits. The Management Letter comment noted that nine funds in FY2013 and 12 funds in FY2014 were over budgeted parameters and recommended that the City adopt appropriate measures to investigate the cause of any future overages and adopt appropriate funding measures. Staff has implemented a monthly review process to ensure the City stays within budgeted parameters and avoid Management Letters being triggered in order to comply with Generally Accepted Accounting Principles (GAAP) regulations. From time to time, a budget amendment is needed for an added approved capital expenditure or additional projects or change orders.

FY2016 had seven funds out of 29 total funds that exceeded budgeted dollars. Those funds were the Refuse Fund, the Special Service Area #4 Fund, the Special Service Area #6 Fund, the Special Service Area #14 Fund, the Health Insurance Fund, and the Police and Fire Pension Fund (both of which the City receives budgeted dollars from a third party that works for the pension fund).

II. Background

The following shows those individual expenditure line items that went over budget for these individual funds:

Refuse Fund	Account Number	Increase/ (Decrease)	Revised Budget
Refuse & Recycling	07-00-00-300-8346	\$10,068.00	\$1,895,658.00

Special Service Area #4 Fund	Account Number	Increase/ (Decrease)	Revised Budget
Landscape & Grounds Maintenance	24-00-00-300-8313	\$2,374.00	\$5,374.00

Special Service Area #6 Fund	Account Number	Increase/ (Decrease)	Revised Budget
Street Lighting	26-00-00-650-8352	\$13,805.00	\$21,305.00
Special Service Area #14 Fund			
Special Service Area #14 Fund	Account Number	Increase/ (Decrease)	Revised Budget
Landscape & Grounds Maintenance	25-00-00-300-8313	\$1,320.00	\$1,820.00
Health Insurance Fund			
Health Insurance Fund	Account Number	Increase/ (Decrease)	Revised Budget
Retiree Health Insurance	71-00-00-400-8478	\$133,654.00	\$1,222,299.00
Retiree Dental Insurance	71-00-00-400-8480	\$2,347.00	\$63,052.00
HSA Contributions	71-00-00-400-8489	\$7,898.00	\$7,898.00
Police Pension Fund			
Police Pension Fund	Account Number	Increase/ (Decrease)	Revised Budget
Retiree Compensation	93-00-00-100-8190	\$225,392.00	\$2,521,012.00
Fire Pension Fund			
Fire Pension Fund	Account Number	Increase/ (Decrease)	Revised Budget
Retiree Compensation	95-00-00-100-8190	\$24,799.00	\$2,765,346.00

The Refuse Fund also had revenues come in higher than projected. The fund balance was not negatively impacted.

Both the Special Service Area #4 Fund and the Special Service Area #14 Fund had additional landscaping services performed. Street Lighting in Special Service Area #6 Fund came in higher than anticipated. Any expenditures over budget would draw down on fund balance reserves. The City has implemented a five year plan for the Special Service Areas in order to develop a strategy for these funds.

The Health Insurance Fund had retiree health insurance payments come in higher than anticipated due to several retirements during FY2016. Also, the City introduced a new High Deductible Health Plan (HDHP) to its employees, which included a matching contribution from the City, in order to reduce overall health insurance premiums. A larger number of employees chose this plan than was expected. The higher enrollment in the HDHP will have a cost savings benefit on the premium side for the City.

Finally, both the Police Pension Fund and Fire Pension Fund budgeted dollars did not accurately reflect their pension payments for disability pensions and retiree pensions. There were several unanticipated retirements in FY2016 that caused an increase in the



retiree compensation payments for both funds. Both of these pension funds are their own entities and separate from the City. Any expenditures over budget would come out of fund balance reserves from these two pension funds.

III. Community Groups/Interested Parties Contacted

These amendments were recommended by the audit team to ensure continued compliance with GAAP.

IV. Legal Impact

In order to amend the FY2016 budget, a two-thirds super-majority vote of Council is required. At this time, staff is requesting that Council consider waiving second reading and pass the ordinance on first reading, also requiring a two-thirds super-majority vote.

V. Financial Impact

The impact from the excess expenditures over appropriation adjustments will increase the budget amount. However, the Refuse Fund adjustment is offset by corresponding revenues. These adjustments were all included in staff projections during this past budget process and have been incorporated into the Fund Balance projections for FYE2016. Note, none of these amendments affect the General Fund.

VI. Options

1. Amend the FY2016 Budget. This option is recommended. Waiver of second reading and approval is requested.
2. Do not amend the FY2016 Budget. This option is not recommended.

VII. Recommendation

Amendment of the FY2016 Budget to comply with GAAP as well as waiver of second reading is recommended.



ORDINANCE 2016-

**AMENDING THE FISCAL YEAR-END JUNE 30, 2016
BUDGET OF THE CITY OF DEKALB, ILLINOIS.**

BE IT ORDAINED BY THE CITY COUNCIL of the City of DeKalb, Illinois, as follows:

Section 1. That, the City of DeKalb, which utilizes the Budget Process as contemplated by Article 8, Division 2 of the Illinois Municipal Code including but not limited to 65 ILCS 5/8-2-9.1 through 65 ILCS 5/8-2-9.10, adopts an amendment to its FY 2016 Budget, as shown below:

Refuse Fund	Account Number	Increase/ (Decrease)	Revised Budget
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Special Service Area #4 Fund	Account Number	Increase/ (Decrease)	Revised Budget
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Retiree Compensation	95-00-00-100-8190	\$24,799.00	\$2,765,346.00

Section 2. That each section, paragraph, sentence, clause and provision of this Ordinance is separable and if any provision is held unconstitutional or invalid for any reason, such decision shall not affect the remainder of this ordinance, nor any part thereof, other than that part affected by such decision.

Section 3. Upon its passage and approval according to law, this Ordinance shall by authority of the City Council be published in pamphlet form.

PASSED BY THE CITY COUNCIL of the City of DeKalb, Illinois, at a regular meeting thereof held on the ____ day of _____, 2016 and approved by me as Mayor on the same day.

ATTEST:

JENNIFER JEEP JOHNSON, City Clerk

JOHN A. REY, Mayor