



**CITY OF URBANA
SPECIAL COMMITTEE OF THE WHOLE
MEETING**

DATE: Monday, November 14, 2022
TIME: 7:00 PM
PLACE: 400 South Vine Street, Urbana, IL 61801

AGENDA

Chair: Christopher Evans - Ward 2

- A. Call to Order and Roll Call**
- B. Approval of Minutes of Previous Meeting**
 - 1. 10-17-2022 Minutes
- C. Additions to the Agenda**
- D. Presentations and Public Input**
 - 1. **Presentation: Background Information for Sewer Intergovernmental Agreement**
- E. Staff Report**
- F. New Business**
 - 1. **Ordinance No. 2022-11-045:** An Ordinance Revising the Annual Budget Ordinance (Budget Amendment #4 - Omnibus) - HRF
 - 2. **Resolution No. 2022-11-086R:** A Resolution Estimating the Tax Levy (Fiscal Year 2022-2023) - HRF
 - 3. **Ordinance No. 2022-11-046:** An Ordinance Amending Urbana City Code Chapter Three, Section 3-43 (Maintaining the number of Class R&T-2 liquor licenses for Colbrook Enterprises, LLC dba The Courier Café, 111 N Race St, Urbana, IL) - Exec
- G. Council Input and Communications**
- H. 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@urbanaininois.us. 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@urbanillinois.us

Budget Amendment 2022/23 - 04 - Exhibit A

General Ledger Code	Project String	Description	Current Budget	Revised Budget	Difference	Reason
<u>GENERAL FUND (100)</u>						
<u>Expenditures</u>						
10015155-50110		HUMAN RESOURCES - SALARY - REGULAR EMPLOYEES	385,358	470,657	85,299	HR - salaries
10015155-50210		HUMAN RESOURCES - INSURANCE	65,430	76,008	10,578	HR - insurance
10015155-50220		HUMAN RESOURCES - FICA AND MEDICARE	29,737	32,368	2,631	HR coordinators - FICA
10015155-50251		HUMAN RESOURCES - IMRF & SURS	39,374	42,644	3,270	HR coordinators - IMRF
10015155-51100		HUMAN RESOURCES - OFFICE SUPPLIES	887	5,087	4,200	HR office supplies
10015155-51410		HUMAN RESOURCES - SMALL TOOLS & EQUIPMENT	-	8,500	8,500	HR office tech for office set up
10015155-52102		HUMAN RESOURCES - TECHNOLOGY SERVICES	-	2,700	2,700	HR office network security and license
10015155-52201		HUMAN RESOURCES - BUILDING REPAIR & MAINTENANCE	7,782	22,782	15,000	HR office building maintenance
10015155-52320		HUMAN RESOURCES - TRAVEL, EDUCATION & TRAINING	74,670	77,670	3,000	HR new hires training
10015155-52600		HUMAN RESOURCES - UTILITIES	-	7,040	7,040	HR office utilities
10015155-52901		HUMAN RESOURCES - JANITORIAL SERVICES	-	15,000	15,000	HR office janitorial services
10015155-52904		HUMAN RESOURCES - RECRUITING EXPENSES	96,398	116,398	20,000	HR recruiting expense
10015155-52930		HUMAN RESOURCES - OFFICE LEASING	-	45,000	45,000	HR office rent
10015155-53440		HUMAN RESOURCES - OTHER EQUIPMENT	-	3,000	3,000	HR appliances
10015155-59300		HUMAN RESOURCES - TFR TO VERF FUND	-	127,250	127,250	HR new office furniture - transfer to VERF
10020201-50156		POLICE PATROL - BONUS	-	605,794	605,794	PD retention & recruitment
10020202-59300		POLICE CRIMINAL INVESTIGATION - TFR TO VERF	26,341	91,341	65,000	PD furniture - TFR to VERF
10060610-59200		NON-DEPT TFR TO CAPITAL IMPR	854,270	839,270	(15,000)	
Total Expenditures			42,322,071	43,330,332	1,008,261	
Ending Fund Balance (estimated)			12,822,377	11,814,116	(1,008,261)	
<u>CAPITAL REPLACEMENT & IMPROVEMENT PLAN FUND (200)</u>						
<u>Revenues</u>						
200-59100		TFR FROM GENERAL FUND	854,270	839,270	(15,000)	PD furniture - reprioritize
Total Revenues			1,547,535	1,532,535	(15,000)	
<u>Expenditures</u>						
20040470-53200-40800	40800-CONST	BUILDING	10,413,214	10,398,214	(15,000)	PD furniture - reprioritize
Total Expenditures			13,670,165	13,655,165	(15,000)	
Ending Fund Balance (estimated)			4,264,470	4,264,470	-	
<u>POLICE SPECIAL FUND (310)</u>						
<u>Expenditures</u>						
31020206-53440		OTHER EQUIPMENT	24,751	14,751	(10,000)	PD furniture - reprioritize
31020206-59300		TFR TO VERF	-	10,000	10,000	PD furniture - TFR to VERF
Total Expenditures			103,578	103,578	-	
Ending Fund Balance (estimated)			188,662	188,662	-	
<u>VEHICLE & EQUIPMENT REPLACEMENT FUND (300)</u>						
<u>Revenues</u>						
300-49100		TFR FROM GENERAL FUND	1,437,808	1,630,058	192,250	HR new office space & PD furniture - transfer from GF
300-49310		TFR FROM POLICE SPECIAL FUND	-	10,000	10,000	PD furniture - transfer from PD Special Fund
Total Revenues			1,547,535	1,749,785	202,250	
<u>Expenditures</u>						
30060600-51420	VERF-HR-237	OFFICE FURNITURE	-	79,750	79,750	HR new office space - furnitures
30060600-53430	VERF-PD-240	OFFICE FURNITURE	79,750	154,750	75,000	PD furniture
30060600-53430	VERF-HR-238	FURNITURE AND FIXTURES	-	17,500	17,500	HR new office space - carpet
30060600-53430	VERF-HR-239	FURNITURE AND FIXTURES	17,500	47,500	30,000	HR new office space - repair & maintenance
Total Expenditures			2,908,351	3,110,601	202,250	
Ending Fund Balance (estimated)			4,681,085	4,681,085	-	

ORDINANCE NO. _____**AN ORDINANCE REVISING THE ANNUAL BUDGET ORDINANCE****(Budget Amendment #4 – Omnibus)**

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

WHEREAS, the corporate authorities of the City heretofore did approve the annual budget ordinance of and for the City of Urbana for the fiscal year beginning July 1, 2022 and ending June 30, 2023; and

WHEREAS, the said corporate authorities find that revising the annual budget ordinance by deleting, adding to, changing, or creating sub-classes within object classes and object classes themselves is in the best interests of the residents of the City and is desirable for the welfare of the City’s government and affairs; 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 the Budget Director pursuant to 65 ILCS 5/8-2-9.6 or Urbana City Code Section 2-133.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL AND THE MAYOR, BEING THE CORPORATE AUTHORITIES OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1.

The annual budget ordinance shall be and the same is hereby revised as set forth in the exhibit appended hereto and made a part hereof as if fully set forth herein.

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 (65 ILCS 5/1-2-4).

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 duly noticed and convened meeting of the said corporate authorities.

PASSED BY THE CORPORATE AUTHORITIES this __ Day of _____, 20__.

AYES: _____

NAYS: _____

ABSTENTIONS: _____

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this __ Day of _____, 20__.

Diane Wolfe Marlin, Mayor

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Human Resources & Finance Director / CFO
Femi Fletcher, Interim Human Resources Manager
Alyana Robinson, Financial Analyst

DATE: November 10, 2022

SUBJECT: FY2023 Budget Amendment #4 – Omnibus –Police Recruitment and Retention Incentives, Modifications to Criminal Investigations Work Area, and Human Resources Staffing

Introduction: Attached is an Ordinance revising the FY2023 annual budget to provide for incentives for Police recruitment and retention, modifications to the work space for Criminal Investigations staff in the Police Department, and changes to staffing in Human Resources (HR). This budget amendment requires six affirmative votes, including the Mayor, in order to pass.

Discussion: The following items are included in the attached Ordinance amending the annual budget. These items support the City Council goal regarding Public Safety and Well-Being, specifically, and also by improving the staffing situation in HR, will contribute to accomplishment of other important goals.

I. Police Recruitment & Retention Incentives

Need for Incentives: Because the climate for recruiting police officers has become extremely competitive, staff recommends providing incentives both to retain current commissioned police officers and recruit new police officers. Most police officer candidates apply to multiple agencies, and most agencies are offering some type of incentive. For Urbana to compete effectively for the most qualified new hires and lateral transfers, incentives are a necessity. New incentives would sunset on June 30, 2024, unless renewed. Before that point, an evaluation would take place to determine whether the City should consider continuing the incentive package.

All of the following incentives are one-time payments, which do not affect the calculation of an employee's pension.

Retention Incentives: Staff proposes the following incentives to retain current Fraternal Order of Police (FOP) employees, which includes all police officers and sergeants.

- A bonus of \$10,000 within 90 days of acceptance of terms by the union, followed by a second bonus of \$10,000 two years later. For probationary employees, these bonuses would be issued when probation is successfully completed.
- Current employees with experience as police officers prior to their service at the City would be placed at a step on the pay scale based on their total experience as a police officer, providing they have at least two years of equivalent prior experience. Leave accruals would also be adjusted based on total service. This would not affect seniority for purposes of scheduling leave, shift sign-up, or for any purpose other than leave accruals.

Recruitment Incentives: Staff proposes the following incentives for new hires into the same positions.

- Lateral transfers with more than two years of prior police officer experience would be placed at a step on the pay scale based on their total experience as a police officer, provided they have at least two years of equivalent prior experience. Leave accruals would also be adjusted based on total service. This would not affect seniority for purposes of scheduling leave, shift sign-up, or for any purpose other than leave accruals. This incentive would be limited to placement based on 15 years of prior experience.
- Lateral transfers would receive a bonus of \$10,000 on their first paycheck, and a second bonus of \$10,000 when probation is successfully completed. This would require an agreement between the employee and the City to repay part or all of the bonus payments if the employee separates from the City within three years. Leave accruals would also be adjusted, but this would not affect seniority for purposes of scheduling leave, shift sign-up, or for any other purpose.
- Other new hires would receive a bonus of \$5,000 on their first paycheck, and a second bonus of \$5,000 when probation is successfully completed. This would require an agreement between the employee and the City to repay part or all of the bonus payments if the employee separates from the City within three years. This includes all new employees who do not qualify as lateral hires, because they have less than two years of experience as a police officer.
- A bonus of \$2,500 would be available to City employees who refer an individual who begins work as a police officer and completes probation, with one bonus payment available for each new hire. Each employee would be limited to a maximum of \$10,000 in bonuses.

Cost of Incentives: The total cost of incentives is estimated at about \$1.34 million over four years, including about \$606,000 in FY2023. This could vary depending upon how much turnover we experience in these positions.

II. Modifications to Criminal Investigations Work Area in Police Department

Need for Modifications: The FY2023 budget included two new civilian positions to increase the Police Department's investigative capacity – a Digital Forensics Specialist and an Intelligence Analyst. After further evaluation, staff has determined that the Criminal Investigations work area will need to be reconfigured to accommodate the additional staff.

Cost of Modifications: The estimated cost of these modifications is \$75,000, all of which is a one-time cost. The amount of \$25,000 has been identified from existing budgeted funds; an additional \$50,000 is needed to complete the work.

III. Human Resources Staffing

Need for Increased Staffing: Without adequate Human Resources (HR) support, the rest of the City cannot function effectively to deliver services to the community. HR staffing has become a barrier to the effective functioning of the City. Like many organizations, HR staff at the City is contending with challenges related to the pandemic, including the “Great Resignation,” a fiercely competitive job market, and unprecedented expectations from workers, such as hybrid and remote work. Even prior to the pandemic, there was a backlog of work including policy updates, policies that need to be developed, and systemic problems that hamper the effectiveness of staff.

We face many problems that are common to public sector employers: wages that are traditionally lower than similar private sector positions; staffing challenges in public safety jobs (e.g., Police and Fire), for which the number of interested applicants is dwindling; and, in many cases, the inability to accommodate demands for flexible work arrangements, e.g., in public safety positions and Public Works operations, and the supervisors and managers overseeing those. In addition to these broad issues, Urbana has a Civil Service Commission, which increases the complexity of the hiring process. Urbana also faces difficulty establishing ourselves as an employer of choice. This is often due to negative public perception, as well as lucrative employment opportunities at nearby organizations with similar jobs, such as the City of Champaign and the University.

As of November 2022, Urbana has roughly 44 unfilled, regular positions (regular positions are not temporary or seasonal). Because the City operates with a relatively small workforce, it is often difficult to complete necessary work, even when fully staffed. Any vacancy places a burden on other employees; this results in an inability to complete important work and exacerbates morale and retention issues.

With current HR staffing, only one person is able to dedicate the majority of their time to recruiting. In this hiring climate, where active recruiting is required on a daily basis, this is inadequate. Other staff are devoted to the following functional areas of HR:

- Daily management of HR functions, such as staffing the Civil Service Commission, budget oversight, and compliance management.

- Coordination of employee benefits, including questions about health insurance and coordinating the work of the Insured Benefits Committee established by our collective bargaining agreements.
- Administrative support, including records management and processing pay changes.
- Risk management, including coordinating workers compensation claims.
- Maintaining and updating HR policies.
- Labor and employee relations (labor negotiations, discipline, etc.).
- Leave administration, including managing leave requests under the Family and Medical Leave Act (FMLA).

Additionally, there are some critical areas of HR that staff cannot adequately engage in at the current staffing levels:

- Updating and revising policies: many policies are outdated; this creates more work when personnel issues arise.
- Employee engagement: this is crucial for employee retention; if we are unable to retain employees, even more recruiting is required.
- Organizational and employee professional development: another important component for retention, as well as succession planning.
- HR analytics: we are unable to routinely collect and apply data to drive and inform talent decisions and improve workforce processes.

Recent History and Current State of HR Staffing: Through the end of 2019, HR was staffed with three full-time equivalent (FTE) positions including an HR Manager, an Assistant HR Manager, and a Benefits Coordinator. HR staff was supported by one Assistant City Attorney. Beginning in 2020, HR joined with Finance as the Human Resources and Finance (HRF) Department. This increased capacity by allowing for some management functions to be assumed by the department head, freeing HR staff to focus on essential HR functions. The Assistant City Attorney was moved under the HRF umbrella and retitled Labor and Employee Relations Manager. With the onset of the COVID-19 pandemic, more work shifted to the department head, including managing the City's internal response to the pandemic and taking on other HR work.

Even before the impact of the pandemic on staffing became clear, it was not possible to make progress on important, long-term projects such as updating policies and developing and implementing new policies. Some HR functions in the City's HR and financial management system have still not been implemented, despite the fact that the HR and payroll functionality went live in 2019. This includes electronic routing of pay changes and other functionality that would improve efficiency.

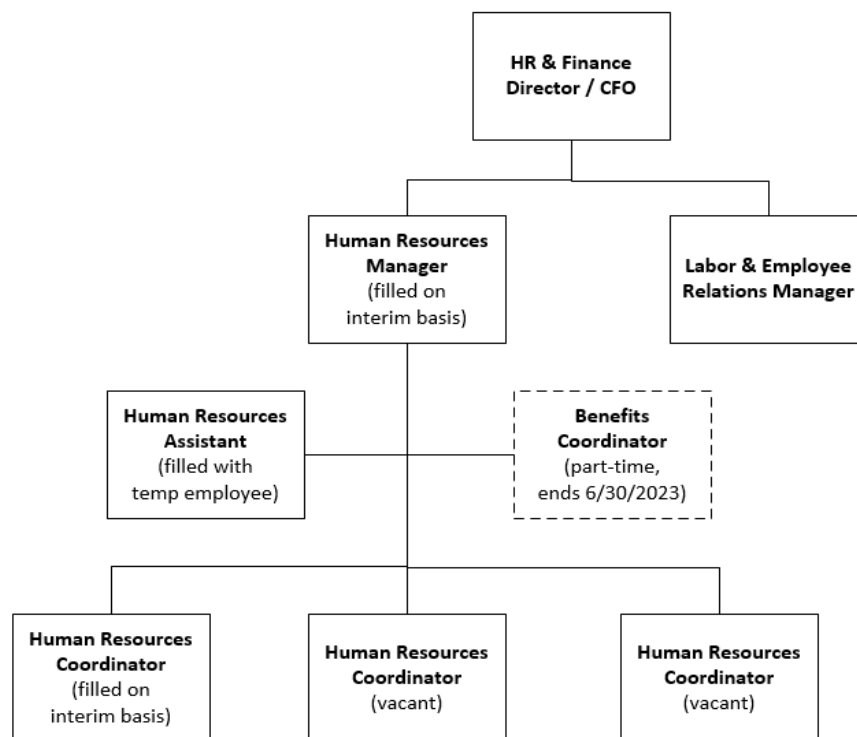
Additionally, some HR staff consistently work many extra hours and have not had the opportunity to use earned vacation time before it lapses. The inability to meet the demands

of internal customers, each of whom genuinely believes their needs are the most critical, leads to a great deal of frustration for everyone. All of this contributes to a less-than-satisfactory work environment, which has contributed to turnover in HR staffing and could lead to further retention issues, which would exacerbate the problem.

Proposed Staffing Plan: Again, without adequate HR support, the rest of the organization cannot function effectively to deliver services to our residents. To provide an appropriate level of support, we propose adding two permanent positions and eliminating one part-time, limited-term position, following a transition period.

This would provide a ratio of about two HR staff for every 100 employees, not including the Labor and Employee Relations Manager. While suggested metrics for HR staffing vary, there are several factors that affect this need, including the variety of positions for which the City recruits, the fact that the City has multiple labor unions, and the complexity of managing HR in a government entity.

The proposed organization chart for HR includes an HR Manager, an HR Assistant, three HR coordinators, and a part-time Benefits Coordinator, which would be eliminated by June 30, 2023. The Labor and Employee Relations Manager is also shown on this organization chart. Both the HR Manager and the Labor and Employee Relations Manager report to the HR and Finance Director.



The Human Resources Coordinator positions would be focused primarily on talent acquisition and benefits, with two positions focused on talent acquisition, and one position focused on benefits. The job classification offers flexibility so that assignments may vary over time and cross-training can occur according to organizational needs. Even if the City's vacancy rate should decrease and talent acquisition should become less of an urgent need, the Coordinator roles also allow for cross-functionality with other areas of HR specialization, such as employee engagement, training, and development.

The Human Resources Assistant would be responsible for records management, payroll changes, and providing administrative support to HR staff.

In addition to managing HR staff, the Human Resources Manager would focus on HR compliance, managing the classification plan, working with the Civil Service Commission, organizational development, and assisting with labor negotiations, in addition to the backlog of policy updates.

All of these job classifications required updates, which were approved by the Civil Service Commission in October. None of the changes create a conflict with the current organizational structure.

Space Issues: A significant barrier to implementing these changes is the availability of office space in the City Building. This affects other departments as well, including the Executive Department, which shares space with HR. To address that issue, staff recommends leasing office space in the downtown area.

While available office space in Urbana is limited, there is adequate space available on the second floor of a downtown building located on Main Street. The owner is willing to lease space adequate to meet our need, however, the cost will not be finalized until the lease is approved. Other costs to facilitate these changes include costs for utilities, furniture, and technology to allow connection to the City's network. Cost estimates are detailed in the Exhibit to the Ordinance.

There is adequate and convenient parking available for visitors, and parking can be validated using the MobileMeter parking application. Parking is available for HR staff in the parking deck. The building is also accessible for individuals with mobility concerns.

Cost of Staffing Changes: This proposed staffing plan has an estimated cost of \$349,000 annually, and about \$202,000 in one-time costs. The total cost for the current fiscal year is estimated at \$352,500. Details for the current fiscal year are provided in the Exhibit for the Ordinance. This assumes a January 1 implementation date.

Fiscal Impact: The new estimated ending fund balance in the General Operating Fund would be \$11,814,116, which is 30.24% of recurring expenditures. As discussed during budget review and review of the last financial forecast, revenue increases will be required to sustain the City's current level of services. Because the incentives are a significant additional

one-time expense, this reduces fund balance and brings the time at which those increases will be required closer to the present. While this will be reviewed in more depth with the financial forecast, staff believes revenue increases will be required within one or two years, rather than after four to five years. In addition, increased costs for Human Resources staffing are primarily recurring. This increases the amount of revenue that will be required to maintain current services. Staff intends to reevaluate the need when the financial forecast is developed this winter, and provide options to City Council later in this fiscal year.

Alternatives:

1. Forward the Ordinance amending the FY2023 budget to City Council for approval on November 21, 2022.
2. Amend one or more of the items included in the Ordinance before forwarding to Council for approval.

Recommendation: Forward the budget amendment authorizing these adjustments to the FY2023 budget for approval at the November 21, 2022 Special City Council meeting.

RESOLUTION NO. _____**A RESOLUTION ESTIMATING THE TAX LEVY****(Fiscal Year 2022-2023)**

WHEREAS, Section 18-60 of the Truth in Taxation Law, 35 ILCS 200/18-60, requires the corporate authority of each taxing district, not less than 20 days prior to the adoption of its aggregate tax levy, to estimate the amounts of money necessary to be raised by taxation for that year upon the taxable property in its district; and

WHEREAS, Section 18-70 of the Truth in Taxation Law, 35 ILCS 200/18-70, requires the corporate authority of each taxing district to give public notice of and hold a public hearing on its intent to adopt an aggregate tax levy, if the estimated amounts to be levied exceed 105% of the property taxes extended or estimated to be extended, including any amount abated prior to such extension, upon the levy of the preceding year.

NOW, THEREFORE, BE IT RESOLVED by the City Council, of the City of Urbana, Illinois, as follows:

Section 1.

The amounts of money, exclusive of election costs, estimated and proposed to be levied for fiscal year 2022 - 2023 upon the taxable property in the City of Urbana is \$9,415,492.

Section 2.

The aggregate amount of property taxes for the City of Urbana, extended or estimated to be extended, including any amount abated by the corporate authority prior to such extension, upon the levy of the preceding fiscal year and exclusive of election costs, was \$8,428,252.

Section 3.

The amounts estimated and proposed to be levied in Section 1 of this Resolution are hereby determined to be 111.71% of the amounts extended or estimated to be extended for the preceding fiscal year.

This Resolution 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 Date day of Month, Year.

AYES:

NAYS:

ABSTENTIONS:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this Date day of Month, Year.

Diane Wolfe Marlin, Mayor

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Finance Director
Alyana Robinson, Financial Analyst

DATE: November 10, 2022

SUBJECT: Estimated Property Tax Levy

Introduction: The first step in the property tax levy process is approval of an estimated tax levy, which establishes the total amount of taxes the City Council plans to levy. The estimated levy is used to determine whether the City is required to provide public notice and hold a public hearing prior to approving the final tax levy. The City Council must approve an estimated levy at least 20 days prior to adoption of the final levy. The recommended estimated levy, which would maintain the current \$1.3499 City tax rate, is 111.71% of the 2021 extended levy. The City is required to provide notice and hold a public hearing because the increase is 5% or more.

Proposal for Estimated Tax Levy:

Property Tax Levy Process: The process for levying property taxes is summarized in the following table. This process is dictated by State statute.

Item	Date	Requirements
Estimated Levy – Committee	November 14, 2022	
Estimated Levy – Council	November 21, 2022	Must be approved at least 20 days prior to final levy approval. (This is 21 days.)
Publish Truth in Taxation Notice	November 25, 2022	Required if the estimated levy is more than 105% of the previous year's extended levy. Must be advertised 7 – 14 days prior to the public hearing, if required. (This is 10 days.)
Public Hearing	December 5, 2022	Required if the estimated levy is more than 105% of the previous year's extended levy. Must be held before the levy is adopted by the City Council.
Final Tax Levy & Abatements – Council	December 12, 2022	Must be adopted in time to meet filing deadline below.
City Clerk Files Levy with County	December 27, 2022	Must be filed by 4th Tuesday in December.

Because the City Council will have already reviewed the proposed tax levy in November, staff will place the final tax levy on the regular City Council agenda for December 12, without an additional committee meeting.

Estimate of Equalized Assessed Valuation (EAV): Staff will use a preliminary estimate of the EAV based upon the County assessor's preliminary abstract of assessments, which does not include any reductions that may be made by the Board of Review. The estimate is \$697,495,554. This EAV would be an increase of 11.71% from the EAV upon which the extended levy for 2021 was based.

Tax Rate: The Mayor recommends a tax rate for this year's levy of \$1.3499, which is the current City of Urbana tax rate. The rate was decreased from \$1.355 beginning with the 2017 tax levy. While the City's portion of the total tax levy is only about 13% of the total, this is important to trying to achieve a tax rate competitive with neighboring communities and can affect property values and economic development opportunities.

At this rate, City taxes for an owner-occupied home are estimated as follows –

Property Value	City Property Tax at \$1.3499*
\$100,000	\$369
\$150,000	\$594
\$200,000	\$819
\$250,000	\$1,044

*City property tax = EAV (property value / 3), less owner-occupied exemption (\$6,000), divided by \$100, multiplied by tax rate

Purposes for Which the City Levies Taxes: The City levies taxes for “corporate purposes” (the General Operating Fund), the Library, and Police and Fire pensions. The levies for specific purposes are approved by the City Council when the final tax levy Ordinance is approved.

Pension Levies: Levies for Police and Fire Pension Funds are based on the funding plan approved by the City Council in the City's Financial Policies. The benefits are dictated by State statute and the current funding policy reflects a balanced approach to covering the City's long-term pension obligations, while avoiding higher costs that could arise from failing to address unfunded liabilities and affect the City's ability to provide services in the long-term. The City Council approved the updated Financial Policies on June 18, 2018 (2018-06-023R), and a related memo on this subject is attached for reference. The policy can also be found in the annual budget on page 16.

This is the fifth year of a five-year transition to a new, higher level of funding designed to achieve 100% funding within 20 years. The recommended funding for the Police Pension Fund is \$2,591,000, and recommended funding for the Fire Pension Fund is \$1,615,000.

Pursuant to State law, 8.12% of the total funding requirement will be met by using personal property replacement tax (PPRT) revenues. The total funding requirements and portions from PPRT are detailed below.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement per policy	\$2,591,000	\$1,615,000
PPRT portion (8.12%)	(\$210,389)	(\$131,138)
Levy amount for 2022	\$2,380,611	\$1,483,862

Urbana Free Library: The Mayor recommends a levy of \$3,919,466, which is an increase of about 5% over the 2021 tax levy. Property tax revenue is responsible for the vast majority of recurring revenues for the Library General Fund. This increase is needed to allow the Library to maintain current services, based upon the FY2023 budget.

Corporate Purposes: Remaining revenues generated by property taxes would be allocated to the General Operating Fund, where they would be used to pay for basic City services, such as police and fire protection, and public works services. The recommended levy for corporate purposes is \$1,631,554. This is an increase of about 54% (\$572,637) from the 2021 extended tax levy. When the final levy is extended, this component of the levy will be reduced to achieve the desired tax rate. The actual increase is likely to be closer to \$384,000.

Abatements: Staff will prepare an Ordinance authorizing the County Clerk to abate (reduce) the tax levy to maintain the current tax rate based on the final EAV (which is not known when the City Council approves the levy). This Resolution, which will be presented with the final tax levy, will direct the County Clerk to abate the corporate purpose levy to produce a final tax rate of \$1.3499. This allows the City to maximize property tax revenue at the current tax rate.

A levy for debt service was approved when bonds were issued in 2014 for Windsor Road improvements. That levy will be fully abated and the debt service will be paid from the Local Motor Fuel Tax Fund.

All general obligation debt (GO) is backed by the City's taxing authority and the County Clerk is directed to levy for debt service when the bonds are issued. Since GO debt has a lower cost of borrowing due to the lower risk, GO debt is often used for financing, even when another source of funds will be used to pay the debt service. This results in a need to abate the debt service payments annually.

The last levy for the 2012 Boneyard Creek bonds occurred with the 2020 tax levy, and the final debt service payment was due on January 1, 2022.

Fiscal Impact: The tax levy is likely to result in an increase of about \$384,000 in revenue available for basic City services, assuming the Board of Review reduces assessments by about 2%. However, this could vary considerably. This will be factored into the updated financial forecast used for determining strategy for the budget for FY2024. The City will be continuing on the path towards fully funding Police and Fire pensions, consistent with the City's current policy on pension funding.

Alternatives:

1. Forward this resolution establishing the estimated property tax levy for 2022 to City Council on November 21, with a recommendation for approval.
2. Direct staff to make changes to the resolution and forward the amended version to City Council for approval on November 21.

Recommendation: Forward this resolution establishing the estimated property tax levy for 2022 for approval at the City Council Meeting on November 21.



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

M E M O R A N D U M

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: May 24, 2018

SUBJECT: Funding for Police and Fire Pensions

Introduction: The purpose of this memo is to discuss a recommendation for addressing funding for Police and Fire pensions. Todd Schroeder, an actuary with Lauterbach & Amen, will be present to discuss the recommended funding plan and transition.

Discussion:

Components of a Pension Funding Policy: There are several basic components of a pension funding policy.

1. Actuarial Cost Method: The technique used to allocate the total present value of future benefits over an employee's working career.
2. Amortization Policy: The length of time and structure selected for increasing or decreasing contributions to systematically eliminate any unfunded liability or surplus.
3. Asset Smoothing: The technique used to recognize gains or losses in assets over a period of time to reduce the effects of market volatility and stabilize contributions.

Government Finance Officers Association (GFOA) Best Practices: The GFOA recommends the following –

1. Amortization Policy: Local governments should target 100% funding over a closed period of not more than 20 years.
2. Actuarial Cost Method: GFOA recommends using an actuarial cost method designed to fully fund the long-term cost of promised benefits, consistent with the objective of keeping contributions relatively stable and equitably allocating costs of the employee's period of active service. One method that meets this requirement is the "entry age normal – level percent of pay" method.
3. Asset Smoothing: Asset smoothing should be unbiased relative to the market and provide for smoothing to occur over fixed periods of five years or less.

City's Pension Funding History: Historically, the City has funded Police and Fire pensions based on the State law in effect prior to 2010, which required 100% amortization of unfunded pension liability by 2033. The funding amounts were calculated based on an entry age normal, level dollar formula, which is more aggressive than the level percent of pay formula. (At that time, the law did permit municipalities to use the level percent of pay calculation.) The City has always employed asset smoothing, consistent with best practices, so that issue is not explicitly discussed below.

Beginning in 2014, funding was reduced in two steps. First, when taxes were levied in 2014, the City Council approved a tax levy based on a level percent of pay formula, while still maintaining the 100% amortization by 2033. For the 2014 tax levy, this reduced the City's contributions by about \$568,000 relative to the funding requirement under the previous method. This change was consistent with the best practices described above.

2014 Levy	100% by 2033, Level Dollar Amount (Used Prior to 2014)	100% by 2033, Level Percent of Pay (Used for 2014 Levy)	Difference
Police	\$2,039,106	\$1,619,190	(\$419,916)
Fire	\$1,265,542	\$1,117,736	(\$147,806)
Total	\$3,304,648	\$2,736,926	(\$567,722)

When taxes were levied in 2015, the City Council approved a tax levy based on the minimum amount required by State law, which is amortization of 90% of the unfunded liability by 2040. The State's calculation also uses the projected unit credit method, which tends to understate unfunded liability in earlier years, resulting in lower payments in early years and rapid increases in unfunded liability and contributions in later years. This resulted in an additional reduction in funding, reducing the City's contributions by about \$1.28 million compared to the method used in 2014. This change was not consistent with the best practices described above.

2015 Levy	100% by 2033, Level Percent of Pay (Used for 2014 Levy)	90% by 2040, Projected Unit Credit (Used for 2015 Levy)	Difference
Police	\$2,203,886	\$1,209,795	(\$994,091)
Fire	\$1,253,825	\$970,292	(\$283,533)
Total	\$3,457,711	\$2,180,087	(\$1,277,624)

In total, over this two-year period, pension contributions were reduced by well over \$1 million. While this allowed the City to balance its budget and pay for wage increases without significant reductions in service levels, the long-term implications of the new approach to pension funding implemented in 2015 are concerning. Pension costs can be expected to increase over time, with increases rapidly accelerating as we move closer to 2040. This funding strategy was also employed for tax levies in 2016 and 2017. When the FY2018 budget was proposed, the Mayor identified this a significant financial issue that would need to be addressed.

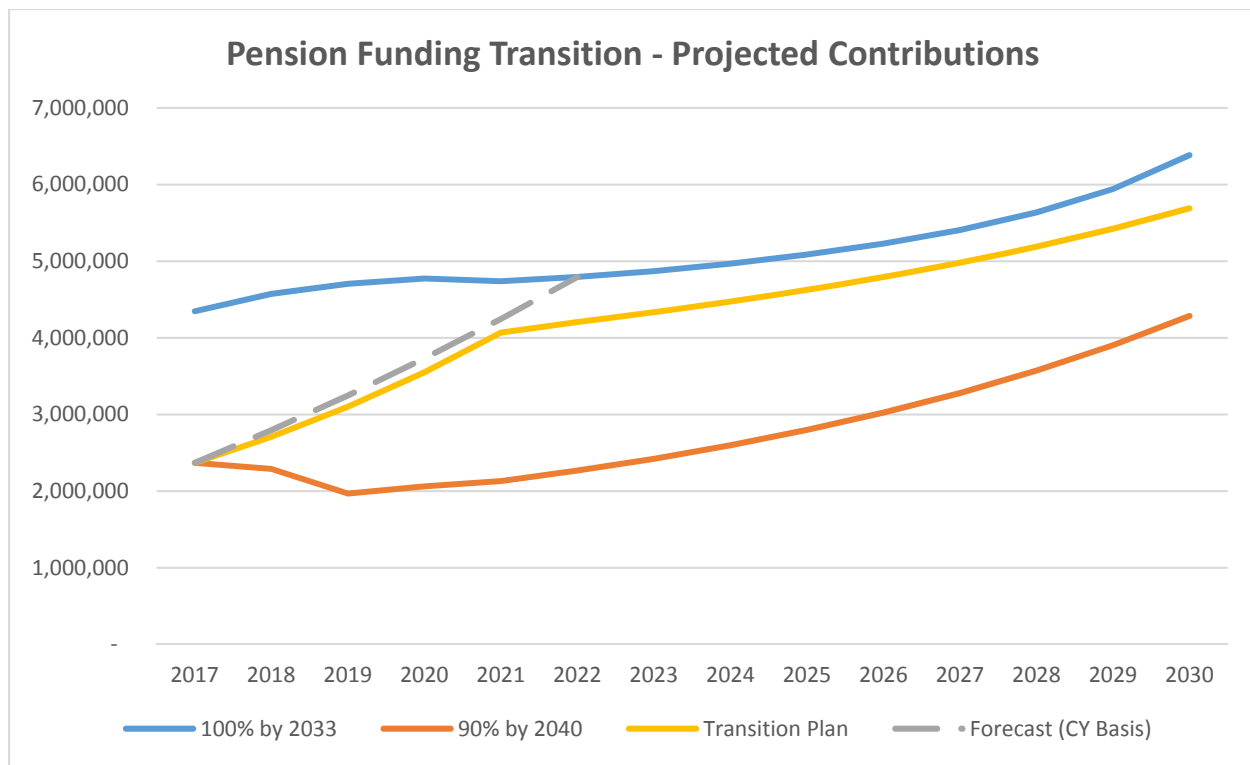
Impact of Funding Decisions on Unfunded Liability: The City's unfunded pension liability has increased from \$15.4 million to \$19.1 million for the Police Pension Fund and from \$5.5 million to \$9.6 million for the Fire Pension Fund, since 2014. This is a total increase of \$7.8 million in the City's unfunded pension liability, over a relatively short period.

Funding Recommendation: The Finance Director has worked with the City's actuary to review various funding strategies in the context of the City's financial situation. Based on a balance between City's financial situation, consideration of the long term impact of various funding strategies, and best practices, the following strategy is proposed –

1. **Amortization Policy:** Amortize 100% of the unfunded liability over a 20 year period, with a five year transition, beginning with the 2018 tax levy
2. **Actuarial Cost Method:** Use an entry age normal, level percent of pay method.
3. **Asset Smoothing:** Continue the current practice of smoothing assets over a five-year period.
4. **Review of Funding Policy:** Because contributions will become more volatile as we move closer to being fully funded, the City should review the funding policy before taxes are levied in 2028, which is half way through the 20-year period for amortization of unfunded liability.

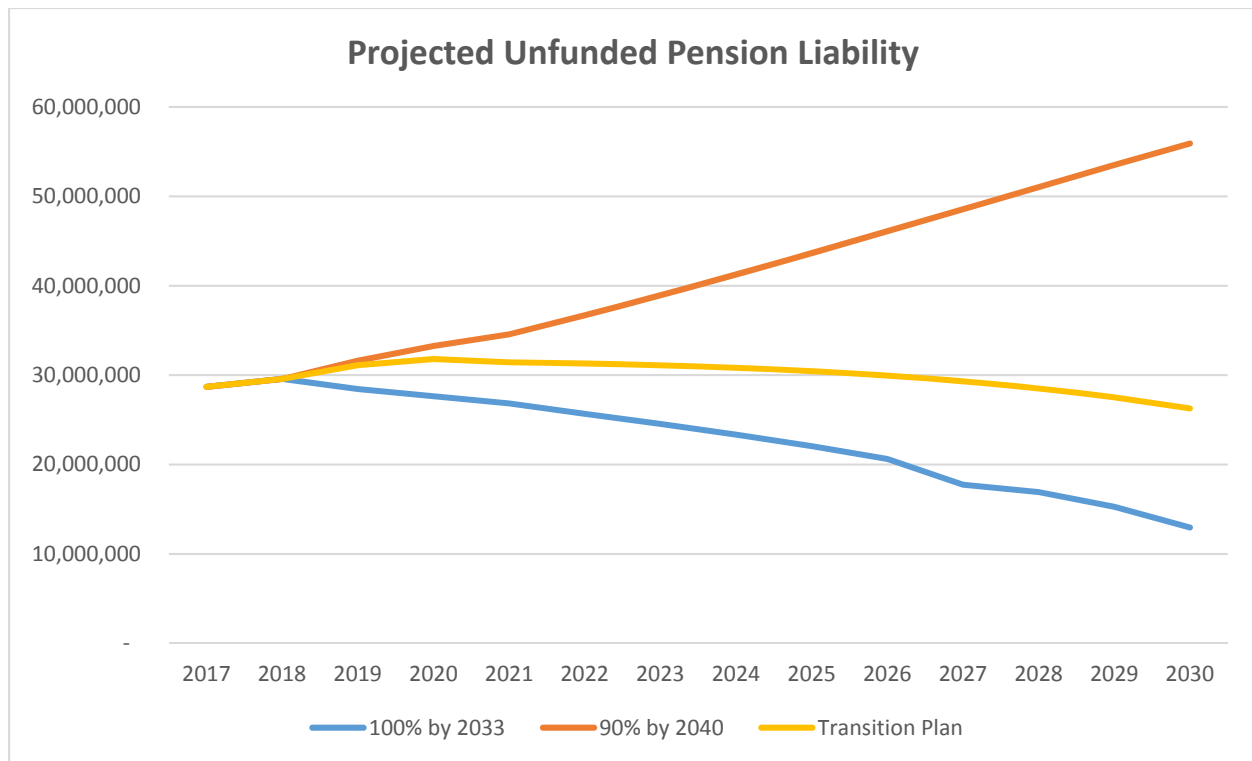
The Finance Director reviewed this recommendation with the Mayor, and then with the Police and Fire Pension Boards on April 27. Both boards passed motions supporting this funding policy and indicated that they view it as significant progress towards adequately funding the City's pension obligations. They expressed thanks for the City's willingness to address this issue, particularly given the City's current financial situation.

The following chart illustrates the pension funding requirements (for both funds combined) under the old 100% by 2033 funding plan, the current 90% by 2040 plan, and the transition scenario. The gray, dashed line represents the pension funding that was incorporated into the 2018 Financial Forecast.



The transition plan shows contributions increasing rapidly over four years, and then reverting to a more steady level of growth. During the five-year transition period, the increases closely track with the Financial Forecast. Contributions under the 90% funded by 2040 scenario are beginning to grow more rapidly, but are still lower because in this scenario the obligations will never be 100% funded. The transition funding plan contributions remain less than the 100% by 2033 scenario because the time frame for funding the unfunded liabilities is extended.

The following chart illustrates the impact of the various funding scenarios on the unfunded pension liability, again for both funds combined.



As you can see, in the transition plan scenario, unfunded liabilities level off and then begin to decrease, although not as quickly as in the 100% funded by 2033 scenario. However, in the 90% by 2040 scenario, unfunded liabilities rapidly increase, reaching nearly \$66 million by 2030. By 2030, unfunded liabilities are \$13 million in the 100% by 2033 scenario, and \$26.3 million in the transition plan scenario. Adopting the proposed approach results in an unfunded liability in 2030 that is \$29.6 million less than it would be if we continue with the current approach.

Alternatives:

1. Adopt a revised set of Financial Policies, which are consistent with the recommended strategy for funding Police and Fire pensions, and adopt the annual budget, which anticipates levying taxes in 2018 consistent with the recommended approach.
2. Do not adopt this recommendation and provide further direction to staff on developing an alternative funding policy.

Recommendation: Direct staff to proceed with Alternative 1. The City Council will be asked to approve a revised policy on pension funding on June 18, when the budget is adopted, and staff will prepare the 2018 property tax levy consistent with the revised policy.

Fiscal Impact: This recommendation is consistent with maintaining the City's long-term fiscal health. As discussed when Council reviewed the 2018 Financial Forecast, we anticipate that a total of \$2.5 million in budget reductions or revenue increases will be required over a period of several years. That recommendation was driven, in part, by the need to address pension funding issues.

ORDINANCE NO. _____**AN ORDINANCE AMENDING URBANA CITY CODE CHAPTER THREE,
SECTION 3-43****(Maintaining the number of Class R&T-2 liquor licenses for Colbrook Enterprises, LLC dba
The Courier Café, 111 N Race St, Urbana, IL)**

WHEREAS, the City Council heretofore has adopted Urbana City Code Section 3-43 to establish limits on the number of liquor licenses issued in the City in this Class R&T-2 designation; and

WHEREAS, the City Council finds that the best interests of the City are served by maintaining the number of Class R&T-2 liquor licenses for Colbrook Enterprises, LLC dba The Courier Café, 111 N Race St, Urbana, IL.

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

Section 1.

Urbana City Code Chapter 3, "Alcoholic Liquors," Article III, "Retail License," Section 3-43, "Limitations on number issued," subsection 3-43(a), is hereby amended and as amended shall read as follows:

Sec. 3-43. - Limitations on number issued.

(a) The maximum number of liquor licenses authorized for the license classifications set forth below is as follows:

Classification	Number authorized
A	7
BYOB-R	0
CA	1
CS	0
FM	0
GC	1
GH	9
H	2
MB-1	0
MB-2	2
N	1
P	27
PB	0
R&T-1	14

R&T-2	11
TH	0
URO	0

Section 2.

Those sections, paragraphs, and provisions of the Urbana City Code that are not expressly amended or repealed by this Ordinance are hereby re-enacted, and it is expressly declared to be the intention of this Ordinance not to repeal or amend any portions of the Urbana City Code other than those expressly set forth as amended or repealed in this Ordinance. The invalidity of any section or provision of this Ordinance hereby passed and approved shall not invalidate other sections or provisions thereof.

Section 3.

This Ordinance shall not be construed to affect any suit or proceeding pending in any court, or any rights acquired, or a liability incurred, or any cause or causes of action acquired or existing prior to the effective date of this Ordinance; nor shall any right or remedy of any character be lost, impaired, or affected by this Ordinance.

Section 4.

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.

This Ordinance is hereby passed by the affirmative vote, the “ayes” and “nays” being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a meeting of said Council.

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

AYES:

NAYS:

ABSTENTIONS:

Phyllis D. Clark, City Clerk

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

Diane Wolfe Marlin, Mayor