

DATE: May 23, 2018

TO: Honorable Mayor Jerry Smith
City Council

FROM: Patty Hoppenstedt, Interim City Manager
Molly Talkington, Finance Director
Robert Miller, Assistant Finance Director

SUBJECT: Amending the Fiscal Year-End December 31, 2017 Budget. (Passage on First Reading, Waiver of Second Reading)

I. Summary

The City of DeKalb's finances are audited annually by an external company per both local and state statutes. During the FY2017 audit, 10 funds out of 29 total funds were identified as exceeding budgeted dollars. The number of funds exceeding budgeted dollars exceeded last year's where only six funds exceeded budgeted dollars. The main reason for this is because the City did not approve a carry-over budget amendment from FY2016.5 that would have increased the FY2017 budget in order to pay for items that were approved in the FY2016.5 budget but not purchased until FY2017. The carry-over budget amendment for FY2017 was not brought to Council because there was a transition from the Interim Finance Director to the current Finance Director.

The funds that exceeded budgeted dollars in FY2017 were the Special Service Area #6 Fund, the Foreign Fire Insurance Fund, the General Debt Service Fund, the Fleet Replacement Fund, the Capital Equipment Replacement Fund, the Airport Fund, the Health Insurance Fund, the Liability & Property 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 the individual expenditure line items that went over budget for these individual funds:

Special Service Area #6 Fund	Account Number	Increase	Revised Budget
Street Lighting	26-00-00-650-8352	\$4,487	\$17,987
Foreign Fire Insurance Tax Fund	Account Number	Increase	Revised Budget
Office Furniture & Equipment	28-00-00-600-8510	\$4,686	\$9,886
Remodeling & Renovation	28-00-00-650-8625	\$5,478	\$11,978

General Debt Service Fund	Account Number	Increase	Revised Budget
Debt Service - Interest	40-00-00-450-8412	\$1,957	\$627,630
Fleet Replacement Fund	Account Number	Increase	Revised Budget
Vehicles	52-50-00-600-8521	\$133,992	\$255,666
Capital Equipment Replacement Fund	Account Number	Increase	Revised Budget
Equipment - Maintenance	53-55-00-300-8310	\$176,197	\$242,197
Tech Equipment - PD Software	53-55-00-600-8515	\$21,812	\$21,812
Machinery Implmts Mjr Tools	53-55-00-600-8540	\$214,995	\$235,995
Airport Fund	Account Number	Increase	Revised Budget
Airport Fuel	65-00-00-200-8234	\$87,603	\$313,603
Health Insurance Fund	Account Number	Increase	Revised Budget
Retiree Health Insurance	71-00-00-400-8478	\$68,782	\$1,385,482
Liability & Property Insurance Fund	Account Number	Increase	Revised Budget
Claims: Self - Insurance	72-00-00-400-8472	\$28,738	\$168,738
Other Services / Expenses	72-00-00-400-8499	\$10,338	\$10,338
Police Pension Fund	Account Number	Increase	Revised Budget
Retiree Compensation	93-00-00-100-8190	\$258,950	\$3,123,056
Fire Pension Fund	Account Number	Increase	Revised Budget
Retiree Compensation	95-00-00-100-8190	\$271,704	\$3,177,011

Special Service Area #6 Fund had additional street lighting costs. Any expenditures over budget would draw down on fund balance reserves. Also, during FY2017, staff determined that some of the street lights that were being charged to this area were not part of the SSA. That has been corrected with the electrical company and in the City's budget. There are still additional costs for the street lights within the SSA that this is accounting for.

The Foreign Fire Insurance Tax Fund had expenditures for the installation of laundry facilities on the bay floor of Station 1, along with purchases to replace chairs and an emergency call training simulator. The fund balance was not negatively impacted.

The General Debt Service Fund had the debt interest payment for the second installment of the 2014A issuance that was not budgeted for in FY2017.

The Fleet Replacement Fund included the purchase of a new ambulance that was part of



the FY2016.5 budget but was not purchased until January 2017.

In the Capital Equipment Replacement Fund, the purchase of the new street sweeper, the new public safety storage server, services for the fleet/street/facility master plan were all budgeted in FY2016.5 and not received until FY2017. The City also purchased police tower radio equipment that was not budgeted for in FY2017 but was fully reimbursed by Verizon for the cost.

In FY2017, the City implemented a low-margin jet fuel pricing strategy in order to incentivize jet traffic to refuel at the DeKalb Taylor Municipal Airport. The result of this strategy was an increase in jet fuel purchased above what was originally budgeted for.

There was an increase in retiree health insurance costs due to unanticipated retirements in FY2017.

The Liability & Property Insurance Fund had unanticipated expenditures for a totaled police squad and carpeting for the senior center. The City did receive reimbursement for the police squad and the fund balance is not negatively impacted.

Finally, Police Pension Fund and Fire Pension Fund budgeted dollars did not accurately reflect the pension payments for disability pensions and retiree pensions. There were several unanticipated retirements in FY2017 that caused an increase in the retiree compensation payments for both funds. Both 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 generally accepted accounting principles (GAAP).

IV. Legal Impact

In order to amend the FY2017 budget, a two-thirds super-majority vote of Council is required. At this time, staff is requesting that Council consider passing the Ordinance on first reading and waiving second 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. Note, none of these amendments will affect the General Fund budget.



VI. Options

1. Amend the FY2017 Budget. This option is recommended. Passage on first Reading and waiver of Second reading is requested.
2. Do not amend the FY2017 Budget. This option is not recommended.

VII. Recommendation

Amendment of the FY2017 Budget to comply with GAAP as well as passage on first reading and waiver of second reading is recommended.



ORDINANCE 2018-

**AMENDING THE FISCAL YEAR-END DECEMBER 31, 2017
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 FY2017 Budget, as shown below:

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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 _____, 2018 and approved by me as Mayor on the same day.

ATTEST:

SUSANNA HERRMANN, City Clerk

JERRY SMITH, Mayor