



Office of the City Manager



Date: August 8, 2018
To: Mayor Jim Ardis
City Councilmembers
From: Patrick Urich, City Manager
Subject: Updated 2018 Staffing Adjustment

In June, Staff sent Council a memo that outlined a recommendation that City employees, other than sworn Police and Fire and Emergency Communications staff, take 88 hours without pay, before the end of the year, beginning as early as the end of July. The second quarter financial information to the City Council on July 24, 2018, still identified \$605,443 of cuts that needed to be made in the General Fund to meet the adopted spending plan of Council. Following the input from Council, and the bargaining units, staff is modifying the recommendation to include several layoffs and not filling vacant positions. The modification will still require furloughs, but the number of furlough hours would be reduced from 88 to 40. In addition, if employees have available vacation time, they may use 8 hours of vacation time to reduce the unpaid hours to 32. All furloughs would be taken between Labor Day and Veteran's Day, and City Hall would not close as originally envisioned.

Council's adopted 2018 Budget planned to put \$1,622,780 into General Fund reserves to replenish the City's diminishing cash reserves. The chart below depicts the Adopted 2018 Budget, which made the following assumptions:

2018 Adopted Budget

Revenue \$94,606,742
Expense \$92,983,962
Change in Fund Balance \$1,622,780

After the first quarter, estimated a \$1,564,454 deficit instead of putting \$1,622,780 into reserves. To close that deficit, City Staff identified \$182,000 of spending adjustments within the General Fund, the Fire Department began implementing temporary brownouts to keep within their budget, the gap insurance plan in the Health Fund was dropped (reducing \$173,000 in spending). Capital spending was reduced by \$625,000.

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On the revenue side, Emergency Communications Center contracts are bringing in more funding, additional local use tax funding will begin to be received in October, and the withholding of Home Rule Sales Taxes by the state was less than anticipated. However, the estimates for state shared revenues are still anticipated to be flat. The revised estimates, with the changes above incorporated, are reflected in the following table:

	<u>2018</u> <u>Adopted</u> <u>Budget</u>	<u>Revised 1st</u> <u>Quarter</u> <u>Estimates</u>	<u>Revised 2nd</u> <u>Quarter</u> <u>Estimates</u>
Revenue	\$94,606,742	\$93,146,737	\$93,170,600
Expense	\$92,983,962	\$92,188,191	\$92,153,263
Change in Fund Balance	\$1,622,980	\$958,546	\$1,017,337
Shortfall from Plan		(\$664,234)	(\$605,443)

After the second quarter estimates, the City still need to reduce spending or increase revenues by \$605,443 to return to the 2018 spending plan. Staff originally recommended the implementation of 88 hours without pay for all employees, with the exception of sworn, non-command staff Police and Fire, and Emergency Communications. Staff met with the affected bargaining units to discuss proposed furloughs and received feedback from Council. Following that input, Staff have modified the recommendations to achieve the \$605,443 in expense reductions:

- Three Management Analyst positions, two in Police and one in Fire, would be laid off, effective August 31 (\$62,236);
- One GIS Technician position would be eliminated in the Information Systems department (\$13,180);
- One new Body Camera Technician position would be filled with the Neighborhood Coordinator in the Police Department (\$0);
- Two Temporary Code Enforcement Aide positions would be made permanent (\$0);
- Temporary Maintenance Workers and Code Enforcement Aides would be laid off a month early (\$85,400);
- The Police Department will be holding open a sworn position to retain the cadets (\$32,832);
- Five vacant positions will not be filled – Land Manager and Building Inspector (Community Development), Engineer (Public Works), Purchasing Coordinator (Finance) and an Attorney (\$126,950).

These targeted cuts would total \$320,598. To get to \$605,443 would still require furloughs, but the number of furlough hours would be reduced from 88 to 40. In addition, if employees have available vacation time, they may use 8 hours of vacation time to reduce the unpaid hours to 32. The 32 hours of furloughs would save \$241,353, and the

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reduction in vacation time would total \$85,426. The vacation reduction reduces long term liabilities but has no immediate fiscal impact. All furloughs would be taken between Labor Day and Veteran’s Day, and City Hall would not close as originally envisioned. Overall, 7 positions would be eliminated, 5 in management and 2 in AFSCME. 45% of the cuts would fall to Management, 31% to AFSCME, and 24% to the Crafts and Trades.

	<u>Furloughs</u>	<u>Vacation Reduction</u>	<u>Layoffs Vacancies</u>	<u>TOTAL</u>	<u>Percent</u>
Exempt	\$92,316	\$48,167	\$149,403	\$289,885	45%
AFSCME	\$90,082	\$22,521	\$91,195	\$203,798	31%
Crafts and Trades	\$58,955	\$14,739	\$80,000	\$153,693	24%
TOTAL SAVINGS	\$241,353	\$85,426	\$320,598	\$647,377	100%

Staff is also looking at additional revenue enhancements. Specifically, the Fire Department has been examining ways to charge for more services. Recently, Naperville issued a request for proposals to hire a third party to assist with billing and collections. Staff is reviewing this potential for the City. The Police Department has been studying tobacco and alcohol application and licensing fees, which could generate an additional \$42,000 annually for the City. In previous budget discussions, other revenues examined included a plastic bag fee, a package liquor tax, and vehicle stickers. The challenge with any of these revenue enhancements is that at this point in the year, any new revenues would not generate significant amounts to forestall any cuts.

The imposition of the layoffs, position eliminations, and furlough days under this modified plan would close the 2018 gap in the spending plan. These changes will put the City on a stronger financial footing going into 2019. As previously stated, Staff does not make this recommendation lightly and understands that its employees are being asked to make sacrifices, but this action is necessary for the long-term financial stability of the City. Please do not hesitate to contact me should you have any questions relative to the above.