



Building on Our Strong Foundation



**Fiscal Year 2016/17
Adopted Financial Plan for
Community Services and
Budget Memos**



How to Use This Document

This Financial Plan Document is organized into sections. These are Financial Plan; Summary; General Fund; Other City Funds; Public Library; Capital Improvement Projects; and Supplemental Information. Each section is described below.

Financial Plan

The Document begins with the City Manager's Letter of Transmittal, which immediately precedes this section.

The background portion is a consolidated overview of the City of Champaign and its government.

Summary

The summary section is designed to provide the reader with a quick overview of the City's Financial Plan. This section also identifies personnel resources in terms of total full-time equivalent positions. This section can be used as an easy to follow stand alone document.

General Fund

A fund statement at the beginning of this section provides information on the beginning balance, revenues, expenditures, and reserves and balances, over a three-year period. This fund is divided into departments, which consist of one or more budget activities. A budget activity is generally equivalent to an organizational unit. Service Plans for each department are included preceding the first budget activity for that department. Activity summaries, which list expenditures by classification (personnel services, commodities, contractual services, capital outlay, and transfers), are included for all activities.

Other City Funds

This section includes the budget for all funds other than the General Fund. All funds are listed and explained in the Supplemental Information section under Budgetary Basis and Accounting Information. The fund and activity structure is the same as for the General Fund, however, these funds rarely contain more than a few activities. Fund statements are included for each fund. Service plans for departments that do not have any General Fund activities (e.g., METCAD) are included with appropriate funds.

Public Library

Although the Library's accounts are currently administered independent of the City's accounts, its budget is included in this document. The Library budget is organizationally similar to the budget for other City funds.

Capital Improvement Projects

This section includes additional information on the ten-year Capital Improvements Plan. Capital Improvements are defined as any physical asset constructed or purchased to provide, improve, or replace a public facility and which is large scale and high in cost. The cost of a capital improvement includes preliminary studies, design and construction and is general non-recurring and may require multiyear financing. A Capital Improvements Plan document is distributed separately.

Supplemental Information

This section includes additional information to assist the reader in understanding the Financial Plan. It includes an overview of the City's long-term debt, property tax breakdown and salary and staffing schedules for the new fiscal year.

City of Champaign Demographics

Population ^{(3)**}	84,513
Total Area ⁽³⁾	22.43 Sq. Miles
Gender Information of Champaign as of 2010 ⁽³⁾ :	
Male	50.9%
Female	49.1%
Median age ⁽⁴⁾	26.3
Age Breakdown of Champaign as of 2010 ⁽³⁾ :	
0-18	17.3%
19-64	75.1%
65+	7.6%
Married ⁽⁴⁾	36.16%
Divorced ⁽⁴⁾	7.63%
Financial Data	
Median Household Income ⁽³⁾	\$42,077
Overall Sales Tax	9.00%
Food & Beverage Tax	9.50%
Job Growth % ⁽⁴⁾	3.49%
Housing	
Median Home Price ⁽⁵⁾	\$154,900
Housing Units ⁽³⁾ (2010)	34,434
Health ⁽³⁾	
Has Health Plan	88.6%
Business/Industry ⁽³⁾	
Number of Firms	5,767
Per Capita Income	\$25,651
Employment Data ⁽¹⁾	
Employment Data for Champaign/Urbana as of 12/2015:	
Labor Force	122,600
Employed	115,900
Unemployed	6,600
Unemployment Rate	5.4%
Industry Employment of Champaign/Urbana as of 2015:	
Mining, Logging & Construction	2.55%
Manufacturing	7.55%
Trade, Transportation & Utilities	15.66%
Information	2.45%
Financial Activities	4.06%
Professional & Business Services	7.55%
Education & Health Services	13.49%
Leisure & Hospitality	10.09%
Government	33.40%
Other Services	3.21%
Weather ⁽²⁾	
Annual Precipitation	41.38 in.
High Temperature in July	85.0° F
Low Temperature in January	16.7° F

*Information is taken from Census and Department of Labor Websites:

(1) http://www.bls.gov/regions/midwest/il_champaign_msa.htm#eag_il_champaign_msa.f.P;

(2) <http://www.isws.illinois.edu/atmos/statecli/cuweather/cu-averages.htm>;

(3) <http://www.census.gov/quickfacts/table/PST045215/1712385>;

(4) <http://www.bestplaces.net/city/illinois/champaign>

(5) MLS Data Source: Champaign County Association of Realtors Closed Sales

**Population estimate prepared by the U.S. Census Bureau as of 7/1/2014.



City Hall

General Information

The City of Champaign is a home-rule municipality incorporated under the laws of the State of Illinois. The city is located on the prairie of east-central Illinois approximately 135 miles south of Chicago and 80 miles northeast of Springfield, the State Capitol. Along with its adjoining twin city, Urbana, Champaign shares the distinction of being the home of the University of Illinois. Parkland College is also located in Champaign. The most recent census estimate (2014) reveals that Champaign's population is 84,513 with corporate boundaries including approximately 22.43 square miles of land, and the planning area extending 1-1/2 miles beyond the City limits.



Aerial View of Champaign – Focus on Downtown

History

In 1854, the Illinois Central Railroad tracks were laid and a depot built two miles west of Urbana. The following year a bill incorporating Urbana, including the depot within its limits, was defeated in the State Legislature. As a result, Champaign was addressed by three different names over the next two years: The Depot, New Town, and finally West Urbana. In 1860, the City was incorporated and renamed for the county, which had derived its name from Champaign County, Ohio because a large number of the region's settlers had originally migrated from there.

City Organization

Champaign operates under the Council-Manager form of government. The City's legislative authority is vested in a nine-member Council consisting of the Mayor, three members elected from the City at-large, and five members elected from districts. Four-year terms are served by each member. The City Manager and the ten department heads who serve under her supervision direct the executive and administrative functions of the City.

Economic Environment

The economy is changing directions. For the calendar year 2015, construction values decreased to \$182 million as compared to \$243 million in 2014. This is still below the City's peak year, 2007, at \$305 million but considerably higher than 2013 and 2012 construction values of \$139 million and \$113 million, respectively.

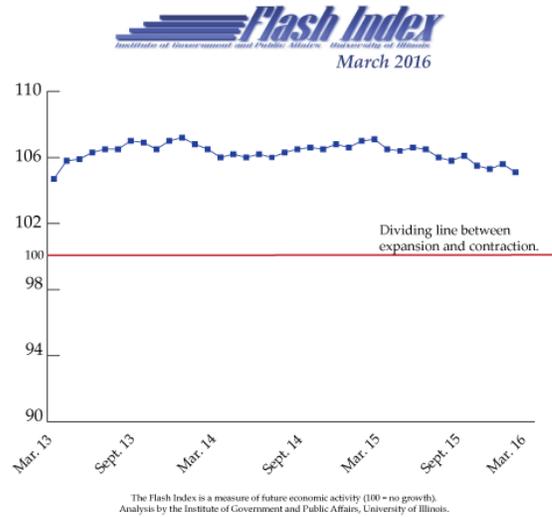
The City's top ten principal employers for 2015 were:

Name of Company	2015 Employment	Percent of Total City Employment
University of Illinois at Urbana-Champaign (1)	10,349	24.60%
Champaign Unit 4 School District	1,814	4.30%
Kraft Foods, Inc. (2)	1,350	3.20%
Parkland College	950	2.30%
PlastiPak Packaging, Inc. (2)	810	1.90%
Christie Clinic Association	750	1.80%
Hobbico, Inc.	700	1.70%
Busey Bank	524	1.20%
City of Champaign	516	1.20%
Horizon Hobby, Inc.	396	.90%
<i>Total</i>	<i>18,159</i>	<i>43.10%</i>

(1) The University of Illinois is located in both Champaign and Urbana.

(2) Located in an unincorporated area adjacent to the City.

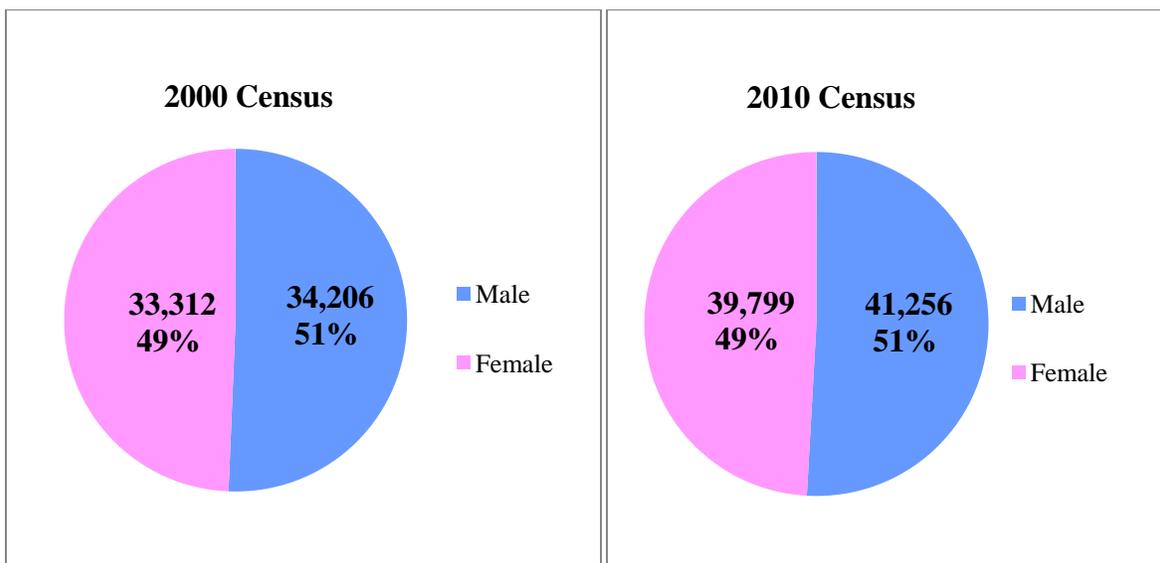
The Flash Index, compiled by the Institute of Government and Public Affairs (IGPA), measures economic activity based upon receipts for personal income, corporate income and retail sales taxes. The University of Illinois Flash Index hit a 26-year low in September 2009 of 90.0. For the first ten months of FY2014/15, the index increased and peaked at 107.1 in April 2015. The current reading from March 2016 of 105.1 shows a moderate growth rate. While the economy is still growing the state of Illinois continues to lag behind the rest of the nation. The pre-recession high was 107.4 in April 2007.



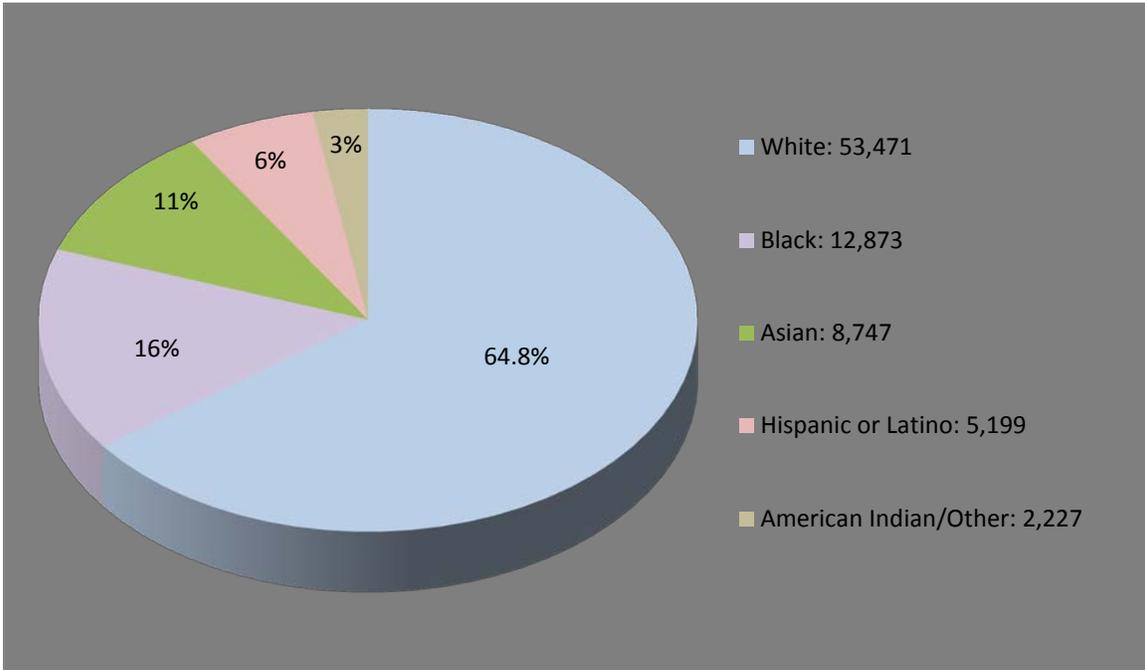
Population

Year	Population	% +/-	Year	Population	% +/-
1860	1,727	0%	1950	39,563	69.8%
1870	4,625	167.8%	1960	49,583	25.3%
1880	5,103	10.3%	1970	56,837	14.6%
1890	5,839	14.4%	1980	58,133	2.3%
1900	9,098	55.8%	1990	63,502	9.2%
1910	12,421	36.5%	2000	67,518	6.3%
1920	15,873	27.8%	2010	81,055	20.0%
1930	20,348	28.2%	2014	84,513	4.3%
1940	23,302	14.5%			

Gender Breakdown

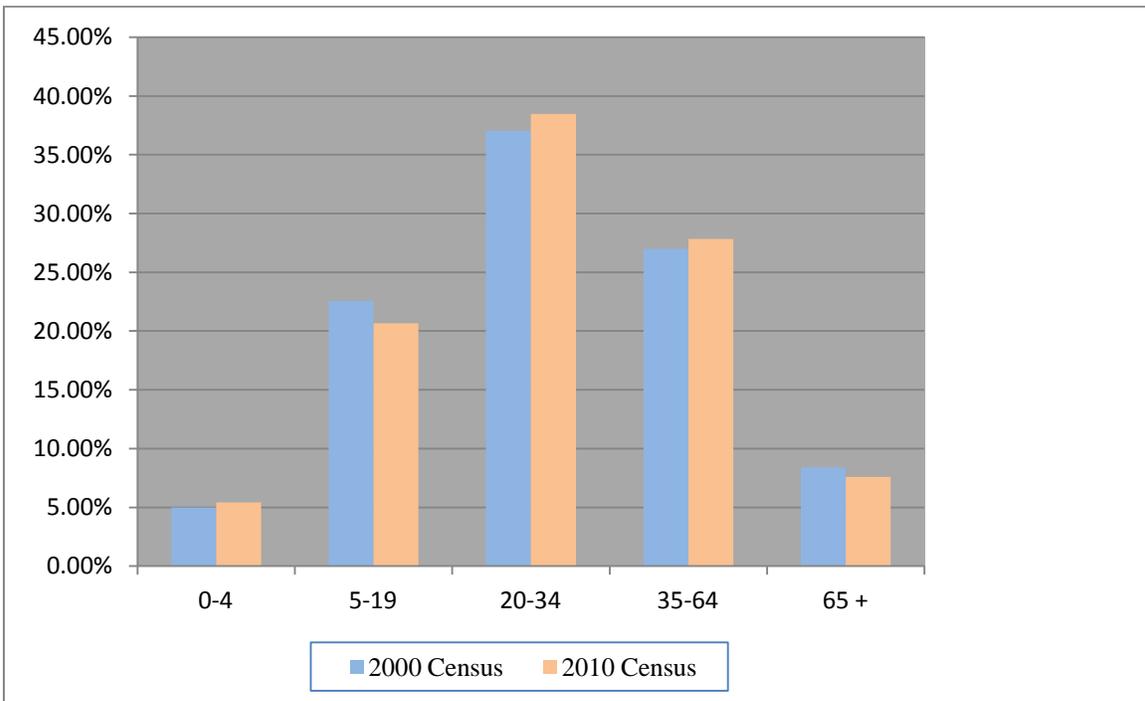


Population Diversity*



*2010 US Census Bureau (respondents could select more than one category)

Age Information



Principal Property Taxpayers

Name of Company	2014			2005		
	Taxable Assessed Valuation	Rank	% of Total City Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total City Assessed Valuation
Champaign Market Place, LLC	23,508,390	1	1.55%	6,867,030	6	0.58%
Campus Property Management	19,135,820	2	1.26%	17,567,410	1	1.48%
Bankier Family	12,991,030	3	0.86%	8,725,850	3	0.73%
Shapland Realty, LLC	10,221,940	4	0.67%	8,663,000	4	0.73%
Regency Consolidated	9,326,410	5	0.62%			
Dan Hamelburg	7,741,620	6	0.51%			
Baytowne Apartments, LLC	7,247,410	7	0.48%	5,962,900	7	0.50%
Edward Rose Development Co.	7,122,890	8	0.47%			
Pickus Companies	6,925,510	9	0.46%			
Christie Management Co Inc.	6,590,160	10	0.44%			
Champaign Market Place				14,435,960	2	1.21%
Peter Holstein				7,395,340	5	0.62%
Christie Building, Inc.				5,680,570	8	0.48%
Fox/Atkins Development, LLC				4,990,920	9	0.42%
JSM Apartments				4,983,950	10	0.42%
Total	\$110,811,180		7.32%	\$85,272,930		7.16%

*Source: Champaign County Clerk

Per Capital Income/School Enrollment

Fiscal Year	Personal Income Expressed in Thousands	Per Capita Income (1)	Median Age (2)	School Enrollment (3)
2004	\$2,224,788	\$31,460	25	9,345
2005	\$2,198,207	\$30,776	25	9,382
2006	\$2,140,538	\$29,672	25	9,346
2007	\$2,331,444	\$30,981	25	9,342
2008	\$2,478,265	\$32,932	25	9,329
2009	\$2,613,045	\$34,723	24	9,400
2010	\$2,623,279	\$34,859	24	9,497
2011	\$2,788,130	\$34,398	26	9,421
2012	\$3,018,975	\$37,246	25	9,496
2013	\$3,225,259	\$39,086	26	9,362
2014	\$3,260,710	\$39,086	26	9,477
2015	\$3,475,611	\$41,662	26.5	9,589

(1) U.S. Department of Commerce Bureau of Economic Analysis

(2) U.S. Census Bureau

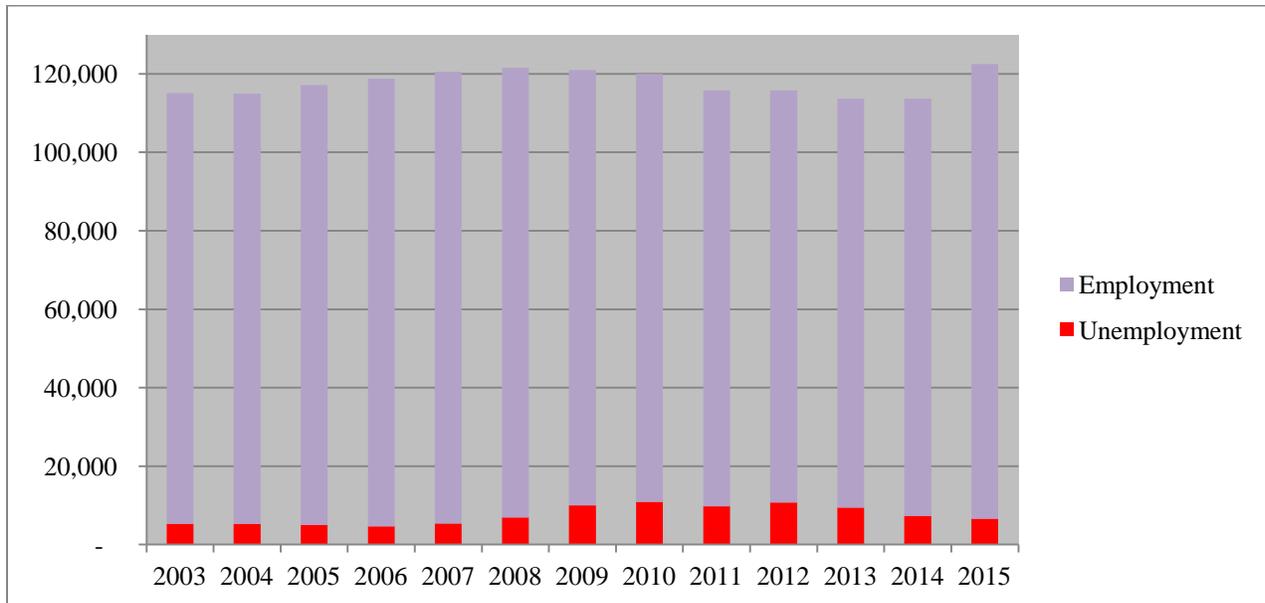
(3) Champaign Unit 4 School District

Employment Data for Champaign/Urbana

Year	Labor		Unemployment	
	Force	Employment	Number	Rate
2000	115,434	111,333	4,101	3.6%
2001	116,193	111,765	4,428	3.8%
2002	115,790	110,758	5,032	4.3%
2003	115,088	109,826	5,262	4.6%
2004	114,999	109,733	5,266	4.6%
2005	117,167	112,107	5,060	4.3%
2006	118,797	114,119	4,678	3.9%
2007	120,563	115,193	5,370	4.5%
2008	121,519	114,610	6,909	5.7%
2009	120,972	110,992	9,980	8.2%
2010	119,965	109,059	10,906	9.1%
2011	115,770	105,995	9,775	8.4%
2012	115,900	105,100	10,700	9.3%
2013	113,600	104,000	9,600	8.5%
2014	113,900	106,400	7,300	6.4%
2015	122,600	115,900	6,600	5.4%

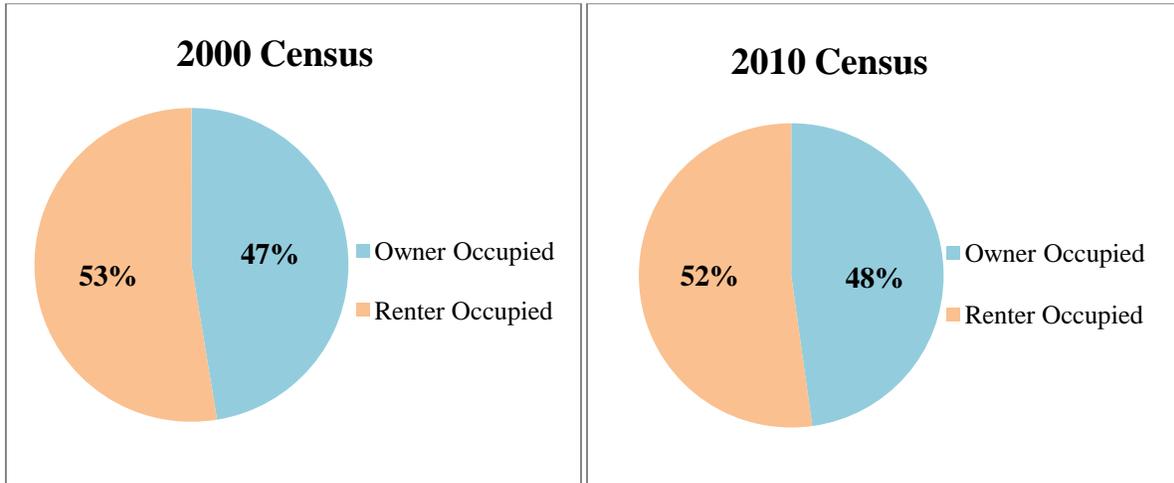
2015-2016 Month	Labor		Unemployment	
	Force	Employment	Number	Rate
August	113,995	108,368	5,627	4.9%
September	121,963	116,557	5,406	4.4%
October	123,856	117,613	6,243	5.0%
November	124,498	117,423	7,075	5.7%
December	122,552 (P)	115,938(P)	6,614	5.4%(P)
January	119,758	111,932	7,826	6.5%

*Bureau of Labor Statistics for Champaign-Urbana/ (P) Projected numbers



Housing Information

Housing Tenure	2000 Census	2010 Census
Occupied housing units	27,071	34,434
Owner-occupied housing units	12,833	16,459
Renter-occupied housing units	14,238	17,975



2000 Household Composition by Race/Ethnicity and Family Type for Champaign County

Race/Ethnicity	Single Person Household	Other Non-Family Household	Married Couple without related Children	Single-Parent with Related Children	Other Family Household	Married Couple with related Children
Black	30.3%	9.6%	11.3%	27.3%	6.3%	15.2%
Indian	28.4%	14.8%	17.0%	13.6%	4.0%	22.2%
Asian/Pac Islander	34.1%	22.1%	17.4%	2.8%	3.5%	20.0%
Non-Hispanic White	30.4%	10.6%	27.4%	6.6%	3.2%	21.8%
Hispanic	27.9%	23.8%	12.7%	8.7%	6.7%	20.2%

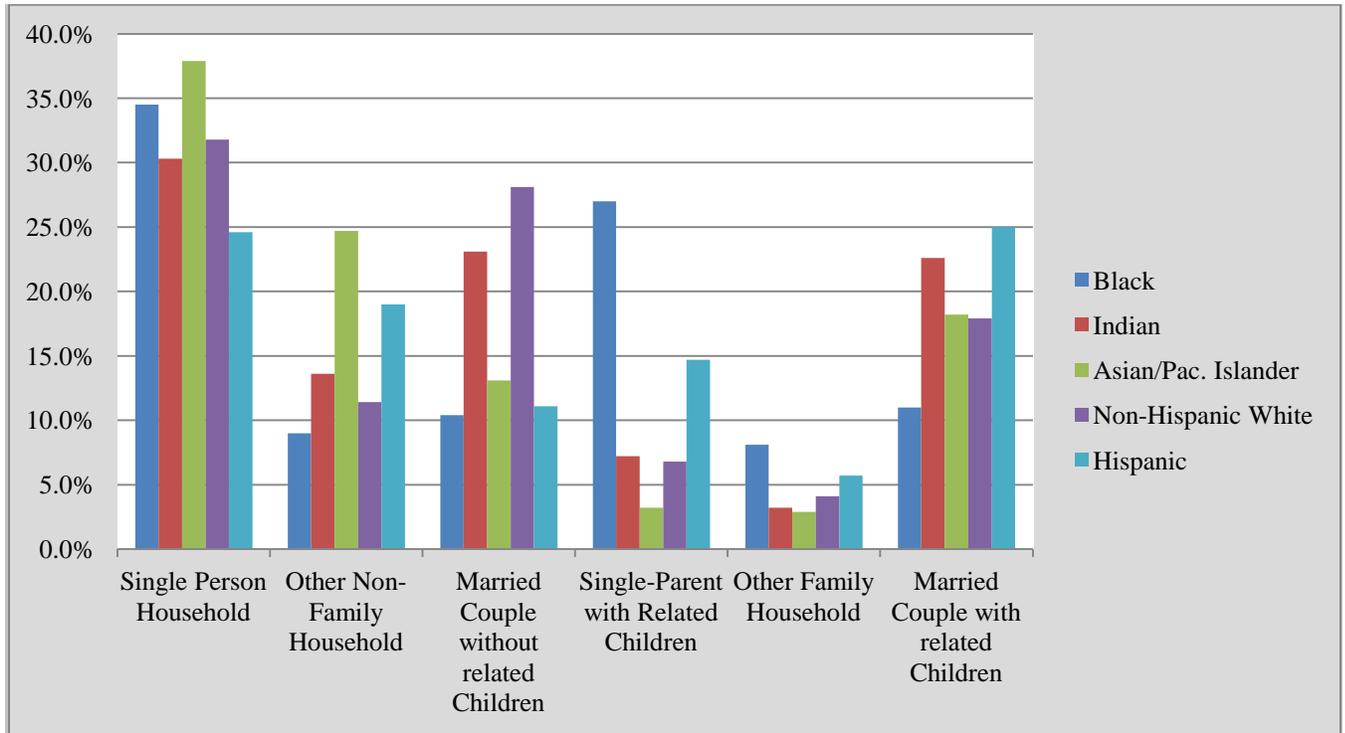
Source: diversitydata.sph.harvard.edu

2010 Household Composition by Race/Ethnicity and Family Type for Champaign County

Race/Ethnicity	Single Person Household	Other Non-Family Household	Married Couple without related Children	Single-Parent with Related Children	Other Family Household	Married Couple with related Children
Black	34.5%	9.0%	10.4%	27.0%	8.1%	11.0%
Indian	30.3%	13.6%	23.1%	7.2%	3.2%	22.6%
Asian/Pac Islander	37.9%	24.7%	13.1%	3.2%	2.9%	18.2%
Non-Hispanic White	31.8%	11.4%	28.1%	6.8%	4.1%	17.9%
Hispanic	24.6%	19.0%	11.1%	14.7%	5.7%	25.0%

Source: diversitydata.sph.harvard.edu

2010 Household Composition by Race/Ethnicity and Family Type for Champaign County - Graph





CHAMPAIGN VISION 2020

**CHAMPAIGN IS AN INCLUSIVE COMMUNITY THAT
WELCOMES ALL**

**CITY RESIDENTS ENJOY A GREAT QUALITY OF LIFE, FIRST
CLASS EDUCATIONAL OPPORTUNITIES, AND EASY MOBILITY**

**CHAMPAIGN IS A VIBRANT COMMUNITY WITH AN ACTIVE CENTER
CITY AND HEALTHY NEIGHBORHOODS**

**THE CITY IS DESIGNED FOR QUALITY AND SUSTAINABILITY,
AND HAS A GROWING ECONOMY**

COUNCIL GOALS & ACTION PLANS

Strategic Initiatives:

- Strengthen community service partnerships.
- Promote an inclusive, open-minded, and progressive community.
- Expand the arts and entertainment.
- Expand local athletics.
- Support the U of I to maintain its flagship campus at Champaign-Urbana.
- Partner with local schools and Parkland College to strengthen educational opportunities.

Key Projects:

- Prepare a beautification plan for the Neil Street Corridor from I-74 to Downtown.
- Serve as lead agency and coordinate the Community Coalition and support the Champaign County Juvenile Assessment Center.

Strategic Initiatives:

- Initiate and support programs to reduce gun violence.
- Continue to strengthen Police – Community relations.
- Encourage development of affordable housing.
- Assure a safe community while respecting the rights of citizens.
- Support neighborhood development and economic stability in historically underdeveloped areas.

Key Projects:

- Implement the Garden Hills Action Plan including a pilot rental property inspection program.
- Support community efforts to establish a reentry program for offenders exiting the criminal justice system.
- Implement the Bristol Place Redevelopment Plan.
- Support commercial revitalization in low-to-moderate income neighborhoods.
- Complete the Fire Station #3 Relocation Study and begin planning for station relocation.
- Work with community members to implement programs intended to reduce gun violence.

Strategic Initiatives:

- Maintain a healthy and balanced City budget.
- Ensure fair City tax rates and fees.
- Maintain a financial model that balances short and long-term needs.
- Be a leader in intergovernmental and interagency cooperation.
- Apply strategies to reduce the cost of providing City services.
- Promote compact growth patterns to deliver City services efficiently.

Key Projects:

- Support the Unit 4 School District with their future facility planning.
- Adopt a stable funding model for VCC and 40N.
- Manage potential revenue decreases due to state budget cuts.
- Continue to advance the CORE software project.

Strategic Initiatives:

- Market the City.
- Expand programs for job creation and employment growth.
- Attract, retain, and grow workforce talent in the community.
- Maintain a vibrant downtown.
- Maintain the City's positive business environment.
- Increase minority and women-owned business opportunities.
- Promote local business development.

Key Projects:

- Structure an economic development strategy around the availability of broadband internet.
- Develop incentives to support small businesses.
- Support existing workforce development initiatives including workforce development and matchmaking.
- Develop a strategy to promote the reinvestment of the commercial area at Country Fair.

Strategic Initiatives:

- Promote Champaign as a green community.
- Encourage the use of alternate modes of transportation.
- Recruit and retain innovative green business and industry.
- Adopt incentives and regulations to encourage environmental responsibility.
- Continue to reduce energy consumed by our City government.
- Preserve the Mahomet aquifer as a long-term healthy water supply.
- Promote infill development at the core of the City.

Key Projects:

- Continue to utilize Ameren's Act on Energy Program to incentivize residential energy efficiency projects.
- Update the Infill Redevelopment Incentive Policy to promote infill development at strategic locations.
- Continue to implement strategies of the Sustainability Plan, Champaign Growing Greener.
- Continue to implement the strategies of the Pedestrian Plan, Walk Champaign.

Strategic Initiatives:

- Engage the community in their City government.
- Provide timely and accurate information about City actions, events, and decisions.
- Improve availability and public's access to City information.
- Recruit and retain an inclusive City workforce that reflects our diverse community.

Key Projects:

- Update the City's Public Communications Plan.
- Complete the refresh of the City's website.
- Complete the update of the 1992 ADA Transition Plan.
- Continue to digitize old City documents to improve ease of public access.

Strategic Initiatives:

- Aggressively address infrastructure needs.
- Maintain public safety responsiveness.
- Support and respond to neighborhood needs.
- Strengthen the partnership between the City and the Public Library.

Key Projects:

- Support the Library in hiring a new Executive Director and updating their strategic plan.
- Complete construction of Washington Street West Phase II drainage improvements.
- Complete design, construction plans, and specifications for Washington Street West Phase III drainage improvements.
- Complete preliminary design of drainage improvements for the Boneyard Creek (Neil Street to University Avenue).
- Complete the Garden Hills drainage study.
- Complete the annual concrete and asphalt street maintenance projects and an evaluation of additional funding alternatives for arterial asphalt street maintenance.
- Complete construction of the MCORE Green Street and White Street projects and complete design, construction plans, and specifications for the Wright Street project.
- Update the Curtis Road Interchange Master Plan and development regulations.
- Update the zoning regulations pertaining to the City Center and neighborhood commercial areas.

CITIZENS OF CHAMPAIGN

Population: 81,055

CITY COUNCIL

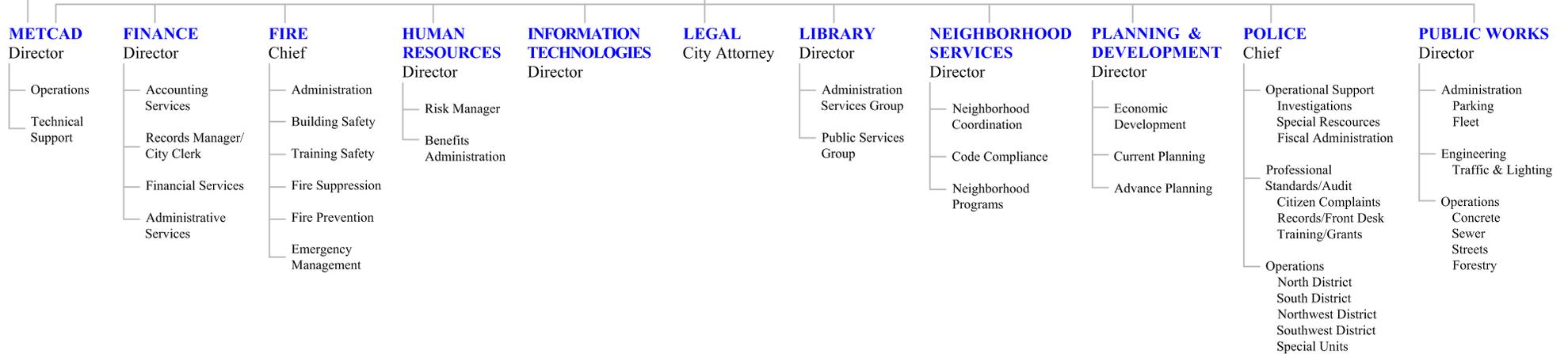
9 Council Members (Includes Mayor)



CITY MANAGER'S OFFICE

- Communications Manager
- Community Relations
- Deputy Liquor Commissioner

METCAD Policy Board



Budgetary Basis and Accounting Information

Budgetary Basis

With a few exceptions, the City maintains its accounts and presents its budget on the cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recorded when cash is disbursed. The most notable exceptions are as follows:

- ◆ Funds that are reserved for payment to a vendor for a particular purpose (“encumbrances”) are included in estimated expenditures at year-end although cash has not yet been disbursed.
- ◆ Receivables are recorded as revenue when they are invoiced.

Accounting Structure

A fund is the basic accounting unit: it is a self-balancing accounting entity with revenues and expenditures which are segregated for the purpose of carrying out specific programs in accordance with City policies and certain applicable State and Federal laws.

Each fund has at least one Budget Activity, which is a group of expenditures that provide for the accomplishment of a specific program or purpose, e.g. Police Investigations. In the General Operating Fund, Budget Activities are also grouped together under the departments that administer them.

Fund Statements

A Fund Statement is presented for each fund, which summarizes past and projected financial activity for the fund as follows:

- ◆ **Beginning Balance:** the actual or estimated money carried over from the prior fiscal year to the start of the next fiscal year.
- ◆ **Revenues:** presented in detail for funds with few revenue categories and summarized for funds with many revenue categories.
- ◆ **Expenditures:** summarized into major categories, e.g., personnel services.
- ◆ **Ending Balance:** the estimated funds remaining at the end of the fiscal year. The ending balance equals the beginning balance plus revenues minus expenditures.

Fund Types

All city funds are included in the Annual Budget Document except the Special Assessments Fund and two agency funds. The Special Assessments Fund accounts for expenditures for capital improvements in limited areas, and revenues received from assessments against private properties are used to pay for those improvements. The agency funds (Group Insurance and Treasury) do not account for expenditures as defined by state law, but merely receive and disburse money on behalf of other funds or parties (employees). Budgeted funds are classified into the following types in the budget document:

Operating Funds: As the name implies, these funds provide for basic services (e.g. police and fire) as opposed to capital improvements, insurance reserves, etc. Most staff is budgeted in these funds, which are:

- ◆ General Operating Fund
- ◆ Parking Fund
- ◆ Sanitary Sewer Fund
- ◆ Community Development Fund
- ◆ Environmental Services Fund
- ◆ UC2B Fund
- ◆ METCAD Fund

Community Improvement Funds: These funds provide for capital improvements and certain community and economic development programs (e.g., low-interest loans for housing rehabilitation). They are:

- ◆ Stormwater Management Fund
- ◆ Motor Fuel Tax Fund
- ◆ Capital Improvements Fund
- ◆ Library Improvement Fund
- ◆ Local Motor Fuel Tax Fund
- ◆ Urban Renewal Fund
- ◆ Urban Development Action Grant Fund

- ◆ Downtown Tax Increment Financing District Fund
- ◆ East University Ave. Tax Increment Financing District Fund
- ◆ Food & Beverage Fund
- ◆ North Campus Redevelopment Area Tax Increment Financing District Fund
- ◆ North Mattis Tax Increment Financing District Fund
- ◆ Special Assessments Fund (not included in annual budget - see explanation above)

Debt Funds: These funds account for the receipt and disbursement of bond proceeds, and for debt retirement expenses.

- ◆ Bond and Interest Fund

Internal Service Funds: These funds provide services almost exclusively to other City departments, which pay for the services. These funds are:

- ◆ Fleet Services Fund
- ◆ Retained Risk Fund
- ◆ Workers' Compensation Insurance Fund

Pension Funds: This category includes the two pension funds for which the City has full financial responsibility:

- ◆ Police Pension Fund
- ◆ Fire Pension Fund

Champaign Public Library and Information Center Funds: This category includes all funds related to Library services, as follows:

- ◆ Library Operating Fund
- ◆ Library Capital Fund
- ◆ Library Other Funds

The Library is administered by a Board appointed by the City Council and is managed by a Library Director appointed by the Board. Its accounts are administered independent of the City Finance Department and City Manager, but its budget is included in this budget document for the convenience of interested persons.

FY2016/2017 Adopted Budget Summary of Financial Policies and Goals

The City's Financial Policies provide guidance and establish a framework for providing quality services to the community, while maintaining long-term financial stability. The policies are reviewed, modified and adopted annually.

The Financial Policies set specific goals for reserves and the use of reserves. Specifically, the policies set the General Operating and Parking Funds reserve at ten percent of expenditures, excluding transfers. Another policy limits recurring expenditures to 98.5 percent of recurring revenues. These and other budget policies safeguard the City from the effect of unexpected external factors influencing revenues.

The policies also state priorities for funding, specifically, basic municipal services need to be funded first to, at minimum, maintain current service levels. Specific revenue resources are dedicated to specific activities. For example, a portion of utility taxes are dedicated to the Urban Renewal Fund to support the Neighborhood Wellness Plan. The financial policies contain a comprehensive section on revenues, including criteria for considering additional revenue sources, limiting the City's property tax rate, and guidance for assessing fees for services beyond basic service levels. The Sanitary Sewer Fund and Parking Fund are established as enterprise funds and use of the revenues within those two funds is further specified in the policies. The Financial Policies provide specific direction in the following areas:

- basic municipal services funded through the General Operating Fund
- economic development programs
- motor vehicle parking system
- sewer systems
- neighborhood wellness
- debt management
- capital improvements
- budget guidelines
- revenues
- pension funds
- investment policy

Financial Policies

I. Statement of Purpose

These policies are designed to establish a framework for providing quality services to the community in an efficient and effective manner while maintaining long-term financial stability within the limitations established in the policies. These policies are reviewed, modified as appropriate, and adopted annually.

II. Basic Municipal Services Funded Through the General Operating Fund

Municipal services such as public safety and public works are the City's first responsibility. These services should be funded to at least maintain current service levels. General Operating Fund transfers for traditional capital expenditures in the Capital Improvements Fund should be changed annually to maintain a constant level of commitment when adjusted for inflation. The transfer from the General Fund to the Capital Improvement Fund and the funds allocated to the Local Street Improvements project will be increased in accordance with the Construction Cost Index and allocated in accordance with standard practices for funding annual infrastructure maintenance projects. In addition, consideration of increasing funding proportionally to account for additional infrastructure related to growth will be reviewed annually with Council. The General Operating Fund and other funds, as appropriate, should provide transfers to equipment replacement funds to maintain equipment at least at current service levels.

III. Economic Development

Economic Development Policies are adopted as a separate document, and are incorporated into the Financial Policies by reference.

IV. Parking Fund

Resources of the Parking Fund should be used for the maintenance and development of parking facilities. Facilities development may be done in conjunction with economic development programs. The Parking Fund should reimburse the General Operating Fund for the cost of all services provided by the General Operating fund to the Parking Fund; such reimbursement should be limited to no more than 20% of Parking Fund revenues given the current level of services provided by the General Operating Fund.

V. Environmental Systems

1. Sanitary Sewer System: Revenues from the Sanitary Sewer Fee shall primarily support maintenance and rehabilitation of the City's sanitary sewer system, which will be accounted for on an enterprise fund basis in the Sewer Improvement Fund. However, the Council may supplement funding provided by sanitary sewer fees with general revenues. An accounting system will be implemented to ensure that all costs related to maintenance and rehabilitation, as

well as engineering expenses, overhead costs, and costs incurred to administer the fees, will be paid from revenues raised through the fee.

The Sanitary Sewer Fee rate will be reviewed every other year. If the fee does not fully support maintenance and rehabilitation of the system, or if excess balances are projected, staff will recommend changes to the Council. Changes would be effective on the first day of even numbered calendar years, with review taking place as part of the budget development process for the fiscal year in which the change would be effective.

Up to 12% of revenue from the fee may also be allocated for expansion of the system on a reimbursable basis. Expansion projects will be budgeted in the Sewer Improvement Fund through the Capital Improvement Plan process. Reimbursement revenues will be credited to the Sewer Improvement Fund.

2. Stormwater Management System: This enterprise fund provides maintenance, rehabilitation, and expansion of the City's stormwater management system, which includes regional detention, channels, outlets, and storm sewers. Efforts to fulfill the requirements of the Federal National Pollutant Discharge Elimination System are also funded by resources of this Fund. The City will dedicate 17% of revenues from its home-rule sales tax to this fund. Originally, the revenue was dedicated to improvements to the Boneyard Creek, but the City Council later expanded its use to other drainage basins. The Fund also receives a large transfer from the General Fund and property tax revenues each year.

In May 2013, the City Council adopted a Stormwater Utility Fee (SWUF), a dedicated revenue for the Stormwater Management Fund. The SWUF supports the operation, maintenance, and rehabilitation for the City stormwater detention basins, channels, outlets, and storm sewers. The property and sale tax revenue dedicated to this fund will be used for capital projects.

3. Recycling Programs: This enterprise fund provides recycling programs and others that promote a sustainable environment in the Multi-Family Recycling Fund. The largest program in the Fund is the Multi-Family Recycling Program, which collects recyclables from residential buildings with four units or more and from mixed-use buildings. The program is funded by a Multi-family Recycling Fee. Commercial refuse disposal companies are required to offer recycling at no additional fee to residential buildings with fewer than four units. Some of the other programs in this Fund include Christmas tree pickup which is recycled.

VI. Neighborhood Wellness

The City is committed to developing and maintaining healthy neighborhoods through the Neighborhood Wellness Plan.

The following is a description of existing funds utilized to provide resources for neighborhood wellness activities and policies relative to the funds.

Urban Renewal Funds: The Urban Renewal Fund, which derives its revenues from a share of utility taxes, will be used for projects identified in cooperation with citizen groups or those determined to further the City's neighborhood wellness goals. Priority will be given to projects

in Restoration and Preservation planning areas, as defined in the Neighborhood Wellness Plan. Funds will be budgeted for (1) the Neighborhood Infrastructure Repair Program which funds neighborhood improvement projects costing less than \$30,000 which can be completed in a single fiscal year; (2) neighborhood support and community outreach activities; (3) major structure demolition, particularly emergency demolition of fire-damaged structures or structures that must be cleared immediately for the protection of public health and safety; (4) the Neighborhood Small Grant Program, which provides grants to registered neighborhood groups to fund small scale neighborhood improvements and clean-ups – 100% grants are available up to a maximum of \$1,000 and 50% matching grants are available for projects costing between \$1,000 and \$5,000; (5) a grant program to assist low income families to paint the exterior of their homes; (6) costs related to the redevelopment of the Beardsley Park neighborhood under a plan adopted by Council in 1995 [CB No. 95-094] and later amended by Council in 2000 [CB No. 2000-306]; (7) costs associated with the prosecution of property maintenance code offenders; and (8) community service grants in an amount not to exceed 15% of the City’s total annual CDBG allocation. Administrative costs in the Neighborhood Services Department will also be paid from this fund.

Community Development Block Grant (CDBG) Fund: These funds are received annually by the City from the federal government to address affordable housing and community development needs that have been identified in the Consolidated Plan and Neighborhood Wellness Plan. This fund is used to support Neighborhood Improvement Initiatives which may include new capital improvement projects or community programming initiatives that support or respond to the needs of the City’s low- to moderate-income neighborhoods and citizens. The Community Development Fund should be largely dedicated as an operating fund.

Home Investment Partnership Program (HOME) Fund: These funds are received from the federal government through a consortium that includes the City of Champaign, the City of Urbana, and Champaign County. HOME funds are used for the development of affordable housing projects as identified in the City’s Consolidated Plan and Neighborhood Wellness Plan. The City must provide a 25% local match for these funds. The City currently uses recaptured Urban Development Action Grant (UDAG) funding and a grant from the Federal Home Loan Bank as the match for its HOME allocation. Some funding is restricted to target areas of the City with the highest percentage of low-income households and those in most need of public investment.

VII. Debt Management

The City Council adopted a Debt Management Policy as a separate document on October 2, 2001 (Council Bill No. 2001-0246), and has revised it several times. The Policy, as amended, is incorporated into these Financial Policies by reference.

VIII. Capital Improvements

Capital Improvement Policies are adopted as a separate document, and are incorporated into the Financial Policies by reference.

IX. Budget Guidelines

The following policies are established as more specific guidance to the budget development process:

Item No. 1: Balanced budget means that expenditures do not exceed available resources, including fund balances and reserves, and the budget meets all other applicable policies.

Item No. 2: Authorized expenditures to support ongoing operations shall be less than recurring revenues anticipated for the same period. A target of recurring expenditures at 98.5% of recurring revenues shall be used in preparing the proposed budget. In addition, .5% of recurring revenues will be allocated to a City facility reserve.

Item No. 3: Non-recurring revenues shall be applied toward non-recurring expenditures (capital improvements, capital outlay for major equipment and discretionary activities such as economic development). As an extension of this general policy, fund reserves carried from the prior year shall be expended only for non-recurring projects.

Item No. 4: Adequate reserves shall be maintained for all known liabilities, including anticipated employee leave and separation expenses, worker's compensation and self-insured retention limits.

Item No. 5: When equipment is to be acquired, fiscal arrangements should be appropriate for each particular circumstance. For equipment to be permanently acquired, financing through lease-purchase shall be considered whenever the financing cost is determined to be less than the interest that can be earned on city cash assets. Flexible arrangements (i.e., rental) may be used when equipment needs are not permanent, or when changing needs or technologies may make the equipment obsolete. Replacement schedules for all major equipment should be established, and funds set aside annually in an amount sufficient to allow replacement of such equipment at the end of its useful life.

Item No. 6: To provide for exigencies, working cash, and as a safeguard against fluctuating revenues, adopted budgets for the General Operating and Parking Funds shall include a Fund Balance Contingency of no less than 10% of expenditures excluding transfers. This shall be in addition to any amounts that may be budgeted for specific purposes (e.g., Salaries Contingency) and shall not be available for expenditure except by City Council action. Budget amendments taking place through the course of the Fiscal Year may cause the contingency to drop below this level. In any case, contingencies for these funds shall not fall below 9% except in the event of a catastrophic need.

Item No. 7: City employees are paid on a bi-weekly basis, which typically results in 26 pay dates during one fiscal year. However, every 11 years there are 27 pay dates resulting in additional reported expenses that year because the budget is predominately based on the cash method of accounting. (The modified accrual basis of accounting, used for the City's annual financial report, avoids this reporting fluctuation.) A reserve has been established to pay the costs of the 27th pay date, and an amount is added to this reserve annually to cover the additional expenses when needed.

Item No. 8: Special contingencies should be established where unusual events and needs are anticipated.

Item No. 9: The proposed budget for the General Operating Fund will be limited as follows:

- expenditures for personnel services (salaries and benefits) may be increased in accordance with approved labor contracts; for non-bargaining unit employees increases will be as approved by Council consistent with the past practice of keeping non-bargaining unit compensation increases consistent with increases for bargaining unit employees
- expenditures for items other than salaries and benefits to maintain current service levels may not be increased more than the rate of inflation which will be determined by the Consumer Price Index for the Midwest Size B/C classification for the most recent calendar year with the exception of unavoidable increases in expenditures, such as sharp increases in energy costs and financial commitments previously made by the City Council.
- other expenditures may be included in the proposed budget subject to available resources. Such expenditures would be based on Council goals and funding priorities and would be prioritized by the following criteria:

Recurring Expenditures:

- a. legal or moral commitments, and increases previously approved by City Council that cannot be funded within the target-level budget; departments should make a good faith effort to fund such costs within their target levels before requesting additional funds,
- b. expenditures that generate recurring savings or revenues that offset their costs,
- c. expenditures that maintain or provide high-priority services such as Council goals, and/or expenditures that improve safety, efficiency, or improve delivery of existing services, and
- d. funding needed to cover expenditures related to growth, service improvements, or that address other special circumstances.

One-Time Expenditures:

- a. legal or moral commitments, and services or initiatives previously approved by City Council that cannot be funded within the target-level budget,
- b. expenditures that:
 - are required to respond to unusual circumstances (e.g. opposing disposal of PCB's on land over the Mahomet Aquifer) or that recur irregularly (e.g., testing for police and firefighter candidates)
 - generate recurring savings or revenues that offset their costs,
 - will significantly increase employee safety (e.g., installation of non-slip flooring in areas in which employees may walk quickly or run (e.g., in response to a fire call), and
- c. expenditures that significantly improve efficiency and effectiveness of service delivery if funded on a one-time basis (e.g. software purchases or upgrades), and

- d. capital outlay and improvement expenditures that significantly add, upgrade, and/or increase the life of City facilities and infrastructure and that could not otherwise be included in the City's Capital Improvements Plan due to limited resources.
- all new or increased expenditures must be clearly identified as such in a budget memo submitted with the Proposed Budget for Council review.

Item No. 10: Under the Department Cost Savings Plan one-half of budgeted savings from the prior fiscal year for non-personnel items excluding items whose costs are outside of the department's control are identified as eligible savings. 75% of those savings are allocated back to the department that generated the savings and 25% is pooled to be allocated by the City Manager for projects benefiting multiple departments or the City as a whole. The funds allocated under this plan may only be spent for non-recurring expenditures, which further the department's mission, with approval of the City Manager. Savings for the following areas only vary from this formula:

- Snow and Ice: 100% of savings in the Snow & Ice budget will be reallocated to that activity. These savings will be used first for snow & ice or other emergency response expenditures; savings remaining at the end of the fiscal year could be used to supplement infrastructure maintenance.
- If any savings are identified in the Fire Department non-discretionary overtime, 100% is allocated back to handle shortfalls in future years. These funds cannot be used for any other purpose, including discretionary overtime.
- Library: City and Library staffs have developed an alternate calculation for savings incentives for the Library, in recognition of its semi-independent status. This calculation is detailed in the document entitled "City-Library Agreement – Savings Incentives," which is dated November 5, 1999.

The Department Cost Savings Plan may be suspended by City Council as recommended by the City Manager if the City's financial position cannot support this program.

Item No. 11: Finance staff will develop a budget schedule on an annual basis. This schedule will document the budget process in a detailed format and will be completed by November 30.

Item No. 12: Each Department will prepare a service plan at the beginning of the budget process. This service plan will include an explanation of current level services, as well as changes in service levels, and productivity or efficiency initiatives.

Item No. 13: The City may consider loans to external parties on a case-by-case basis to finance high priority projects that would not otherwise take place. Loans will generally be made from the City's Treasury Fund (the pooled cash account). However, loans that entail risks inconsistent with the investment objectives of the Treasury Fund might be made directly by another appropriate fund, such as a fund established to promote economic or neighborhood development. When making loans from the Treasury Fund, the City will identify the fund that would take the

loss if the loan were not repaid. Loans from the Treasury Fund will be repaid with interest at a rate similar to the average rate of interest earned by the Treasury Fund.

X. Revenues

This section discusses general policies related to revenue. Other sections of this document contain references to specific revenues, along with discussion of the related revenues.

Item No. 1: For any proposed additional revenue source, Council will consider the following criteria:

- Community acceptability;
- Competitiveness, the revenue or tax burden of Champaign relative to neighboring communities;
- Diversity, the balance of revenue sources that can withstand changes in the business cycle;
- Efficiency, the cost of administering a tax or fee should bear a reasonable relation to revenues collected, and any new tax or fee should have minimal effect on private economic decisions;
- Fairness, the distribution of the City's revenue burden as measured by ability to pay, the benefits received or the community's definition of the resident's fair share of the revenue burden.

Item No. 2: The City recognizes that to provide quality services, revenues must keep pace with increases in service demands and service costs. At times, particular revenues may decline due to legislative, or regulatory changes, or a judicial decision beyond the City's control. When such changes take place, the City would revise the affected tax or fee to restore the lost funds. Such changes might include broadening the specific revenue base and/or increasing a fee or tax rate. The City would attempt to make such revisions revenue-neutral, and to minimize any change in who pays the taxes or fees in question.

Item No. 3: Private Participation: It is appropriate to use City funds to stimulate private investment, particularly since some public funding sources are shrinking. Council has adopted Infrastructure Cost-Sharing Policies, which will be followed by staff in recommending infrastructure improvements. The Infrastructure Cost Sharing Policies are adopted as a separate document, and are incorporated into the Financial Policies by reference. If for any reason, staff recommendations do not adhere to these policies, exceptions will be specifically noted for Council review.

Item No. 4: Property Tax Policy:

a. Overall Rate.

It is the City's goal to maintain current service levels with a property tax rate not to exceed \$1.50 per \$100 of equalized assessed valuation (EAV). For financial planning purposes, staff will use the most recent final extended tax rate. During the annual tax levy preparation process, Council may decide to levy an amount that would result in a tax rate different from the prior year's final extended rate, taking into consideration the factors and uses of the revenues discussed below. Increased service levels may warrant increasing the tax rate, while other factors may warrant decreasing the rate. In addition, trends in federal and state government may require that the revenues received from property taxes, and thus the tax rate goal, be reviewed in the future. These trends include:

- i. decreases in federal revenues,
- ii. general inflation which increases the cost of municipal services,
- iii. changes in federal and/or state tax law, such as increased property tax exemptions.
- iv. mandates by the state and federal governments, which increase the cost of municipal services or impose new services, such as recently enacted state legislation which would increase pension benefits, and thus personnel services expenses, for commissioned public safety employees.
- v. slowdown or decrease in other revenues that would otherwise result in cutting baseline services

Factors which may warrant a decrease in the property tax rate include:

- i. any other source of new, recurring revenue,
- ii. a reduced cost for providing current services,
- iii. a reduction in services funded through the levy, e.g., Library operations, were this function assumed by a library district.

b. Base Levy Purposes.

The City will first allocate property tax revenues to fund "base" purposes as listed below. These are in priority order, reflecting State mandates, agreement(s) into which the City has entered, and other Council policies. Any funds that remain after funding base needs will be allocated to "additional" purposes as described in section c) below.

- i. *Pension Funding:* The City will levy property taxes for Police, Fire and Illinois Municipal Retirement Funds to meet pension funding needs as described in Section XI, Personnel Benefits.

- ii. *Library Funding:* The City will levy a target tax rate of \$0.3940 per \$100 of equalized assessed valuation (EAV) for funding Library operations and a target property tax rate of \$0.0282 per \$100 of equalized assessed valuation (EAV) for funding Library improvements, pursuant to an agreement with the Library Board of Trustees.

A portion of the property tax receipts for the Library Improvement Fund and the Library Operating Fund are designated for the Main Library Building project debt service and project costs in accordance with the plan of finance for the building construction, and the Library-City Cooperative Agreement, as amended. The City Council approves expenditures for these funds each year through adoption of the Capital Improvement Plan and annual Library budget.

- iii. *Capital Improvements Funding:* The City will levy the amount levied the prior year (less any “additional” amount levied the prior year, if any) plus the percentage increase in the Construction Cost Index for the most recent calendar year for capital improvements. In addition, during each year’s budget process, the City may consider supplementing capital spending to compensate for increases in infrastructure maintained by the City due to growth.
- iv. *Corporate Tax Levy:* “Corporate” levy revenues are allocated to the General Operating Fund. The amount levied is determined by increasing the prior year levy by the annual increase in the City’s operating costs. Council could allocate an additional portion of the overall levy to corporate purposes if a slowdown in other revenues would otherwise result in cutting baseline services.

c. Additional Levy Purposes

Once base levy purposes have been funded, the City Council will consider levying for the following purposes, which are not necessarily listed in order of priority:

- i. *Arterial Streets.* Additional funding may be provided for arterial street improvements. The minimum target for such additional funding is \$500,000. The specific use of the funds would be determined during the annual Capital Improvement planning process.
- ii. *Pension Funding.* Additional funding may be provided to pension funds whose assets are less than 90% of fund liabilities. The minimum goal for such additional funding is \$250,000. The supplemental amount would be prorated to such funds based on the dollar amount of the respective fund’s unfunded liability.

In addition, if the base levy and supplemental levy (if any) were lower than the prior year’s levy for any pension fund, additional funds may be provided to bring the fund’s pension levy to the prior year’s level.

- iii. *Other Additional Amounts.* Additional funding may be provided to capital improvements other than arterial streets and/or to operating needs. No specific goals are established for such additional amounts.

Item No. 5: Revenues generated from programs or services should be taken into account when evaluating the cost-effectiveness of the program or service, if the revenues would not be received without those programs or services. For example, a service might be deemed cost-effective if part of the related costs were offset by user fees, but not cost-effective if the City were to fund the program fully from general revenues without user fees.

Item No. 6: Grant revenues shall be pursued to provide or enhance City services. However, recurring activities shall be initiated with grant funds only if one of the following conditions is met:

- the activity can be terminated in the event that the grant revenues are discontinued, or
- the activity should and can be assumed within recurring City funds in the event the grant revenues are discontinued.

Item No. 7: User fees: User fees are appropriate when services are not “basic” or when specific beneficiaries and their relative level of benefit can be identified. “Basic services” are those, which the City wishes to provide to all citizens. An individual may not forego these services because of the potential impact on public health, safety or welfare. A service which provides benefit to the entire community and for which the benefit to specific users cannot be measured, or the cost of measuring the benefit to specific users would be prohibitive (e.g., street maintenance) should be funded from general revenues.

Types of Services, which may be funded by User Fees:

- a service which provides benefits to a limited group, but provides little or no general benefit to the community (e.g., document reproduction, alarm registration fee)
 - cost recovery: all direct and indirect costs
 - rate structure: flat rate per unit of service
- a service provides potential benefit to all members of the community and the benefit to each user can be measured or fairly approximated (e.g., sewer system maintenance, building permits, most licenses and permits except those used by a targeted group)
 - cost recovery: all direct costs
 - rate structure: based on level of service (e.g., volume, frequency) or flat rate for licenses and permits

“Direct costs” include all costs of performing the service, regulating the activity being licensed and collecting the fee, including staff time and benefits.

“Indirect costs” include a proportionate share of budgeted expenditures for administrative services, and overhead costs such as insurance and building maintenance.

For any proposed fee, staff will provide an assessment of the socio-economic impact of the fee on users. The City Council may choose not to charge a fee if it would prohibit low or fixed income groups from using City services.

- Council may opt not to charge a fee if it would be in conflict with accomplishing public policy objectives (e.g., fire inspections).
- If the cost of administering and collecting a fee is disproportionately high in relation to the cost of providing the service, the service may be funded from general revenues.
- In recommending an appropriate rate, staff will consider similar fees charged by other jurisdictions in close proximity and of similar size, with similar operations. Where the City service is in direct competition with the private sector, e.g., parking, City's fees should be competitive unless there is a specific public purpose achieved by leading or following market rates.

Citizen Participation: A public hearing will be held before any new fee is instituted. City staff will also make a reasonable attempt to contact specific parties directly by means of meetings and/or document review.

Current Services Funded from New User Fees: When any fee is instituted to fund services currently funded from general revenues, the City will consider whether general revenues should be reduced accordingly, or whether those revenues should be targeted to some identified purpose.

User fees will be reviewed at least once every five years to ensure that the fees capture revenue consistent with the user fee policies.

Item No. 8: Tax Increases Effective January 1, 2005. The revenues generated by the Home-Rule and Telecommunication tax increases, effective January 1, 2005, are being deposited in the General Fund and are used for fire services, construction of a new main library building and increases in neighborhood street maintenance. The City will pay debt service costs for the new main Library building to the extent that such costs cannot be paid from the Library Improvement Fund or the Library Operating Fund. The City's costs will be paid from the General Fund. After the Library bonds have been fully repaid, Council could consider whether or not to terminate the revenue sources used to pay debt service expenditures to the extent that they are related to the tax increase effective January 1, 2005.

Item No. 9: Seventeen percent (17%) of revenue raised from the 1.50% local sales tax will be transferred annually from the General Fund to the Stormwater Management Fund. Further information on the Stormwater Management Fund can be found under V., Environmental Systems, and in the Capital Improvement Policies that are adopted as a separate document.

Item No. 10: A hotel/motel tax is imposed upon the use and privilege of renting a hotel or motel room within the City at a tax rate of seven percent (7%) of the rental or leasing charge as outlined in the City's Municipal Code, Section 32-82. In March 2016, Council directed allocation of the hotel/motel tax rate to specific purposes as follows:

- i. Five percent (5%) of the tax rate is allocated to the General Operating Fund.
- ii. One and one-quarter percent (1.25%) of the tax rate is allocated to asphalt arterial street resurfacing less the incremental economic development agreement incentive payments. Additionally, \$255,000 annually will be allocated to asphalt arterial street resurfacing from the General Operating Fund.
- iii. Three-quarters of one percent (0.75%) of the tax rate is allocated toward the local convention and visitor's bureau, currently known as Visit Champaign County. The base funding level for the local convention and visitor's bureau is set at \$255,000. If hotel/motel tax revenue is insufficient, then other General Operating Fund revenues will provide funding up to the base amount.

The agreement with the local convention and visitor's bureau will be on a three-year agreement cycle. The agreement sets a base funding amount and the hotel/motel tax rate percentage allocation as outlined above.

XI. Personnel Benefits

Item No. 1: Pension Policy:

a. Firefighters' and Police Pension Funds.

The benefit provisions and certain minimum funding requirements of the police and fire pension plans are governed by state statute. The City will, at a minimum, fund the Firefighters' and Police Pension Funds in the amounts determined by the annual actuarial study prepared with the City's concurrence or at the City's direction. The City's actuarial requirements as laid out below are more conservative than the state's actuarial requirements resulting in the City's funding being higher than the state requires. However, if the state required funding were to ever exceed the required funding determined by the City's actuarial study, the City would fund the amount required by the state. The City will consider funding the Firefighters' and Police Pension Funds at higher levels when anticipated property tax revenue exceeds "base" needs as stated in the City's Financial Policies with respect to the annual property tax levy. The City will communicate the information related to its pensions, including funding levels and objectives, by posting its Comprehensive Annual Financial Reports and its Actuarial Reports to the City's website.

The City's required funding will be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) allocating the costs equitably by funding them over the employees' period of active service so that the costs will be paid by the generation of taxpayers that benefit from the service provided.

In keeping with those goals, for the Firefighters' Pension Fund, the City will direct the actuary to use the following actuarial methods:

- i. Amortization policy. Any unfunded liability created after the July 1, 2012 actuarial valuation date will be amortized on a percent of inflation basis, in layers, over a 15 year

closed period. The unfunded liability of \$15,518,279 as of the July 1, 2012 actuarial valuation will be amortized on a level dollar basis as listed below. A detailed payment schedule is included as Attachment A.

- the City will amortize the liabilities created by the pension benefit increases enacted by the State of Illinois and effective January 1, 2004 of \$5,753,104, through 2029
 - the remainder of the unfunded liability as of the July 1, 2012 actuarial valuation, \$9,765,175, will be amortized through 2020
- ii. Actuarial cost method. The City will use the entry age normal (level percentage of pay) method to allocate the total present value of future benefits over an employee's working career so that the cost of employee benefits is paid by the generation of taxpayers who receives services from those employees.
 - iii. Asset smoothing method. To reduce the effects of market volatility on the City's contributions, a 4 year Smoothed Market Value method will be used to recognize variances from actuarial assumptions of market returns.

For the Police Pension Fund, the City will direct the actuary to use the following actuarial methods:

- i. Amortization policy. Any unfunded liability created after the July 1, 2012 actuarial valuation date will be amortized on a percent of pay basis, in layers, over a 15 year closed period. The unfunded liability of \$24,365,731 as of the July 1, 2012 actuarial valuation will be amortized on a percent of pay basis through 2020. A detailed payment schedule is included as Attachment A.
- ii. Actuarial cost method. The City will use the entry age normal (level percentage of pay) method to allocate the total present value of future benefits over an employee's working career so that the cost of employee benefits is paid by the generation of taxpayers who receives services from those employees.
- iii. Asset smoothing method. To reduce the effects of market volatility on the City's contributions, a 5 year Smoothed Market Value method will be used to recognize variances from actuarial assumptions of market returns.

b. Illinois Municipal Retirement Fund (IMRF).

As required by State Statute, the City will, at a minimum, fund the Illinois Municipal Retirement Fund (IMRF) in the amounts determined by IMRF. The City does not obtain a separate actuarial report for IMRF and instead relies on the information provided by IMRF. The City will consider funding IMRF at higher levels when anticipated property tax revenue exceeds "base" needs as stated in the City's Financial Policies with respect to the annual property tax levy. IMRF and FICA costs are allocated to the budget activities in which the related salary expenditures are recorded. Most IMRF and FICA costs are funded by the City's IMRF/FICA property tax levy. Several City funds (e.g., Library and Sewer Improvement) pay their IMRF/FICA costs from revenues dedicated to those funds. The City will communicate the information related to its

pensions, including funding levels and objectives, by posting its Comprehensive Annual Financial Reports to the City's website.

Item No. 2: Health Insurance:

Provision of Employee Health Insurance. The City of Champaign offers group health insurance as part of its employee benefits. Bargaining unit agreements and non-bargaining unit (NBU) policies include language regarding levels of benefit coverage to be offered. Additionally, the Affordable Care Act imposes health insurance coverage standards for employers and/or penalties for lack of coverage. The City modifies its health insurance benefits from time to time achieve cost containment while preserving access to quality care and local medical care providers, and to remain consistent with industry practice.

a. Individual Coverage Health Insurance Premiums. Bargaining unit contracts and NBU policies require that the City pay a portion of health insurance premiums. City Council goals strive for balancing long-term cost containment with competitive insurance benefits, and the objective that all employees equitably contribute to their health insurance premiums. The particular share of the individual coverage premium that the employee contributes is detailed in each bargaining unit's contract and the NBU Handbook.

b. Provision of Dependent Health Insurance Coverage. The City offers dependant coverage to employees who participate in the City's single-employee health insurance plan. The City and employees each pay 50% of the costs of the dependent health insurance.

c. Provision of Retiree Health Insurance Coverage. The City will offer its retirees access to post-retirement health insurance coverage consistent with state law. "Retirees" shall be defined consistent with state law.

XII. Investment Policy

The Investment Policy was adopted as a separate document in October 15, 1996 (Council Bill No. 1993-0247), and is incorporated into the Financial Policies as amended from time to time by reference.

Unfunded Liability Payment Schedule
 For Police and Firefighters' Pension Funds

Attachment A

Actuarial Valuation date as of July 1,	Annual Payments for Amortization of Unfunded Liabilities as of July 1, 2012		
	Firefighters' Pension	Police Pension	Total
2012	2,134,893	3,592,346	5,727,239
2013	2,134,893	3,736,040	5,870,933
2014	2,134,893	3,885,482	6,020,375
2015	2,134,893	4,040,901	6,175,794
2016	2,134,893	4,202,537	6,337,430
2017	2,134,893	4,370,639	6,505,532
2018	2,134,893	4,545,464	6,680,357
2019	2,134,893	4,727,283	6,862,176
2020	1,366,629	-	1,366,629
2021	571,931	-	571,931
2022	571,931	-	571,931
2023	571,931	-	571,931
2024	571,931	-	571,931
2025	571,931	-	571,931
2026	571,931	-	571,931
2027	571,931	-	571,931
2028	571,931	-	571,931
2029	571,931	-	571,931
Total	23,593,151	33,100,692	56,693,843

FY 2016/17 Budget Process

December 2: Budget kickoff, which is an overview of the budget process, including deadlines, deliverables, and budget balancing strategies.

January 8: Departments submitted target level budgets in accordance with guidelines shared via the Budget Kickoff communications, other standard forms, and a list of possible significant cost increases for next fiscal year that they cannot cover in their target level budgets.

March 29-April 14: Preliminary Information Exchange meetings were held with Council to inform Council of funding needs and obtain detail direction on budget strategies.

March 14: Departmental service plans are submitted.

May 3: Staff presents the proposed FY 2016/2017 budget to City Council.

June 21: City Council is scheduled to adopt the budget by ordinance, reflecting any modifications from the proposed budget.

