



# **BUDGET POLICY COMMITTEE WORKSHOP #6**

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City Manager

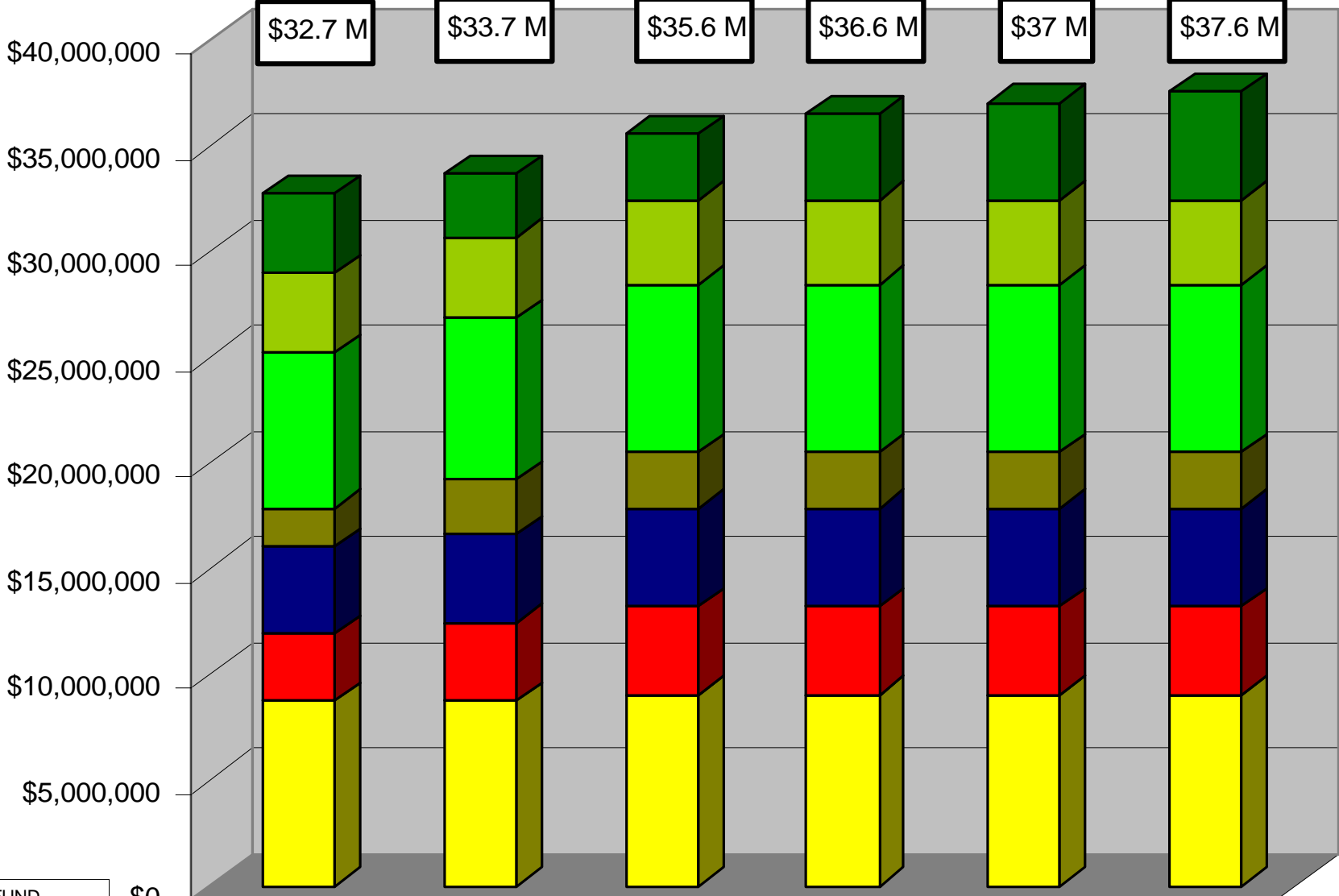
November 6, 2006

# AGENDA

- **DISCUSSION OF TAX LEVY ALTERNATIVES**
- **IMRF EARLY RETIREMENT PROGRAM**
- **DISCUSSION OF SERVICES TO BE CHANGED OR ADDED**
  - SANITATION INITIATIVES-PROCEED?
  - PHARMACY CARVEOUT SAVINGS
  - FUNDING YOUTH INITIATIVE
  - LIBRARY FUNDING-IMPORTANCE OF ESSENTIAL STAFFING PLAN VS. FUNDING BRANCHES

# TAX LEVY OPTIONS

- **TAX LEVY REQUIRED FOR ALL FUNDS**
  - Debt Service as required by bond ordinances
  - Pension contributions as required by actuarial valuations
  - General Fund Levy (include IMRF, Parks/Forestry, & Recreation, Library, and all remaining general fund depts.)
- **GENERAL FUND BASE CASE-INFLATIONARY INCREASE (\$584,500)**
- **GENERAL FUND -- COVERING HALF THE GAP (\$1 MILLION)**
- **GENERAL FUND -- FUNDING THE WHOLE GAP (\$2 MILLION)**
- **IN ORDER TO BALANCE THE GENERAL FUND BUDGET BASED UPON CURRENT ESTIMATED OTHER REVENUES AND EXPENDITURES WE WILL NEED UP TO \$2.5 MILLION IN PROPERTY TAXES**



- GENERAL FUND
- LIBRARY
- RECREATION
- IMRF
- POLICE PENSION FUND
- FIRE PENSION FUND
- DEBT SERVICE FUND

Approved Levy	Approved Levy	Proposed Levy Base General Fund	Proposed Levy \$1 Million General Fund	Proposed Levy \$1.5 million General Fund	Proposed Levy \$2.0 million General Fund
2005-06	2006/07	2007/08	2007/08	2007/08	2007/08

# BASE CASE TAX LEVY OPTIONS

## ■ PROS

- PROVIDES FOR AN INFLATIONARY INCREASE, WHICH RESULTS IN A 1% INCREASE TO TAXPAYERS

## ■ CONS

- WILL REQUIRE CONSIDERABLE CUTS IN SERVICES TO CLOSE FUNDING GAP, 25.5 FTE POSITIONS
- WILL NOT ALLOW FOR ANY NEW PEOPLE OR SERVICES

# HALFWAY TAX LEVY OPTION

## ■ PROS

- FILLS HALF THE GAP BETWEEN REVENUES AND EXPENDITURES IN THE GENERAL FUND
- INCREASES TAX RATE BY 1.65% TO AVG. HH

## ■ CONS

- STILL REQUIRES THAT MORE THAN \$1 MILLION CUT FROM BUDGET
- LIKELY TO REQUIRE SOME SERVICE REDUCTIONS, 13-14 FTE POSITION CUTS.

# FULL TAX LEVY OPTION

## ■ PROS

- FILLS GENERAL FUND GAP COMPLETELY
- RAISES TAX LEVY BY ABOUT 2.2% PER HOUSEHOLD
- WOULD REQUIRE FEWER POSITION CUTS, 6-7 FTE

## ■ CONS

- DOES NOT INCLUDE ANY NEW SERVICES, EXCEPT FOR \$150,000 IN FUNDING FOR YOUTH INITIATIVE  
NO FUNDING FOR NEW STAFF POSITIONS,  
INCLUDING THE LIBRARY ESSENTIAL STAFFING  
PLAN (\$360,000+/-)

# STAFF RECOMMENDATIONS

- **STAFF RECOMMENDS THAT YOU ADOPT A TAX LEVY THAT PAYS FOR THE YOUTH SERVICES INITIATIVES, AND FILLS THE GAP IN THE GENERAL FUND**
  - GIVE CONSIDERATION TO LIBRARY STAFFING PLAN
  - STAFF WILL CONTINUE TO LOOK AT POSSIBLE POSITION CUTS THROUGH REORGANIZATION AND OTHER EFFICIENCIES (PROMISE TO CUT A MINIMUM OF 6 POSITIONS)
  - STAFF WILL REVIEW THE REVENUES AND EXPENDITURES NEXT SUMMER TO DETERMINE FINAL TAX LEVY IN DECEMBER 2007.
  
- **STAFF WOULD LIKE TO PROCEED WITH SANITATION INITIATIVES**
  
- **STAFF WILL CONTINUE TO WORK ON HEALTH SERVICES WITH OUTSIDE ORGANIZATIONS, WITH A RECOMMENDATION TO YOU BY DECEMBER 31.**



# SANITATION INITIATIVES

- **PROCEED WITH REORGANIZATION**
  - ELIMINATE TWO POSITIONS IN SANITATION COLLECTION PROGRAM
  - MAKE CHANGES TO DOWNTOWN LITTER/REFUSE
- **REVIEW POSSIBILE IMPLEMENTATION OF NEW RECYCLING CARTS THROUGH EITHER THE PILOT PROGRAM OR A FULL CHANGE OUT.**
  - FUNDING FOR CARTS TO COME FROM A CONTRACT CHANGE OR
  - GENERAL FUND RESERVES FOR A ONE-TIME PURCHASE OF 95 GALLON RECYCLING CARTS



# IMRF EARLY RETIREMENT INCENTIVE (ERI)

JUDY WITT

*November 6, 2006*

# IMRF Pension Benefits

- Regular pension: age 60
- Reduced pension: age 55 – 59
- Maximum pension: 40 years of service = 75% of final earnings rate (highest consecutive 48 months of salary within last 10 years)
- ERI allows employee to purchase up to 5 years of age/service credit
  - 50 year old employee purchases 5 years of age/service, becomes eligible for reduced pension benefits
  - 55 year old employee purchases 5 years of age/service, becomes eligible for regular pension benefits
  - 60 year old employee with 20 years of service purchases 5 years of age/service, becomes eligible for pension based on 25 years of service

# EARLY RETIREMENT INCENTIVE PROGRAM

## ELIGIBLE EMPLOYEES

- 50 years old
- 20 years of IMRF service credit
  - 105 current employees eligible (71 already at least 55 years old + 20+ years of service; 34 newly eligible under ERI) in every department except Fire
- Available to all eligible employees

## ONE YEAR WINDOW FROM PROGRAM EFFECTIVE DATE

- Employee may file Letter of Intent at any time during that window period
- City may determine timing of retirements (30 day notice)
- Tentative window period July 1, 2007 – June 30, 2008

# EARLY RETIREMENT INCENTIVE PROGRAM *(Continued)*

## COSTS OF ERI

- Employee pays 4.5% of highest 12 consecutive months of salary, for each year of service credit purchased
- City pays increased pension costs for larger pension benefits
  - Costs are individualized actuarial projections, based on employee's age, salary and years of service
  - Additional liability amortized over 5 – 10 years, at employer's choice
  - First additional costs added to City's IMRF contribution rate two years after first retirements

# BENEFITS OF AN ERI TO THE CITY

- Allows the City to save fringe benefits and payroll costs by providing long term employees an incentive to retire
- Creates additional opportunities for departmental reorganizations, service consolidations and re-engineering for increased efficiencies
  - Replacement salaries and benefits (i.e., vacation) are lower
  - Not all positions are replaced
  - Some positions re-engineered resulting in lower salary ranges
  - Vacation accruals are lower for newly-hired employees, adding additional productive work weeks
  - Terminating pay liability is reduced through employees retiring early

# COST ANALYSIS ASSUMPTIONS

- 35 employees would retire
- 77% of positions would be filled at lower salary but same range
- 15% of positions vacated would not be filled
- 8% of positions vacated would be filled, but at a lower salary range
- Only assumptions at this point; need eligible employee survey to more accurately project costs/savings and determine whether or not to move forward
- Based on these assumptions, ERI is cost neutral

# NEXT STEPS

- Hold informational meetings for employees – December/January
- Request non-binding indication of interest in order to do more accurate cost analysis – January
- Complete cost analysis – if cost neutral or better, present to City Council for review and approval of required resolutions - February
- Formal notice to eligible employees - March
- Binding Notice of Intent filed by interested employees – Beginning in April
- Finalize and coordinate retirements – May
- First retirements - July





**WELLNET HEALTHCARE – PHARMACY  
BENEFITS MANAGEMENT  
PRESENTED BY JUDY WITT  
NOVEMBER 6, 2006**

# WellNet HealthCare

## Pharmacy Benefits Management

- Carve out pharmacy benefits from Blue Cross/Blue Shield – PPO Only
- Provide same level of benefits for lower cost
  - WellNet contracts directly with pharmacy distributors – no markup costs to us, lower prices overall
  - Administrative fees significantly less than with Blue Cross/Blue Shield
  - Reduces Blue Cross/Blue Shield premiums – lower base for future increases
- Only change to employees is pharmacy card

# WellNet HealthCare

## Pharmacy Benefit Management

- Future savings through better management of pharmacy benefits
  - Better education of savings through mail order
  - Better education of savings through generics as appropriate
  - Better data analysis of actual usage of group – can lead to focus on employee education and wellness for disease management
- City self-insures pharmacy costs
- Contracts with WellNet for administrative fees
- Blue Cross/Blue Shield Renewal date is 12/1/06; effective date of WellNet contract would be 12/1/06
  - Consideration of contract with WellNet on A&PW agenda for 11/13/06
  - Need to inform 500+ employees prior to Thanksgiving (11/23)
  - Request Council approval to proceed with informing employees

# WellNet HealthCare

## Pharmacy Benefit Management

### ■ BUDGET IMPACT

	2006 <u>Costs</u>	2007 <u>Costs</u> <u>With Pharmacy</u>	2007 <u>Costs</u> <u>No Pharmacy</u>
Blue Cross/Blue Shield	\$9,412,000	\$10,335,000	\$9,181,000
Pharmacy Costs (projected)	0	0	\$815,200
WellNet HealthCare	0	0	\$31,000
<b>TOTAL</b>	\$9,412,000	\$10,335,000 +9.9%	\$10,027,200 +6.5%
2007-08 Savings			\$307,800

# YOUTH SERVICES

- REMARKS BY JUDY AIELLO
- REPORT PRESENTED BY SHEILA

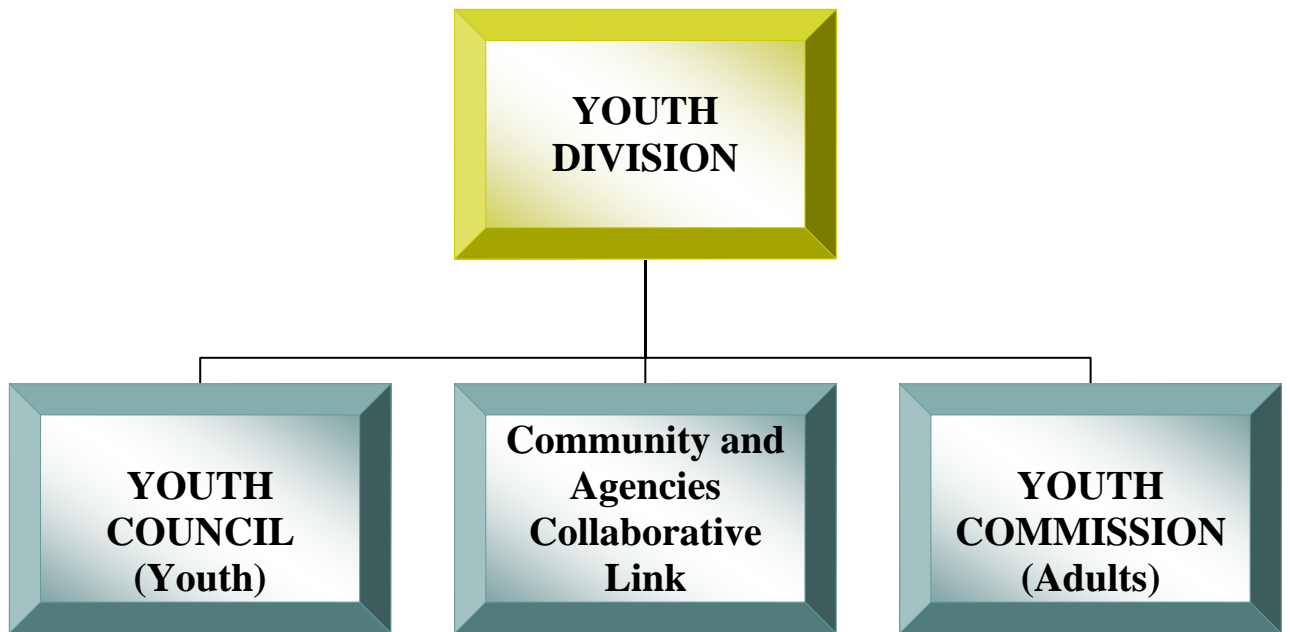
# SUMMARY

- STAFF WILL PROCEED FROM TONIGHT'S DISCUSSION TO MAKE FINAL CHANGES TO THE PROPOSED BUDGET FOR FY 2007-08
- COUNCIL WILL REVIEW OUR RECOMMENDED BUDGET BEGINNING IN JANUARY 2007
- STAFF APPRECIATES THE INPUT OF THE COUNCIL AND THE COLLABORATIVE NATURE OF THE COUNCIL IN REVIEWING ALTERNATIVES

**General Fund Tax Bill Increase Options  
Effect on Yearly Rates**

Tax Bill	Effect of Increase			
	Base	\$1.0 million	\$1.5 million	\$2.0 million
\$ 5,000	\$ 53.80	\$ 82.81	\$ 97.32	\$ 111.83
\$ 6,000	\$ 64.56	\$ 99.38	\$ 116.78	\$ 134.19
\$ 7,000	\$ 75.32	\$ 115.94	\$ 136.25	\$ 156.56
\$ 8,000	\$ 86.09	\$ 132.50	\$ 155.71	\$ 178.92
\$ 9,000	\$ 96.85	\$ 149.07	\$ 175.18	\$ 201.29
\$ 10,000	\$ 107.61	\$ 165.63	\$ 194.64	\$ 223.65
\$ 12,000	\$ 129.13	\$ 198.76	\$ 233.57	\$ 268.38
\$ 14,000	\$ 150.65	\$ 231.88	\$ 272.50	\$ 313.11
\$ 16,000	\$ 172.17	\$ 265.01	\$ 311.42	\$ 357.84
\$ 18,000	\$ 193.69	\$ 298.13	\$ 350.35	\$ 402.57
\$ 20,000	\$ 215.21	\$ 331.26	\$ 389.28	\$ 447.30

Tax Bill	Percent Increase on Tax Bill							
	Base	% Increase	\$1.0 million	% Increase	\$1.5 million	% Increase	\$2.0 million	% Increase
\$ 5,000	\$ 53.80	1.07%	\$ 82.81	1.65%	\$ 97.32	1.94%	\$111.83	2.2%
\$10,000	\$ 107.61	1.07%	\$ 165.63	1.65%	\$ 194.64	1.94%	\$223.65	2.2%
\$ 20,000	\$ 215.21	1.07%	\$ 331.26	1.65%	\$ 389.28	1.94%	\$447.30	2.2%



**1. Job Readiness and Employment**

- Summer Youth Employment Program (ages 14-18)
- Year-Round Employment Program (ages 16-18)
- ETHS Work-Study (ages 16-18)
- Apprenticeship Program (ages 17-30)

**2. Recreation/Engagement**

- Teen Center
- Teen Events Using School Space
- Shuttle Transportation
  - NU Shuttles?

**3. Intervention**

- Expand Youth Street Outreach Unit
- Restorative Justice/ Peace Circles
- Parental Responsibility Ordinance?

**4. Agency Collaboration**

- Workforce Group
- Ex-offender Group
- Youth Website
- Youth Summit
- L.A.N?

**5. Impact Measurements**

- Setting up impact measurements for internal and external program evaluation
- How will we collect/monitor data? What type of technology will we use?
- What will be the consequences of unmet goals?

**6. Community Ownership**

- Evanston Youth Initiative
- Youth Summit
- Neighborhood Block Clubs?