

ORDINANCE NO. 2141

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SALISBURY APPROVING AN AMENDMENT OF THE FY 11 GENERAL FUND BUDGET TO APPROPRIATE ADDITIONAL FUNDS TO PAY THE CITY'S UNEMPLOYMENT COSTS.

WHEREAS, in the FY 2011 General Fund budget, the City only provided \$42,000 for unemployment charges; and

WHEREAS, the City has spent approximately \$33,000 in unemployment charges through the first half of FY 11; and

WHEREAS, there are not sufficient funds in the Unemployment account to cover the remainder of FY2011; and

WHEREAS, the expected shortfall in this account is \$40,000; and

WHEREAS, there is a sufficient balance in the General Fund Surplus to offset this cost.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF COUNCIL OF THE CITY OF SALISBURY, MARYLAND that the City's Fiscal Year 2011 General Fund budget be and is hereby, amended as follows:


- 1) Increase the General Fund Surplus by \$40,000
- 2) Increase the Debt Service & Other Uses by \$40,000

BE IT FURTHER ORDAINED that this Ordinance shall take effect from and after the date of its final passage.

THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the 14th day of March, 2011, and thereafter, a statement of the substance of the Ordinance having been published as required by law, was finally passed by the Council on the 28th day of March, 2011.

ATTEST:


Brenda J. Colegrove, City Clerk


Louise Smith, President
Salisbury City Council

Approved by me this 29th
day of March, 2011


James Irton, Jr., Mayor

Memo

To: John Pick, City Administrator
From: Pamela B. Oland, Director of Internal Services *PBO*
Date: February 22, 2011
Re: Budget Amendment for Unemployment Insurance

During the current fiscal year our expenses for unemployment compensation have been running much higher than anticipated. As a result, we do not have sufficient funds to pay our last two quarterly bills. Therefore, we are requesting a budget amendment to appropriate \$40,000 from surplus.

During the FY 2011 budget process, the estimate for unemployment was based on our prior year data. At the end of FY2010 our actual spent for unemployment was \$40,365, thus we budgeted \$42,000 for FY 2011. (We only paid \$14,735 in FY 2009 and \$8,827 in FY 2008).

Since that time our unemployment cost has continued to increase. This is due primarily to the economy. It is taking people longer to find new jobs. Additionally, when employees voluntarily resign from the City to take another job, but then lose that job, the City is considered a base period employer and we are required to help pay for their unemployment (even if they wouldn't have qualified for unemployment if they had applied after they left the City's employment). The City can not appeal this payment. For example, our most recent bill of over \$24,000 had at least \$5,000 for voluntary resignations from City employment, but still qualified for benefits.

We are charged as a base period employer without the ability to appeal because we are self-insured for unemployment compensation. We are only required to pay for our actual claims in any given year. In discussions with Maryland Unemployment, if the City was required to pay for unemployment insurance, rates paid by other employers range from 2.2% of payroll to as much as 13.5% of payroll. Just using the 2.2% figure, the estimated amount the City would pay for FY 2011 (for all funds, excluding overtime and part-time salaries) is over \$365,000. (In contrast, as stated above our unemployment payments for FY 08 were \$8,827.) Thus self insurance has saved, and continues to save, the City money.

Through 2 quarters of FY 2011, the City has been charged \$33,096 for unemployment benefits and we have an outstanding bill of over \$24,000. Our budget was only \$42,000. Based on this bill and our estimate for the remainder of the fiscal year, we are estimating that we need another \$40,000 in the budget, thus we are requesting a budget amendment. Attached please find a budget amendment for this account.

If you have any questions, please let me know.