

**CITY COUNCIL QUESTIONS/COMMENTS
COUNCIL FOR JANUARY 24, 2011
RECEIVED AS OF JANUARY 23rd @ 12:39 pm
AND
STAFF RESPONSES**

Councilperson: Karen Schmidt

Item: 6C-Purchase of a Parks and Recreation Chipper

Question/Comment: I don't have a problem with replacing a worn-out chipper, nor whether or not it is useful to Parks and Recreation. This agenda item does make me reflect on where we are with managed competition in general, and what our approach is. It seems to me that when we replace equipment, we can be making a de facto decision about retaining a service program in-house. I am not arguing that this is the case here-the fact is, I don't know. Can this issue be addressed as a matter of course in staff recommendations as we dig into our backlog of aging equipment?

Staff Response: Staff continues to look at Managed Competition, but with staff shortages, it has been difficult to devote the needed time to start this long process.

Councilperson: Bernie Anderson

Item: 6E-Professional Services Contract for the Bloomington Center for the Performing Arts

Question/Comment: This is a statement and does not require a reply. I would still like for the COB to set a standard cost of expenses and that it is reflected in the contract. This may require the stating of a cap on any and all expenses.

Staff Response: None

Councilperson: Bernie Anderson

Item: 6F-Lake Bloomington Lease Transfer

Question/Comment: Are we preparing when this lease expires, for a rewrite? I think we need to also consider expressing this publicly so lease holders know there is a change coming to cover operating expenses.

Staff Response: Staff is preparing for a rewrite of the leases at Lake Bloomington. Please note that this will happen well before the recent leases, including these two, expire. The length of these leases is until the year 2131. Some of the suggested changes to the leases will be brought to the Council for your consideration in the near future. Concerning any lease changes to cover operating expenses, the Water Department Staff is in contact with the Lake Bloomington Association liaison, Mr. Dale Strasheim, on a regular basis to discuss this issue. Although nothing has been proposed at this time in the way of fee increases, the Association is aware that the philosophy of full cost recovery for operating expenses is being considered.

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Councilperson: Bernie Anderson

Item: 6G-Lake Bloomington Lease Transfer

Question/Comment: Same concerns as 6F

Staff Response: Same as Item 6F

Councilperson: Karen Schmidt

Item: 8A- Text Amendment Creating a Property Maintenance Review Board

Question/Comment: This Board has great potential impact on older parts of our city, so I sent this agenda item out to my e-mail list for comment. Generally positive feedback, and I am especially pleased to see term limits on Board members-this is a practice I think all Boards and Commissions should emulate. There were some cautionary questions that I received that I want to put to staff now: the scope of this Board is broad, and has the potential to change the code interpretations over a period of time and possibly not in a direction that we might want to go. Does this ordinance creating the Board have safeguards for that? Why is the voice of the city staff muted on this Board? How do we monitor if a contractor becomes a landlord, or if a "small" landlord becomes a "large" landlord?

Staff Response: This Board will not have term limits; the Board will have three year terms and can be reappointed by the Mayor and ratified by the City Council. Each case before the Board is considered on its own merits and should not be setting a standard. If the Board is taking its own direction due to vagueness of a code, then Staff can recommend to the Council a rewrite of the code for clarification. This gives the Council the final say. City Staff will be acting as Board support (secretary) and providing their reasoning or stance on cases brought before the Board. It is not typical to have a voting Staff member. While we don't have a formal way of monitoring if a contractor becomes a landlord, or if a small landlord becomes a large landlord, we can make it a point to let Board members know their standing. We can verify through out building registration and with Normal's program.

Councilperson: Bernie Anderson

Item: 8A-Text Amendment creating a Property Maintenance Review Board

Question/Comment: I ask the same question as Alderwoman Schmidt! What protects the interpretation of enforcement over time? I may also ask why we would require only residents of COB? What if a property owner who is also a tax payer not residing in the City not be considered with a limitation of one position? Term limitations should be considered for all positions involving government.

Staff Response: Same as Response as above.

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Councilperson: Karen Schmidt

Item: 8B-Locust Colton CSO Elimination Phase 1 Project

Question/Comment: I know we will have a lot of perspectives to digest on this. Can we also get a sense of whether we have a good opportunity to bond for projects coming along, so we can package and move on a number of these items that have been percolating for so long and would we hope to get terms anywhere near what is being offered here?

Staff Response:

- The Illinois Environmental Protection Agency (IEPA) has indicated that there would not be loan forgiveness and such a low interest rate on any future funding programs.
- Staff would recommend capitalizing on this unique opportunity to the maximum extent since the loan terms are for 20 years and staff's high level projection is the City's sewer fund should become healthy by the 2014 fiscal year (see attached analysis). It is important to not miss a long term extreme positive for a short term problem.
- The IEPA loan has very favorable terms in comparison to the city issuing either General Obligation Debt or Revenue Bonds to finance the Locust/Colton project. First, the IEPA Loan terms is offering the City 25% principal forgiveness. Neither traditional General Obligation Bonds nor Revenue Bonds offer this subsidy. In fact, even the recently expired Build America Bonds require all principal borrowed to be repaid. Second, the IEPA loan offers the City a 20-year interest of 1.25%, while traditional General Obligation Bonds and Revenue Bonds currently offer an interest rate between a range of 3% to 5%.
- The financial impact presentation tonight will present information on the overall Sewer Fund including a history of rate changes, history of the funds, unrestricted net asset balances and a high level financial impact, the IEPA would incur upon the Sewer Fund.
- This is the same funding program that the City applied for last year and was denied.
- This is a perfect example of back to basics. The City's Finance Department is currently working with all City Departments to develop a five year Capital Improvement Plan. This Capital Improvement Plan will consist of an outline of potential capital projects for the City of Bloomington over the next five fiscal years. In the past, the City's Capital Improvement Plan has included a list of projects, but no means to finance the projects. Thus, as this plan is created, the City will institute a formal financing section which will outline how the City can potentially finance the proposed Capital Improvement Projects. The inclusion of this financing section is considered a "best practice" by the Government Finance Officers Association. One element of the financing section will provide projects that would be ideal to issue General Obligation Debt.

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Councilperson: Jim Fruin

Item: 8B-Locust Colton CSO Elimination Phase 1 Project

Question/Comment: What is the Staff recommendation? This is a classic example of those single large expense items that change their nature/character outside of the focused annual Budget review (Feb-April). We then make individual, decisions, independent of all other large ticket items. I have no trouble supporting this item as it “is in the best interest of the City.” The question is to what level at this time. It is easy to say YES to these independent, stand-alone issues that pop-up during the year, but how does it impact those items we said No to last spring? For example, last spring we said No to more administrative help for administrative/finance/compliance/competitive comparison work. Do the independent decisions we make during non-budget discussion months trump those needs we only discuss during Feb-April? I believe in supporting 8B, but the question is to what level at this time, and hopefully not to the point it undercuts previously discussed wants and needs for which we said NO. Timing of decisions is everything.

Staff Response: To capitalize on this unique opportunity to the maximum extent.

Councilperson: Bernie Anderson

Item: 8B-Locust Colton CSO Elimination Phase 1 Project

Question/Comment: The concern is at what level we move forward keeping in mind the COB is just starting to recover from the economic-slow does, in addition to needing to review various policy changes i.e. annexation and managed competition.

Staff Response: Staff will be making a formal presentation this evening.

Respectfully submitted,

Barbara J. Adkins
Deputy City Manager

Sewer Fund

	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
	actual	actual	actual	actual	actual	Projected	Projected	Projected	Projected	Projected
Revenue										
Charges for Service	\$ 2,317,337	\$ 2,217,580	\$ 2,445,451	\$ 2,524,990	\$ 3,206,540	\$ 4,212,853 ¹	\$ 5,140,000 ²	\$ 5,191,300 ³	\$ 5,243,113 ³	\$ 5,295,444 ³
Operating Expenses										
Personal Services	\$ 861,604	\$ 1,221,057	\$ 1,054,881	\$ 924,992	\$ 638,897	\$ 702,787 ⁴	\$ 737,926 ⁴	\$ 774,822 ⁴	\$ 813,563 ⁴	\$ 854,242 ⁴
Contractual Services	\$ 332,792	\$ 355,478	\$ 526,081	\$ 333,850	\$ 402,791	\$ 390,198 ⁵	\$ 429,218 ⁵	\$ 467,848 ⁵	\$ 495,919 ⁵	\$ 515,756 ⁵
Commodities	\$ 448,559	\$ 78,576	\$ 242,611	\$ 194,717	\$ 141,310	\$ 221,155 ⁶	\$ 226,683 ⁶	\$ 232,351 ⁶	\$ 238,159 ⁶	\$ 244,113 ⁶
Depreciation	\$ 978,300	\$ 1,057,292	\$ 1,136,837	\$ 1,191,989	\$ 1,235,264	\$ 1,266,146 ⁷	\$ 1,297,799 ⁷	\$ 1,330,244 ⁷	\$ 1,363,500 ⁷	\$ 1,397,588 ⁷
Total Operating Expenses	\$ 2,621,255	\$ 2,712,403	\$ 2,960,410	\$ 2,645,548	\$ 2,418,262	\$ 2,580,285	\$ 2,691,627	\$ 2,805,265	\$ 2,911,142	\$ 3,011,698
Operating Income (Loss)	\$ (303,918)	\$ (494,823)	\$ (514,959)	\$ (120,558)	\$ 788,278	\$ 1,632,568	\$ 2,448,373	\$ 2,386,035	\$ 2,331,971	\$ 2,283,746
Non-operating Income										
Investment Income	\$ -	\$ -	\$ 35,441	\$ 2,963	\$ 240	\$ 200 ⁸	\$ 210 ⁸	\$ 220 ⁸	\$ 230 ⁸	\$ 240 ⁸
Disposal of Capital Assets	\$ (3,747)	\$ -	\$ 13,491	\$ -	\$ -	\$ - ⁹	\$ - ⁹	\$ 15,000 ⁹	\$ - ⁹	\$ - ⁹
Other Income	\$ 383,124	\$ 348,544	\$ 382,594	\$ 160,289	\$ 353,919	\$ 325,694 ¹⁰	\$ 328,951 ¹⁰	\$ 332,240 ¹⁰	\$ 335,563 ¹⁰	\$ 338,918 ¹⁰
2007 Sewer Bond Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (160,000) ¹⁷	\$ (170,000) ¹⁷	\$ (175,000) ¹⁷	\$ (185,000) ¹⁷	\$ (190,000) ¹⁷
Interest expense	\$ -	\$ -	\$ (98,090)	\$ (269,055)	\$ (263,560)	\$ (260,094) ¹¹	\$ (253,081) ¹¹	\$ (245,750) ¹¹	\$ (238,100) ¹¹	\$ (230,132) ¹¹
Bond Issuance costs	\$ -	\$ -	\$ -	\$ (2,980)	\$ (1,490)	\$ (1,490) ¹²	\$ (1,490) ¹²	\$ (1,490) ¹²	\$ (1,490) ¹²	\$ (1,490) ¹²
Total Non-Operating Income	\$ 379,377	\$ 348,544	\$ 333,436	\$ (108,783)	\$ 89,109	\$ (95,690)	\$ (95,410)	\$ (74,780)	\$ (88,797)	\$ (82,463)
Transfers										
Transfers In	\$ -	\$ 945,066	\$ -	\$ 339,102	\$ 421,788	\$ - ¹³	\$ - ¹³	\$ - ¹³	\$ - ¹³	\$ - ¹³
Transfers Out	\$ (551,781)	\$ (1,046,167)	\$ (574,965)	\$ (721,947)	\$ (1,036,570)	\$ (660,087) ¹⁴	\$ (130,835) ¹⁴	\$ (132,144) ¹⁴	\$ (185,000) ¹⁴	\$ (134,799) ¹⁴
IEPA Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - ¹⁵	\$ - ¹⁵	\$ (250,000) ¹⁵	\$ (250,000) ¹⁵	\$ (250,000) ¹⁵
Total Transfers	\$ (551,781)	\$ (101,101)	\$ (574,965)	\$ (382,845)	\$ (614,782)	\$ (660,087)	\$ (130,835)	\$ (382,144)	\$ (435,000)	\$ (384,799)
Contribution Revenue	\$ 1,036,379	\$ 2,023,214	\$ 1,737,800	\$ 1,612,880	\$ -	\$ -¹⁶	\$ -¹⁶	\$ -¹⁶	\$ -¹⁶	\$ -¹⁶
Change in Net Assets:	\$ 560,057	\$ 1,775,834	\$ 981,312	\$ 1,000,694	\$ 262,605	\$ 876,791	\$ 2,222,128	\$ 1,929,111	\$ 1,808,174	\$ 1,816,484
Net Assets, Beginning of the Year	\$ 47,615,535	\$ 48,175,592	\$ 49,951,426	\$ 50,815,692	\$ 51,808,510	\$ 52,071,115	\$ 52,947,906	\$ 55,170,034	\$ 57,099,145	\$ 58,907,319
Prior Period Adjustment	\$ -	\$ -	\$ (117,046)	\$ (7,876)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Assets, End of the Year	\$ 48,175,592	\$ 49,951,426	\$ 50,815,692	\$ 51,808,510	\$ 52,071,115	\$ 52,947,906	\$ 55,170,034	\$ 57,099,145	\$ 58,907,319	\$ 60,723,803
Net Asset Distribution										
Invested in Capital Assets Net of Related Debt	\$ 48,786,870	\$ 53,716,113	\$ 55,138,238	\$ 56,883,447	\$ 56,529,323	\$ 57,094,616	\$ 57,665,562	\$ 58,242,218	\$ 58,824,640	\$ 59,412,887
Unrestricted	\$ (611,278)	\$ (3,764,687)	\$ (4,322,546)	\$ (5,074,937)	\$ (4,458,208)	\$ (4,146,710)	\$ (2,495,529)	\$ (1,143,073)	\$ 82,679	\$ 1,310,916
Total Net Assets (deficits)	\$ 48,175,592	\$ 49,951,426	\$ 50,815,692	\$ 51,808,510	\$ 52,071,115	\$ 52,947,906	\$ 55,170,034	\$ 57,099,145	\$ 58,907,319	\$ 60,723,803

Assumptions:

- ¹ - The Sewer Rate is scheduled to increase in January 1, 2011 per ordinance 2008-74 (third of four scheduled increases) from \$1.06 per cubic foot to \$1.33 per cubic foot. The revenue number was derived from the FY 2011 budget and is projected to be on target.
- ² - The Sewer Rate is scheduled to increase in January 1, 2012 per ordinance 2008-74 (fourth of four scheduled increases) from \$1.33 per cubic foot to \$1.60 per cubic foot. The revenue number was derived from the proposed FY 2012 budget.
- ³ - There are no scheduled Sewer Rate increases; however, there is a natural increase of 1% growth calculated in the revenue projection.
- ⁴ - Personal Services are projected to increase by 10% (due to personnel reclassification of personnel) in FY 2011 and increase by 5% in subsequent years.
- ⁵ - Contractual Services are projected in FY 2011 based upon a 5 year average and increase by a range from 4% to 10% in subsequent years.
- ⁶ - Commodities are projected in FY 2011 based upon a 5 year average and increase by 2.5% in subsequent years.
- ⁷ - Depreciation is a non-cash item. Thus, depreciation will impact net assets, but not cash flow. Depreciations is projected to increase by 2.5% in FY 2011 and subsequent years based upon new construction.
- ⁸ - Interest income is expected to be minimal from FY 2011 to FY 2015.
- ⁹ - The City will calculate a disposal of a \$15,000 asset in FY 2013. Other years will show a zero balance.
- ¹⁰ - Other income represents developer fees and FY 2011 represents a five year average with subsequent years increasing by 1%.
- ¹¹ - The interest expenses represents the interest paid on the General Obligation 2007 Bond Series.
- ¹² - The \$1,490.00 per year represents the annual amortization of the premium for the General Obligation 2007 Bond Series.
- ¹³ - There are no projected transfer in's into the Sewer fund from FY 2011 to FY2015.
- ¹⁴ - Transfers out consist of the administrative charge to the General Fund which is projected to increase by 1% per year.
- ¹⁵ - IEPA Loan is for \$10,000,000 borrowing for Option #3 with annual payment of \$430,000 (sewer \$250,000 and water \$180,000)
- ¹⁶ - This analysis includes no projection of contribution revenue.
- ¹⁷ - The 2007 Bond issuance was in the amount of \$6,260,000 for sewer construction on the southeast side of the City in the Kickapoo Creek basin.

Limitations:

- ^A - The fund analysis includes minimal to no capital projects and capital equipment from FY 2011 to FY 2015.