Council Questions/Comments and Staff Responses Report for April 8, 2013

as of April 8, 2013 at 8:08am

GENERAL COMMENTS:

Alderwoman: Jennifer McDade

Question/Comments: I have no questions at this time. Thank you!

CONSENT AGENDA:

Alderman: Rob Fazzini

Item 7D: Change Order for the FY 2013 Utility Maintenance Contract

Question/Comment: Why is the original estimate from the Water Fund of $50,000 being increased by four times that amount? That seems like a record percentage increase of 400%.

Staff Response: This Change Order is being requested for not only the dollars that have already been expended in necessary repairs, (approximately $110,000 or $60,000 over the original request) but was also written to take into account anticipated repairs in the Water Department through the balance of the fiscal year. In this fashion the Change Order would only have to be requested once.

The Water Department, utilizing previous repair experience, suggested a $50,000 amount when this contract was put out for bid in 2012. 2012 was the first year that Water Department pump and motor repair/rehabilitation work was included in the citywide utility maintenance contact. Unfortunately, based upon the amount of work that has actually been completed, it is clear that the amount of Water Department work for FY 2013 was underestimated.

Pump and motor repairs can be highly variable depending upon the amount of work that needs to be done on a single unit as well as the number of units that may need attention in a given year. In 2012, we had the unusual situation that more units needed repair/rehabilitation than estimated, perhaps due to the extreme levels that we were pumping during the drought and one pump/motor assembly needed major repair/rehabilitation. The major repair/rehabilitation to this one assembly alone cost more ($68,000) than the entire water portion of the utility maintenance contract. Although expensive, this was the correct decision since a new assembly (pump and motor) would cost over $300,000.

Based upon this years' experience, the amount requested for FY 2014 has been substantially increased. Additionally, being that is so late in FY 2013, it is highly unlikely that all the projects listed as "future projects" will be encumbered in FY 2013. If the future projects are not completed or encumbered by April 30, 2013, that work will wait until a new utility maintenance contract is bid for FY 2014.

Alderman: Rob Fazzini

Item 7E: Two (2) Year Extension of Auditors Contract

Question 1. Should this not be 7E?

Staff Response: Clerk's Office mistakenly labeled Item 7E and 7F as "6E and 6F" in the hard copy packet.

Question 2. Even with the high satisfaction with the current auditors, should we not have sought competitive bids?

Staff Response: We are asking the Council's permission to extend the auditors contract for two years; in lieu of bidding due to the intricacies of the current internal control improvements that are ongoing. In addition, Finance needs assistance during the final phases of the Tyler Conversion with a firm that is familiar with our internal control framework it continues to evolve.

Alderman: Rob Fazzini
Item 7F: "Application of Illinois State University Board of Trustees, for the Shakespeare Festival, located at 48 Sunset Rd., for a Limited Alcoholic Liquor License, Class LB, which will allow the selling and serving of beer and wine only by the glass for consumption on the premise"
Question/Comment: "Should this not be 7F?"
Staff Response: Clerk's Office mistakenly labeled Item 7E and 7F as "6E and 6F" in the hard copy packet.

REGULAR AGENDA:
Alderman: Rob Fazzini
Item 8A: "Adoption of the FY2014 Recommended Budget"
Question/Comment: "Since the traffic signal for G.E. Road at Keaton Place/Auto Row Drive was not in the Future Traffic Signals in the 5 year Capital Budget as presented in the Staff Response to my Questions regarding the 2014 Recommended Budget, I propose that it be done in the 2015 Budget. I also propose that in future years the City of Bloomington do only two traffic signals per year unless specific City Council approval is obtained for public safety reasons. This tracks with the past five year experience of 1.8 per year."
Staff Response: With capital projects, the City has to maintain certain flexibility when projects are completed. There may be times when it is advantageous to do multiple projects together in order to increase efficiencies or reduce impact to residents. Over the past few years, the City has been improving our infrastructure rating systems to move toward more comprehensive infrastructure assessment plans. More time will then need to be spent with the City Council to determine how the infrastructure items can be maintained and improved depending on funding levels available.

Alderman: Jamie Mathy
Item 8A: "Adoption of the FY2014 Recommended Budget"
Question/Comment: "I am concerned that we are lowering the amount we are paying towards our pension funds from last year. I feel this is sending the wrong message to our community. I know we are still working on a plan for how to address all 3 pension funds and we will have that plan in place before FY15 budgeting starts. In the meantime, I would like to see us make at least the same payment as we made last year. We have been given a worksheet that identifies $2,184,184 in Unreserved Fund Balance from the 2013 FY. Can we use some of those dollars to even out our pension funding payments for this year so we are not showing a decline in dollars?"
Staff Response: Certainly it is Council's prerogative to use fund balance to address long term liabilities. In FY2013 the City made a supplemental payment of $250,000 per pension above the legal minimum. Since the FY2013 contributions were "grossed up" for these supplemental payments it appears that the FY2014 proposed contributions are lower. The FY2014 budget includes the legal minimum for all three pensions. The Cities main source for funding pensions is the property tax levy which was reduced by approximately $400,000 for FY2014.

Alderwoman: Judy Stearns
Item 8A: "Adoption of the FY2014 Recommended Budget"
Question/Comment: "Since our budget workshop, I believe I have made it very clear that my position will be based on the public hearing which was held at our last meeting, public input I receive from calls, letters, emails, and so on, and finally, my own analysis of all of the above. In addition, I submitted some

budget questions, to which I received a final response in just the last few days. I just resubmitted several of these questions for more specific answers.

I take my fiduciary responsibility to the citizens of Bloomington very seriously and I will give that respect to my fellow Council Members for their views on the budget. While we have varying opinions, I do not suggest in any way that my views diminish any other views.

My budget position is based very simply on a broad look at where the city's finances are heading and what the larger trends are. Even more importantly, I take seriously the analysis of Fitch, a professional rating service who can affect our bond rating, something we all agree is very important.

In February of 2013, Fitch said, "Pension funding levels are very low, with increased funding levels likely creating financial pressures in the future." In their credit profile on our city, they cite "Weak Pension Funding." They further state, "The city participates in three pension plans, all of which are poorly funded." Finally, Fitch states in their narrative, "Fitch views these pension plans as a credit concern for the City and any material deterioration in funding levels could apply negative pressure to the rating."

My analysis of our actual funding to the pensions shows that we seem to be doing exactly what Fitch warned against, specifically lowering the actual amount we are contributing to the funds. As I said in Alderman's Discussion at our last Council Meeting, my look at levies shows a decline in the firemen's pension contribution from 3,407,498 in 2011 to 2,908,472, 2 years later in 2013. The police pension funding similarly fell from 4,057,967 to 3,181,581 in the same time period. The IMRF funding is also seriously underfunded.

The solutions to funding pension are many, and I do understand a "study" will no double be forthcoming, however, I suggest simple, short term, common sense solutions which should begin immediately.

First, no new future pension recipients should be added to our staff except for public safety or replacement of existing staff. I made it clear in my last communication on the budget that I do not support hiring a communications specialist or fund raiser or other non-public safety employees. I appreciate the concept of possibly contracting these positions, however I would not support hiring these positions, and am concerned about the message this proposal sends. I believe the very best way to communicate with our citizens is by quickly and competently responding to their concerns and showing large strides in street and infrastructure improvements.

We should always use our existing staff when humanly possible for consulting or other functions. I believe, for instance, that we have many talented police officers perfectly capable of the interim chief position, and should not be spending an extra $100,000.00 or so for salary, housing, transportation and so on for an outside contractor. A second example is outside legal counsel for negotiating which has already cost close to $200,000, and will soon be used to pursue a case we are told we have a high possibility of "losing."

I believe pension funding as well as making our severely underfunded storm water fund whole should supersede any spending on new recreational facilities that will put pressure on and expand the general fund for many years to come.

I believe proper, although difficult, prioritizing of our spending in the city could yield funding for deficits like the pension funds. It would be necessary to look critically at even expenses for $100,000.00 or less. I would also look at the idea submitted by Jamie Mathy.

The other Fitch comment that I consider a stern warning regards our debt ratio, which Fitch calls moderate. I looked at the debt analysis from Carl Woodward, a citizen and expert on finance. I consider his warning on expanding debt very well founded. What we are not even looking at is the often-requested future pension contributions we will soon be required to make considering the expansion of retirees, their longer life expectancy, and unknown investment returns. The Fitch report is assuming that all in the local economy remains at lease stable, and does not take into consideration the likelihood that our Illinois financial state will begin to place more pressure on cities and local school districts to fix the problems. For all of the above reasons, and especially for the next generation of tax payers, I respectfully oppose the proposed budget."

I forgot to add my question on debt ratio to the other questions for which I requested clarification. My question on debt ratio was not about debt retirement, as was the answer I received, but rather, what are the official percentages of debt ratio to market value and what is the current per capita debt?

Staff response: Local governments predominantly use the "*debt per capita*" ratio as a comparison. The definition of "*debt per capita*" is this measurement is the value of a government's debt expressed in terms of the amount attributable to each citizen. This ratio is a measurement of the value of a government's debt expressed in terms of the amount attributable to each citizen. The debt used in the ratio includes General Obligation and Revenue Bonds.

The City of Bloomington's debt per capita (including Early Retirement Incentive (ERI) Liability) from FY 2009 to FY 2012 is as follows:
FY 2009 -- $1,136
FY 2010 -- $1,125
FY 2011 -- $1,067
FY 2012 -- $1,035

The FY 2013 debt per capita is expected to drop to approximately $990. The City retired $3,415,000 in GO principal which includes the accelerated retirement of $800,000 in variable debt. This is expected to continue to drop in FY 2014 since the City will continue to retire debt. Bear in mind, the City will begin to rapidly retire debt in the 2011 GO Bond ($690,000) and the 2012 GO Bond ($3,000,000) bond issuance. It is expected the "*debt per capita*" will continue to decrease unless additional "*new money*" is borrowed at the discretion of City Council.

The pension funding levels for the three pension plans have been increasing each year. As of 5/1/12 the Police and Fire pensions are 63.70% and 55.96% funded according to Tepher Consultants. In addition, it has recently come to the Cities attention in discussion with the Illinois Municipal Retirement Fund (IMRF) that the 30% funding sited in the 12/31/11 actuarial report is not an apple to apples comparison when comparing funding ratios to Police and Fire Pension Funds. When compared with all factors Bloomington's funded ratio for this time period is approximately 74%. Understanding that pension liabilities are a critical issue City staff is working diligently to gather information and gain input from Pension Boards and Council to analysis the impact of each unfunded status going forward and how that will impact future budgets. Early analysis depicts the need for a contribution policy addressing key funding assumptions that will fund the pension at 100% and level off future spikes in contributions in the long term.

Prepared by: Barbara J. Adkins, Deputy City Manager