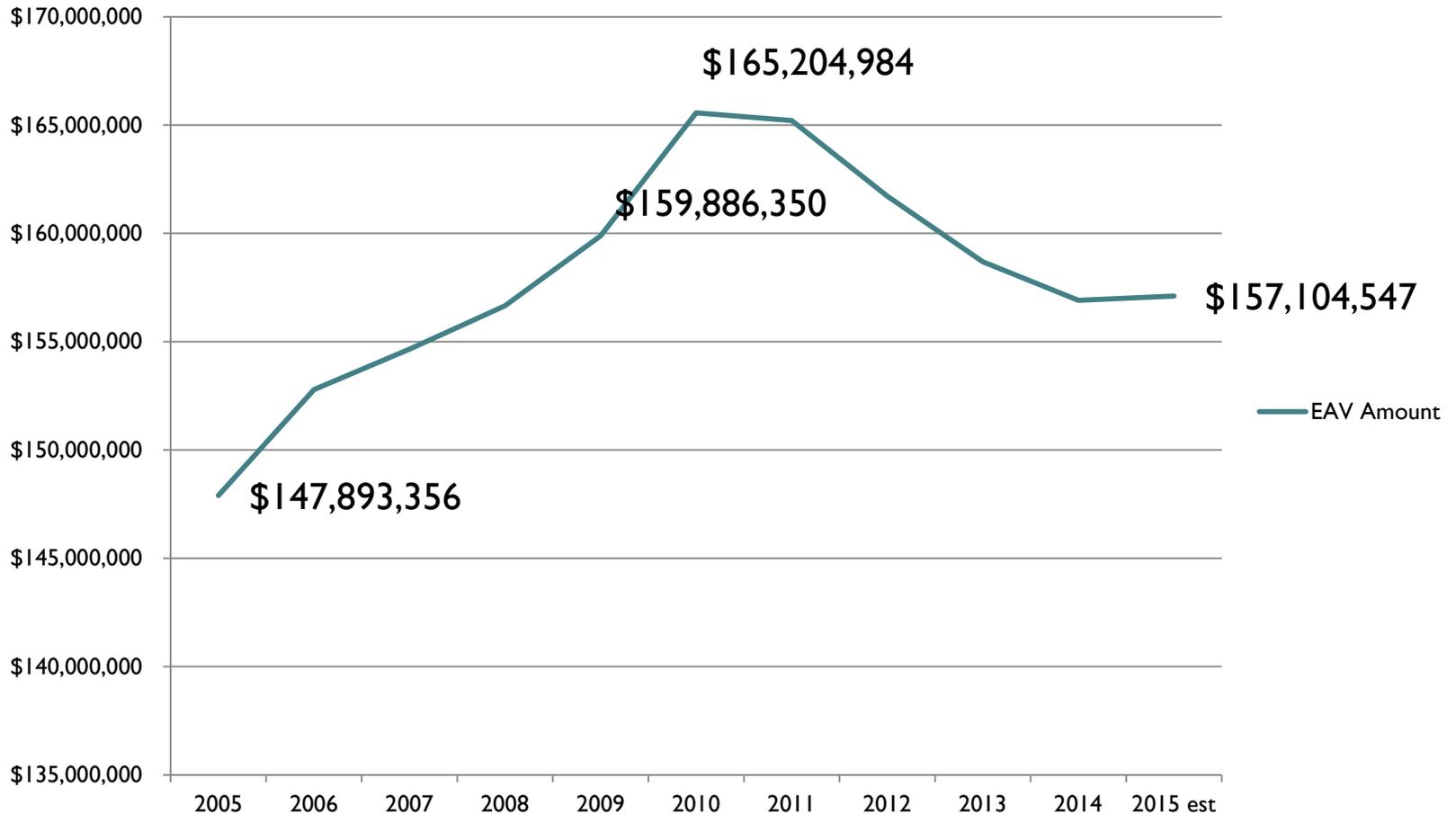


# 2015 Truth in Taxation Hearing

12/7/2015

# EAV – Equalized Assessed Value

## EAV Amount



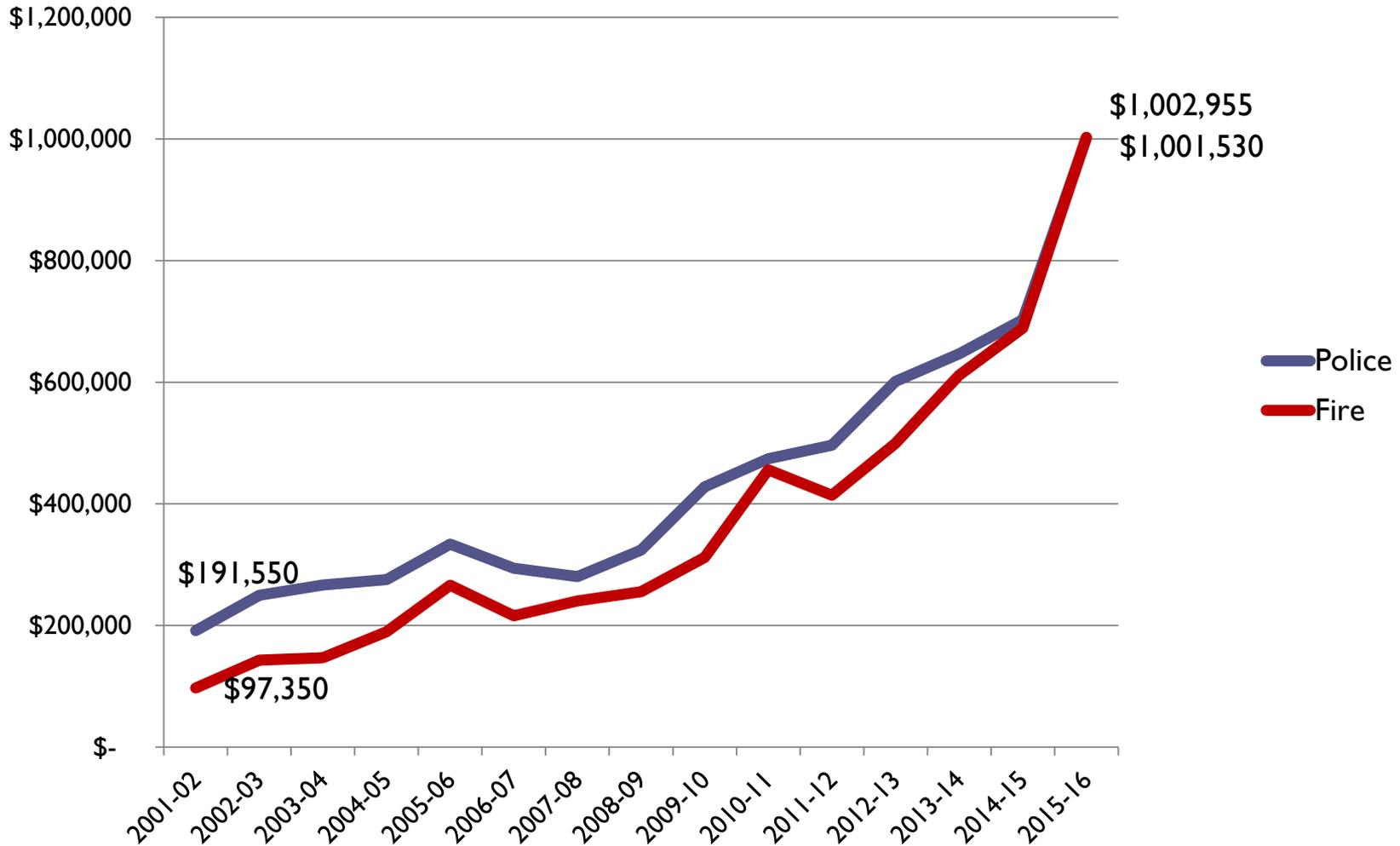
0.12% increase for FY 16-17. Still below 2009 EAV

# Levy changes

- All levies are projected to increase 1% or less except:
  - Liability and work comp insurance 14%
  - fire pension 47.55%
  - police pension 43.93%

# Pension Costs to City

(property + replacement tax)



14 Year increases: Police Pension = 423% Fire Pension 930% increase

# Funding Ratios

- Two methods for determining funding ratios:
  - Entry Age Normal (EAN)
    - Preferred by actuaries
    - Tries to provide for a level ratio of annual funding
  - Projected Unit Credit (PUC)
    - Used by the State
    - Helps kick the can down the road by increasing costs as a percentage of payroll over time

## Fire

### EAN

2015 – 56.58%  
2014 – 62.68%  
2013 – 65.31%  
2012 – 68.68%  
2011 – 74.70%

### PUC

2015 – 60.95%  
2014 – 64.17%  
2013 – 66.88%  
2012 – 70.94%  
2011 – 77.32%

## Police

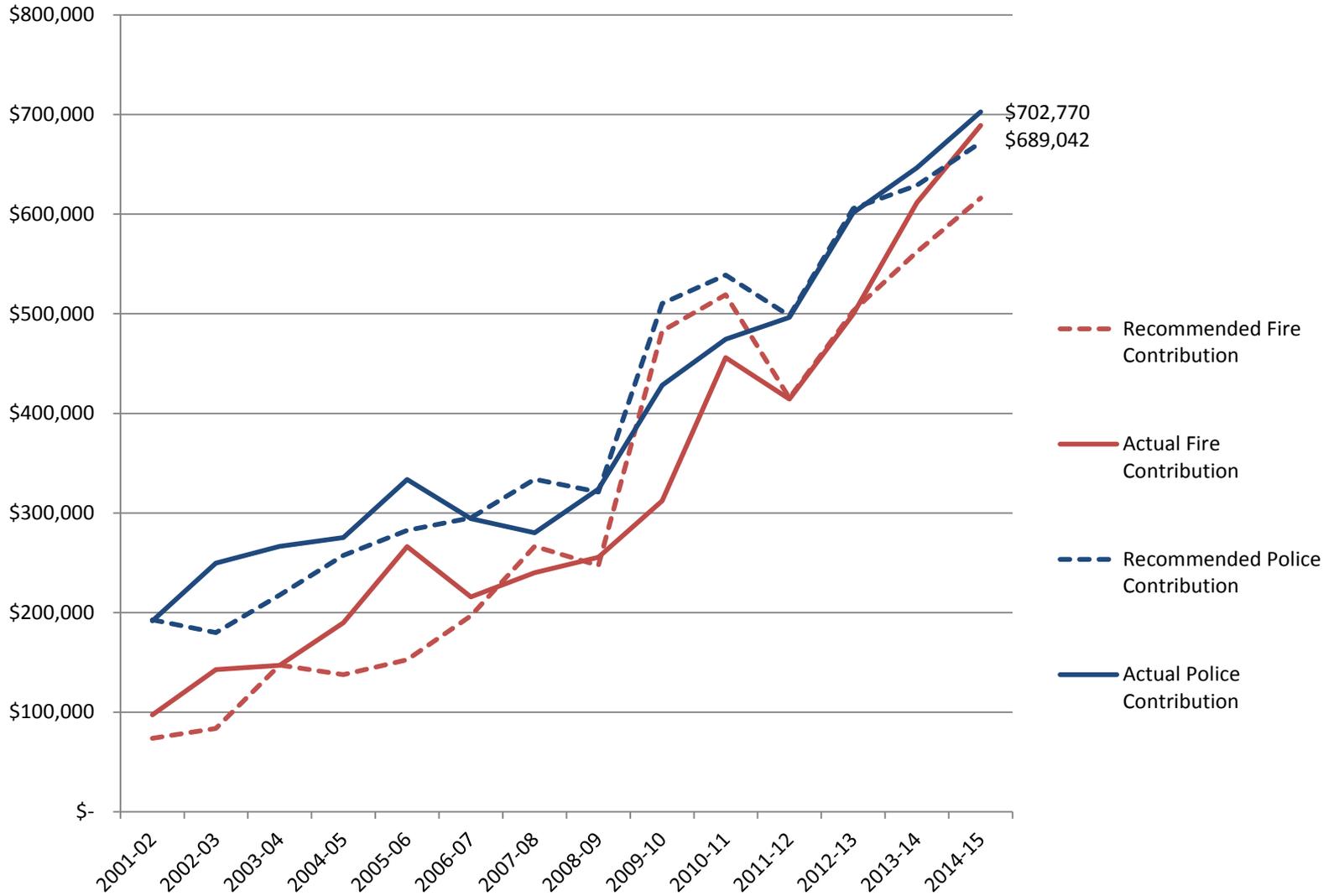
### EAN

2015 – 60.34%  
2014 – 64.70%  
2013 – 64.97%  
2012 – 65.66%  
2011 – 71.46%

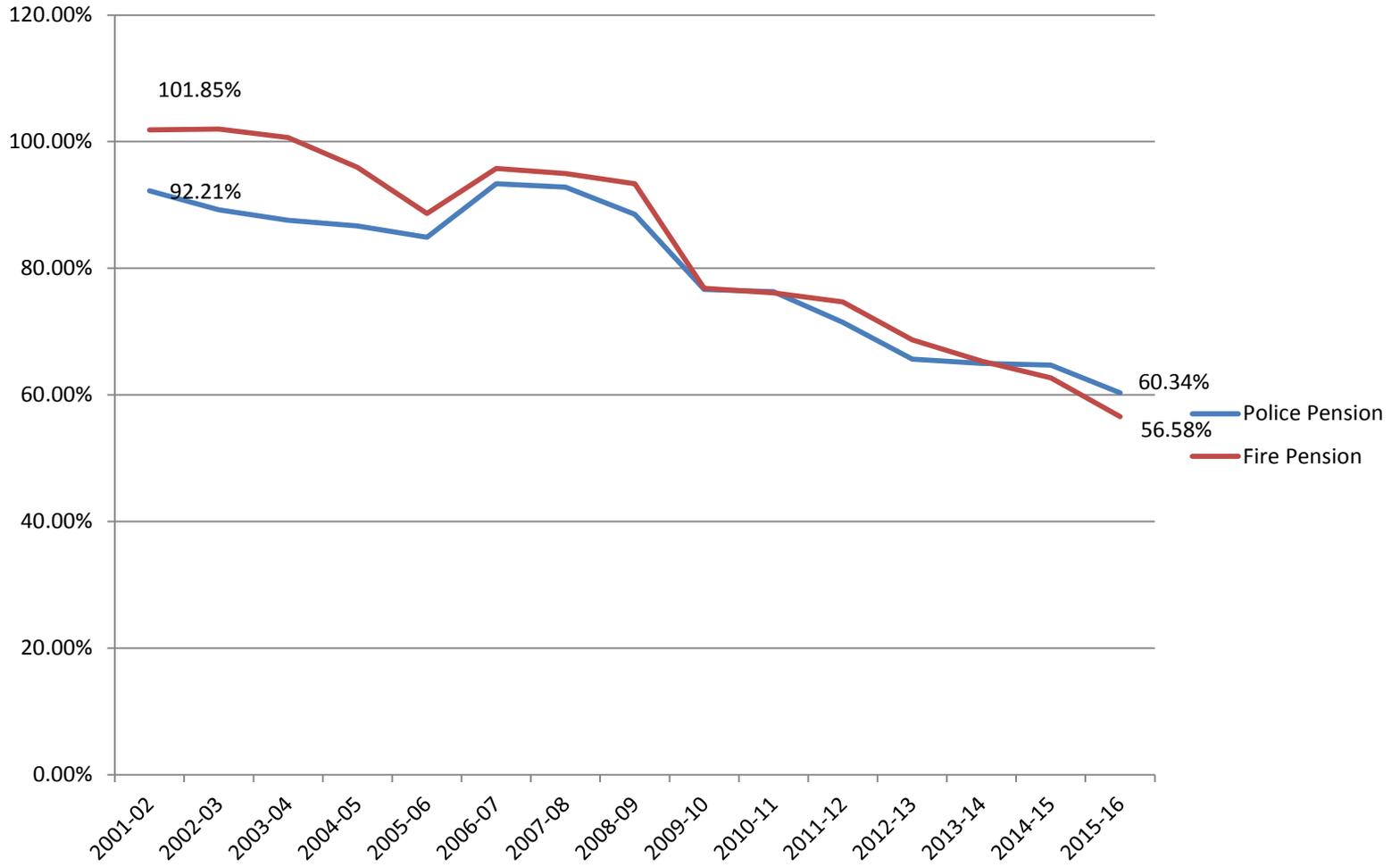
### PUC

2015 – 63.66%  
2014 – 68.75%  
2013 – 69.39%  
2012 – 70.31%  
2011 – 76.46%

# Past Actual vs. Recommended Funding

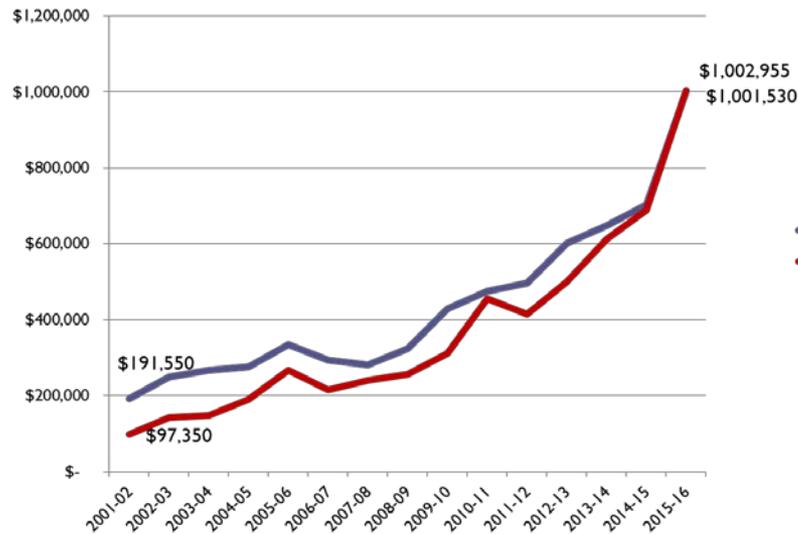


# Funding Ratios

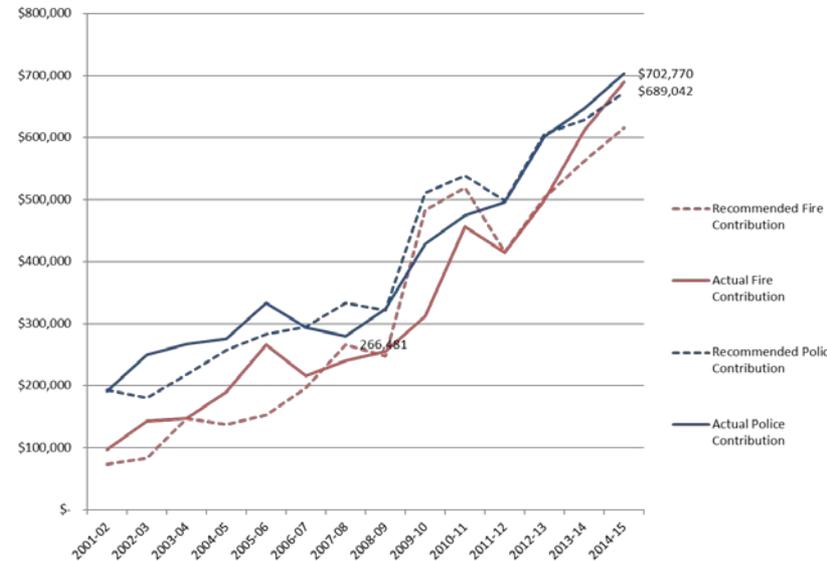


# We have met actuarial obligations

### City Contributions

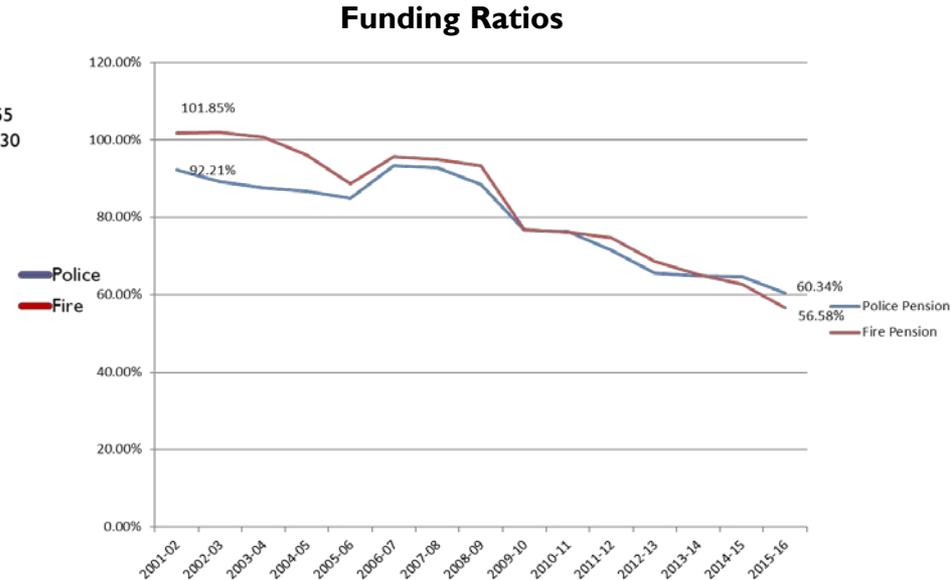
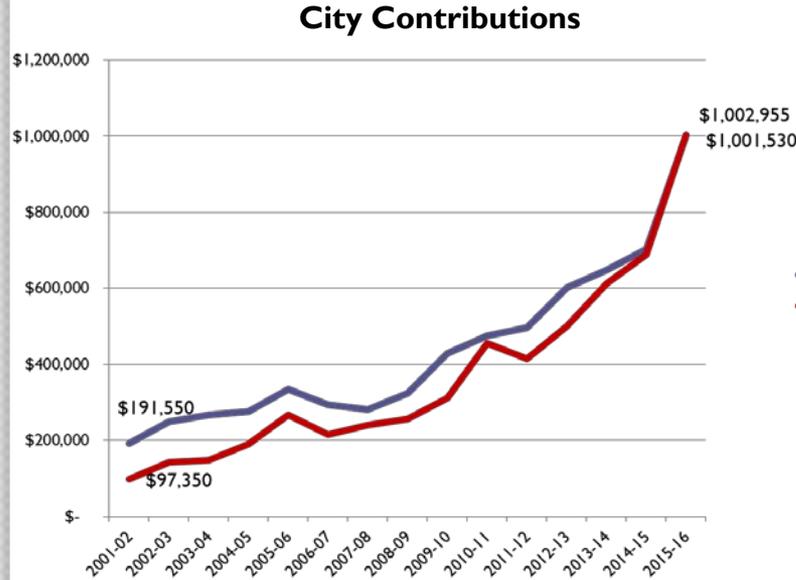


### Past Actual vs. Recommended Funding



The problem has NOT been the failure of the City to contribute!

# We have met actuarial obligations



The problem has NOT been the failure of the City to contribute!

# IMRF

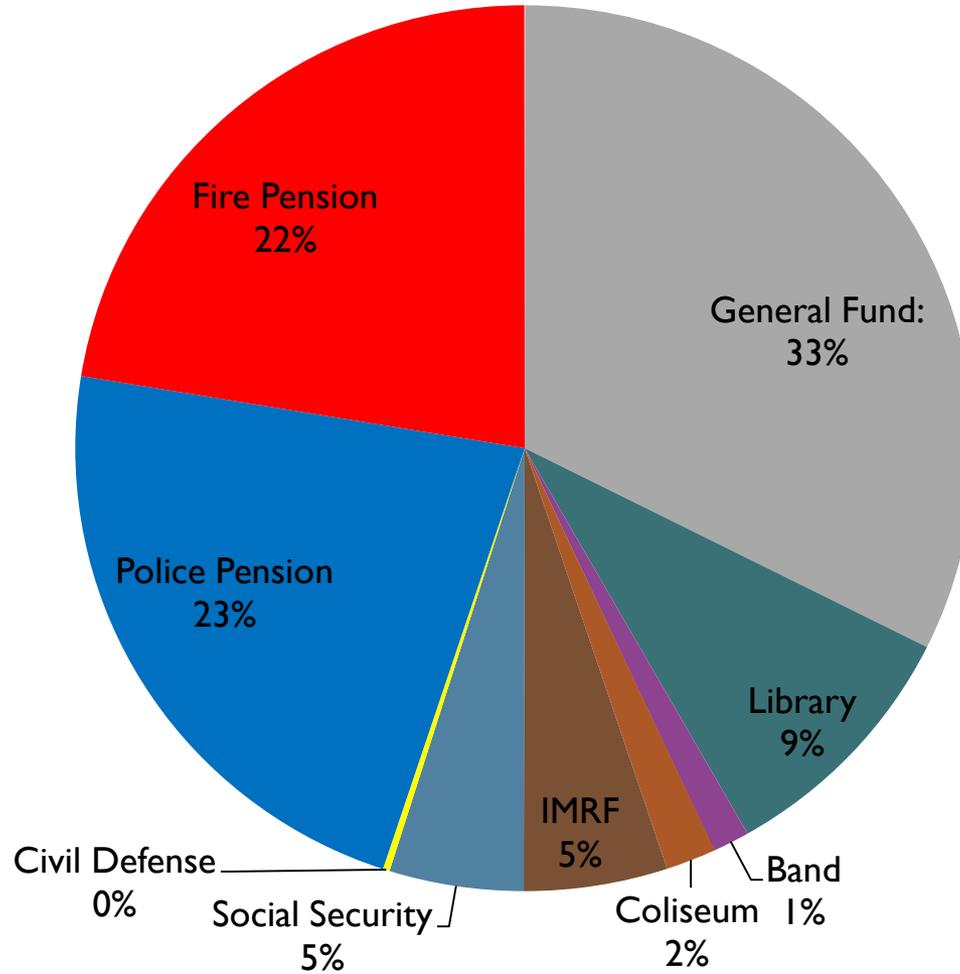
- IMRF was reformed in 2010 by the State legislature. They have remained relatively stable since:
  - 2009 rate = 8.3% of payroll
  - 2010 rate = 10.67% of payroll
  - 2011 rate = 11.14% of payroll
  - 2012 rate = 10.57% of payroll
  - 2013 rate = 12.25% of payroll
  - 2014 rate = 11.95% of payroll
  - 2015 rate = 10.27% of payroll
  - 2016 rate = 10.00% of payroll

# Retirement Contributions

- Percent of Payroll - Employer
  - IMRF + Social Security (10.00% + 6.2%) = 16.2% of payroll
  - Police = 57.63% of payroll
  - Fire = 86.42% of payroll
- Percent of Payroll – Employee
  - IMRF + Social Security – 4.5%+6.2% = 10.7% of payroll
  - Police = 9.91% of salary (40 ILCS 5/3-125.1)
  - Fire = 9.455% of salary (40 ILCS 5/4-118.1)
- 62 IMRF/SS employees = \$546,450 (\$8,813/employee)
  - \$50,000 IMRF employee wage + 16.2% IMRF/SS (\$8,100) = \$58,100 wage + retirement cost to city
- 28 active police pension employees = \$978,830 (\$34,958/officer)
  - \$50,000 police officer wage + 57.63% Police Pension (\$28,815) = \$78,815 wage + retirement cost to city
- 19 active fire pension employees = \$974,055 (\$51,266/firefighter)
  - \$50,000 firefighter wage + 86.42% Fire Pension (\$43,210) = \$93,210 wage + retirement cost to city

# Levy Distribution

## Property Tax Levy Distribution



## 2015 Tax Levy Estimate

	2014 EAV (actual)			2015 EAV (estimated)		% Change Estimate Extension
	2014 Levy	2014 Extension	2014 Rate	2015 Estimate	2015 Rate	
		\$156,915,033		\$157,104,547		
<b>General Fund:</b>						
Corporate	\$392,575	\$392,288	0.2500	\$392,761	0.2500	0.12%
Fire Protection	235,545	235,373	0.1500	\$235,657	0.1500	0.12%
Police Protection	235,545	235,373	0.1500	\$235,657	0.1500	0.12%
Tort & Liability	360,560	360,715	0.2299	\$411,216	0.2617	14.00%
<u>Worker's Comp</u>	<u>117,300</u>	<u>117,372</u>	<u>0.0748</u>	<u>\$133,805</u>	<u>0.0852</u>	<u>14.00%</u>
Subtotal General Fund:	\$1,341,525	\$1,341,121	0.8547	\$1,409,095	0.8969	
<b>Library Board:</b>						
Library	\$345,466	\$345,213	0.2200	\$345,630	0.2200	0.12%
Library-Bldg Maint	31,406	31,383	0.0200	\$31,421	0.0200	0.12%
<u>Library-General Insurance</u>	<u>26,394</u>	<u>26,394</u>	<u>0.0168</u>	<u>\$30,089</u>	<u>0.0192</u>	<u>14.00%</u>
Subtotal Library Board:	\$403,266	\$402,990	0.2568	\$407,140	0.2592	
<b>Other Funds:</b>						
Band	\$56,500	\$56,646	0.0361	\$56,750	0.0361	0.18%
Coliseum	78,515	78,458	0.0500	\$78,552	0.0500	0.12%
IMRF	224,220	224,232	0.1429	\$224,220	0.1427	-0.01%
Social Security	208,032	208,069	0.1326	\$210,150	0.1338	1.00%
Civil Defense/ESDA	10,250	10,356	0.0066	\$10,356	0.0066	0.00%
Police Pension	680,000	680,070	0.4334	\$978,830	0.6230	43.93%
<u>Fire Pension</u>	<u>660,000</u>	<u>660,142</u>	<u>0.4207</u>	<u>\$974,055</u>	<u>0.6200</u>	<u>47.55%</u>
Subtotal Other Funds	\$1,917,517	\$1,917,972	1.2223	\$2,532,913	1.6122	
<b>Total:</b>	<b>\$3,662,308</b>	<b>\$3,662,083</b>	<b>2.3338</b>	<b>\$4,349,149</b>	<b>2.7683</b>	<b>18.76%</b>

Truth In Taxation 105% Limit:

\$3,845,187

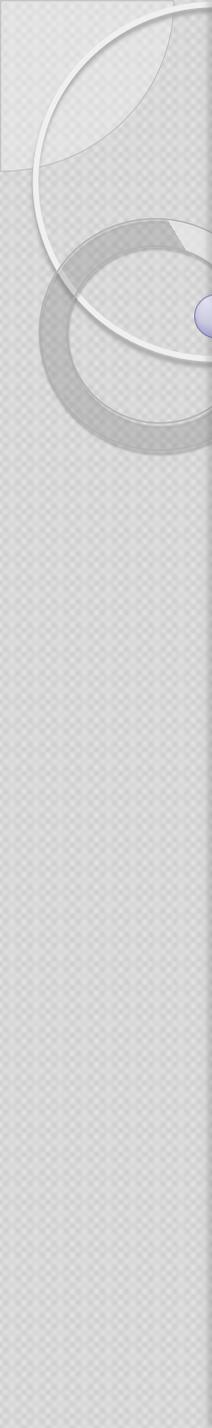
(\$503,961) Over/Under

# Reducing the Levy increase

- Council may choose to lower the levy from today's presentation. To reduce:
  - Reduce staff (revisit consolidating with RF and Sterling and Rock Falls rural fire districts?), and/or
  - Know that future tax levy increases will be even higher, and/or
  - Implement a utility tax and use some proceeds to cover current deficit and some to cover pensions plus staff cuts
- Fire and Police Pensions recommended increases total **\$664,731**
  - Combined General Fund payroll of Finance/Administration, City Clerk, and Code Enforcement is only \$586,038 by comparison
  - Entire Code Enforcement department budget including health insurance, IMRF, etc. is approximately \$450,000 for comparison
    - Could eliminate code enforcement in City (not feasible) and still need to find another \$215,000 in cuts to cover pension increase

# Considerations

- City does not set pension benefits, set by State statute
- City cannot increase employee contributions. Employee contributions set by State
- City limited by the State's interest arbitration in confining wage growth in fire and police
- State will now be able to take funds due to the City if we underfund at a level that does not get the City to 90% by 2040
- Both Illinois Democrats and Republicans have discussed 2 year property tax freezes
  - If we underfund this year, a frozen tax bill will only compound the problem in each of the next two years
  - Due to this reason, I do not believe it wise to spread the increase over multiple years as I have recommended in the past
- Only means for City to reduce or at least slow the growth in contributions
  - Higher investment returns
  - Drop in number of retirees collecting pensions (deaths)
  - Reducing current staffing in fire and/or police to reduce future liabilities
- Get another actuarial opinion next year. Finance already collected quotes

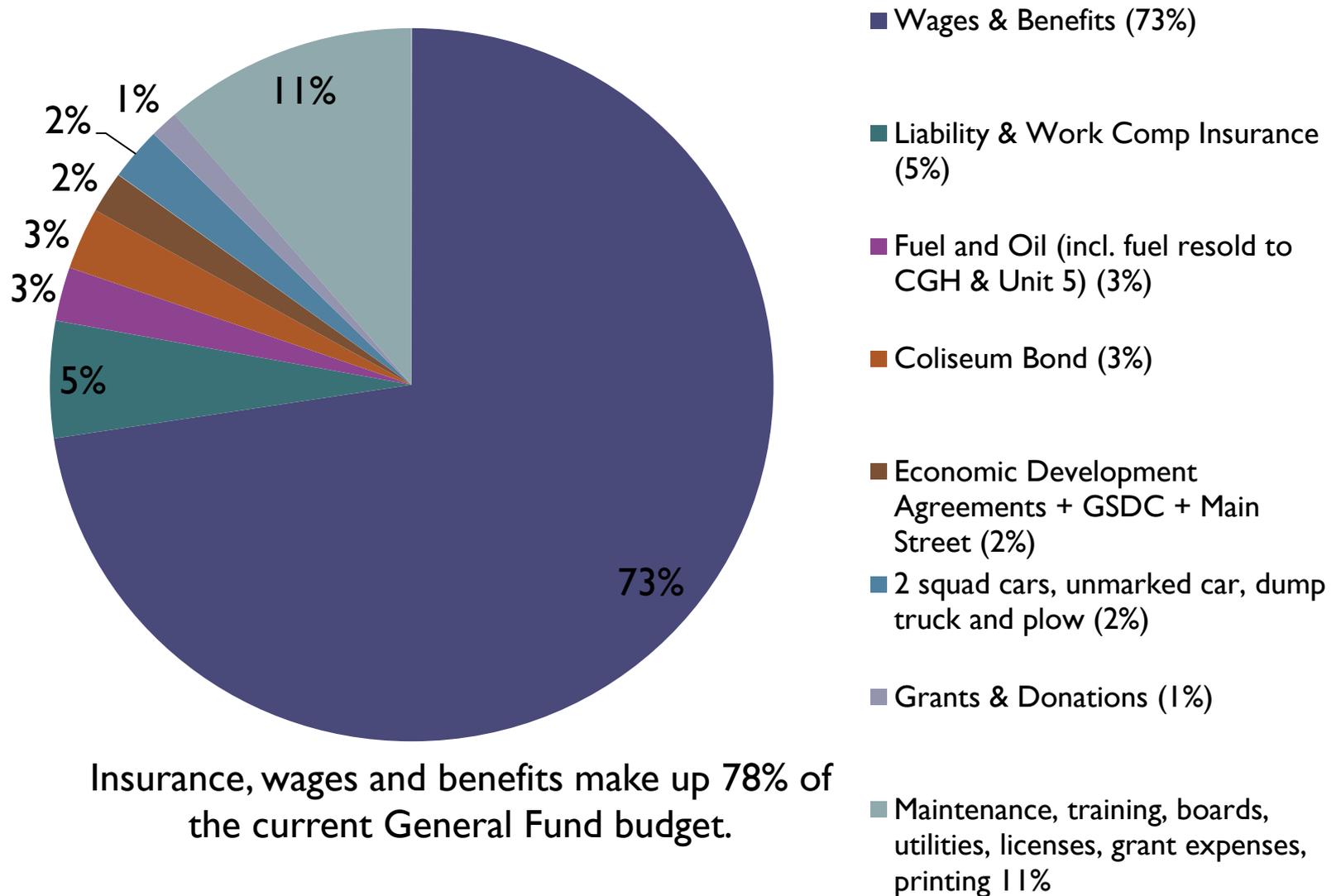


# ° Alternatives to taxing changes

# Cut needed for the General Fund

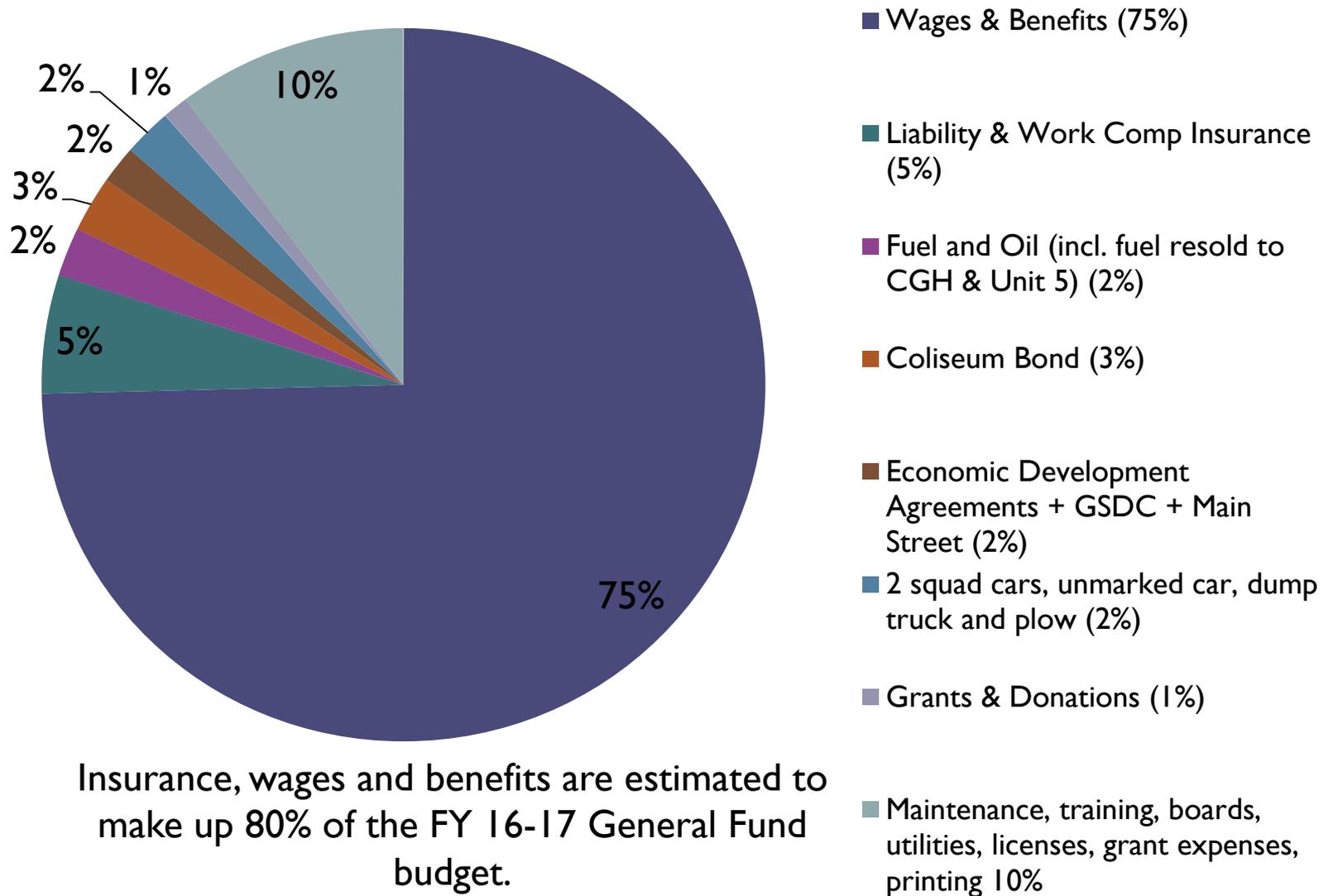
- Existing FY 15-16 General Fund Deficit = \$335,286
- FY 16-17 pension increase = \$664,731
- FY 16-17 health insurance increase (est) = \$296,000
- FY 16-17 liability/work comp insurance increase (est) = \$79,300
- FY 16-17 union contract increases = \$70,000
- **Total of \$1,445,317 needed between taxes or cuts**
  - for just these 5 items
  - Does not include increases in: utilities, costs of equipment, licensing, non-union workers, maintenance, street lighting, operating or safety supplies, etc

# General Fund Expenses



Insurance, wages and benefits make up 78% of the current General Fund budget.

# FY 16-17 General Fund Expenses

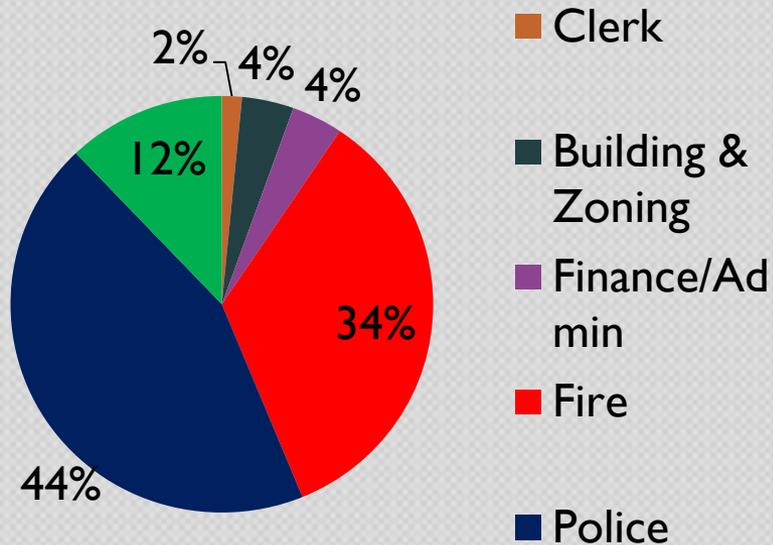


# Staffing Levels

- **Clerk– 2**
  - records, front counter, front phone, agendas
- **Building & Zoning (Code Enf) – 5**
  - Permits, Zoning, Code Complaints, Bldg Inspections, City Hall Maintenance
- **Finance & Administration – 7**
  - Payables, payroll, utility billing, audit prep, health ins and pension administration, grant oversight, h.r. , budget prep and oversight
- **Fire – 19.5**
  - Prevention, commercial inspections, EMT/medical assists, firefighting, hazmat, vehicle accidents, gas alarms
- **Police – 43**
  - 911 Dispatch, Investigations, records, school resource, Dare, patrol
- **Public Works – 15**
  - parks, streets, snow/ice control, sewer maint, ditch maint, signs, curbs/sidewalks, fleet maintenance

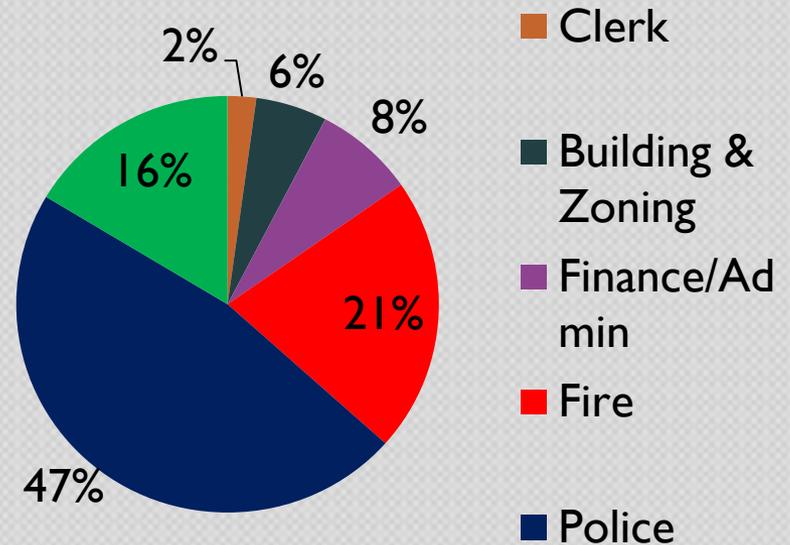
## Personnel Costs by Department

### Wages + Pensions



## Employee Counts by Department

### People



# Where the Staff & Costs Are

78% of the personnel costs are in police & fire

# Staff cuts to date

- Fire Department reduced by 3.5FTE
  - 6 positions laid off in 2009, 3 brought back
  - Fire Chief merged
- Executive Secretary to Mayor and Manager – Vacant since retirement in 2014
- Community Services Director – Vacant since retirement in 2010

# \$1,445,317+ Needed in cuts or taxes

- To achieve through staffing cuts alone:
  - Would require reducing staff by ~20% (~18 people)
  - Combined Payroll of Clerk + Finance/Admin + Building & Zoning + Public Works = \$1,309,078
  - Public Safety functions/people must be cut without tax increases
- How deep do we want to cut, and where?

# Service Levels – Building/Zoning

- 1,300+ open/closed complaints or violations
  - Short staffed for 4 months after a resignation
  - Average 150/mo when staffed (1,800/year)
- 98 ordinance violations
- 20 parking tickets w/ \$1390 fines \$140 paid
- 15 building code violations
- 750 permits issued
- 800 inspections non-property maintenance related (electrical, fence spots, sewer hook-ons, occupancy, etc)
- Staff does some maintenance at City Hall since privatizing the custodial crew
- Inspectors clean alleys, roadways of junk (discarded tv's, bicycles, etc)

# Service Levels – Finance/Admin

- 6,300 sewer and solid waste accounts billed and collected per month
- Issues 4,000 checks a year
- Collected over \$131,000 in bad debts
- Self-insured health insurance plan for 280 people
- Clean Audits
- \$30,000,000 budget overall
  - 3 TIF Districts
  - Grant Administration
- All HR functions

# Service Levels – Fire

- 1,271 calls for service last year
  - 743 Fire calls
    - 50 Structure Fires
    - 46 other active fires
    - 7 extrication calls
    - 81 invalid assists
    - 80 spills, leaks of gas or chemicals
  - 528 EMS calls
    - 394 medical assists
    - 120 vehicle accidents with injuries
- 380+ inspections
  - 350+ violations
  - 220 re-inspections
- Education programs
- Lowered ISO rating to 3

# Service Levels - Police

- 7,373 calls to 911 last year
- 19,667 calls for service (54/day)
- 1,943 tickets issued (up 18%)
- 600 accidents
- 2,600 adult arrests (up 22%)
- 170 juvenile arrests (up 39%)
- 1,458 city ordinance citations
- 86 domestic battery calls (up 65%)
- 33% increase in criminal trespass
- 32% increase in sex crimes

# Service Levels – Public Works

- 101 miles of roads
  - Patching
    - 82 tons of cold patch
    - 48 tons of hot mix
  - Winter maintenance – Average 18 events per year
    - Plowing
    - Salting
  - 434 gallons of paint for striping
- 85 miles of sewers
  - 70 calls for service
  - 18 lines jetted
- Sidewalk and curb construction when fully staffed (7,200' per year)
- Oversight of 50/50 program
- Over 80 miles of Storm lines
- 1,451 J.U.L.I.E. locates
- 12 parking lots
- 6 parks property and equipment maintenance (repairs, mow, mulch)
- All gravel & blacktopped alleys
- Maintain over 2,500 storm inlets/catch basins yearly
- Provides in-house maintenance of City vehicles
- Provides and maintains fueling station for City, Schools and CGH
- 680 tons of street sweepings hauled to the landfill
- Roadkill pickups

# Levy Passage

- Tax Levy passage – December 21<sup>st</sup>
- Nothing is final this evening
- Could fund pensions at 90% instead of 100%
  - hope the State does not freeze property taxes for 2 years as proposed
  - Lower levy increase from 18.76% to 9.09%
  - We are not getting ahead as is
    - funding ratios are still dropping
    - Kicks the can down the road
- Specific cuts can be brought back on December 21<sup>st</sup> with a lower levy
  - Need direction on what services to eliminate
  - How would those cuts align with Key Initiatives in the Strategic Plan?

# Strategic Plan – Key Initiatives

- **Community Sustainability**
  - Improved perception of city and pride by:
    - Physically: Improve our appearance and image by more aggressively pursuing code enforcement on gateways and throughways; Improve Sterling's gateways
    - Emotional: improve how we tell our story through and with guest columns, community groups, etc.
- **Funding Projects and Having Employees to Complete Them:**
  - Use wage report to bring equity to city employee pay
- **Communications:**
  - Create system for tracking and measuring progress of each key issue to keep the council, staff and the public involved and informed



# **COUNCIL & PUBLIC FEEDBACK**