

Inside City Management



Heath Kaplan, City Manager
City of Poplar Bluff

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Topics Of Interest

Merging General Ledgers

Allocation Cost Study

Hiring of Grants
Coordinator

\$5 Million for IT
Equipment Purchases

City's New Competitive
Bidding Procedure

Debt Position

Cash Position

DAR Article

Items of Interest

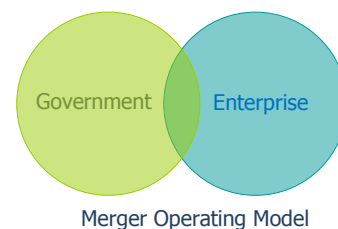
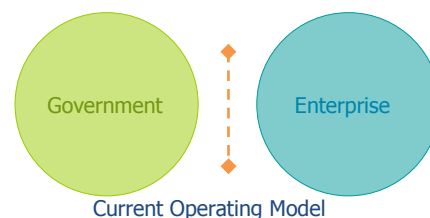
Financial Decisions

The purpose of this newsletter is to provide information to our community regarding financial decisions I have made thus far and the reasoning behind those decisions.

- First, a priority for the City is to merge the general ledger of the utilities (enterprise funds) with the general ledger of the rest of the City (governmental funds). The City has been operating as two halves of a whole.

Operating as a whole allows any manager or financial professional ease and access to financial data all across the City. With this access, it allows us to be proactive in budgeting, planning and forecasting. It is also a financial opportunity to share resources to benefit both governmental and enterprise activities alike. The motive for the merger of the City's ledgers is not to move resources, but instead to strengthen resources. Currently, the City has been subsidizing operational losses on the government and enterprise activities, which weakens the City's abilities to provide services. The City will move forward under a unified business plan and strategy to provide services to the community.

- A cost allocation study assists the City merge of the ledgers and provide operational support to the City. The plan will allow the City (as a whole) to review daily transactions to create a cost recovery model that meets Federal Guidelines, such as the OMB A133 circular model. Meeting these Federal guidelines aligns us with the highest level of scrutiny for cost recovery models for grants and thus allowing any eligible expense to be recovered. Currently the City is losing operational dollars on government and enterprise activities, which is causing stress, this approach will provide the City with the operational revenues to provide services.



Pros

- Government and enterprise activities can grow stronger and leverage strengthens on both sides of the general ledger to move forward.
- Gets us primed and ready to receive federal grants in excess of \$500,000 since the OMB A133 is used to audit grant funds over \$500,000.
- Using this allocation model to budget allows us to be primed and ready for recovering indirect expenses that are not currently being reimbursed, which is weakening the City's cash position.



- Hiring of experienced Grants Coordinator. A grants coordinator is an essential position for the City to receive grants. It is important not only to have a grants coordinator, but essential to have someone that is capable and has experience in preparing and handling the reporting requirements for each of these grants. The financial goal is to not only bring in enough grant revenue to support the position/office, but to bring in “new” money for programs/services for the City.
 - The Grants Coordinator applied for a HeRO Grant (\$300,000) through the Missouri Housing Development Commission. Expenses incurred by the City to submit the application was \$311.50 or .01% of the grant amount.
 - The Home Repair Opportunity (HeRO) Program provides funding to meet the need for home repair, modification and maintenance for low- and moderate-income homeowners in the non-metropolitan areas of Missouri. MHDC provides the funds to selected eligible Sub-Grantees (community action agencies, regional planning commissions, non-profit organizations, municipalities) from its annual HOME allocation using a competitive application process which begins with the issuance of a Notice of Funding Availability. Eligible homeowners may receive cash assistance up to \$22,500 for necessary repairs, modifications, and maintenance on eligible properties. Contact the Sub-Grantee servicing the county in which the home is located to make application.

- \$5 million in funds for IT equipment purchases. This allocation of funds was approved by the City Council on October 20, 2014. In 1989, a half cent capital improvement tax was initiated to cover the principle and interest on the coliseum (subsequently, the Council removed the sunset of this tax in 1995). We are collecting revenue above and beyond the principle and interest payments of the coliseum. The amount remaining after will be used to cover the cost of the IT equipment purchase over a period of 10 years. The half cent tax is the only fund covering these purchases. **See exhibit 1 & 2 detailing the tax collection, past encumbrances and available revenues after the IT Equipment Loan.**
 - The equipment lease was solicited to all banks in Poplar Bluff to bid on financing the \$5 million equipment purchase. Of the eleven (11) banks that were sent bids, we received four (4) bids and two (2) no bids. The lowest bid was Commerce Bank offering a blended amortization of 5 and 10 years at a 2.05% fixed interest rate. The second lowest bid was U.S. Bank offering a 10 year term at a 2.22% fixed interest rate. The third lowest bid was Southern Bank offering a 10 year term at a 2.46% fixed interest rate. Southern Bank was selected because they met my budgetary criteria (10 year amortization of all equipment). Even though Commerce Bank and U. S. Bank offered the lower interest rates, they did not offer the amortization to fit the budget. This loan invests with a local bank and provides an opportunity to work together.

IT Equipment Purchases

City wide IT Improvements	\$1,999,476.00
Police Department - Mobile Data Terminal (MDT)	\$115,653.31
Police Department - Body Cameras	\$96,873.96
Police Department - Hand Guns	\$49,245.00
Electric/Water Department - Meter Replacement	\$2,393,332.75
City wide IT Improvements - Fiber	\$59,567.40
Total - Estimate	\$4,714,148.42



Exhibit 1

<i>Historical Review of Sales Tax</i>			
2010	\$1,782,939.72		
2011	\$1,830,897.83	2.69%	Growth
2012	\$1,912,982.63	4.48%	Growth
2013	\$1,879,376.62	-1.75%	Decline
2014	\$1,916,964.15	2.00%	Estimated Growth
2015	\$1,955,303.43		

Exhibit 2

Cash Balance September 30, 2014

	1.5% Growth Rate Tax Revenue	2009 Bond Payment	MTFC Loan Payment	Fire Truck Payment	IT Equipment Payment	Remaining Budget Line Items	Remaining Budget Expenditures	Amount Remaining for Depts.	Cash
									\$1,408,116
						Fire	\$ 400,000		
						Streets	191,000		
						Pool	40,000		
						Coliseum	45,000		
						Airport	46,000		
						Other Depts	32,000		
2014	\$650,532					Subtotal	\$ 654,116		\$1,304,648
2015	\$1,945,718	\$976,331	\$ -	\$126,424	\$591,225			\$251,738	1,556,386
2016	1,974,904	993,331	150,770	126,424	604,550			99,899	1,656,284
2017	2,004,527	1,090,056	537,675	126,424	592,250			(341,878)	1,314,407
2018	2,034,595	1,169,918	537,676	126,424	579,950			(379,373)	935,034
2019	2,065,114	-	537,675	126,424	567,650			833,364	1,768,398
2020	2,096,091	-	537,675	-	555,350			1,003,066	2,771,464
2021	2,127,532	-	537,675	-	543,050			1,046,807	3,818,271
2022	2,159,445	-	537,675	-	530,750			1,091,020	4,909,291
2023	2,191,837	-	-	-	518,450			1,673,387	6,582,678
2024	2,224,714	-	-	-	506,150			1,718,564	8,301,243

For the two lean years of 2017 and 2018 we would use our capital reserves to make the MTFC Loan Payment. We have been building our reserves for this purpose.



- The City has implemented a new competitive bidding procedure. This new procedure opens up competition for City purchases for products and/or services. This process includes drafting a template bid package, including the City's basic terms and conditions for any and all work/products to be provided (including insurance requirements). In addition, the City will detail the specifications of the services or products to be provided. **No specifications will be curtailed towards one particular product/vendor (or a group of vendors or products) to circumvent the competitive process.** Any advertisements for products and services above \$5,000 in value (current policy, which is subject to change) will be advertised on the City's website, missouribids.com and the Daily American Republic. We are hoping to add a third site in the near future to expand the City's marketing efforts into regional or national markets.
 - The selection process will begin when all bids and proposals are received and verified. The City will solicit employees to volunteer to read bids and proposals. An odd number of employees are selected with a minimum of five and the same group is not used twice. The group is tasked to review bids or proposals for completeness and then if the packaging is deemed complete, we then rate each proposal or bid. Price is not the only factor to selecting a product or service. Not only do we look at price, we evaluate factors such as, but not limited to: work experience, past similar projects, and references, etc.
- The City's debt position. The City accumulates debt in two (2) ways:
 1. General Obligation Debt (GO Debt)
 2. Revenue Bonds or Non General Obligation Debt
 - The State of Missouri has a statutory limit on GO Debt which is a 20% cap of the City's taxable value (2014 Assessed Value = \$226,028,177). We have 100% of that GO Debt available today (\$45,205,625.40). The debt the City has on the non-general obligation is paid for with dedicated revenues.

Please Note: Debt encumbered by the Transportation Development District (TDD) (entity created by local courts and is a separate legal entity) is separate from the City and the City is not responsible for default.

The Tax Increment Finance (TIF) is noted on our financial statements; however, that debt is non-general obligation debt.

- The City's cash position by activity:
 - Governmental – Beginning cash balance as of January 1, 2014 = \$9,940,956
 - Enterprise – Beginning cash balance as of January 1, 2014 = \$6,972,338
 - Cash will be updated soon with a projection of balances for FY14 & FY15
- Days of cash by activity:
 - Governmental – 120 days (adequate) - estimate depending on the close of FY14 (with cash from Cable sale)
 - Enterprise
 - Electric – 56 days (very low reserve)
 - Water/Sewer – 218 days (adequate)



This purpose of this section of the newsletter is to respond to the Daily American Republic article titled "**City's Spending Worries Community**" – Sunday, November 2, 2014. I will address the issues point-by-point (text in red are the concerns noted in the DAR article):

1. NEW DEBT EQUAL TO MORE THAN 25% OF ONE YEAR'S BUDGET.

- a. Fiscal Year 2014 City of Poplar Bluff Budget = Approximately \$75,000,000
- b. 25% of \$75M = \$18,750,000 (\$17M if you adjust out the cable utility)
 - i. The only new debt I added was \$5M for the IT equipment, which is 7%. (8% if you adjust out the cable utility).
 - ii. The funding source for this debt is capital improvement sales tax. No other funds.
- c. Governmental Funds = Approximately \$18M
 - i. \$5M = 28% of General Governmental Activities. I assume this is the point the DAR article is trying to make, but the argument is not valid because the entire City encompasses all operations (Governmental & Enterprise), which is approximately \$75M (including Cable) or \$68M (without cable).
- d. Summary - **New debt of \$5M is only 7% of one year's budget for the City and 28% of Governmental Funds; however, this loan is entirely covered with capital improvement sales tax funds (note covered with Governmental reserves).**
- e. The DAR article is blurring the lines with the City's total debt. There is no General Obligation Debt carried by the City. The only debt the City carries is Non-General Obligation Debt, which is secured through dedicated resources outside of operations. **The TDD debt is not debt of the City**, therefore, should not be included in any analysis of the City's financial condition. The TIF debt (which is explained later in this newsletter in item 10, sub-item f), is carried on the financial statements of the City, but is not expected to be paid from general governmental revenues.

2. CONCERNS ABOUT FUNDING THE IT EQUIPMENT (\$5M)

- a. The City collects a half-cent sales tax for capital improvements. The cash balance in this fund is \$1,408,116 as of September 30, 2014 (Please Note: This same data is listed under exhibits 1 & 2 on page 3).
 - i. Existing encumbrances against these funds:
 1. Coliseum Bond Payment - \$4,229,636 (Paid off in FY18)
 2. Missouri Transportation Finance Commission (MTFC) - \$3,376,752 (Paid off in FY22)
 3. New Fire Trucks (Estimate) - \$1,032,120 – (Paid off in FY19)
 4. Items approved for various departments for FY14 - \$754,000 (Budgeted against Reserve balance)
 5. IT equipment (principal & interest) - \$5,589,375 – (Paid off in FY24)
 - ii. Reserve Balance
 1. FY14 = \$1,304,648
 2. FY15 = \$1,556,386
 3. FY16 = \$1,656,284
 4. FY17 = \$1,314,407
 5. FY18 = \$935,034
 6. FY19 = \$1,768,398
 7. FY20 = \$2,771,464
 8. FY21 = \$3,818,271
 9. FY22 = \$4,909,291
 10. FY23 = \$6,582,678
 11. FY24 = \$8,301,243



iii. In summary, the City has leveraged the resources of this fund to purchase IT equipment; however, as the data indicates, we still have strong reserves available for other capital requests. No operational funds will be utilized for these projects. In addition, the General Government Reserve has not been tapped to fund these projects. **Please Note: These reserve funds can only be used for capital expenses. They cannot be utilized for operation support.**

3. \$100,000 FOR NEW POSITIONS

- a. \$154,006 (salary plus benefits) funds two (2) full-time and one (1) temporary position:
 - i. Grants Coordinator
 - ii. Administrative Assistant to the City Manager
 - iii. Temp to assist Grants Coordinator
- b. \$108,529 (salary and benefits) to be covered by grants
- c. \$45,477 (salary and benefits) to be covered by City

4. SEVERAL \$100,000'S FOR PAVING GRAVEL ROADS

- a. Missouri Department of Transportation (MoDOT) – Surface Transportation Funds (STP) – Balance as of September 30, 2014 = \$531,349.13.
- b. The City receives STP funds annually – Approximately \$72,000 per year
- c. 11th Street and Thomas Street will be paved by utilizing these funds
- d. Other non STP gravel streets (majority in Poplar Bluff) will be funded over several fiscal years by utilizing the capital improvement half-cent sales tax (not City reserves).

5. MANDATORY MEETING COST \$16,000

- a. The mandatory meeting I convened was at a cost of \$22,085.14
- b. I felt this meeting was necessary to introduce myself and talk about the City's priorities moving forward (one of which was the disposition of the Health Insurance Internal Service Fund). Since Health Care is a very important benefit to all eligible employees, I needed feedback from the employees to guide my approach to the problem. This was the first mandatory meeting the City organized in several years.
- c. Another mandatory meeting will be convened to discuss the health insurance bids received and the recommendation to move forward.

6. TEMPORARY RELOCATION OF CITY HALL (\$36,000 PER YEAR - RENT)

- a. The costs to repair City Hall exceed the value of the building. To limit City liability, I have been looking for a temporary location for City Hall, Police Department and Municipal Court. So far our collective efforts to secure housing for all departments were not successful. It is possible that City Hall/Police Department/Municipal Court operations stay in the building if adequate housing is not located.
- b. The costs to repair the roof alone in the existing building(s) = between \$554,400 and \$894,020.
 - i. Cheaper to rent another structure for 18-24 months in lieu of repairing the existing building.

7. ESTIMATE FOR NEW CITY HALL \$8M

- a. The existing City Hall/Police Department/Municipal Court square footage is approximately 35,000 square footage. The City of Sikeston recently built a new Public Safety building for \$130 per square foot. If we use that budget number for our new building(s) the total would be \$4,550,000. More would be needed for furniture, furnishings and equipment (FFE); however, the budget estimate I have for those items is approximately \$500,000. In summary, I do not think the new City Hall/Police Station/Municipal Court will be as expensive as \$8M.



8. POTENTIAL LAYOFFS

- a. No layoffs are anticipated at this time. Staff levels will be analyzed on a fiscal year basis.

9. RESERVE SPENDING

- a. Poplar Bluff has been spending out of its reserves significantly for the past three (3) years mainly in its utility department. The combined City lost money (dipped into reserves) since fiscal year 2011. Governmental funds combined (excluding Utilities) did not dip into reserves; however, once you pair it with utilities, the entire city lost money for three (3) years.

Change in Net Assets Before Transfers For Years ended December 31, 2011 to 2013 (in thousands)

2011		2012		2013	
Governmental	Business	Governmental	Business	Governmental	Business
17,133	45,753	25,036	46,374	22,084	49,337
<u>16,501</u>	<u>51,721</u>	<u>22,242</u>	<u>50,474</u>	<u>22,049</u>	<u>51,597</u>
632	(5,968)	2,794	(4,100)	35	(2,260)

- b. When I started in August, 2014, after most of the fiscal year had expired, so financial controls were not in place. I am working diligently to create policies and procedures to manage expenses moving forward. A unified purchasing policy has been created and is currently being reviewed by Department Heads for possible amendments.
- c. The only funds used out of the cable sale, was the motion passed by the Council on October 20, 2014 (Ord. 7556) for the Zcorum settlement (\$237,500).

10. TRANSPORTATION DEVELOPMENT DISTRICT (TDD) & TAX INCREMENT FINANCE DISTRICT (TIF)

- a. The "Eight Points Project" is a regional commercial center, with a primary focus on retail being developed by Eight Points Development, LLC.
- i. The development is continuing to proceed in two primary phases.
 - ii. The first phase includes primary site assemblage, the completion of primary site grading, the construction of regional utility systems, and the opening of the initial anchor retail tenants, Menards (May 2014) and Wal-Mart Neighborhood Markets (January 2015).
 - iii. The second phase includes the development of parcels on the north side of Oak Grove Road on either side of Menards, adjacent to the Wal-Mart Neighborhood Market, and east of Shelby Road.
 - iv. The second phase of the retail oriented project is currently scheduled to open in Spring 2016.
 - v. Also, Oak Grove Development LLC has undertaken a series of projects focused on regional economic development and transportation (Highway 67, including the new "67 interchange" at the north end of the City).
 - vi. These projects include:
 1. Poplar Bluff Regional Medical Center
 2. Oak Grove interchange



- b. Redevelopment Agreement with 8 Points
 - i. The City Council created a Tax Increment Financing Commission of the City of Poplar Bluff ("TIF Commission") and empowered the TIF Commission to transact business and exercise powers as authorized by the state's TIF Act.
 - ii. On April 2, 2012, the City Council (through Resolution) designated Eight Points Development, LLC as the preferred Developer of the Redevelopment Area and authorized the Mayor to execute a Preliminary Funding Agreement dated as of April 9, 2012 between the City and the Developer.
 - iii. The TIF Commission passed a resolution on June 6, 2012, recommending that the City Council:
 - 1. Approve a redevelopment plan for the Redevelopment Area;
 - 2. Approve the redevelopment project described in the Redevelopment Proposal and the Redevelopment Plan;
 - 3. Adopt tax increment financing within the Redevelopment Area.
 - iv. On August 6, 2012, the City Council adopted:
 - 1. An Ordinance designating the Redevelopment Area as a "redevelopment area," approving the Redevelopment Project, and adopting tax increment financing within the Redevelopment Area
 - 2. An Ordinance authorizing the City to enter into the Redevelopment Agreement with the Developer.
 - v. On October 6, 2012, the City, the Developer and the Note Holder (Poplar Bluff Project, Inc.) agreed to amend a certain section of the Redevelopment Agreement (First Amendment). Clarifications regarding:
 - 1. Oak Grove Utility and Road Projects
 - 2. Obligations of the Developer to create a transportation development district (the Oak Grove Transportation Development District) within its boundaries, and to cause the Oak Grove TDD contribute money to the Poplar Bluff Regional Transportation Development District
- c. Developer Project Obligations
 - i. Payment of City Costs associated with the Redevelopment Plan, the negotiation of the Redevelopment Agreement, the creation of the Oak Grove TDD, and the issuance of any TIF Notes; up to \$250,000 under the Preliminary Funding Agreement.
 - ii. Acquisition of Property as outlined in the Redevelopment Agreement.
 - iii. Compliance with Project and Construction Schedule as outlined in the Redevelopment Agreement.
 - iv. Completion of Developer's Work as defined in the Redevelopment Agreement (Phases 1, 2 and 3).
 - v. Submittal of Certificate of Substantial Completion to the City.
 - vi. Complete the Other Utility and Road Improvements and Road Grading Work (Oak Grove) – Transportation Development District financing.
- d. City of Poplar Bluff Obligations
 - i. Assist in the creation of the Poplar Bluff Regional Transportation Development District.
 - ii. Enter into an agreement for Other Utility and Road Improvements and Road Grading Work (Oak Grove), reimbursement to the Developer through the Poplar Bluff Regional Transportation Development District.
 - iii. Reimbursement of Developer Costs (In Process)
 - iv. City TIF Notes
 - v. City TIF Bonds
- e. Reimbursement of Developer Costs
 - i. The City agreed to reimburse the Note Holder (Poplar Bluff Project, Inc.), through the issuance of TIF Notes (**These notes are non-general obligation bonds and do not apply against the City General Obligation Debt Limit**), for verified Reimbursable Redevelopment Project Costs incurred by the Developer as follows:
 - 1. \$8,500,000 for Phase 1
 - 2. \$25,000,000 for Phases 1 and 2; and
 - 3. \$35,000,000 for Phases 1, 2 and 3



- ii. \$35,000,000 is the Maximum Reimbursement Amount
- iii. Certificates of Reimbursable Redevelopment Project Costs
- iv. Developer may submit to the City no more than once per month
- v. City shall notify in writing, within 30 days after each submission of its approval, partial approval or disapproval of the costs identified in each Certificate.

Category	1 st Certificate
Land Acquisition	\$4,821,426
Professional Services / Admin. Costs	\$1,387,745
Financing Costs	\$222,586
Development Fee	\$0
Site Work	\$0
Building Improvements	\$0
TOTAL	\$6,431,757

First and only Certificate was submitted on January 17, 2013 and accepted on April 14, 2014.

Interest of 8% began to accrue on 4/14/2014 pursuant to the Redevelopment Agreement, TIF Notes Ordinance and TIF Notes Trust Indenture.

May 5, 2014 – TIF Notes Ordinance approved by City Council (Non-General Obligation Debt)



- f. **TIF (Tax Increment Financing) Notes** (Reminder - noted on our financial statements; however, the debt is not general obligation debt)
- i. To be issued (or endorsements evidencing additional advances) within 15 business days after City's acceptance of each Certificate of Reimbursable Redevelopment Project Costs.
 - ii. Interest rates:
 1. 8% per annum (compounding interest) if in the opinion of Bond Counsel the Notes' interest is subject to federal income taxation
 2. 6.5% per annum (compounding interest) if in the opinion of Bond Counsel the Notes' interest is not subject to federal income taxation
 - iii. TIF Notes shall have a stated maturity of **August 5, 2035**.
 - iv. **If within 180 days following the City's acceptance or deemed acceptance of the Certificate of Substantial Completion with respect to the Redevelopment Project, the City has not issued TIF Bonds to refund the outstanding TIF Notes, the interest rates described above shall increase by 2%, to 10% and 8.5% respectively.**
- g. **TIF Bonds**
- i. The City shall, at the earliest practical time but no later than 120 days after the acceptance of the Certificate of Substantial Completion, use its best efforts to issue TIF Bonds to refund outstanding TIF Notes pursuant to the Redevelopment Agreement. (*Market acceptance and financial viability*)
 - ii. The Certificate of Substantial Completion was accepted on July 31, 2014 and recorded in Butler County on August 22, 2014.
 1. 120 days after acceptance of Certificate of Substantial Completion = 11/28/2014
 2. 180 days after acceptance of Certificate of Substantial Completion = 1/27/2015
 - iii. If the City is unable to issue TIF Bonds to refund all the outstanding TIF Notes, the Note Holder shall subordinate any unrefunded amounts to the payment of the TIF Bonds, and the unrefunded TIF Notes shall note increase in interest rate by 2%, provided the City issues TIF Bonds within financial markets limitations.
- h. Special Allocation Fund (was supposed to be created after TIF baseline was set at FY11)
- i. Special Allocation Fund shall capture the TIF Revenues and the Municipal Revenues.
 - ii. TIF Revenues:
 1. 50% of incremental Payments in Lieu of Taxes (PILOTs) – property taxes
 2. 50% of incremental Economic Activity Taxes (EATs) – sales taxes
 - iii. Municipal Revenues:
 1. 70% of incremental City (1%) general sales tax and City (0.5%) capital improvements sales tax, excluding in each case the portion that constitutes TIF Revenues.
- i. TIF Notes are only payable by TIF Revenues and Bond Proceeds; TIF Bonds are secured by TIF Revenues and Municipal Revenues, but only TIF Revenues are expected to be used for payment of debt service. No other funds shall be used or pledged for payment of TIF Notes or TIF Bonds.

11. CITY ATTORNEY COSTS

- a. Current Structure – City Attorney Robert Smith handles all requests. If he needs specialized support, he will refer to Jackson & Lewis.
- b. Costs - Employing Mr. Smith saves the City approximately \$20,000 per fiscal year compared to the previous City Attorney. The difference in costs are retirement costs (pension). Mr. Smith does not receive a retirement benefit from the City.
 - i. Granted there are savings from not offering the LAGERS benefit to new counsel; however, the City is incurred costs from Jackson & Lewis. Future costs for the firm are unknown, but I am working with staff to develop an accurate budget for the service.



- ii. In April of 1998, the City authorized the incumbent City Attorney to be eligible for LAGERS (Pension) benefits. The costs to the tax payers was \$56,490.18.

12. ITEMS OF INTEREST

- a. Black River Coliseum
 - i. Built in 1999 at a total cost of \$14,023,979
 - 1. Costs include construction, the pool, Furnishings, Fixtures and Equipment (FFE), property acquisition and demolition.
 - 2. Over the last five (5) fiscal years, the City has suffered operational losses of \$7.3M (operational losses extend beyond five (5) years). This money would have built a new City Hall/Police Station/Municipal Court!
- b. Health Insurance
 - i. Last year the decision was made (past City Manager) to fund the plan at rates that were **35% lower than the recommendation.**
 - 1. This one decision underfunded the Health Insurance Internal Service Fund by \$1,718,304.12.
 - ii. In order to catch up, the needed rate increase for the Group Resources' 2015 renewal (if elected by City) is **49.9% from the current rates.** How is this fair to the employees of the City? The proper decision was to meet the costs head on by managing costs and utilizing cost containment tools.
- c. Liability Claims Against the City
 - i. The City's liability carrier has paid \$530,755.82 in claims ranging from wrongful termination, discrimination, class action suits and first amendment rights violations.
 - ii. The claims above are from 2008 – 2014.

In summary, I am happy to provide full disclosure to the public at any time. I ask for everyone's patience and understanding during this transition. I wish I could promise the community that I will not spend money, but this community has serious deficiencies that need to be addressed. A few of these items are the following:

1. Insufficient Human Resource Policy & Procedure
2. Insufficient Information Technology
3. No uniform accounting policies
 - a. Debt Management Policy
 - b. Investment Policy
 - c. Fund Balance Policy
 - d. Purchasing Policy
 - e. Purchase Card Policy
4. Lack of a unified capital investment strategy
 - a. Lack of a unified capital maintenance plan
5. No business plan
6. Utility rate sustainability plan
7. Lack of a cost allocation plan

The bottom line is these items (and others not highlighted) will cost money. The City needs to be organized to conduct business professionally and consistently. These items are reinvesting in government operations and capital. The past strategy has been to subsidize operational losses in Governmental and Enterprise activities, which mask the true cost of government and weakens the operation year by year. The community will need to analyze and make hard decisions on the future programs offered by the City. The Black River Coliseum cannot continue to post large deficits if we are to continue government activities. The electric utility cannot continue to post large deficits if we are to continue to operate an electric utility. These issues and others like it will be discussed with the elected officials of the City and with the community to come up with a sustainable operational model. In close, I appreciate the opportunity to serve this community and I hope to continue this dialogue with the community in an honest and professional manner.