LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE
A G E N D A

MARCH 10, 2014 - 6:00 P.M.

CITY HALL COUNCIL CHAMBERS
15 LOOCKERMAN PLAZA
DOVER, DELAWARE

Public comments are welcomed on any item and will be permitted at appropriate times. When possible, please notify the City Clerk (736-7008 or e-mail at CityClerk@dover.de.us) should you wish to be recognized.

AGENDA ADDITIONS/DELETIONS

1. **FY 14 - Discussion of Pension Appropriation Changes**
   (Committee action not required)

2. **Update on Financing Plan for Garrison Oak Technical Park Project**
   (Committee action not required)

3. **Adjournment by 6:30 p.m.**

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THE AGENDA ITEMS AS LISTED MAY NOT BE CONSIDERED IN SEQUENCE. THIS AGENDA IS SUBJECT TO CHANGE TO INCLUDE THE ADDITION OR THE DELETION OF ITEMS, INCLUDING EXECUTIVE SESSIONS.

Fiscal Year 2014 Budget

Discussion of Pension Appropriation Changes

March 10, 2014

Presented by: Donna Mitchell,
Controller/Treasurer

Net Pension Asset - FY14 Budget Revision

Police Pension Fund - City Closed Plan

	6/30/09 Actual	6/30/10 Actual	6/30/11 Actual	6/30/12 Actual	6/30/13 Actual	6/30/14 Budget	6/30/14 Proposed
Annual required contribution (ARC)	$520,505	$786,436	$1,082,956	$979,132	$1,155,796	$1,155,110	$1,155,110
Interest on net pension asset	(89,168)	(102,156)	(72,159)	(37,507)	(13,885)	(7,425)	(7,425)
Adjustment to annual required contribution	120,982	143,540	117,872	64,110	24,973	14,145	14,145
Annual pension cost	552,319	827,820	1,128,669	1,005,735	1,166,884	1,161,830	1,161,830
Contributions	(725,492)	(496,587)	(633,636)	(668,274)	(1,074,599)	(809,234)	(1,159,234)
Decrease in net pension asset	(173,173)	331,233	495,033	337,461	92,285	352,596	2,596
Net pension (asset) at beginning of year	(1,188,904)	(1,362,077)	(1,030,844)	(535,811)	(198,350)	(106,065)	(106,065)
Net pension (asset) at end of year	($1,362,077)	($1,030,844)	($535,811)	($198,350)	($106,065)	$246,531	($103,469)
Actual Contributions % of ARC	139.4%	63.1%	58.5%	68.3%	93.0%	70.1%	100.4%
Contributions							
City Appropriation - Budgeted	$95,000	$95,000	$95,000	$95,000	$95,000	$307,400	$307,400
City Appropiation - Extra Fund Balance	-	-	-	-	400,000	-	382,000
State Grant	630,372	399,289	538,136	561,772	577,765	500,000	500,000
Other	120	2,298	500	11,502	1,834	0	0
Total Contributions	$725,492	$496,587	$633,636	$668,274	$1,074,599	$807,400	$1,189,400

General Pension Fund - City Closed Plan

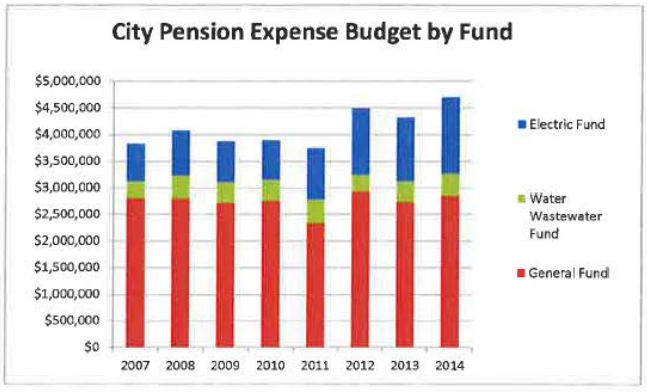
	6/30/09 Actual	6/30/10 Actual	6/30/11 Actual	6/30/12 Actual	6/30/13 Actual	6/30/14 Budget	6/30/14 Proposed
Annual required contribution (ARC)	$2,356,529	$2,564,767	$3,149,493	$3,130,022	$3,217,964	$2,628,694	$2,628,694
Interest on net pension asset	(23,527)	(33,482)	(10,324)	(24,036)	(24,528)	(484,012)	(484,012)
Adjustment to annual required contribution	25,661	36,913	14,035	29,938	31,085	625,106	625,106
Annual pension cost	2,358,663	2,568,198	3,153,204	3,135,924	3,224,521	2,769,788	2,769,788
Contributions	(2,491,393)	(2,270,623)	(3,347,728)	(3,142,934)	(9,788,463)	(3,111,500)	(3,526,200)
Decrease in net pension asset	(132,730)	297,575	(194,524)	(7,010)	(6,563,942)	(341,712)	(756,412)
Net pension (asset) at beginning of year	(313,693)	(446,423)	(148,848)	(343,372)	(350,382)	(6,914,324)	(106,065)
Net pension (asset) at end of year	($446,423)	($148,848)	($343,372)	($350,382)	($6,914,324)	($7,256,036)	($862,477)
Actual Contributions % of ARC	105.7%	88.5%	106.3%	100.4%	304.2%	118.4%	134.1%
Contributions							
City Appropriation - Budgeted	$2,491,393	$2,270,623	$3,347,728	$3,142,934	$3,005,463	$3,116,000	$3,116,000
City Appropiation - Extra Fund Balance	-	-	-	-	6,783,000	-	382,600
Employee Contributions	309,195	294,599	293,546	279,092	233,097	227,300	227,300
Other	-	-	-	17	108	-	-
Total Contributions	$2,800,588	$2,565,222	$3,641,274	$3,422,043	$10,021,668	$3,343,300	$3,725,900
Total Extra Fund Balance to Both Plans	$ -	$ -	$ -	$ -	$ 7,183,000	$ -	$ 764,600

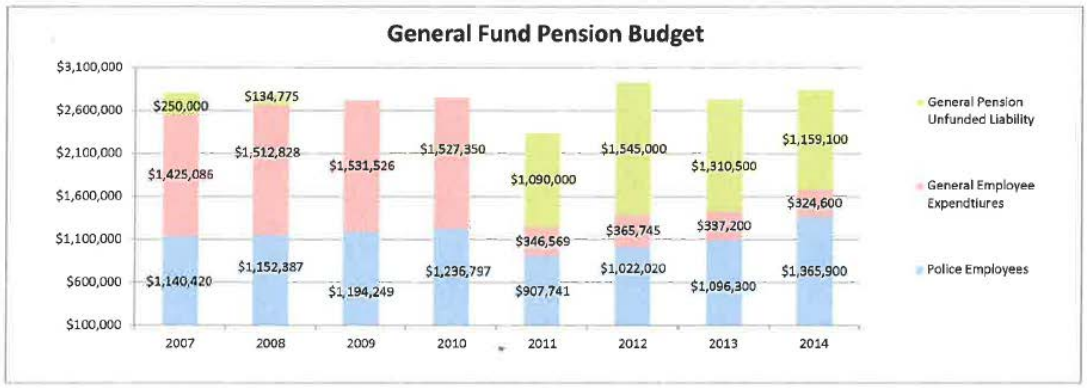
Budget Ordinance 2013-18 - Adopted 1/27/14	
Extra Fund Balance - Civilian Plan (missed allocating between the two plans)	$ 764,600
Recommended Change - Split Police and Civilian as Proposed Above	

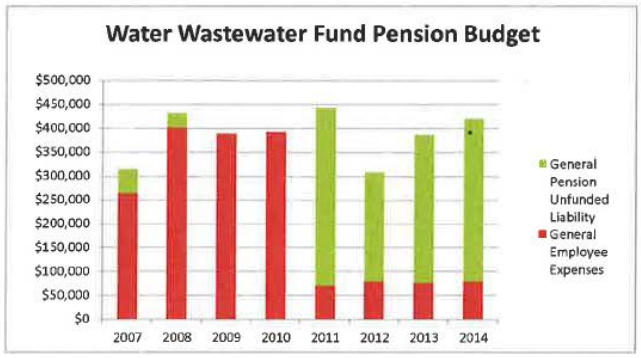
Civilian Plan Contribution – Budget Revision

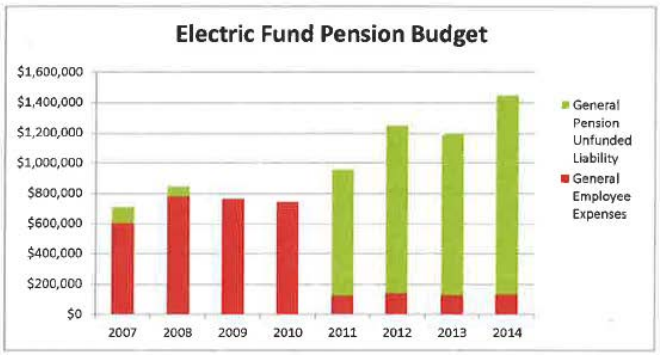
FY13 Comprehensive Annual Financial Report	Total	General Fund	Water/ Wastewater Fund	Electric Fund
Annual required contribution (FY13)	$3,217,964	$1,752,130	$267,853	$1,197,981
Interest on net pension obligation	(24,528)	(4,532)	(14,079)	(5,917)
Adjustment to annual required contribution	31,085	5,744	17,842	7,499
Annual pension cost	3,224,521	1,753,342	271,616	1,199,563
Contributions made	(9,788,465)	(1,880,436)	(550,031)	(7,357,998)
(Increase) in net pension asset	(6,563,944)	(127,094)	(278,415)	(6,158,435)
Net pension (asset) at beginning of year	(350,382)	(64,726)	(201,122)	(84,534)
Net pension (asset) at end of year	($6,914,326)	($191,820)	($479,537)	($6,242,969)
Original FY14 Budgeted Employer Contributions	$3,116,000	$1,671,800	$264,100	$1,180,100
Allocation of Internal Service Employees	-	(328,500)	111,700	216,800
FY14 Budgeted Employer Contributions	$3,116,000	$1,343,300	$375,800	$1,396,900
Recommended FY14 Budget Revision				
Change to Pension Contribution	$ -	$ 328,500	$ (111,700)	$ (216,800)
Change to Internal Service Revenues	$ -	$ (328,500)	$ 111,700	$ 216,800
Additional Contribution from Page 2 of Presentation	$ 382,700	$ 382,700	$ -	$ -
Revised General Fund Employer Contribution	$ 3,498,700	$ 2,054,500	$ 264,100	$ 1,180,100
Note: Employer Contributions Includes % of Payroll contributions (4.67%) plus Lump Sum contributions				


City Pension Expense Budget Trend
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
2007 2008 2009 2010 2011 2012 2013 2014
Fund Appropriations
Division Expenses


City Pension Expense Budget by Fund
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
2007 2008 2009 2010 2011 2012 2013 2014
Electric Fund
Water Wastewater Fund
General Fund


General Fund Pension Budget
$3,100,000
$2,600,000
$2,100,000
$1,600,000
$1,100,000
$600,000
$100,000
2007 2008 2009 2010 2011 2012 2013 2014
$250,000
$1,425,086
$1,140,420
$134,775
$1,512,828
$1,152,387
$1,531,526
$1,194,249
$1,527,350
$1,236,797
$1,090,000
$346,569
$907,741
$1,545,000
$365,745
$1,022,020
$1,310,500
$337,200
$1,096,300
$1,159,100
$324,600
$1,365,900
General Pension Unfunded Liability
General Employee Expendtiures
Police Employees


Water Wastewater Fund Pension Budget
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
2007 2008 2009 2010 2011 2012 2013 2014
General Pension Unfunded Liability
General Employee Expenses


Electric Fund Pension Budget
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
2007 2008 2009 2010 2011 2012 2013 2014
General Pension Unfunded Liability
General Employee Expenses

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MEMORANDUM

To: Members of Legislative, Finance & Administration Committee

From: Donna Mitchell, Controller/Treasurer

Copy: Mayor, City Manager, & City Clerk

Date: March 10, 2014

Subject: Update - Financing plan for Garrison Oak Technical Park Project

Please accept this memorandum as an update to the work being done on the financing plan for the Garrison Oak Technical Park street, storm water, and landscaping project. We have two options to finance this project. One option is to bond the project with a municipal debt issue and the other option I am researching is the potential to inter-fund borrow the funds by leveraging our reserve accounts.

Our annual return on our investments this past year was .17% due to the current interest rate market on short-term durations. A five year Treasury Note (longer duration) was yielding 1.76% as of December 31, 2013. If we financed the project through an inter-fund loan we would forgo all the issuance cost and receive a greater return on our own money. The drawback is how this would be perceived by the ratepayers and bondholders. We also need to insure compliance with all policies, municipal code, and debt covenants. This would include a review of investment, debt and financial policies. If we were to establish a formal program for inter-fund borrowing, some of the above mentioned policies may need changing. The work that has been accomplished to date is as follows:

- Contacted City Auditor to discuss (1) "reasonable assurance" of repayment in order to classify the transaction as an inter-fund loan rather than a transfer and (2) is reasonable assurance restricted by the duration of the loan. The auditor agreed we can set up the inter-fund receivable/payable (loan) as long as there is the intention and ability to pay the funds back in a reasonable amount of time. He would look at what the money is being spent on to determine the reasonableness of the borrowing time frame. I.e. operations or capital.

- Contacted City Bond Counsel to discuss the potential for any debt covenant restrictions for inter-fund borrowing. Our Bond Counsel pointed to our Bond Resolution.

  Under the Bond Resolution, the Improvement &Extension Fund is held in trust for the bondholders. Section 507 creates the fund. Section 507A (c) describes how it should be funded from Revenues. The amount to be funded each fiscal year is determined by the engineers (Section 504). Finally Section 510 sets forth how the funds can be applied. All of them relate to the electric system. My understanding is that the City wants to fund Street/Storm Sewer/Landscape shortfall for Garrison project with monies from this fund. The only way I see you can do that is to show there is money in the fund in excess of what the Engineer says is required to be there.

- Contacted City Engineer – Burns & McDonnell and asked for them to review our reserve levels with the knowledge that Units 1 & 2 will not be bid into the 2017/18 capacity auction and Mr. Betts is working on a PPA and Future Capacity agreement with Calpine. The Lead Engineer is traveling but has responded that he will contact me to review the details. I would also mention that the current balances in our reserves have been set by City Council through the financial policies and not by the Electric Engineer. I have always understood the Engineer to opine whether they believe them to be sufficient for future improvements.

- Contacted Financial Advisor to request their input and to assist with debt structuring. I would prefer a greater amount of principle be paid back in the early years, so if we have future debt needs as this debt drops off we could add on the future debt without a lot of impact on the budget. They will also provide their thoughts on the proposed financing plan.

In closing, I expect to have the remaining research done by March 31 to provide a final recommendation to City Council. Any policy change recommendations would be included. Depending on the interest rate and payback period the debt service could range from $250,000 to $500,000.