Frequently Asked Questions about the City of Bloomington's Budget

1. **What has the City done around staffing reductions, pay cuts, or reduced hours? For example, has a 10% salary decrease been considered?**

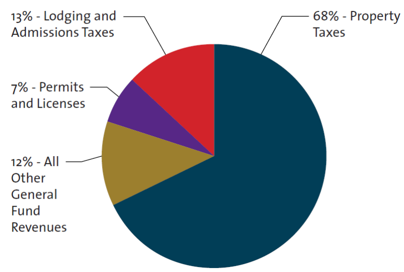
    - City staff has already cut 6 full-time positions and 2 part-time positions from the 2021 budget. The Community Budget Advisory Committee is analyzing additional staffing reductions that would reduce up to 28.5 full and part-time positions.
    - Given the wide range of positions at the City, there is no "one size fits all" reduction that makes sense. Pay is set at the individual position level – pay for civil engineers moves differently than the pay for administrative assistants, which moves differently than pay for police officers.
    - Hospitality revenues are not expected to return to their former levels until 2025. The City needs to make decisions now to balance the budget both for the 2021 budget year, but also for future years. Pay cuts are not a permanent solution to the City's budget.
    - Other cities who are not as dependent on hospitality revenues are giving cost of living raises next year. Good employees have choices for where they work, and pay cuts will cause good employees to seek better pay elsewhere.
    - The State's pay equity law requires cities to have a job evaluation system and a pay structure. The jobs are categorized according to the evaluation and then assigned appropriate compensation.
    - The City of Bloomington has five labor unions, which require the City to follow significant rules, processes, and laws guiding employee relations and compensation, and severely limits the City's ability to impose terms and conditions of employment without negotiation. Cities also are obligated to participate in binding arbitration with unions comprised of essential employees who, as defined by labor relations law, are not allowed to strike. In Bloomington, four of the five unions are essential work groups who have the right to go to binding arbitration. This means that an independent third party decides contested items of negotiation if the parties cannot agree. Arbitrators typically have a three-tiered approach to make their determination: (1) external market comparisons; (2) internal equity among other City employee groups; and (3) ability to pay by the employer. The "market" that arbitrators consider is generally other cities in the metro area of similar size. Information we have from other large, suburban cities indicates that they plan to proceed with cost of living pay increases for their employees in 2021. This is likely due to the fact that their operating budgets are not reliant on lodging and admission taxes the way Bloomington's budget is and therefore are not experiencing the same challenges. We have been successful in negotiating a wage freeze for 2021 with one union, and believe the other groups that do not yet have settled contracts will agree to the same. This wage freeze will be extended to non-union employees, as well.

2. **What is the City doing to reduce spending by tightening its belt instead of raising taxes?**
    - In order to address the 2020 budget shortfall due to Covid-19, the City has reduced staff positions, delayed hiring vacant positions, postponed capital projects, reduced planned supplies and services expenses, and carefully analyzed operations for efficiencies and further reductions. The City Council appointed a volunteer Community Budget Advisory

Committee in May 2020 to develop 2021 budget scenarios that prioritized options of service reductions that included input from the community on what they value most.

3. Has the City considered other sources of revenue to solve the problem of the budget shortfall? For example, using liquor taxes, program fees or rentals instead of property taxes.

- Property taxes typically comprise 68% of the revenues that support the General Fund budget. Other revenue sources include permit fees, license fees, grant revenues, program fees, and lodging and admissions taxes. Lodging and admissions taxes usually generate about 13% of the City's General Fund revenue. Due to the pandemic, these revenues have declined by more than $5 million, and are less than half of what was collected before Covid-19.
- The committee looked at program fees and is proposing increases in certain areas. Competition keeps the City from making large fee increases – for example, golfers have choices about where they choose to play rounds.



4. Can projects be postponed such as street maintenance or building a new community center?

- In 2020, several construction and capital projects were postponed. For example the pavement maintenance sealcoating program was cancelled in 2020. The City is not currently working on any plans to replace Creekside, including the location or design of a new community center.
- Recessions like these can be good opportunities for the City to get more for its project money. This happened in the aftermath of 9/11, when the City in some cases saved 10-15% on projects.

5. Why does the City rely so heavily on the hospitality industry?

- Bloomington's location in the metro area, with prominent highway access and convenient access to the airport, makes it a natural location for hospitality businesses. The City has worked for decades to use these features to its advantage. The result is a vibrant, growing hospitality industry with a strong national brand. It employs many Bloomington residents and generates lodging tax revenue that lowers Bloomington property taxes by about 10%. The pandemic-driven decline in lodging tax revenue just proves how this industry helps keep property taxes low. It's painful to watch the near-term impact of the pandemic on hospitality jobs, but industry analysts expect it to recover in a three to five year timeframe. It's not just Bloomington that is excited about the long term prospects of the hospitality industry. Cities throughout the metro area are working hard to add hotels in order to get the same benefits that Bloomington has received for decades.