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With City Facing "Even More Dramatic Increases" in Debt Payments, Beier Says Triplett Campaign Misrepresents Debt

[1]

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By:

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Above: Mayor Nathan Triplett and Councilmember Ruth Beier

Running for re-election to East Lansing's City Council, Mayor Nathan Triplett has been emphasizing success at reducing the City's debt since he joined Council. In his most recent campaign letter, Triplett says, "During my time on Council, we've reduced our city's debt by nearly 30%."

But this week a new analysis of East Lansing's retiree-related debt obligations shows the City's overall debt continues to balloon rapidly, such that the City is going to have to use an ever-increasing percentage of its annual revenues to try to keep up. Even then, the new analysis shows, the City will keep steadily losing ground on meeting obligations for retiree-related debt.

East Lansing's retiree-related debt now stands at over \$100 million, representing well over half the City's outstanding financial obligations. (See our detailed report [2] on how the City's debt breaks down.) In a memo accompanying a new analysis of retiree-related debt dated two days

ago, City Finance Director Mary Haskell wrote to advise the city manager, "we are going to face even more dramatic increases than we had originally thought."

The material, not yet released to the general public, was provided to ELi by Councilmember Ruth Beier, a union-employed labor economist, who thought it important the public know about the dire predictions, particularly in light of Triplett's campaign claims about our debt position. (See the new memo and associated reports ^[3].)

Haskell is making several administrative recommendations to try to manage the problem of the City's annual budget being increasingly consumed by this debt. Right now the City's lump sum payments into the fund are consuming about 19% of our annual budget (about \$6.5 million payment out of an annual budget of about \$34 million). Projections show the lump sum payment could rise to almost \$10 million annually by fiscal year 2021.

Even with the lump sum payments into the pension fund being increased substantially every year, projections show the City losing ground, with the "funded" portion of the pension falling from 58% currently to 53% by fiscal year 2021. In other words, we won't be keeping up with the obligation even if the amount we put in goes up by hundreds of thousands of dollars each year.

Frustrated by the disjuncture between Triplett's campaign statements and the City's ongoing discussion of ever-mounting retirement-related debt, Beier is now accusing Triplett of willful misrepresentation in order to win re-election. Beier told ELi yesterday, "In this campaign we've heard from our mayor that our debt is going down, and that is not a fair representation. [Triplett's statement] doesn't include our pension debt because that has been going up. The mayor knows better."

She adds, "When he says, 'Look at our financial report' the debt is going down," he knows the pension liability is real and that it is a debt." Beier says that by referring only to the part of the City's obligations that does *not* include the \$100+ million retiree-related costs, Triplett "is purposely misleading people so that he can say that as mayor, he reduced our debt. And that is not true."

I shared Beier's comments with Triplett yesterday evening, and asked him for a response by 10 a.m. today. He has not replied.

As we have previously explained ^[4], accounting standards up to now have not required the City to include retiree-related debt in its formal annual financial statement, and it is that financial statement to which Triplett is referring when he says the City's debt has been reduced. Changing accounting standards will soon make East Lansing's \$100+ million increasing retiree-related debt significantly more visible in the formal annual financial statement, but the problem itself has been a source of serious concern to City staff and Council for many years.

This accounting standards change is not expected to alter the City's credit rating, which Triplett's most recent campaign letter says went up since he became a Councilmember. Since Triplett joined Council, our credit rating has gone up with one agency, and stayed the same with another; read more. ^[5]

The City's largest source of revenue for its annual budget is property taxes collected from East

Lansing's homeowners. Beier has said she sees the roughly \$6 million in tax increment financing (TIF) provided by the sitting Council to developers over the last two years as continuing to push this debt problem onto individual homeowners. This is one reason she has voted against many of the TIF plans. Triplett, by contrast, says the TIF approvals have been necessary to secure East Lansing's long-term future.

As we have reported, TIF and the City's debt have emerged as a major point of debate among our sitting Council and in the current Council race. Triplett has not indicated who he wants elected to Council along with him, but Beier has endorsed Erik Altmann, Mark Meadows, and Steve Ross. Councilmember Susan Woods, who has aligned with Triplett on all major financial votes, has stated her endorsement of Triplett, Shanna Draheim, and Jermaine Ruffin. (Read more. [6])

NOTE: We've provided an important follow-up to this article here:

<http://www.eastlansinginfo.org/content/explaining-east-lansings-retiree-...> [7]

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