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Buried

Oak Ridge Cemetery has serious financial problems

By Bruce Rushton



Oak Ridge Cemetery is short more than \$900,000, and city taxpayers could be on the hook.

The cemetery has six-figure shortfalls in two funds, one set up to pay burial expenses for consumers who have purchased pre-need services, the other established to maintain the grounds in perpetuity.

"It's clear that there have been a number of withdrawals out of both of those funds for use by the cemetery in its operations," corporation counsel Mark Cullen told the cemetery's board of directors at a March 13 board meeting. "We do have a couple sizable holes."

In an interview, cemetery executive director Mike Lelys acknowledged serious financial problems.

"I think it is a pretty big issue," Lelys said. "Obviously, we can't continue this way forever."

Cullen told the board that there is no evidence of fraud or mismanagement. But the cemetery has tapped the funds to pay operating expenses, including payroll, he said, and has not been

putting money into the endowment care fund set up to pay for perpetual upkeep of the cemetery.

Making matters worse, the cemetery has lost money with investments in the stock market that should never have been made, Cullen and Bill Logan, a top advisor to Mayor Mike Houston, told the cemetery board.

"The problem is, you're gambling," Logan told the board.

Compounding financial problems are plummeting sales of plots. In 2000, the cemetery took in \$1.4 million from burials, Lelys told the board. During the last fiscal year, the cemetery took in \$870,000 from burials, a difference of \$534,000.

“Cremations are up, conventional burials are down, people are living longer,” Lelys said. “That’s good for people, not good for our business.”

One example of slow sales is a 325-plot section set aside five years ago for sale to veterans. Just one of the plots has been purchased. It costs \$3,000 to be buried in Oak Ridge and \$4,200 for burial in the veteran’s section near war memorials. Burial at Camp Butler is free for veterans and their immediate families, Lelys said.

Despite sagging financial fortunes, the cemetery last year paid \$75,000 for a building that once housed a funeral museum on Monument Drive, just outside cemetery grounds. The cemetery has not identified a use for the property. Lelys confirmed that City Water, Light and Power, another city agency in financial difficulty, may lease the building from the cemetery. At least one church has also expressed an interest, he said.

Lelys defended the purchase, which occurred before he became the cemetery’s executive director last fall.

“Personally, I think it was a wise investment,” Lelys said in an interview. “The assessed value is four or five times greater than what was paid for it. Any time there’s contiguous property available, you want to acquire that property. ... Our intent is to retain it as a city property.”

During his address to the board, Cullen said that Mayor Mike Houston’s administration is planning changes to cemetery governance that will likely reduce the board’s authority to manage money and otherwise run the cemetery.

Most city boards and commissions act in advisory capacities, with the city council having the final power to set policy and the executive branch tasked with implementing policy. But the cemetery board is a stand-alone that has the power to decide how money is invested and spent.

“The board here is the ultimate authority,” Cullen said. “I don’t know where that comes from, but I think that’s certainly counterintuitive of what I would expect to see, and I think it’s something we need to address. ... I think the board here should assume a function of an advisory capacity, much like other boards and commissions in city government.”

The principal in the cemetery’s endowment care fund should never be tapped, Cullen said, but at least \$200,000 has been withdrawn over the past five years. Fifteen percent of proceeds from each plot sale should be going into the endowment care fund, but that money hasn’t always been deposited, Cullen said, and the fund, which should have a minimum of \$3.6 million, is \$473,000 short.

Cullen said that money from the endowment care fund has been invested in a variety of securities, including mutual funds and equity funds.

“I don’t think that’s an appropriate way to manage a perpetual care fund,” Cullen told the cemetery board. “Plain and simple: If you have a perpetual care fund, you need to be investing in assets that do not bear the risk, generally, of a market, or is properly hedged against the risks of a market.”

The size of the fund has plummeted, then risen, since the stock market crashed in 2008, Cullen said, but the fund’s value is still well below where it should be.

“We lost a lot of money in the stock market,” Cullen said. “It is clear we have taken a lot of money out to support the (cemetery) operations. The city of Springfield is still entirely responsible for the cemetery and will be responsible in perpetuity. ... There are not people who are at risk of not getting their cemetery lots.”

Cullen said the pre-need fund, which consists of monies paid by consumers for vaults, plots and the cost of digging and filling graves, is short by \$439,000.

“I don’t believe there have been consistently made deposits into that account,” Cullen said. “Perhaps we just need to start a new pre-need fund. Again, no one is at all accusing anyone of any financial improprieties – as near as we can tell, all of the funds were used for the proper expenses of Oak Ridge Cemetery.

“It is prudent financial planning to start to live within our means.”

Contact Bruce Rushton at brushton@illinoistimes.com.