

**FINANCE COMMITTEE  
MAY 13, 2013 AT 6:00 P.M.  
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderpersons Moore, R. Stroik, Slowinski and M. Stroik

EXCUSED: Alderperson O'Meara

ALSO

PRESENT: Mayor Halverson; City Attorney Beveridge; C/T Ladick; Clerk Moe; Ald. Wiza, Suomi, Patton, Phillips, Doxtator; Directors Lemke, Schrader, Ostrowski, Schatschneider; Asst. Police Chief Skibba; Fire Chief Kujawa; Human Resource Manager Jakusz; Deputy C/T Freeberg; Tricia Church; Kelley Pazdernik; Brandi Makuski; Brian Kowalski; Chris Jones; Gene Kemmeter; Barb Jacob; Carla Gogin; Lisa Herfel; John Schlice

**ITEM #1 – 2012 AUDIT REPORT – CARLA GOGIN AND LISA HERFEL, BAKER TILLY.**

Carla Gogin and Lisa Herfel of Baker Tilly presented the 2012 audit report for the City of Stevens Point and also the Water and Wastewater Departments. The presentation is attached. Both the City and the Water and Wastewater Departments are financially very strong and have been trending above normal in all areas.

**ITEM #2 – DESIGNATION OF OFFICIAL NEWSPAPER.**

C/T Ladick stated that we received two quotes, one from Portage County Gazette and one from Stevens Point Journal and after reviewing them, he realized the column size was not the same on both quotes. He did some calculating and determined that Portage County Gazette is the cheapest quote, so recommendation is to go with Portage County Gazette.

Motion made by Ald. Slowinski, seconded by Ald. M. Stroik to approve the designation of Portage County Gazette as the official newspaper.

Ayes: All                      Nays: None                      Motion carried.

**ITEM #3 – PROPOSED LOT PRICE INCREASE – FOREST CEMETERY.**

C/T Ladick stated the cemetery spaces in the Forest Cemetery are currently \$350 per space, which is lower than almost all the others in the area, so he recommends we increase the price to \$500. This would make us in line with what the other cemeteries are charging and also to make sure that we have sufficient funds to keep up with the on-going maintenance of the cemetery.

Motion made by Ald. R. Stroik, seconded by Ald. Slowinski to approve increasing the cemetery spaces in Forest Cemetery to \$500 per space.

Ayes: All                      Nays: None                      Motion carried.

**ITEM #4 – PROPOSED RULE CHANGES – FOREST CEMETERY.**

C/T Ladick stated there have been a number of issues at the Forest Cemetery, such as foundations/headstones being too large, urns not being buried deep enough and issues with burials impeding onto other spaces, to mention a few. These rules should rectify the issues we are having.

Motion made by Ald. Slowinski, seconded by Ald. M. Stroik to approve the proposed rule changes at Forest Cemetery.

Ayes: All                      Nays: None                      Motion carried.

**ITEM #5 – PROPOSED CREDIT CARD POLICY.**

C/T Ladick stated this is being done at the request of the auditors. They wanted us to have a formal policy for use and handling of the credit cards.

Motion made by Ald. R. Stroik, seconded by Ald. Slowinski to approve the proposed credit card policy.

Ayes: All                      Nays: None                      Motion carried.

**ITEM #6 – APPROVAL OF PAYMENT OF CLAIMS.**

Motion made by Ald. M. Stroik, seconded by Ald. R. Stroik to approve the payment of claims in the amount of \$1,322,952.50.

Ayes: All                      Nays: None                      Motion carried.

**ITEM #7 – ADJOURNMENT INTO CLOSED SESSION (AT APPROXIMATELY 6:20 P.M.) PURSUANT TO WISCONSIN STATUTE 19.85(e) TO CONFER WITH LEGAL COUNSEL WITH RESPECT TO DEVELOPERS AGREEMENT NEGOTIATIONS – MEDICAL COMPLEX – N. DIVISION STREET (OLD COOPER MOTOR SITE).**

Motion made by Ald. R. Stroik, seconded by Ald. Slowinski to adjourn into closed session at 6:28 p.m. pursuant to Wisconsin Statute 19.85(e).

Roll Call: Ald. Moore, R. Stroik, Slowinski, M. Stroik      Excused: Ald. O’Meara

Adjournment in closed session at 7:02 p.m.

**CITY OF STEVENS POINT**  
**REPORT TO THE CITY COUNCIL**

**May 13, 2013**

Presented By:

Baker Tilly Virchow Krause, LLP  
Ten Terrace Court  
P.O. Box 7398  
Madison, WI 53707-7398  
800 362 7301

Carla A. Gogin, CPA, Partner  
Melissa Kempen, CPA, Manager

Actual data was derived from current and prior years audited financial statements

This communication is intended solely for the information and use of management, the council, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

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**CITY OF STEVENS POINT**  
**2012 FINANCIAL STATEMENT HIGHLIGHTS**

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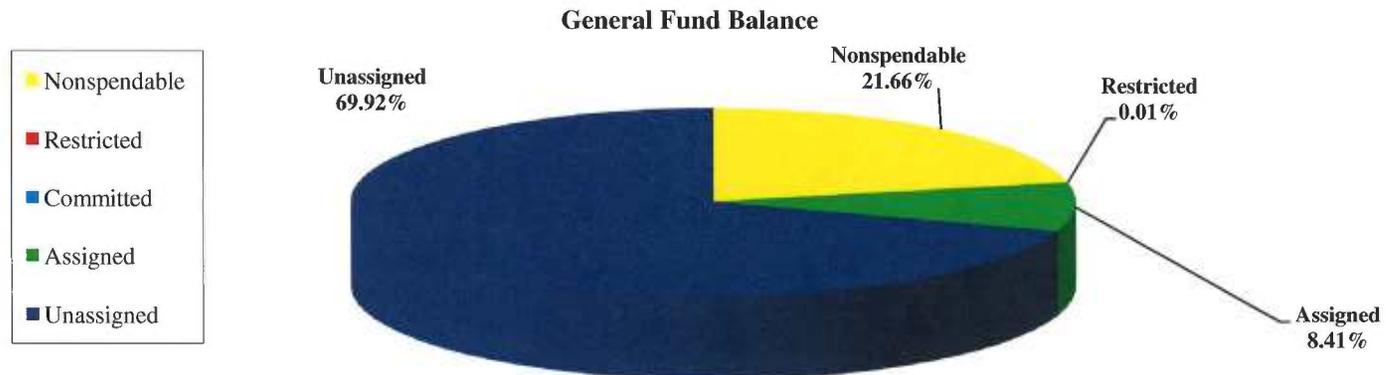
**GENERAL FUND - NET CHANGE IN FUND BALANCE**

	<u>Actual</u>	<u>2012</u>	<u>Budget</u>	<u>Favorable Variance</u>
Total Revenues	\$ 21,263,392	\$	20,565,032	
Other Financing Sources	1,023,157		1,019,500	
Less: Expenditures	(21,076,590)		(21,738,907)	
Less: Other Financing Uses	(502,715)		(198,100)	
 Net Change in Fund Balance	 707,244		 (352,475)	
 Fund Balance Beg. of Year	 15,205,637		 15,205,637	
 Fund Balance End of Year	 \$ 15,912,881	 \$	 14,853,162	 \$ 1,059,719

## CITY OF STEVENS POINT 2012 FINANCIAL STATEMENT HIGHLIGHTS

### DETAILS OF GENERAL FUND BALANCE

	<u>2012</u>
<u>Nonspendable</u> <i>includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.</i>	\$3,446,078
<u>Restricted</u> <i>includes fund balance amounts that can be spent only for the specific purposes stipulated by an external source.</i>	1,525
<u>Committed</u> <i>includes fund balance amounts constrained for specific purposes that are internally imposed by government through formal action of the governing body.</i>	-
<u>Assigned</u> <i>includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed.</i>	1,338,686
<u>Unassigned</u> <i>includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories.</i>	<u>11,126,592</u>
<b>Total General Fund Balance</b>	<b>\$ <u>15,912,881</u></b>

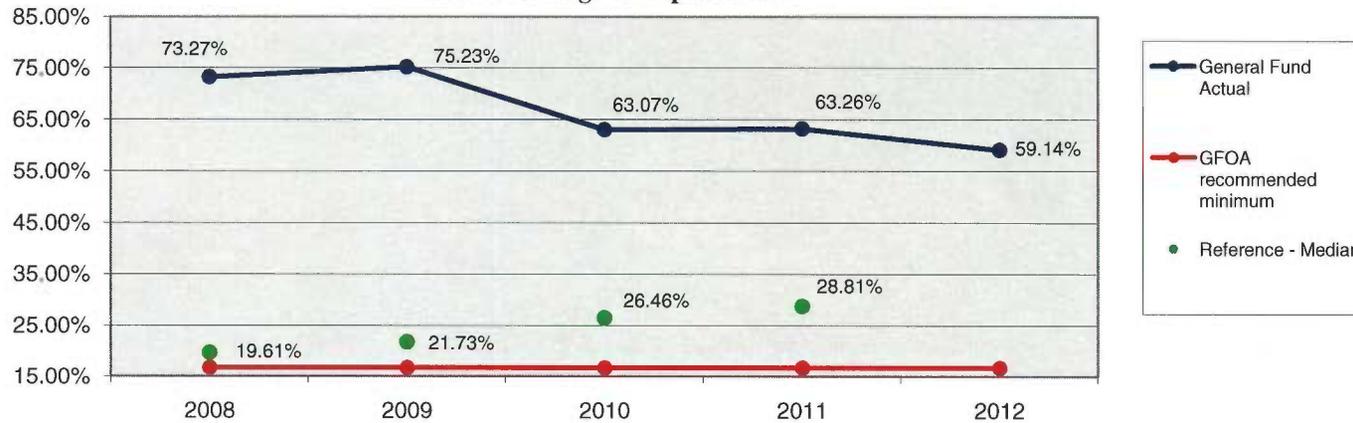


## CITY OF STEVENS POINT 2012 FINANCIAL STATEMENT HIGHLIGHTS

### ANALYSIS OF GENERAL FUND BALANCE

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Unreserved Fund Balance</b>	\$ 15,145,843	\$ 15,568,496	\$ 13,885,253	\$ -	\$ -
<b>Unrestricted Fund Balance</b>	-	-	-	13,983,274	12,465,278
<b>GF Expenditures</b>	20,671,938	20,693,795	22,015,615	22,102,952	21,076,590
<b>% of expenditures</b>	73.27%	75.23%	63.07%	63.26%	59.14%

**Unreserved or Unrestricted General Fund Balance  
as a Percentage of Expenditures**



GFOA recommended range for % of expenditures: no less than 2 months of regular GF operating expenditures  
 Acceptable range per city policy: 4-6 months of the following year's budgeted general fund expenditures

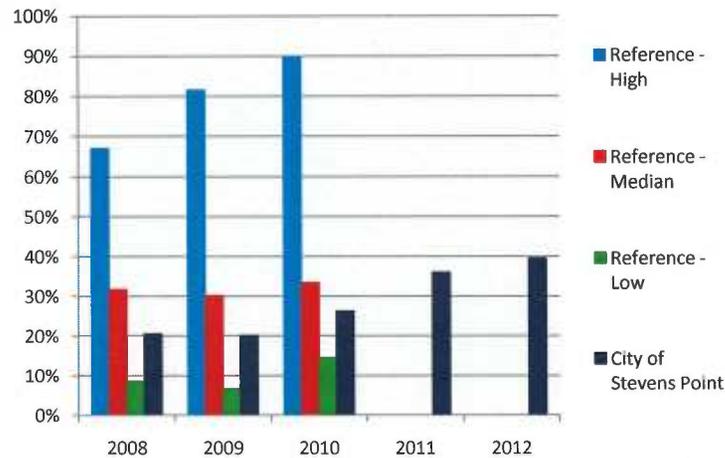
Reference values for the population range: 17,500 to 30,000 generated from 2008-2011 Baker Tilly municipal client data for Wisconsin.

## CITY OF STEVENS POINT 2012 FINANCIAL STATEMENT HIGHLIGHTS

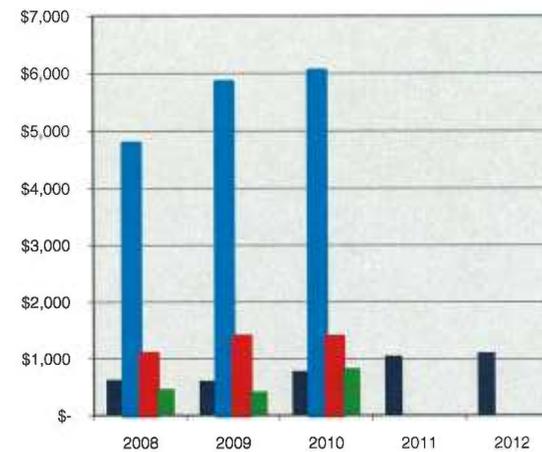
### GENERAL OBLIGATION DEBT OUTSTANDING

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Total General Obligation (G.O.) Debt (net)</u></b>					
City	\$ 16,875,324	\$ 20,602,919	\$ 21,397,170	\$ 28,446,246	\$ 28,982,272
Utilities	1,290,054	837,654	1,205,279	1,155,744	1,996,814
Subtotal	18,165,378	21,440,573	22,602,449	29,601,990	30,979,086
Less: Fund equity available for debt	(1,555,348)	(5,341,007)	(1,909,469)	(1,696,111)	(1,549,343)
<b>TOTAL</b>	<b>\$ 16,610,030</b>	<b>\$ 16,099,566</b>	<b>\$ 20,692,980</b>	<b>\$ 27,905,879</b>	<b>\$ 29,429,743</b>
<b>Population</b>	<b>26,717</b>	<b>26,717</b>	<b>26,717</b>	<b>26,717</b>	<b>26,717</b>
<b>G.O. Debt Capacity</b>	<b>\$ 80,941,285</b>	<b>\$ 80,127,655</b>	<b>\$ 78,834,410</b>	<b>\$ 77,426,855</b>	<b>\$ 74,429,455</b>
G.O. debt per capita	\$ 622	\$ 603	\$ 775	\$ 1,044	\$ 1,102
% of debt limit	21%	20%	26%	36%	40%

**Percentage of Debt Limit**



**G.O. Debt Outstanding - Per Capita**



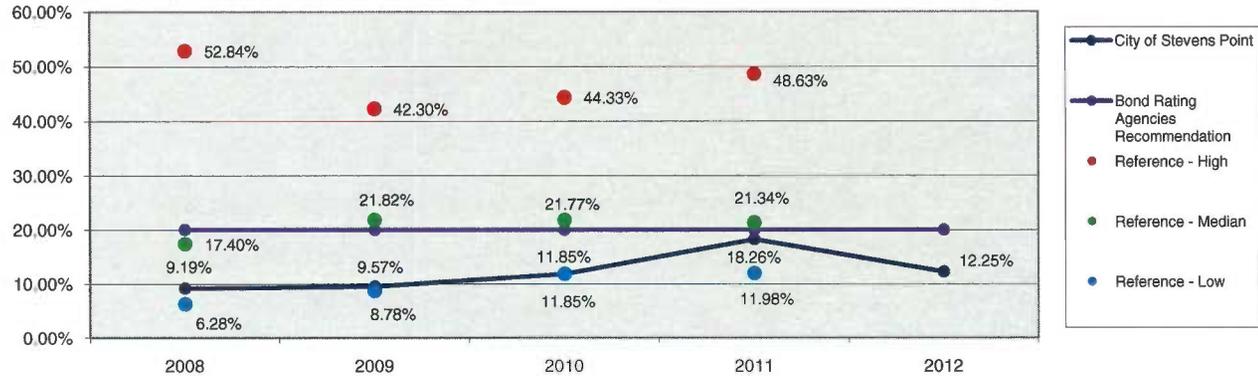
2008-2010 Reference values for the population range: 17,500 to 30,000 taken from *MunicipalFacts12* publication by the Wisconsin Taxpayers Alliance, 2012.

## CITY OF STEVENS POINT 2012 FINANCIAL STATEMENT HIGHLIGHTS

### ANALYSIS OF DEBT SERVICE - GOVERNMENTAL FUNDS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Total Debt Service</u></b>					
Principal	\$ 1,883,959	\$ 1,765,214	\$ 2,205,749	\$ 5,100,924	\$ 2,771,974
Interest	396,685	589,556	903,708	849,795	1,039,973
<b>TOTAL</b>	<b>\$ 2,280,644</b>	<b>\$ 2,354,770</b>	<b>\$ 3,109,457</b>	<b>\$ 5,950,719</b>	<b>\$ 3,811,947</b>
<b><u>Total Non-Capital Expenditures</u></b>					
Total governmental funds expenditures	\$ 35,773,259	\$ 31,124,793	\$ 31,550,164	\$ 35,316,197	\$ 35,458,322
Less: capital outlay	(10,948,576)	(6,520,711)	(5,303,013)	(2,726,417)	(4,341,670)
<b>TOTAL NON-CAPITAL EXPENDITURES</b>	<b>\$ 24,824,683</b>	<b>\$ 24,604,082</b>	<b>\$ 26,247,151</b>	<b>\$ 32,589,780</b>	<b>\$ 31,116,652</b>
% of debt service to non-capital expenditures	9.19%	9.57%	11.85%	18.26%	12.25%

**Debt Service to Non-Capital Expenditures**



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bond rating agencies recommended %	20.00%	20.00%	20.00%	20.00%
High - Reference:	52.84%	42.30%	44.33%	48.63%
Median - Reference:	17.40%	21.82%	21.77%	21.34%
Low - Reference:	6.28%	8.78%	11.85%	11.98%

Reference values for the population range: 17,500 to 30,000 generated from 2008-2011 Baker Tilly municipal client data for Wisconsin.

# **Stevens Point Water and Wastewater Departments**

## **Report to the Commission**

**May 13, 2013**

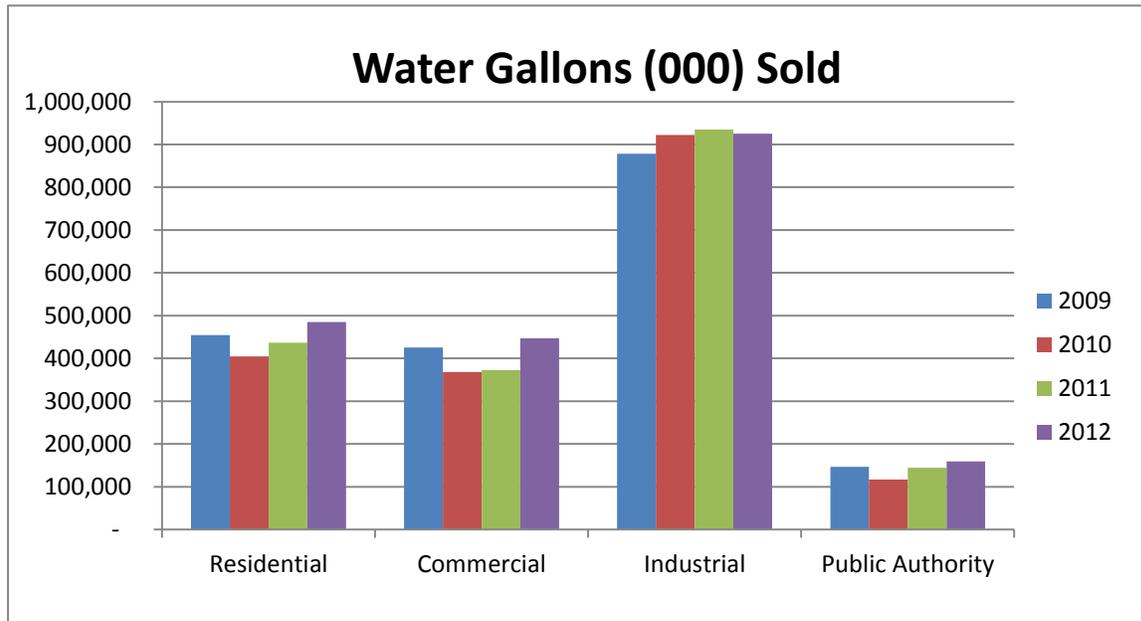
Presented By:

Baker Tilly Virchow Krause, LLP  
Ten Terrace Court  
P.O. Box 7398  
Madison, WI 53707-7398  
800 362 7301

John Andres, CPA, Partner  
Lisa Herfel, CPA, Manager  
Jill Hinson, CPA, Senior Accountant

Note: Actual data was derived from current and prior years audited financial statements

# Stevens Point Water and Wastewater Departments

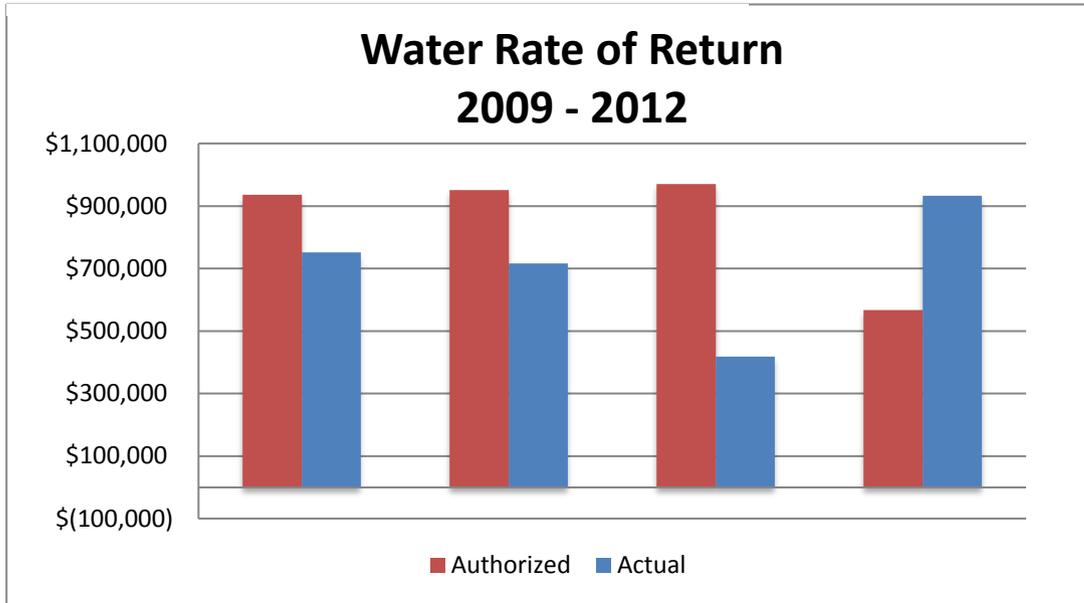


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	454,366	404,439	436,748	485,039
Commercial	425,725	368,389	372,723	447,352
Industrial	878,358	922,089	934,788	925,069
Public Authority	<u>146,262</u>	<u>116,953</u>	<u>144,122</u>	<u>158,953</u>
Total	<u><u>1,904,711</u></u>	<u><u>1,811,870</u></u>	<u><u>1,888,381</u></u>	<u><u>2,016,413</u></u>
Major Customer Usage	833,007	871,879	880,111	860,554
% of Industrial Usage	95%	95%	94%	93%

## What it means....

The water utility's sales grew 7% in 2012. The residential, commercial, and public authority increase in sales can be attributed to the extreme weather conditions during the summer (heat & lack of precipitation).

# Stevens Point Water and Wastewater Departments



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Investment Rate Base	\$ 13,863,480	\$ 14,093,837	\$ 14,385,296	\$ 20,629,861
Authorized Return	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>2.75%</u>
Authorized Operating Return	<u>\$ 935,785</u>	<u>\$ 951,334</u>	<u>\$ 971,007</u>	<u>\$ 567,321</u>
Actual Operating Income	<u>\$ 751,558</u>	<u>\$ 716,460</u>	<u>\$ 418,618</u>	<u>\$ 932,468</u>
Actual Return	<u>5.42%</u>	<u>5.08%</u>	<u>2.91%</u>	<u>4.52%</u>
Difference	<u>\$ (184,227)</u>	<u>\$ (234,874)</u>	<u>\$ (552,389)</u>	<u>\$ 365,147</u>

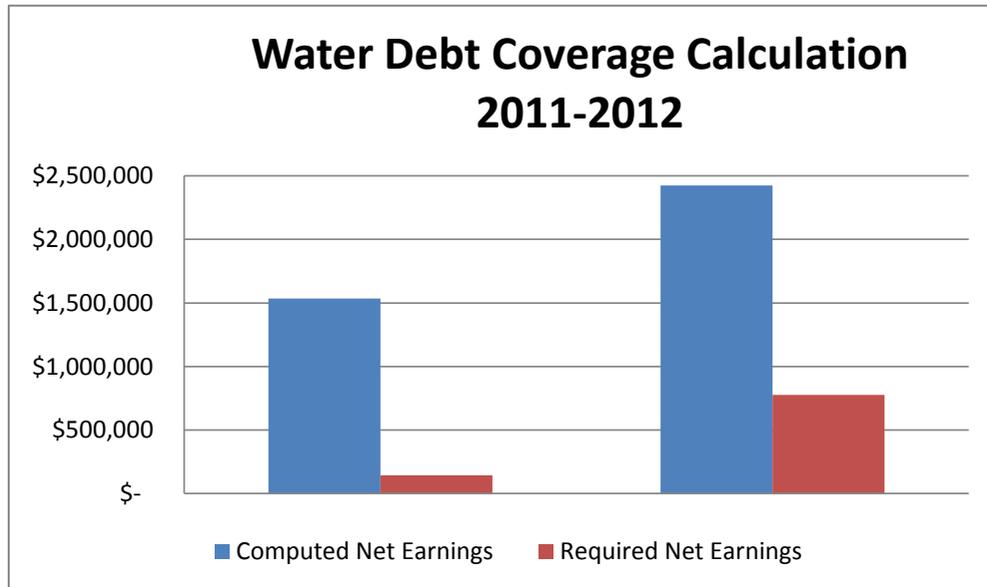
## What it means...

Rate of return is a key indicator of financial results in any regulated utility like your water utility. Any growth in plant requires that rates cover the cost of providing service or the utility will weaken financially in the long run.

A typical municipal utility targeted rate of return currently is around 5.50%. The utility's authorized rate of return was decreased to 2.75% in the last rate case to alleviate some of the cost burden to customers. The new rates went into effect in April 2012. The utility earned a rate of return greater than the authorized rate in 2012. This is due to construction and completion of Well #11 and the treatment facility. In 2013, the net investment rate base and depreciation expense will increase due to the project being in service for the full year.

It is important to point out that the operating income reported here will not match what is reported in the financial statements due to PSCW ratemaking rules.

# Stevens Point Water and Wastewater Departments

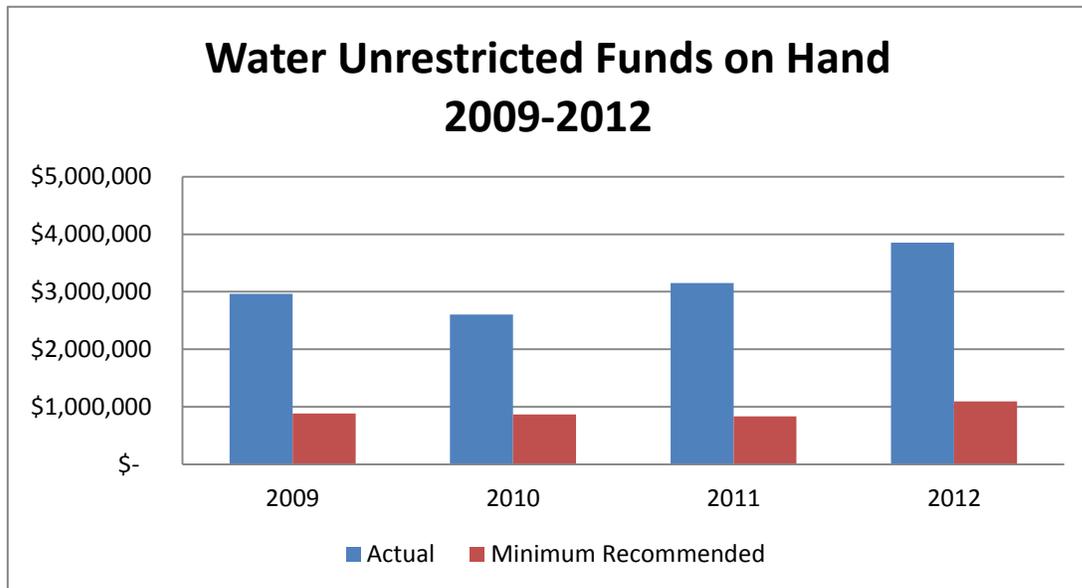


	2011	2012
Operating Revenues	\$ 3,328,429	\$ 4,381,545
Investment Income	9,072	7,499
Miscellaneous non-operating income (expense)	1,445	(3,994)
Less: O & M Expenses	<u>(1,803,348)</u>	<u>(1,960,962)</u>
Computed Net Earnings	<u>\$ 1,535,598</u>	<u>\$ 2,424,088</u>
Highest Annual Debt Service	131,115	706,988
Coverage Factor	<u>1.10</u>	<u>1.10</u>
Required Net Earnings	<u>\$ 144,227</u>	<u>\$ 777,687</u>
Difference	<u>\$ 1,391,371</u>	<u>\$ 1,646,400</u>
Coverage	<u>11.71</u>	<u>3.43</u>

## What it means....

The bond resolution requires that earnings from the system be greater than 1.10 times the highest annual debt service. The increase in bond debt service is due to additional draws made on the revenue bond during 2012. There was no debt service requirement in 2009 and 2010, because the water utility did not have any outstanding revenue bonds.

# Stevens Point Water and Wastewater Departments



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Minimum Funding Benchmark 1 Quarter Billing	<u>\$ 882,978</u>	<u>\$ 864,700</u>	<u>\$ 832,107</u>	<u>\$ 1,095,386</u>
Actual Unrestricted Funds on Hand	<u>\$ 2,965,694</u>	<u>\$ 2,606,732</u>	<u>\$ 3,152,906</u>	<u>\$ 3,854,561</u>
Quarters billings on Hand	<u>3.36</u>	<u>3.01</u>	<u>3.79</u>	<u>3.52</u>

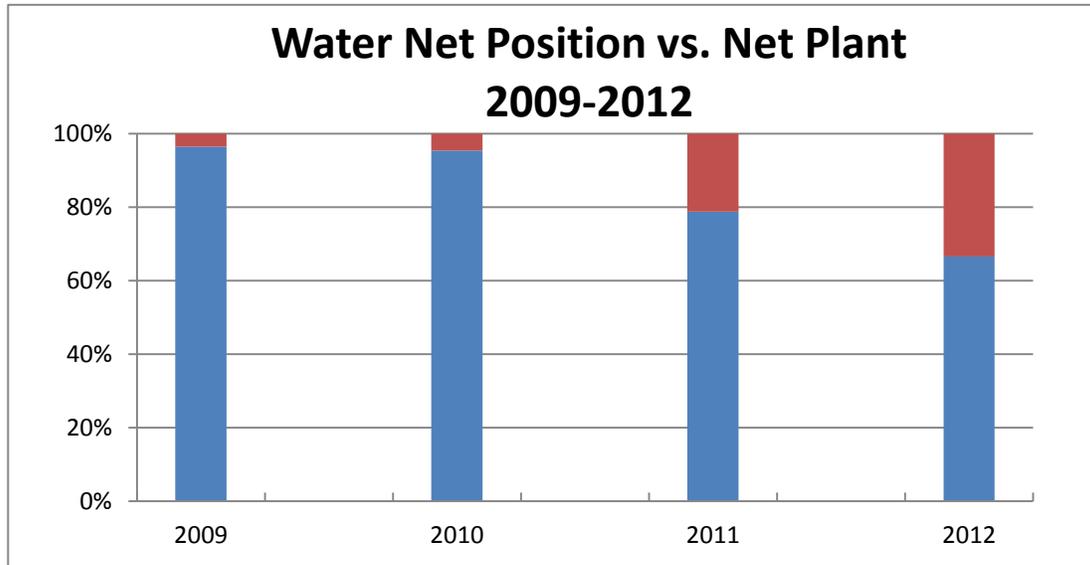
## What it means....

A utility should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's capital improvements. These funding levels facilitate budgeting since there will be less concern for business cycle fluctuations.

Due to the Redemption Account being overfunded by \$97,000 the actual unrestricted funds on hand is \$3,952,000.

This shows that the utility has historically had ample cash reserves for operations.

# Stevens Point Water and Wastewater Departments

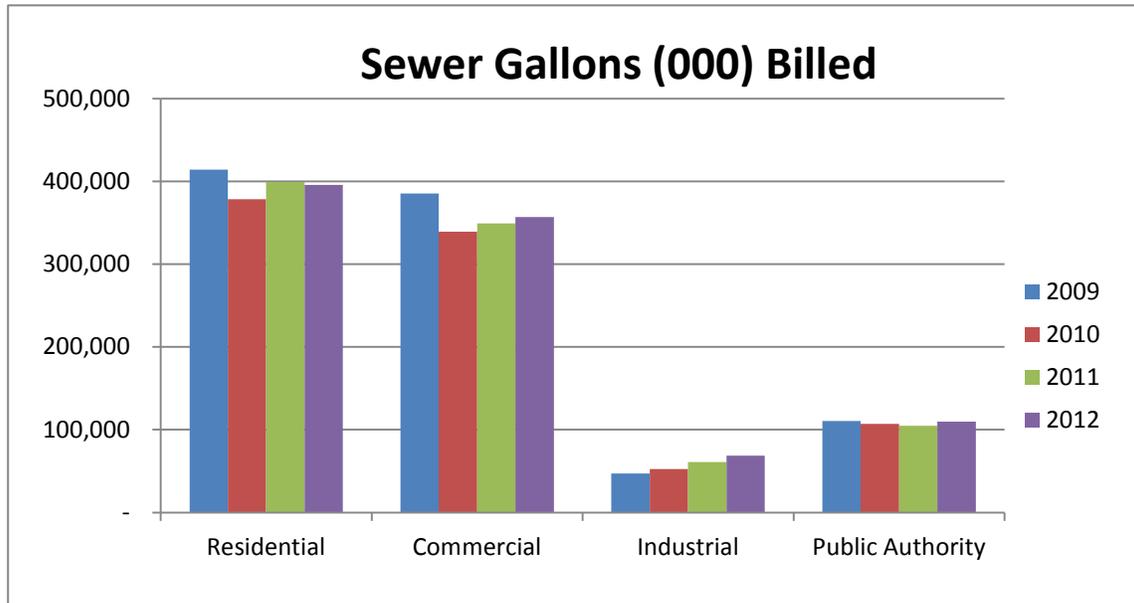


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Investment in Capital Assets	\$ 21,907,726	\$ 24,784,168	\$ 26,679,086	\$ 24,435,140
Net Property, Plant, and Equipment	22,703,791	25,973,772	33,861,972	36,684,720
Percent of Net Plant Funded by Debt	<u>4%</u>	<u>5%</u>	<u>21%</u>	<u>33%</u>
Percent of Net Plant Funded by Equity	<u>96%</u>	<u>95%</u>	<u>79%</u>	<u>67%</u>

## What it means....

Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. Normal utility target is 50% or more equity and 50% or less debt.

# Stevens Point Water and Wastewater Departments

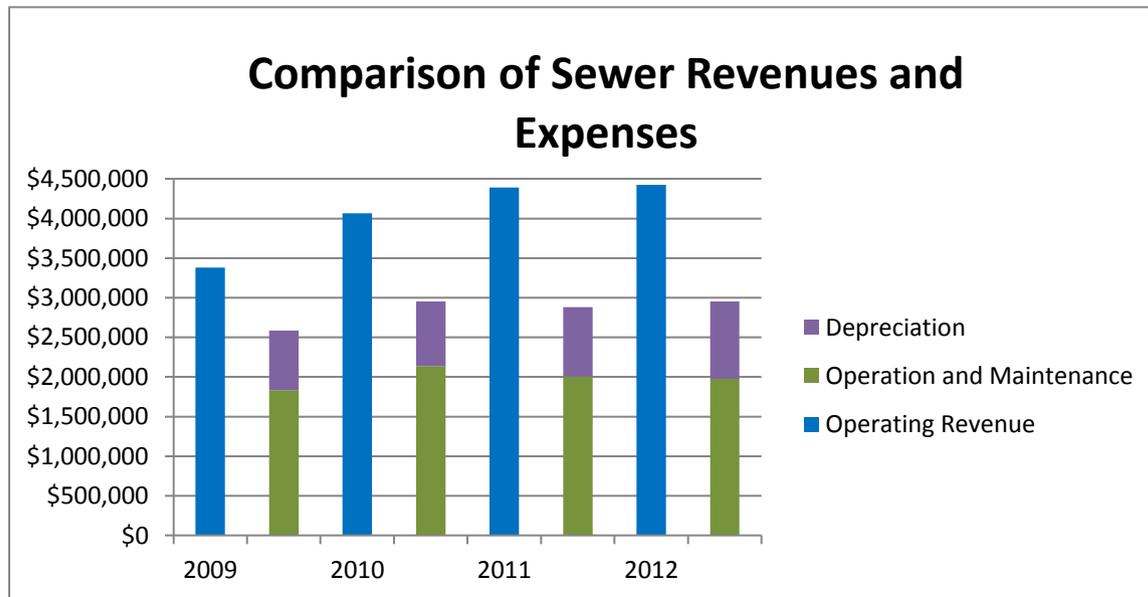


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	414,043	378,459	399,194	395,865
Commercial	385,247	339,241	349,394	357,107
Industrial	47,103	52,529	61,062	68,539
Public Authority	<u>110,629</u>	<u>107,014</u>	<u>104,840</u>	<u>109,726</u>
 Total	 <u><u>957,022</u></u>	 <u><u>877,243</u></u>	 <u><u>914,490</u></u>	 <u><u>931,237</u></u>

## What it means....

Wastewater volumes normally follow the change in water consumption. Sales during 2012 increased 2%. This is slightly lower than the change in water consumption. This is due to the fact that the majority of the change in water consumption was sprinkling, which does not affect wastewater volumes.

# Stevens Point Water and Wastewater Departments

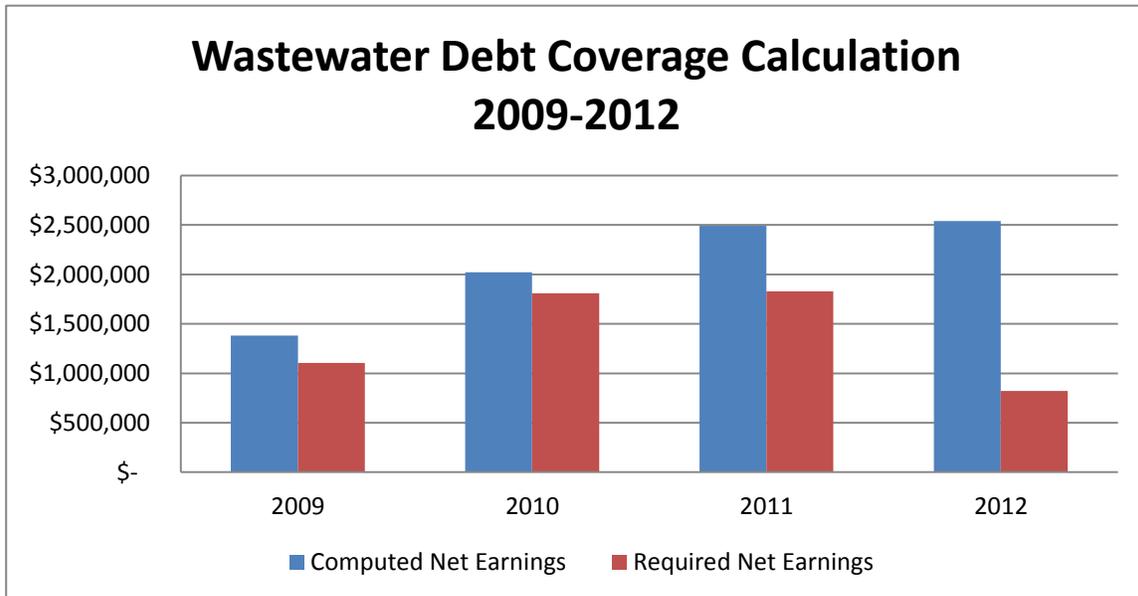


	2009	2010	2011	2012
Operating Revenues	\$3,380,630	\$4,064,764	\$4,393,275	\$ 4,426,346
Operating Expenses				
Operation and maintenance	1,834,363	2,136,453	2,006,918	1,975,403
Depreciation	752,375	817,678	873,202	976,501
Total	<u>\$2,586,738</u>	<u>\$2,954,131</u>	<u>\$2,880,120</u>	<u>\$ 2,951,904</u>
Operating Income	<u>\$ 793,892</u>	<u>\$1,110,633</u>	<u>\$1,513,155</u>	<u>\$ 1,474,442</u>

## What it means...

Operating revenues increased due to a 1% increase in consumption. Sewer rates were last changed April 1, 2010. Depreciation increased due to the completion of the biogas project in April 2012.

# Stevens Point Water and Wastewater Departments

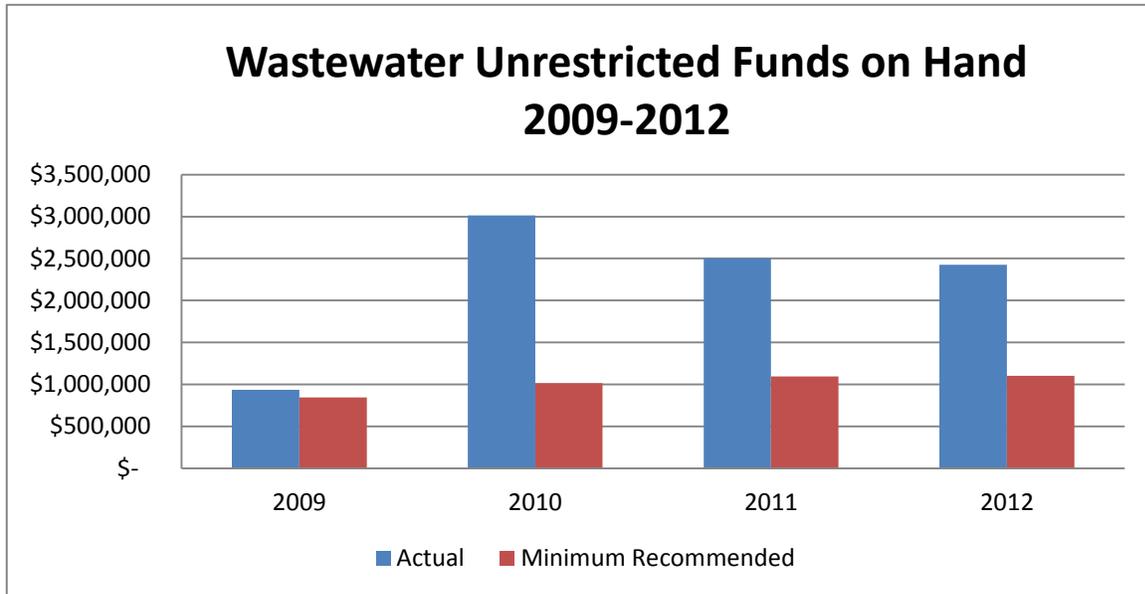


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues	\$ 3,380,630	\$ 4,064,764	\$ 4,393,275	\$ 4,426,346
Investment Income	28,797	31,010	22,979	7,188
Misc. non-operating income	-	63,125	82,336	82,225
Less: DNR replacement fund requirement	(192,200)			
Less: O & M Expenses	<u>(1,834,362)</u>	<u>(2,136,453)</u>	<u>(2,006,918)</u>	<u>(1,975,403)</u>
Computed Net Earnings	<u>\$ 1,382,865</u>	<u>\$ 2,022,446</u>	<u>\$ 2,491,672</u>	<u>\$ 2,540,356</u>
Subsequent Year Revenue Bond Debt Service	1,003,311	1,448,342	1,462,210	657,494
Coverage Factor	<u>1.10</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
Required Net Earnings	<u>\$ 1,103,642</u>	<u>\$ 1,810,428</u>	<u>\$ 1,827,763</u>	<u>\$ 821,868</u>
Difference	<u>\$ 279,222</u>	<u>\$ 212,018</u>	<u>\$ 663,909</u>	<u>\$ 1,718,488</u>
Coverage	<u>1.38</u>	<u>1.40</u>	<u>1.70</u>	<u>3.86</u>

## What it means....

The bond resolutions require that earnings from the system be greater than 1.25 times the revenue bond annual debt service based on the bond year. The decrease in bond debt service is due to wastewater paying off one of the cleanwater funds.

# Stevens Point Water and Wastewater Departments



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Minimum Funding Benchmark 1 Quarter Billing	<u>\$ 845,158</u>	<u>\$ 1,016,191</u>	<u>\$ 1,095,320</u>	<u>\$ 1,103,481</u>
Actual Unrestricted Funds on Hand *Includes bio-gas reserve	<u>\$ 934,453</u>	<u>\$ 3,011,917</u>	<u>\$ 2,502,778</u>	<u>\$ 2,425,553</u>
Quarters billings on Hand	<u>1.11</u>	<u>2.96</u>	<u>2.28</u>	<u>2.20</u>

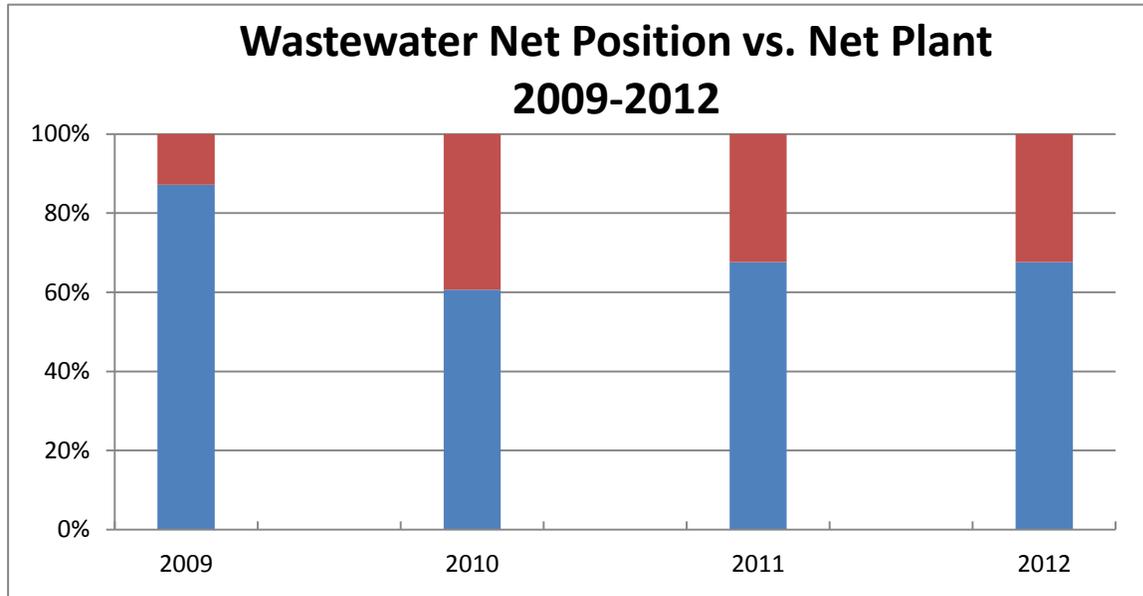
## What it means....

A utility should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's capital improvements. These funding levels facilitate budgeting since there will be less concern for business cycle fluctuations.

Due to the restricted accounts being overfunded by \$669,000 the actual unrestricted funds on hand is \$3,095,000.

This shows that the utility has historically had ample cash reserves for operations.

# Stevens Point Water and Wastewater Departments



	2009	2010	2011	2012
Net Investment in Capital Assets	\$ 19,916,521	\$ 14,714,363	\$ 17,237,690	\$ 17,193,031
Net Property, Plant, and Equipment	\$ 22,843,787	\$ 24,269,741	\$ 25,492,899	\$ 25,402,982
Percent of Net Plant Funded by Debt	<u>13%</u>	<u>39%</u>	<u>32%</u>	<u>32%</u>
Percent of Net Plant Funded by Equity	<u>87%</u>	<u>61%</u>	<u>68%</u>	<u>68%</u>

## What it means....

Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. Normal utility target is 50% or more equity and 50% or less debt.