

**FINANCE COMMITTEE
JULY 14, 2014 AT 6:00 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderpersons Patton, R. Stroik, Slowinski, O’Meara and Phillips

ALSO

PRESENT: Mayor Halverson; City Attorney Beveridge; C/T Ladick; Ald. Moore, Trzebiatowski, Suomi, M. Stroik, Doxtator; Directors Lemke, Ostrowski, Schrader, Schatschneider; Asst. Police Chief Zenner; Interim Fire Chief Finn; Human Resource Manager Jakusz; Finance Manager Freeberg; Kelley Pazdernik; Tricia Church; Steve Shepro; Carla Gogin; Jodi Dobson; Cathy Dugan; Brandi Makuski; Nate Enwald; Larry Lee; Barb Jacob

ITEM #1 – PRESENTATION OF 2013 AUDIT REPORT BY BAKER TILLY.

Carla Gogin and Jodi Dobson gave a presentation of the 2013 City and Utility Audit. The presentation is attached.

ITEM #2 – AUTHORIZATION TO ENTER INTO AGREEMENT WITH MINISTRY MEDICAL GROUP OCCUPATIONAL MEDICINE.

C/T Ladick stated this is a renewal of an on-going contract.

Ald. Slowinski questioned if we have ever went out for bids on this.

Human Resource Manager Jakusz replied that this is a unique contract because of the number of operators we have with CDL’s, we have to have a facility that can perform the random tests, post accident, etc., 24 hours a day, 7 days a week. We did use a different vendor for Health Risk Assessments about 4 years ago through an initial RFP process, but we were not satisfied with the results. We decided to use a local vendor as we have been utilizing them for both the random testing for the CDL drivers and the testing policies we have in place for the Police and Fire Departments. We expanded that relationship and started using them for our Health Risk Assessments about 3 years ago and they have been doing the flu vaccination workshops for us for many years. She stated that using an out of the area vendor does not work with the schedules we need for the assessments and flu vaccines. They are the only vendor in the area that offers this sort of a Wellness program. The wellness and the health risk assessments are now linked together for us, which is a plus. She recommends approving the agreement.

Motion made by Ald. O’Meara, seconded by Ald. Slowinski to authorize the City to enter into an agreement with Ministry Occupational Medicine.

Ayes: All Nays: None Motion carried.

ITEM #3 – APPROVAL OF PROPOSAL FROM STEVE SHEPRO, FORWARD APPRAISAL, FOR REVALUATION SERVICES.

Ald. Patton stated this was approved when we went out for bids for appraisal services. We currently have \$66,000 to start the process.

Motion made by Ald. O’Meara, seconded by Ald. Phillips to approve the proposal from Steve Shepro of Forward Appraisal for revaluation services.

Ayes: All Nays: None Motion carried.

ITEM #4 – APPROVAL OF PAYMENT OF CLAIMS.

Ald. Slowinski questioned the \$1,010.25 charge for the Police Department from the US Cellular bill, stating it seems larger than normal.

C/T Ladick stated there was an issue with a single phone having over 1,800 text messages in one month, causing that one phone to have a charge of over \$200 for the month. He stated it is being looked into to make sure they are all work related charges.

Motion made by Ald. O’Meara, seconded by Ald. Slowinski to approve the payment of claims in the amount of \$3,802,742.46.

Adjournment at 6:41 p.m.



Candor. Insight. Results.

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

July 14, 2014

Presented By:

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

**Carla A. Gogin, CPA, Partner
Jodi Dobson, CPA, Partner**

CITY OF STEVENS POINT
2013 FINANCIAL STATEMENT HIGHLIGHTS

GENERAL FUND - NET CHANGE IN FUND BALANCE

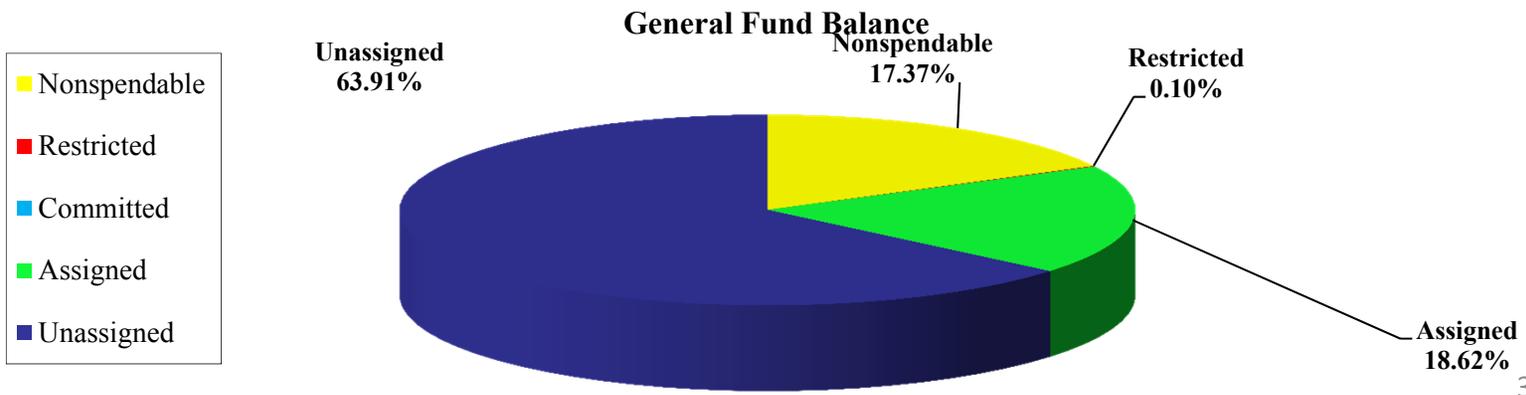
	<u>2013</u>		Favorable
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Total Revenues	\$ 21,500,733	\$ 20,857,729	
Other Financing Sources	1,306,530	1,098,868	
Less: Expenditures	(21,140,257)	(21,544,259)	
Less: Other Financing Uses	<u>(505,000)</u>	<u>(205,000)</u>	
Net Change in Fund Balance	1,162,006	207,338	
Fund Balance Beg. of Year	<u>15,912,881</u>	<u>15,912,881</u>	
Fund Balance End of Year	<u>\$ 17,074,887</u>	<u>\$ 16,120,219</u>	\$ 954,668

CITY OF STEVENS POINT

2013 FINANCIAL STATEMENT HIGHLIGHTS

DETAILS OF GENERAL FUND BALANCE

<u>Nonspendable</u>	<u>2013</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>	\$2,966,409
<u>Restricted</u>	
<i>includes fund balance amounts that can be spent only for the specific purposes stipulated by an external source.</i>	15,980
<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>	3,179,504
<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>	10,912,994
Total General Fund Balance	<u><u>\$ 17,074,887</u></u>



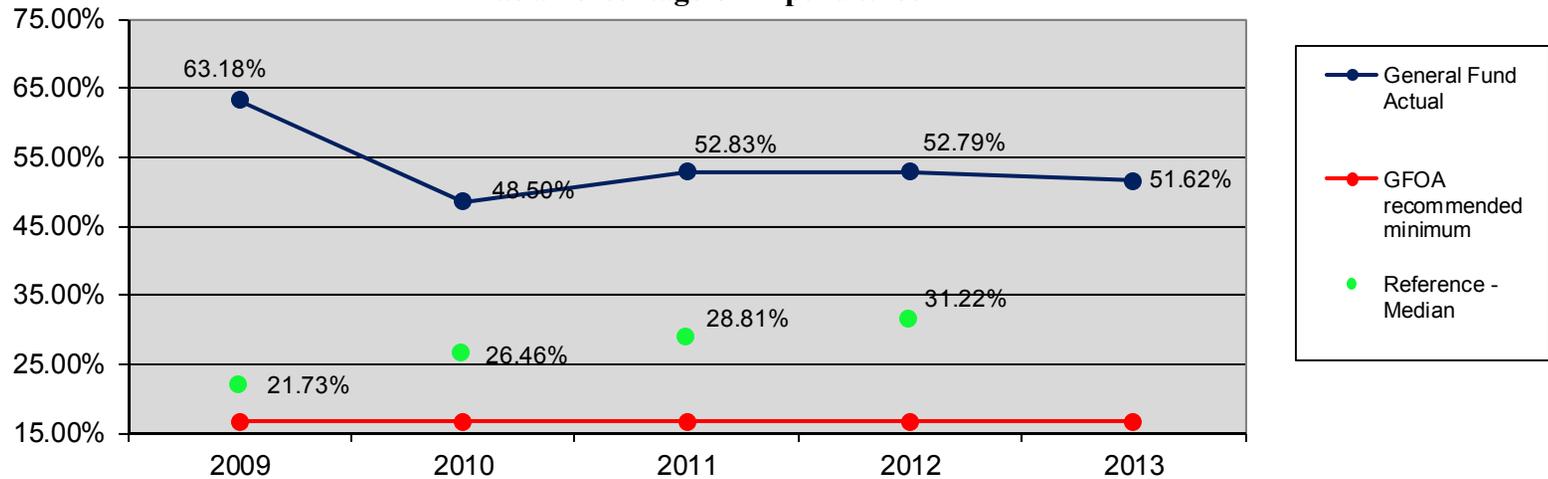
CITY OF STEVENS POINT

2013 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF GENERAL FUND BALANCE

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Undesignated Fund Balance	\$ 13,074,296	\$ 10,677,575	\$ -	\$ -	\$ -
Unassigned Fund Balance	-	-	11,676,027	11,126,592	10,912,994
GF Expenditures	20,693,795	22,015,615	22,102,952	21,076,590	21,140,257
% of expenditures	63.18%	48.50%	52.83%	52.79%	51.62%

**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 2009-2012 Baker Tilly municipal client data for Wisconsin.

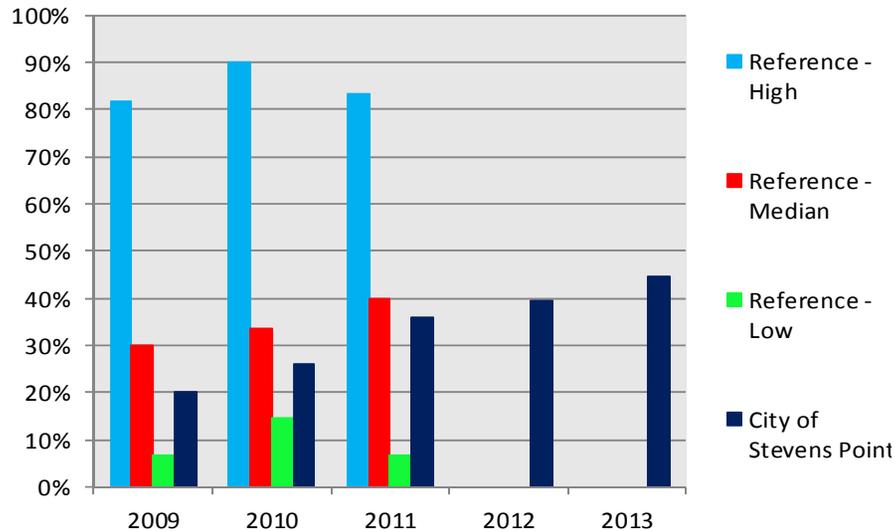
CITY OF STEVENS POINT

2013 FINANCIAL STATEMENT HIGHLIGHTS

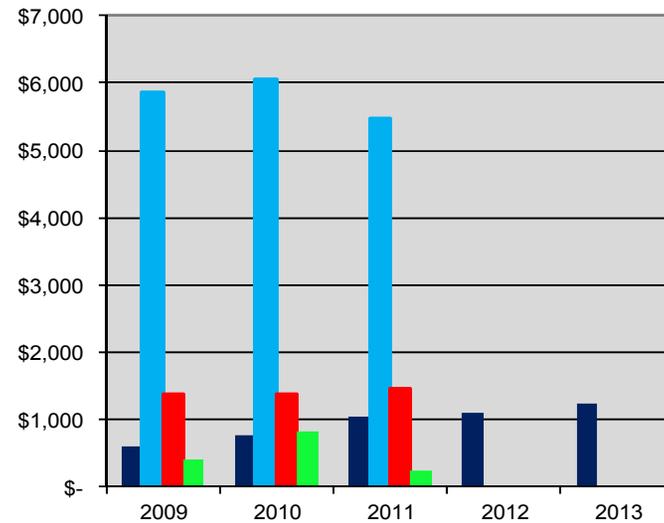
GENERAL OBLIGATION DEBT OUTSTANDING

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Total General Obligation (G.O.) Debt (net)</u>					
City	\$ 20,602,919	\$ 21,397,170	\$ 28,446,246	\$ 28,982,272	\$ 33,530,027
Utilities	837,654	1,205,279	1,155,744	1,996,814	1,908,187
Subtotal	21,440,573	22,602,449	29,601,990	30,979,086	35,438,214
Less: Fund equity available for debt	(5,341,007)	(1,909,469)	(1,696,111)	(1,549,343)	(1,535,429)
TOTAL	\$ 16,099,566	\$ 20,692,980	\$ 27,905,879	\$ 29,429,743	\$ 33,902,785
Population	26,717	26,717	26,717	26,717	27,160
G.O. Debt Capacity	\$ 80,127,655	\$ 78,834,410	\$ 77,426,855	\$ 74,429,455	\$ 76,148,020
G.O. debt per capita	\$ 603	\$ 775	\$ 1,044	\$ 1,102	\$ 1,248
% of debt limit	20%	26%	36%	40%	45%

Percentage of Debt Limit



G.O. Debt Outstanding - Per Capita



2009-2012 Reference values for the population range: 17,500 to 30,000 taken from *MunicipalFacts12* publication by the Wisconsin Taxpayers Alliance, 2013.

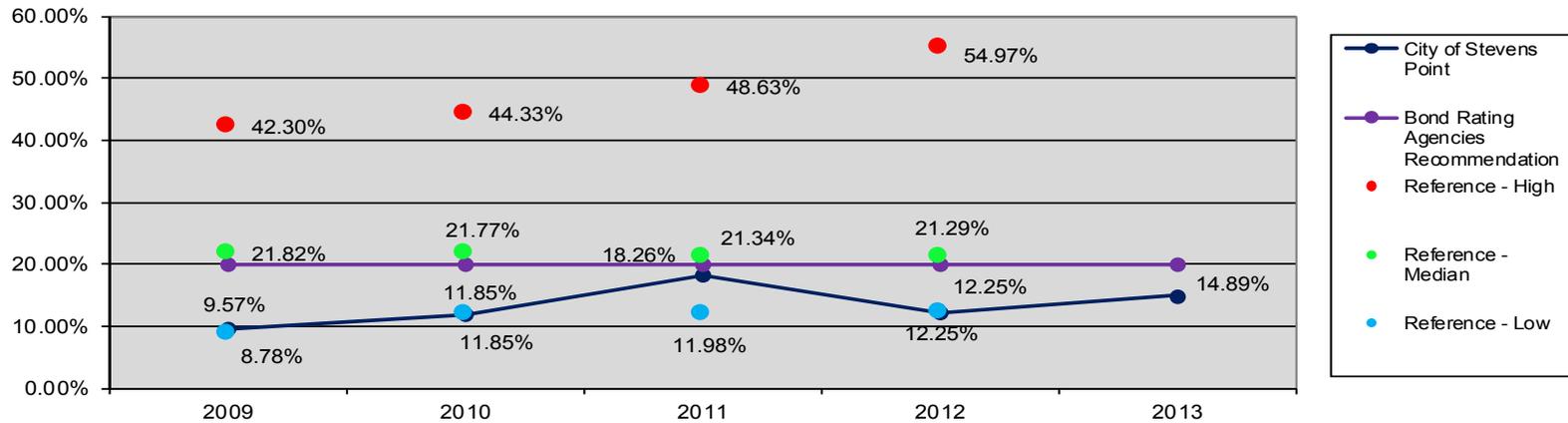
CITY OF STEVENS POINT

2013 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF DEBT SERVICE - GOVERNMENTAL FUNDS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Total Debt Service</u>					
Principal	\$ 1,765,214	\$ 2,205,749	\$ 5,100,924	\$ 2,771,974	\$ 3,272,245
Interest	<u>589,556</u>	<u>903,708</u>	<u>849,795</u>	<u>1,039,973</u>	<u>1,039,205</u>
TOTAL	<u>\$ 2,354,770</u>	<u>\$ 3,109,457</u>	<u>\$ 5,950,719</u>	<u>\$ 3,811,947</u>	<u>\$ 4,311,450</u>
<u>Total Non-Capital Expenditures</u>					
Total governmental funds expenditures	\$ 31,124,793	\$ 31,550,164	\$ 35,316,197	\$ 35,458,322	\$ 33,884,974
Less: capital outlay	<u>(6,520,711)</u>	<u>(5,303,013)</u>	<u>(2,726,417)</u>	<u>(4,341,670)</u>	<u>(4,931,942)</u>
TOTAL NON-CAPITAL EXPENDITURES	<u>\$ 24,604,082</u>	<u>\$ 26,247,151</u>	<u>\$ 32,589,780</u>	<u>\$ 31,116,652</u>	<u>\$ 28,953,032</u>
% of debt service to non-capital expenditures	9.57%	11.85%	18.26%	12.25%	14.89%

Debt Service to Non-Capital Expenditures



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Bond rating agencies recommended %	20.00%	20.00%	20.00%	20.00%
High - Reference:	42.30%	44.33%	48.63%	54.97%
Median - Reference:	21.82%	21.77%	21.34%	21.29%
Low - Reference:	8.78%	11.85%	11.98%	12.25%

Reference values for the population range: 17,500 to 30,000 generated from 2009-2012 Baker Tilly municipal client data for Wisconsin.

CITY OF STEVENS POINT

2013 FINANCIAL STATEMENT HIGHLIGHTS

HISTORICAL SUMMARY OF TAX INCREMENTAL FINANCING DISTRICTS FROM DATE OF CREATION THROUGH DECEMBER 31, 2013

	TIF District No. 5	%	TIF District No. 6	%
<u>Sources of funds</u>				
Tax increments	\$ 1,725,281	96%	\$ 290,015	3%
Exempt computer aid	71,649	4%	210,640	2%
Intergovernmental	-	0%	34,500	0%
Investment income and miscellaneous	4	0%	28,314	0%
Transfer In	-	0%	3,000	0%
Premium on bonds	-	0%	13,521	0%
Long-term debt issued	-	0%	10,944,945	95%
	<u>\$ 1,796,934</u>		<u>\$ 11,524,935</u>	
TOTAL	\$ 1,796,934	100%	\$ 11,524,935	100%
<u>Uses of Funds</u>				
Capital expenditures	1,763,490	98%	10,516,437	81%
Administration	41,333	2%	133,965	1%
Discount on long-term debt	-	0%	47,720	0%
Transfer Out	-	0%	-	0%
Debt issuance costs	-	0%	75,344	1%
Interest on debt	-	0%	880,940	7%
Principal on long-term debt	-	0%	1,287,667	10%
	<u>\$ 1,804,823</u>		<u>\$ 12,942,073</u>	
TOTAL	\$ 1,804,823	100%	\$ 12,942,073	100%
TIF Fund Balance (deficit) - December 31, 2013	\$ (7,889)		\$ (1,417,138)	
<u>Calculation of Net Cost Recoverable through TIF Increments</u>				
General obligation debt outstanding	\$ -		\$ 9,657,278	
Less TIF Fund Balance / Add Fund Balance deficit - December 31, 2013	7,889		1,417,138	
	<u>7,889</u>		<u>11,074,416</u>	
Net cost recoverable through TIF increments - December 31, 2013	\$ 7,889		\$ 11,074,416	
Creation date:	May 16, 2005		May 15, 2006	
Last date to incur project costs:	May 16, 2027		May 15, 2028	
Last year to collect increment:	2033		2033	

	<u>TIF District No. 7</u>	<u>%</u>	<u>TIF District No. 8</u>	<u>%</u>	<u>TIF District No. 9</u>	<u>%</u>
Sources of funds						
Tax increments	\$ 2,140,457	31%	\$ -	0%	\$ -	0%
Exempt computer aid	134,635	2%	41,816	100%	-	0%
Intergovernmental	-	0%	-	0%	-	0%
Investment income and miscellaneous	13,838	0%	9	0%	30	0%
Transfer In	-	0%	-	0%	-	0%
Premium on bonds	-	0%	-	0%	34,830	1%
Long-term debt issued	<u>4,690,000</u>	<u>67%</u>	<u>-</u>	<u>0%</u>	<u>2,350,000</u>	<u>99%</u>
TOTAL	<u>\$ 6,978,930</u>	100%	<u>\$ 41,825</u>	100%	<u>\$ 2,384,860</u>	100%

Uses of Funds						
Capital expenditures	4,909,994	73%	431,105	99%	2,349,850	98%
Administration	66,155	1%	4,175	1%	-	0%
Discount on long-term debt	-	0%	-	0%	-	0%
Transfer Out	3,000	0%	-	0%	-	0%
Debt issuance costs	85,954	1%	-	0%	58,786	2%
Interest on debt	889,326	13%	-	0%	-	0%
Principal on long-term debt	<u>765,000</u>	<u>11%</u>	<u>-</u>	<u>0%</u>	<u>-</u>	<u>0%</u>
TOTAL	<u>\$ 6,719,429</u>	100%	<u>\$ 435,280</u>	100%	<u>\$ 2,408,636</u>	100%

TIF Fund Balance (deficit) - December 31, 2013 \$ 259,501 \$ (393,455) \$ (23,776)

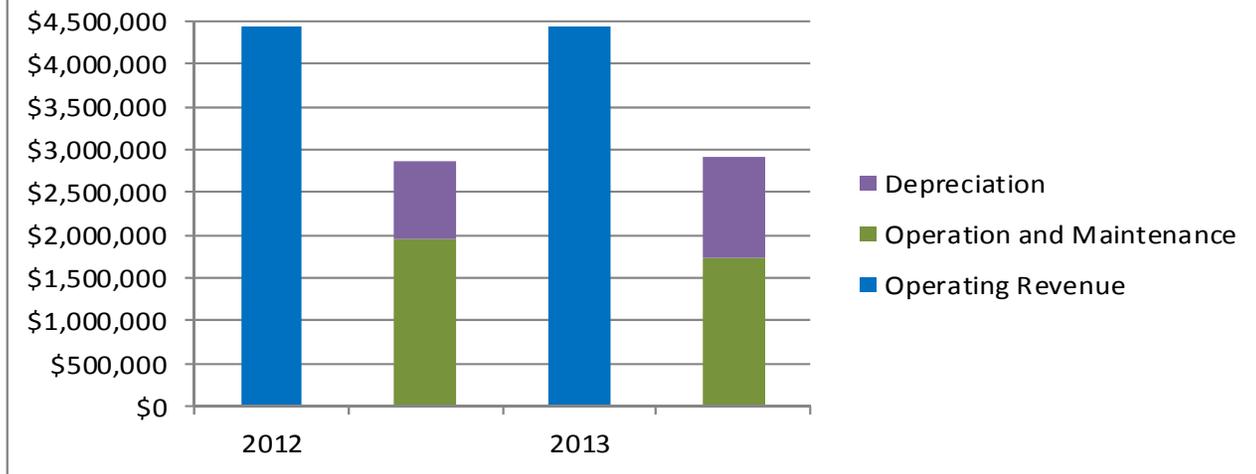
Calculation of Net Cost Recoverable through TIF Increments

General obligation debt outstanding	\$ 3,925,000	\$ -	\$ 2,350,000
Less TIF Fund Balance / Add Fund Balance deficit - December 31, 2013	<u>(259,501)</u>	<u>393,455</u>	<u>23,776</u>

Net cost recoverable through TIF increments - December 31, 2013 **\$ 3,665,499** **\$ 393,455** **\$ 2,373,776**

Creation date:	April 30, 2008	May 17, 2010	January 1, 2013
Last date to incur project costs:	April 30, 2023	May 15, 2032	May 20, 2028
Last year to collect increment:	2028	2037	2033

Comparison of Water Revenues and Expenses

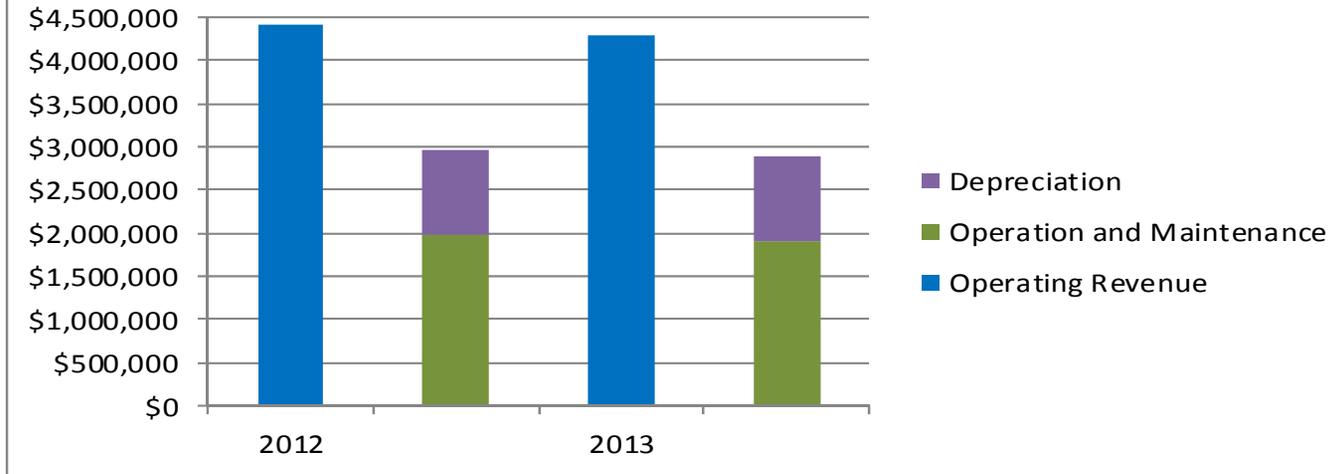


	Restated 2012	2013
Operating Revenues	\$4,432,145	\$4,438,817
Operating Expenses		
Operation and maintenance	1,960,962	1,727,011
Depreciation	892,629	1,183,280
Total	<u>\$2,853,591</u>	<u>\$2,910,291</u>
Operating Income	<u>\$1,578,554</u>	<u>\$1,528,526</u>

What it means...

Water revenues remained consistent in 2013 compared to 2012 due to a full year of new water rates being in effect (current rates approved effect May 1, 2012) partially offset by a decrease in usage. Operation and maintenance costs decreased due to decreases in maintenance related items and depreciation increased due to Well #11 being in service for a full year.

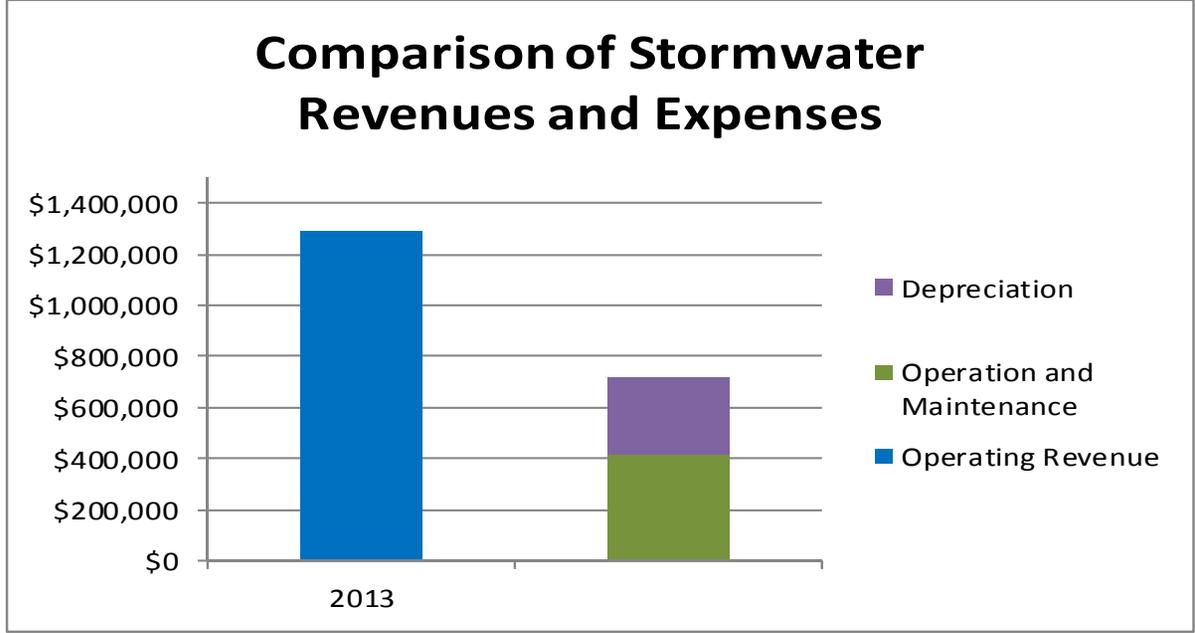
Comparison of Wastewater Revenues and Expenses



	Restated 2012	2013
Operating Revenues	\$4,417,317	\$4,288,580
Operating Expenses		
Operation and maintenance	1,975,403	1,900,651
Depreciation	976,501	980,841
Total	<u>\$2,951,904</u>	<u>\$2,881,492</u>
Operating Income	<u>\$1,465,413</u>	<u>\$1,407,088</u>

What it means...

Operating revenues decreased due to a decrease in consumption. Sewer rates were last changed April 1, 2010. ¹⁰

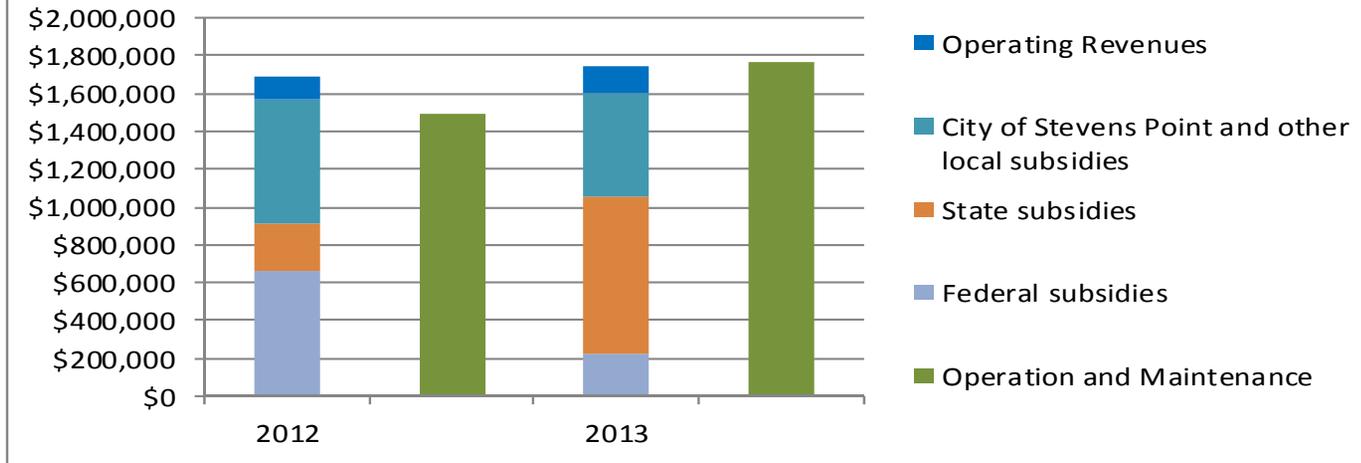


	2013
Operating Revenues	\$1,291,404
Operating Expenses	
Operation and maintenance	411,916
Depreciation	303,651
Total	\$ 715,567
Operating Income	\$ 575,837

What it means...

The stormwater utility was established in 2013. The rates charged generated sufficient operating revenues to recover the operating expenses incurred.

Comparison of Transit Revenues and Expenses

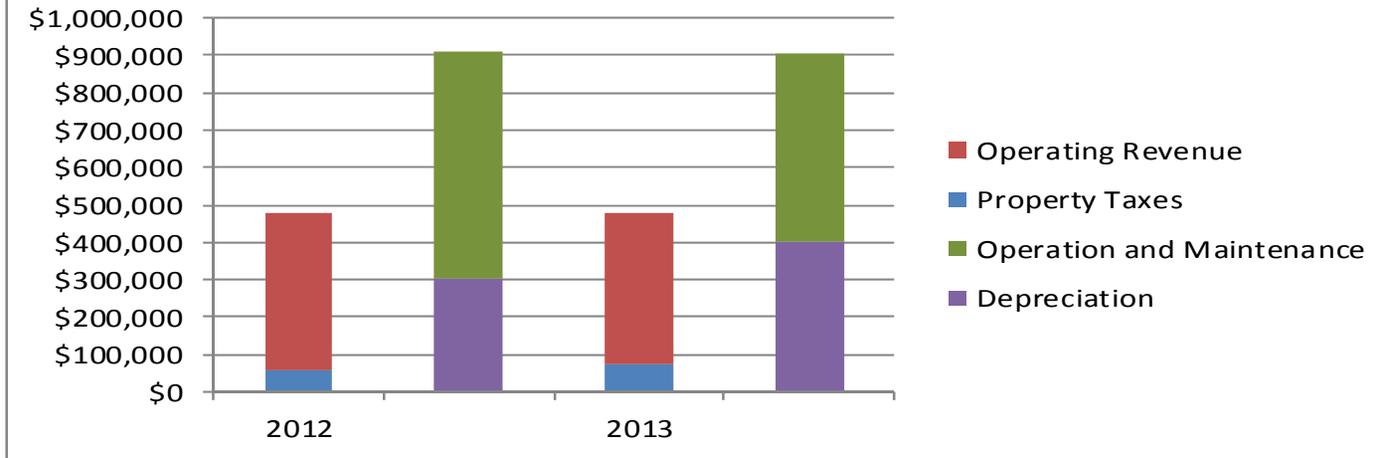


	2012	2013
Operating Revenues	\$ 110,601	\$ 144,578
City of Stevens Point and other local subsidies	664,463	543,165
State subsidies	245,885	829,618
Federal subsidies	661,719	228,684
Total	\$ 1,682,668	\$ 1,746,045
Operation and maintenance	\$ 1,492,066	\$ 1,759,667
Net Result of Operations	\$ 190,602	\$ (13,622)

What it means...

This excludes depreciation, capital contributions and debt service.

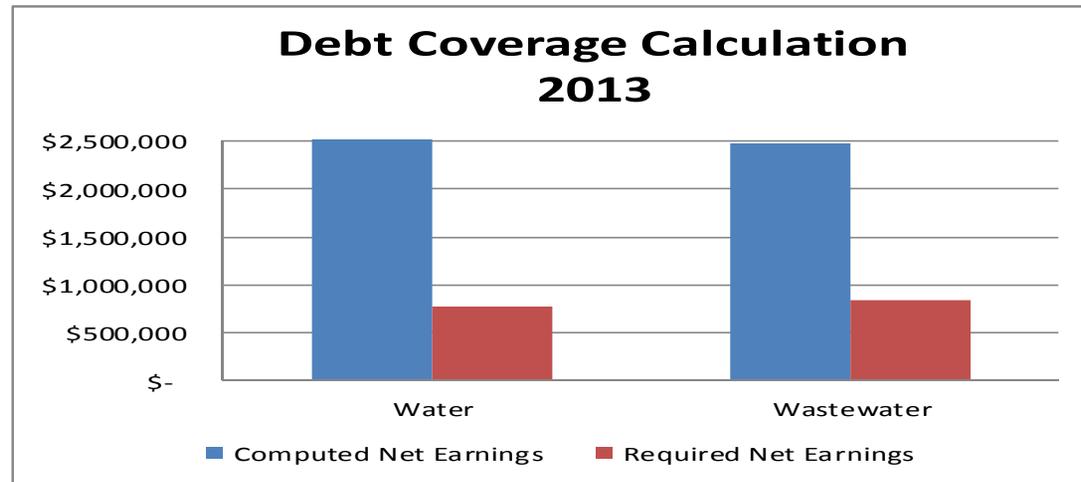
Comparison of Airport Revenues and Expenses



	2012	2013
Operating Revenues	\$ 419,467	\$ 405,731
Property Taxes	57,783	74,631
Total	\$ 477,250	\$ 480,362
Operating Expenses		
Operation and maintenance	604,610	499,189
Depreciation	305,176	404,115
Total	\$ 909,786	\$ 903,304
Net Result of Operations	\$ (432,536)	\$ (422,942)

What it means...

The results of operations are relatively close to a break-even excluding depreciation, which is a non-cash item.¹³

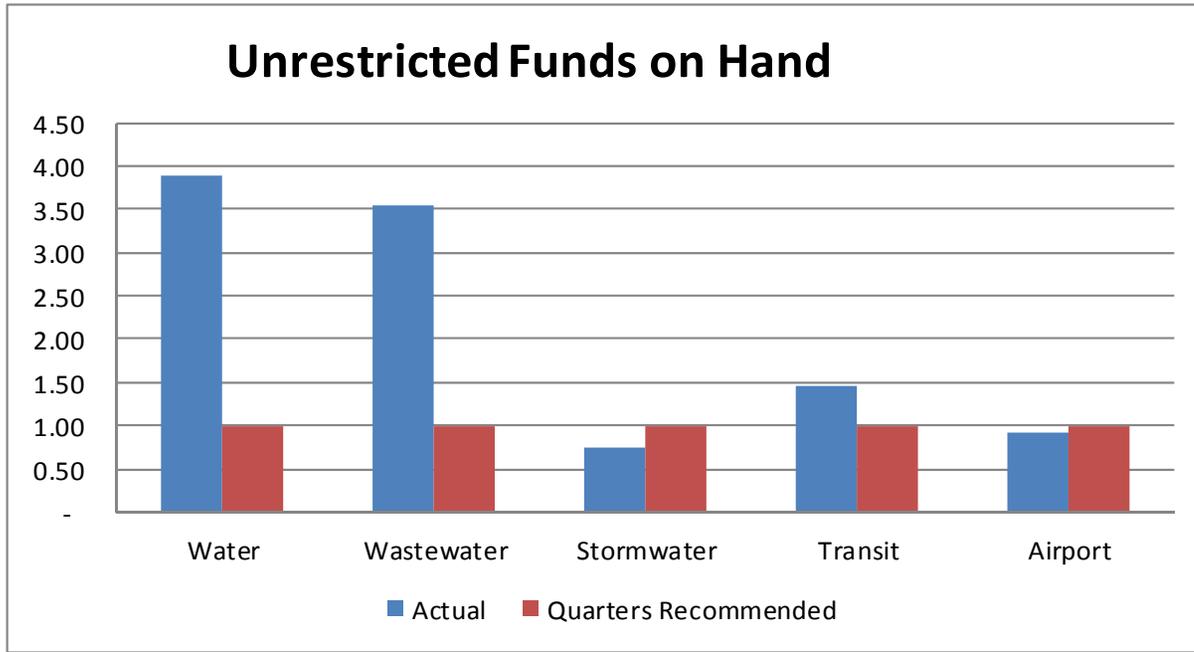


	Water	Wastewater
Operating Revenues	\$ 4,438,817	\$ 4,288,580
Investment Income	6,065	8,502
Miscellaneous non-operating income (expense)	545	78,368
Less: O & M Expenses	(1,727,011)	(1,900,651)
Computed Net Earnings	\$ 2,718,416	\$ 2,474,799
Highest Annual Debt Service	706,988	667,515
Coverage Factor	1.10	1.25
Required Net Earnings	\$ 777,687	\$ 834,394
Difference	\$ 1,940,729	\$ 1,640,404
Coverage	3.85	3.71

What it means....

The water department bond resolution requires that earnings from the system be greater than 1.10 times the highest annual debt service.

The wastewater department 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.



	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Transit</u>	<u>Airport</u>
Minimum Funding Benchmark 1 Quarter Operations	<u>\$ 1,109,704</u>	<u>\$ 1,069,091</u>	<u>\$ 322,619</u>	<u>\$ 439,917</u>	<u>\$ 124,797</u>
Actual Unrestricted Funds on Hand	<u>\$ 4,323,197</u>	<u>\$ 3,790,585</u>	<u>\$ 238,623</u>	<u>\$ 640,495</u>	<u>\$ 114,284</u>
Quarters Operations on Hand	<u>3.90</u>	<u>3.55</u>	<u>0.74</u>	<u>1.46</u>	<u>0.92</u>

What it means....

An enterprise fund should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, an enterprise fund 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.