

**FINANCE COMMITTEE
FEBRUARY 10, 2014 AT 7:21 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderpersons Moore, R. Stroik, Slowinski and O'Meara

EXCUSED: Alderperson M. Stroik

ALSO

PRESENT: Mayor Halverson; City Attorney Beveridge; C/T Ladick; Ald. Wiza, Trzebiatowski, Suomi, Patton, Doxtator; Directors Lemke, Ostrowski, Schrader; Sgt. Tony Babl; Fire Chief Kujawa; Clerk Moe; Human Resource Manager Jakusz; Finance Manager Freeberg; Kelly Pazdernik; Transit Manager S. Lemke; Brandi Makuski; Nate Enwald; Mary Ann Laszewski; Cathy Dugan; Steve Louis; Jane Kunze

ITEM #1 – AGREEMENT AS TO DELINQUENT SPECIAL ASSESSMENTS AND CHARGES WITH PORTAGE COUNTY.

C/T Ladick recommended signing the agreement because if we did not, it would cause numerous issues with delinquent tax collections. We would need new software to track the delinquent special assessments and charges and it would cause an issue where the delinquent taxes would be held by the County Treasurer and the delinquent assessments and charges would be held by the City Treasurer's office making payoffs difficult and confusing for the general public.

Motion made by Ald. Slowinski, seconded by Ald. O'Meara to sign the agreement with Portage County regarding delinquent special assessments and charges.

Ayes: All Nays: None Motion carried.

ITEM #2 – 2014 GENERAL OBLIGATION NOTE PROPOSALS.

C/T Ladick stated that we received 7 proposals from banks ranging from 2% - 2.57%. The winning proposal is from The Portage County Bank at an interest rate of 2% for \$2,360,000 for 10 years and will be used to finance the capital projects.

Motion made by Ald. R. Stroik, seconded by Ald. O'Meara to approve the proposal from The Portage County Bank with an interest rate of 2% for \$2,360,000 for 10 years to finance the capital projects for 2014.

Ayes: All Nays: None Motion carried.

ITEM #3 – AUTHORIZATION TO FUND, IF AWARDED, 90/10 ASSISTANCE TO FIREFIGHTERS GRANT FOR EMS TRAINING MANIKIN; AMOUNT NOT TO EXCEED \$9,000.

C/T Ladick stated the Fire Department is requesting authorization to apply for this grant and if awarded, the City would pay 90% or \$9,000 for a training manikin.

Motion made by Ald. R. Stroik, seconded by Ald. Slowinski to authorize funding of a 90/10 split if the City is awarded the Firefighters Grant for an EMS training manikin, not to exceed \$9,000.

Ayes: All Nays: None Motion carried.

ITEM #4 – AMENDMENT TO CITY ADMINISTRATIVE POLICY 3.01 (EXCISE TAX ON HIGH COST HEALTH PLANS).

C/T Ladick explained that in 2018, there will be an excise tax on high cost health plans, which is referred to as the “Cadillac Tax.” Currently, our City does not meet that threshold, but it could in the future, and during the recent actuarial study, our actuary stated that he believes we will meet that threshold, so he insisted that a liability be added to our financial statements in the amount of \$586,000. To avoid the potential of having to pay this expensive 40% tax, it was recommended that we pass a policy statement that indicates that we will not cross the threshold of the Cadillac tax. If it should happen, we would make appropriate adjustments to avoid paying the tax.

Ald. R. Stroik stated it is an unfortunate that it has to come to this. Basically, by signing this, we are asking the City to not give the employees better benefits so that we are not so good that we have to pay this tax.

C/T Ladick stated that is an observation on federal policy. He stated we can look at other avenues to avoid paying that tax, such as extra health savings account contributions, compensation adjustments, etc. We definitely do not want to waste the limited amount of money that we have for compensation on paying this tax, we want to be smart in how we design our compensation package.

Ald. Wiza clarified that we are changing this policy to eliminate the \$586,000 policy on our books.

C/T Ladick stated that the liability has not been added to our financial statement yet, but would be in the upcoming financial statements.

Motion made by Ald. Slowinski, seconded by Ald. Moore to approve amending the City Administrative Policy #3.01, stating that we will not allow the City to pass the threshold of the Cadillac tax.

Ayes: All

Nays: None

Motion carried.

ITEM #5 – ORDINANCE AMENDMENT – CREATE SECTION 13.26 – LIMIT ON PAYMENT IN LIEU OF TAXES PAID TO THE CITY.

C/T Ladick stated this is follow-up to a discussion we had at the meeting last month on limiting the amount of the PILOT that we receive from the Water Utility. He addressed the questions that were brought up last month. He stated this will not affect other PILOTs that the City receives as it is a different type of PILOT. He also addressed the issue of whether or not businesses will benefit at the expense of the residential property owners and found that residential property owners pay 51% of property taxes and 43% of the water bills. When ERP is taken into account, which is a 7% matching fund for the City and assuming a marginal tax rate of 10%, that would bring the homeowners to .43 on the dollar. Basically, it should be a wash for the average homeowner.

Ald. Wiza questioned why we want to limit our income because that is what we are doing.

Director Lemke stated that it costs them more in PILOT every time they put infrastructure in the ground, which does not promote infrastructure replacement, which is a big need in every town. The state average for utility PILOTs is about 17% and they are at 20-21%. When considering a rate increase, 20% of that increase has to be considered for PILOT, so limiting that will stabilize rates. He stated the primary goal here is to stabilize rates.

C/T Ladick added that if it was a difficult budget year, we could adjust the ordinance and decide that we want more from the utility as where now it is set up on auto-pilot. He also stated

that this is not just based on the City tax rate, but also the Tech College and School rates and there is potential legislation that would allow the Tech College and School to collect their share. Currently, we keep the whole amount.

Ald. O'Meara stated that he does not want to cap the PILOT. If the water rate goes up, there are options to help it go down, people can stop watering their lawns or take on other water conservation habits. Once it is capped, getting it back would be difficult and he does not believe it would happen and he recommends leaving it as is. The homeowner has to deal with rate changes, so should the utility.

Motion made by Ald. Slowinski to lock rate to \$870,000 per year. Motion died due to lack of second.

Ald. Moore stated he would like to find out the percentage they are paying now and then cap it by a percentage rather than a dollar amount. He agreed with Ald. O'Meara.

Mayor Halverson stated that this is the only concrete way that the City is able to protect, insulate and limit rate increases of the water utility. This utility is highly regulated by the Public Service Commission which is extremely different from the other enterprise funds. It does not cost any more to run water to and from customers using a 1935 pipe or a new pipe, but the non-tax "tax" is levied immediately on a higher priced water main, even though it does not cost us anymore to run the water through it. This is a way for the City to cap the ability for that PILOT to go up any more.

Ald. R. Stroik questioned what the dollar figure is today.

C/T Ladick replied that it is budgeting for \$869,077 and this year if it is not capped, it would be \$886,000. The intention is not to cause a deficit, it was to just keep it from escalating.

Mayor Halverson stated that we are not going to be able to control rate increases unless we act.

Ald. R. Stroik questioned what it would take to change the amount of the cap in the future.

Mayor Halverson stated it would just take a simple ordinance amendment.

Ald. R. Stroik questioned how the budgeting process would go with this change.

Mayor Halverson stated that it will not be used to fill gaps in the budget. He stated that he has heard more complaints about the water rates than property taxes and the increase of the rate is not due to debt service but rather the PILOT. The PILOT has gone up several hundreds of thousands of dollars in the past few years. Director Lemke added that it has doubled in the last 10 years.

Ald. O'Meara supports capping it at a percentage.

Ald. Moore clarified that when a new water main is put in, it is an asset and adds to the PILOT, so if it is not added any longer, what happens to the funds at the Water Department.

Director Lemke stated that the operating expenses are a guess, but every year during the audit when revenues versus expenses are evaluated and they receive guidance on whether or not to consider rate increases to stabilize the financial stability they are in. When we can look out several years and know what our PILOT is going to be, it makes it much easier to stabilize the rate. There is a statutory definition on how to calculate the maximum PILOT and they are at the maximum now.

Ald. Wiza questioned if there has ever been a rate decrease, to which Director Lemke replied not that he is aware of.

Ald. Wiza stated he would support a percentage cap over a dollar cap.

Director Lemke stated that the PILOT payment is a known expense so it is not worked into the variable part of our rates. Consumption versus the meter charge are two different things, when you are consuming water, you are charged volume metrically but if you do not consume water, you still get a bill.

Ald. Moore stated he would like to hold this over until next month and see what a percentage cap would look like versus a number.

Motion made by Ald. Moore, seconded by Ald. O’Meara to postpone this item until next month.

Ald. R. Stroik stated he does not like to postpone just to buy more time, he wants to make sure it gets finalized next month.

Ald. Slowinski stated that we are already collecting more than we should, because we are collecting the Tech College and the School portion, so he is concerned over continually depending on taking more money.

Ayes: Ald. Moore and R. Stroik

Nays: Ald. Slowinski and O’Meara

Motion tied so it will move onto Council without a recommendation.

ITEM #6 – APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. R. Stroik, seconded by Ald. Moore to approve the payment of claims in the amount of \$10,497.063.56.

Ayes: All

Nays: None

Motion carried.

Adjournment at 7:55 P.M.