

**FINANCE COMMITTEE  
SEPTEMBER 8, 2014 AT 7:41 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. Wiza, Moore, M. Stroik, Doxtator; Directors Lemke, Ostrowski, Schrader, Schatschneider; Asst. Police Chief Skibba; Interim Fire Chief Finn; Finance Office Manager Freeberg; Kelley Pazdernik; Nate Enwald; Barb Jacob

**ITEM #1 – REVIEW OF MEMO FROM DIRECTOR SCHRADER REGARDING WILLETT ARENA REPAIRS.**

Ald. Patton stated we have \$12,000 in the budget and we need about another \$28,000 to repair the corroding and rusting pipes.

C/T Ladick stated he brought this to Committee because the Parks Department did go over budget last year for the same type of reason so he wanted to give everyone a heads up.

Ald. O’Meara stated when we own a facility like this, we have to maintain it. He appreciates being made aware of it. He also suggested bringing up the amount budgeted for this each year from \$12,000 to \$20,000.

C/T Ladick agreed and said they are working on it. Basically, this is just an informational item so at the end of the year, we are not surprised.

Ald. Phillips questioned if the pipes are stainless, Director Schrader replied no, they are steel, but stainless is being put in now. Ald. Phillips replied that is probably why the cost is up there, we are improving the quality to make it last longer.

Director Schrader stated there are 11 miles of the steel piping in the concrete. The pipes are about 4 inches apart and it is 85 feet across and 200 feet long.

Ald. Slowinski questioned what the amount was. Director Schrader replied \$40,000.

Ald. Slowinski questioned how big of an area that will fix.

Director Schrader replied he believes it was 3 areas, one was a 10 x 15 and one was 20 x 40, he stated they will cut the floor out until we find a good piece of pipe that is not rusted or corroded and then we stop. He said it is only in certain areas of the floor, so either the concrete was bad there or whatever. There are sections of the floor we have not touched in 35 years. The other cost is the freon we lose when we do this and that is \$11-\$12 per pound.

**ITEM #2 – TRANSFERS TO THE FOLLOWING: FUND 214 (DOA-CDBG), FUND 240 (FIRE GRANTS) AND FUND 850 (SECTION 125).**

C/T Ladick stated these are housekeeping items as there are several funds that have shown deficits on our financial statements for the last 7 – 10 years. After digging into them, he found out that two of them are grants accounts, so there is nothing we can do with grant funds to pay back the General Fund. The other one is related to our Flex Spending account, which is an employee benefit account, so none of these funds have the capacity to repay the General Fund. What we would do with the transfer is write these off so they do not show on our financial statements any longer and therefore would not show as an asset of the General Fund.

Ald. R. Stroik commented that right now these funds typically do not pay so we have a budget that thinks they are there, but every year we make up for \$96,000 and our managers find a way to do that. He questioned what would happen if they stated no, you cannot write those off, go get them collected because that could fund the rest of the budget deficit. He questioned why we would write these off.

C/T Ladick explained that we do not have a choice, other than leaving them on the balance sheet. Our auditors would tell us that if you have a receivable on your balance sheet, you need to have some expectation that it is indeed a collectible debt and that it is reasonable to have it on there as an asset.

Ald. R. Stroik stated he would like to see this postponed for 30 days and then have the C/T show the Alderpersons the commitment that he has tried to collect on these bad debts and show us the documentation that you have before you ask the Council to just write them off.

Ald. Patton questioned if that would be about 7.5 years. C/T Ladick responded yes, the oldest one is from 2003. We did look at these in depth as far as why they were under and what other options we had. It is difficult to go back 11 years and had they been caught sooner, it would be easier to address. The one from the DOA-CDBG Fund relates to a house that the City had purchased and then razed. It was a fairly complicated transaction that both Director Ostrowski and himself worked through to try to figure out if there was any way to recover this \$12,000 and if the CDBG actually did indeed even owe it to the General Fund and if not, was it an accounting error. We certainly could prepare that sort of information for you.

Ald. Wiza stated Ald. R. Stroik made a good point. He questioned what the possibility of writing this off over a period of 3 or 4 years rather than one hit. C/T Ladick stated he does not know how that could be justified; it could be taken up again next year since we have already had some extraordinary expenses this year. Since we transferred \$300,000 to Transit earlier this year, there is a pretty heavy usage of other financing uses as far as an expense that we would be reporting for 2014. He does not know how it could be justified to do it over 3 or 4 years because usually with a write off, it is typically done all at once because it is identified that this is really not collectible so we are going to clear this up now.

Ald. Phillips questioned the \$12,000 for the Section 125 and how it got to this point. C/T Ladick stated there are expenses for administering the program and we used to pay administrative fees that were higher than they are now. The original thought was that with the flexible benefit accounts, if the whole balance is not spent, the employee loses it and that amount stays in the fund and that was to help pay for the administrative expenses. He believes that the employees were using all their money so it did not leave sufficient funds in the account to cover the admin fees.

Ald. Phillips questioned how this is going to be prevented in the future. C/T Ladick stated when the HSA's started it did alter the participation in the Flex participation.

Ald. Phillips questioned if we needed to have both. C/T Ladick responded that he has asked that question for awhile and we will have to see if there are any changes to the health insurance.

Ald. O'Meara commented that he is not happy about this, but states that he agrees that we need our balance sheet to be transparent.

Ald. Patton questioned if there was any penalty if we did stretch it out over 3 years. C/T Ladick stated he did not believe there would be a penalty for that but if there is concern over that, we can delay this until 2015.

Ald. O'Meara stated that he is not concerned whether it is done this year or next year, he just wants to make sure we disclose it and it is handled properly.

C/T Ladick stated that if we would recover money for any of these funds, we can do a transfer back to the general fund.

Ald. Wiza stated we are not hiding anything, these are several debts that are owed to the City. The County has over 1.5 million outstanding unpaid fines, we are not trying to hid anything or cover anything up for any reason, we are just owed that money. When it is written off, it is deemed as uncollectable and all efforts to collect it have been exhausted. He stated he assumes that we have done that and that we can prove our due diligence.

Ald. O'Meara commented that it is still on the balance sheet as an asset, which means we still think it is collectible, which is not accurate.

Ald. O'Meara stated he would like the C/T to make just a short narrative on each one, listing why it is uncollectible and then Council can decide what to do with them.

Ald. Phillips stated that he would also like the report to list what steps were taken so we do not get in these situations again.

C/T Ladick stated he believes that is important as well, especially regarding the Flexible Spending account. He believes an important thing to remember regarding the other two funds are to keep an eye on which accounts are in a deficit position. For the next Finance Committee meeting he will bring the list of deficit accounts so that we can keep an eye on those.

Motion made by Ald. O'Meara, seconded by Ald. Phillips that we will move forward to the Council for a decision based on a report that the C/T is going to provide at the Council meeting that will include a short narrative on each fund, listing why it is uncollectible and what steps were taken to correct this from happening again.

Ayes: Ald. Patton, Slowinski, O'Meara, Phillips                      Nays: Ald. R. Stroik                      Motion carried.

### **ITEM #3 – APPROVAL OF PAYMENT OF CLAIMS.**

Motion made by Ald. O'Meara, seconded by Ald. Phillips to approve the payment of claims in the amount of \$6,898,660.56.

Ayes: All                                      Nays: None                                      Motion carried.

**ITEM #4 – ADJOURN INTO CLOSED SESSION (APPROXIMATELY 7:10 P.M.) PURSUANT TO WISCONSIN STATUTES 19.85(1)(e) (DELIBERATING OR NEGOTIATING THE PURCHASING OF PUBLIC PROPERTIES, THE INVESTING OF PUBLIC FUNDS, OR CONDUCTING OTHER SPECIFIED PUBLIC BUSINESS, WHENEVER COMPETITIVE OR BARGAINING REASONS REQUIRE A CLOSED SESSION) AND WISCONSIN STATUTES 19.85(1)(g) (CONFERRING WITH LEGAL COUNSEL FOR THE GOVERNMENTAL BODY WHO IS RENDERING ORAL OR WRITTEN ADVICE CONCERNING STRATEGY TO BE ADOPTED BY THE BODY WITH RESPECT TO LITIGATION OR IS LIKELY TO BECOME INVOLVED) ON THE FOLLOWING: A. TAX ASSESSMENT LITIGATION WITH WALGREENS CORPORATION, PORTAGE COUNTY CASE NOS. 11CV321, 12CV288 AND 13CV260. B. OUTSTANDING LOANS FROM THE CITY OF STEVENS POINT AND THE CDA ON THE PROPERTY AT 1248 FIFTH AVENUE, STEVENS POINT WI 54481. C. CONSIDERATION OF THE CITY'S ACQUISITION OF AN OPTION TO PURCHASE REAL ESTATE.**

Motion made by Ald. Slowinski, seconded by Ald. O'Meara to adjourn into closed session at 8:00 P.M.

Roll Call: Ayes: Ald. Patton, R. Stroik, Slowinski, O'Meara, Phillips Nays: None Motion carried.

**ITEM #5 – RECONVENE INTO OPEN SESSION (APPROXIMATELY 7:40 P.M.) FOR POSSIBLE ACTION ON THE ABOVE REFERENCED CLOSED SESSION ITEMS.**

Motion made by Ald. O'Meara, seconded by Ald. Phillips to reconvene into open session at 8:25 P.M.

Roll Call: Ayes: Ald. Patton, R. Stroik, Slowinski, O'Meara, Phillips Nays: None Motion carried.

**A. TAX ASSESSMENT LITIGATION WITH WALGREENS CORPORATION, PORTAGE COUNTY CASE NOS. 11CV321, 12CV288 AND 13CV260.**

City Attorney Beveridge stated that the agreement with Walgreens stated that we would stipulate the assessed value for the years of 2010-2013 for the Walgreens property located on Church Street, would be 2.5 million dollars, which is a reduction from the current assessed value of 3.324 million with a result of a refund payment to Walgreens slightly over \$86,000 for the 4 years. We further stipulate that both parties would waive any costs or fees associated with the litigation and that Walgreens would waive any right to interest on the balance and further that there be an agreement that the City consider the assessed value at 2.4 million for 2014 and 2015.

Ald. Slowinski questioned where that money would come from. C/T Ladick replied it would come from the general fund under the line item for refunded or rescinded taxes.

Motion made by Ald. O'Meara, seconded by Ald. Phillips to accept the agreement as presented with Walgreens.

Ayes: All Nays: None Motion carried.

**B. OUTSTANDING LOANS FROM THE CITY OF STEVENS POINT AND THE CDA ON THE PROPERTY AT 1248 FIFTH AVENUE, STEVENS POINT WI 54481.**

City Attorney Beveridge stated there was a CDA and a City loan from the Housing Trust Fund for the property at 1248 Fifth Avenue. Due to those loans being missed in several transfers of that property in terms of title search, they remain unpaid yet they were due and owing. The current owner, Jim Buck was contacted with regards to payment on those and eventually we received an offer from his title insurance company offering to pay \$5,000 towards an overall balance of \$20,000 and based upon his review of the law, our position to litigate that would be disadvantageous to get a better outcome in the courts and he recommends that with regards to the City of Stevens Point loan of \$10,000, that the offer of \$2,500 be accepted in settlement of such.

Motion made by Ald. O'Meara, seconded by Ald. Patton to approve accepting the \$2,500 settlement for the City loan at 1248 Fifth Avenue.

Ayes: All Nays: None Motion carried.

Adjournment at 8:29 P.M.