

**SPECIAL FINANCE COMMITTEE
OCTOBER 27, 2014 AT 6:00 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderperson Patton, R. Stroik, O'Meara and Phillips

EXCUSED: Alderperson Slowinski

ALSO

PRESENT: C/T Ladick; Mayor Halverson; City Attorney Beveridge; Ald. Moore, Wiza, Trzebiatowski, M. Stroik; Clerk Moe; Directors Ostrowski, Lemke, Schrader, Schatschneider; Human Resource Manager Jakusz; Chief Ruder; Asst. Chief Zenner and Skibba; Chief Finn; Supt of Streets Laidlaw; Deputy C/T Freeberg; Nate Enwald; Brandi Makuski; Larry Lee; Ron Carlson; Donna Carlson; Matt Brown; Dave Schleih; Gary Wescott; Barb Jacob

ITEM #1 – REVIEW OF PROPOSED 2015 BUDGET.

Mayor Halverson stated this will be his last budget and has been the easiest budget that he has had to deal with. There was a budget deficit of \$323,000-\$351,000, which he stated has been one of the smallest deficits since he started back in 2007. There were several years when it crept into the millions of dollars and we had to change health insurance, eliminate positions, etc. The budget issues that we face now will never go away, you have an unsustainable budget and you always will. He asked that department heads keep this in mind as they look at day-to-day operations and look for ways to privatize things and make things more efficient because there will come a day when core reductions to services that people rely on and enjoy are going to have to happen in order for your budget to simply meet the legal requirements of the State. The more new construction and growth that we gain, the easier that challenge will be as we move forward.

C/T Ladick reviewed the attached PowerPoint presentation highlighting levy limits, long-term challenges, and the specifics of the proposed 2015 budget. He explained the history of levy limits, and that they used to allow at least a 3%, which at least allowed revenue to keep up with inflation. However, in 2011 the restrictions got significantly tighter, and now levy limits are tied to net new construction, which usually ranges from 0.50% to 1.50%. Since this is below the rate of inflation, revenue will continue to decline in inflation adjusted dollars. Further, state aid usually either stays the same or goes down, which exacerbates the problem further. He stated that going forward, we need to be very careful with our expenditures and also promote growth in the property tax base, which will allow us more flexibility because the allowable increases in levy are tied to net new construction.

C/T Ladick reviewed the budget highlights, which include money for a new IT service contract, a 10% reduction in health insurance funding rates, and changes to the design of the City health insurance plan. He explained other positives, including a levy adjustment due to net new construction, and decrease WRS rates. He also reviewed the budget negatives, which included a sharp drop in exempt computer aid and special assessment revenue, and an increase in worker's compensation rates. He explained that the increase in worker's compensation rates is due to the number of accidents in the City, and that a safety committee has now been formed to tackle this problem. He reviewed the list of capital projects, and said that we are borrowing less than in previous years in order to prepare for large projects coming up. He proposed a levy of \$14,635,000 which would equal a mill rate of approximately \$9.84/1000, which is in line with mill rates over the past 3-4 years. C/T Ladick then asked if the Council has any questions.

Ald. R. Stroik questioned what the Clark Street Bridge Scouring project is. Director Schatschneider stated the Clark Street Bridge has two abutments and three piers that it rests on. It's about 8 feet tall and 11 feet wide and 86 feet long. It is a huge concrete block that the pier

footing sits on and what is happening is that the seal that the footing on the pier sits on is being eroded under the seal from the current. We need to grout or riprap in front of those 3 seals so that the current doesn't keep undermining the big seal that those piers sit on.

Ald. R. Stroik questioned if there was any warranty or anything we could do since the bridge is not that old. Mayor Halverson stated that the difficulty that we face is that the City insisted that the bridge be a 4 lane when it was constructed, even though the traffic count did not warrant that, so the exchange from the State's point of view was that we were going to take a stronger burden because of the added capital that the State put in the bridge to construct it. We have already spent \$50,000 on crackfill and painting and this will be an additional \$200,000 plus added maintenance items that we are going to be continuing to pay for as a community for probably the next 80 years until that bridge needs to be replaced. When that bridge needs to be replaced, the City better be very, very careful with the amount of money that it has and the amount of borrowing capacity that it has to replace it. We also should hope that a State Highway continues to roll over that bridge because if it does not, it is going to be extremely expensive to replace that bridge.

Ald. Wiza questioned the \$170,000 for IT and what sort of hardware is being looked at. Mayor Halverson stated everything from switches to servers to computers. He stated the provider has come in and did a vulnerability and health assessment of the entire system and these are estimates for replacement of hardware, targeted by what the consultant feels would be the most in need of replacement and all the way down to standard replacement. Ald. Wiza asked if there is a copy of that somewhere, Mayor Halverson replied that Director Lemke and C/T Ladick have copies of the assessments that they have done as well as the suggestions for replacement.

Ald. Wiza question who "they" was referring too. Mayor Halverson replied it was RMM out of Wausau. Ald. Wiza then confirmed this was the same company that is being looked at for contract purchases, Mayor replied yes.

Ald. R. Stroik questioned if that will come before Council. Mayor Halverson stated it would.

Ald. Moore asked that the Community Development Software for \$195,000 be explained.

Director Ostrowski stated that software component would cover everything within his Department, Planning and Zoning, Code Enforcement, Building Inspections, Rental Licensing and would cover the purchase of the software upfront, installation, configuration and the training for it. It would also allow us to connect to a third party software whether it be the Assessment staff or whatever to interlink the systems together to reduce duplication of entry for property data. There are a few different ways you can look at when purchasing software, you can have a large upfront cost that comes out of capital where it will not be a huge hindrance on the operational levy or you can have a lower upfront cost and just do the training and implementation and then have a larger on-going cost. Some of the other ones that they looked at may have an upfront cost of \$70,000-\$80,000, but an ongoing annual cost of \$60,000. This one will have an annual cost of \$12,000-\$15,000 per year, which would include the updates and tech support.

Ald. O'Meara questioned if a life cycle cost has been looked at for the computers to determine if it is something that should be put in as a capital request to pay now or later and to get an idea of how long this sort of equipment is going to last. C/T Ladick stated we are having some issues with the IT hardware but our thought was that if we can get a managed service that can monitor the health of the equipment and system, then we can identify what needs to be fixed now. By delaying making the investments in IT he believes it could cause less productivity.

Ald. O'Meara also questioned if the thermal imaging camera for the Fire Department and whether or not it would be feasible to get a slightly different model that could be used for energy conservation for our buildings and for the Housing Authority. Fire Chief Finn stated they have not looked into that and Ald. O'Meara asked if he would, which he said he would.

Ald. Trzebiatowski asked how many police squads we were purchasing for \$290,000 and wanted to make sure that this year the equipment for the squads is looked into ahead of time so they are not sitting for six months waiting for parts. Police Chief Ruder replied these will be the 2016 models and we are purchasing 8 SUV's and 2 sedans. He also replied that the previous problem was due to Ford Motor Company never letting Gamber Johnson or other vendors know what changes were being made to the new model platform.

Ald. Trzebiatowski stated that with all the improvements listed for the Parks Department, he would like to see some fundraising events started to help out with those. Director Schrader stated the improvements listed, such as the Pfiffner bathrooms, were built in 1982 and are not handicap accessible. Some of the other improvements are older and in such disarray that they may have to be closed due to safety issues if not taken care of soon. Playground equipment is also 20-30 years old and in need of being replaced.

Director Schrader stated the ToolCat is a cross between a Cushman and a skid steer. It is very versatile in the front and holds up to 40 attachments, we will be getting the bucket, the soil conditioner that will groom trails, the grapple hook, snowblower and broom attachment. He stated they will also put the tracks on it and move it down to Iverson Park to help with maintaining and grooming the hills. We can always add attachments over time, as we need them.

Ald. R. Stroik questioned what the net impact is on the IT Contracted Services line item in the budget. He stated that he used RMM for his place of employment for one year and fired them, so he hopes that when it is brought back to Council there are 2 or 3 proposals in hand because outsourcing can be a way to go but he found out that he thought he could outsource everything and instead found that he still had to have an IT person on site.

The Mayor stated he took a number of line items from the budget and combined them, made some changes to his department budget, created a line item under EMS and took the difference in wages (\$18,760 reduction) for the IT Coordinator in the Police Department to come up with the total for the IT Contracted Services line item. He also stated that this will still allow for full-time benefits for the IT Coordinator, but a salary reduction to about 2/3's time.

Ald. R. Stroik questioned if the salary reduction to 2/3's is being driven by the IT Coordinator nearing retirement and if that is driven by that position or would that position be reduced to 2/3's time regardless of who is currently in that position. Mayor Halverson stated the person that is currently in that position retired about 5 years ago and was retained without WRS benefits to continue the exact same role he had before.

Ald. Wiza verified that the IT Coordinators position is being reduced to 2/3's salary but is remaining full-time making this just a pay decrease. Mayor Halvorsen stated that the amount of time will depend on what the Chief decides along with the Police & Fire Commission.

Ald. Wiza questioned that we are still paying full-time benefits to which the Mayor replied that we are.

Ald. Wiza then commented that we are not necessarily going to be getting a full-time employee, Mayor Halverson replied yes.

Ald. Wiza questioned if any of the salaries reflect the cost of living adjustment that were mentioned during the pay plan study. C/T Ladick replied they all do, 1.5%, which is budgeted for everyone.

Ald. M. Stroik questioned the Teletype Services line item under the Police Department. Asst. Chief Skibba stated he will look into it and see if there is a more fitting description for that line item.

Ald. Trzebiatowski questioned why the crossing guard wages went down. Chief Ruder replied that the Asst. Chiefs did a good job and monitoring crossings and worked with the school district to figure out what crossings were needed and adjustments were made.

Ald. Wiza commented that with regards to the IT Coordinator, he would like to know what savings there would be if the benefits of that position would go part-time, which is what it is going to be paid for. C/T Ladick stated in situations like this, the benefits would be pro-rated and that he will get that figure.

Ald. Wiza questioned the Computer System Upgrades line item under the Fire Administration budget. He wanted to know why this was not included in the IT Contracted Services line item. C/T Ladick and Asst. Chief Skibba will look into it.

Ald. Phillips questioned the overtime line items under the Fire Department and if the new Metro Fire Service that we went with is helping. Fire Chief Finn stated Metro does help with fire scenes because his guys are not kept at the scene as long for overhaul and putting the house back together in a safe condition, but that is the only way Metro helps with the overtime. It is more of a safety factor and an ISO factor for fire operations. Ald. Phillips stated he believes they were misled because he was under the understanding that by going with Metro, it would cut down on the overtime. Mayor Halverson replied that one of the challenges he believes we face as a department is that we are relying on Metro specifically for fire ground support, attack and safety. The goal was to go from a 3 to a 2 from an ISO point of view. The Metro will not save overtime when the mean age of the firefighter/paramedics in that department is 30 and there are significant FMLA issues that come along with the younger workforce. We have also had significant issues that are above average in terms of injuries.

Ald. Wiza questioned what the Regulated Mandated Expenditure line item under Ambulance is. Fire Chief Finn stated that would be a question for his Asst. Fire Chief Gemza, who was not in attendance. Mayor Halverson stated these are the standard expenses that are required annually for any review that the State would require and any permitting that we might have to go through for any EMS directed mandated costs.

Ald. Phillips stated he would like the topic of privatizing the garbage system discussed. There was a short discussion and it was agreed that this would be better looked at for the next year's budget due to the amount of time it would take to get all the information put together before this year's budget needs to be completed.

ITEM #2 – RECOMMENDATION OF 2015 LEVY TO COMMON COUNCIL

Motion made by Ald. R. Stroik, seconded by Ald. O'Meara to approve the recommended levy of \$14,635,000 with an estimated mill rate of \$9.84/\$1,000 of assessed value.

Ayes: All

Nays: None

Motion carried.

Adjournment at 8:07 P.M.

2015 Budget Presentation

Overview of Levy Limits and Long-Term Challenges

Specifics of 2015 Budget



First Half:

Overview of Levy Limits and Long Term Challenges

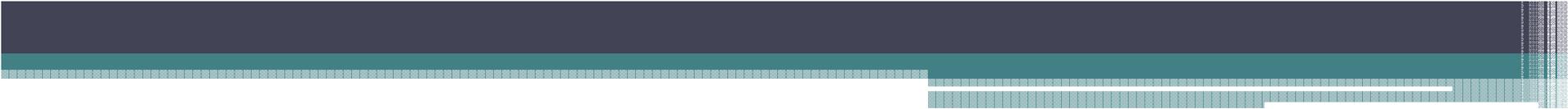


Levy Limits: A Brief History

- First Implemented in 2005.
- Applies only to the levy for Operations, not to the levy for Debt Service.
 - Operating and Capital Budgets are Separate
- Applies to the total operational levy, not the tax rate.
- Before 2011, allowed for annual increase, greater of net new construction or 3%.
- ERP- Additional Restriction, CPI plus 60% of Net New Construction (Usually 3-4%)

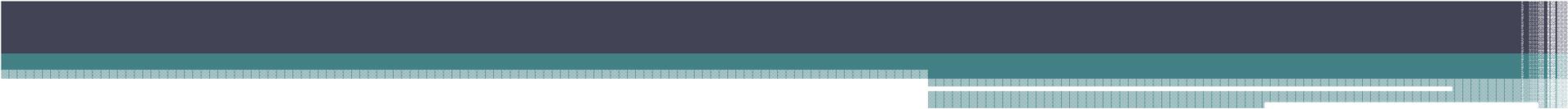
2011: The Tightening

- Allowed to increase operational levy by the amount of “Net New Construction” only.
 - Net New Construction: Growth in Tax Base due to new construction, minus demolitions
 - If negative, 0% increase is allowed
 - No New Construction=No Levy Increase
 - No Inflationary Increases Allowed
 - **In Real Dollars: Revenue will continue to decline indefinitely**



2013: Closing Loopholes

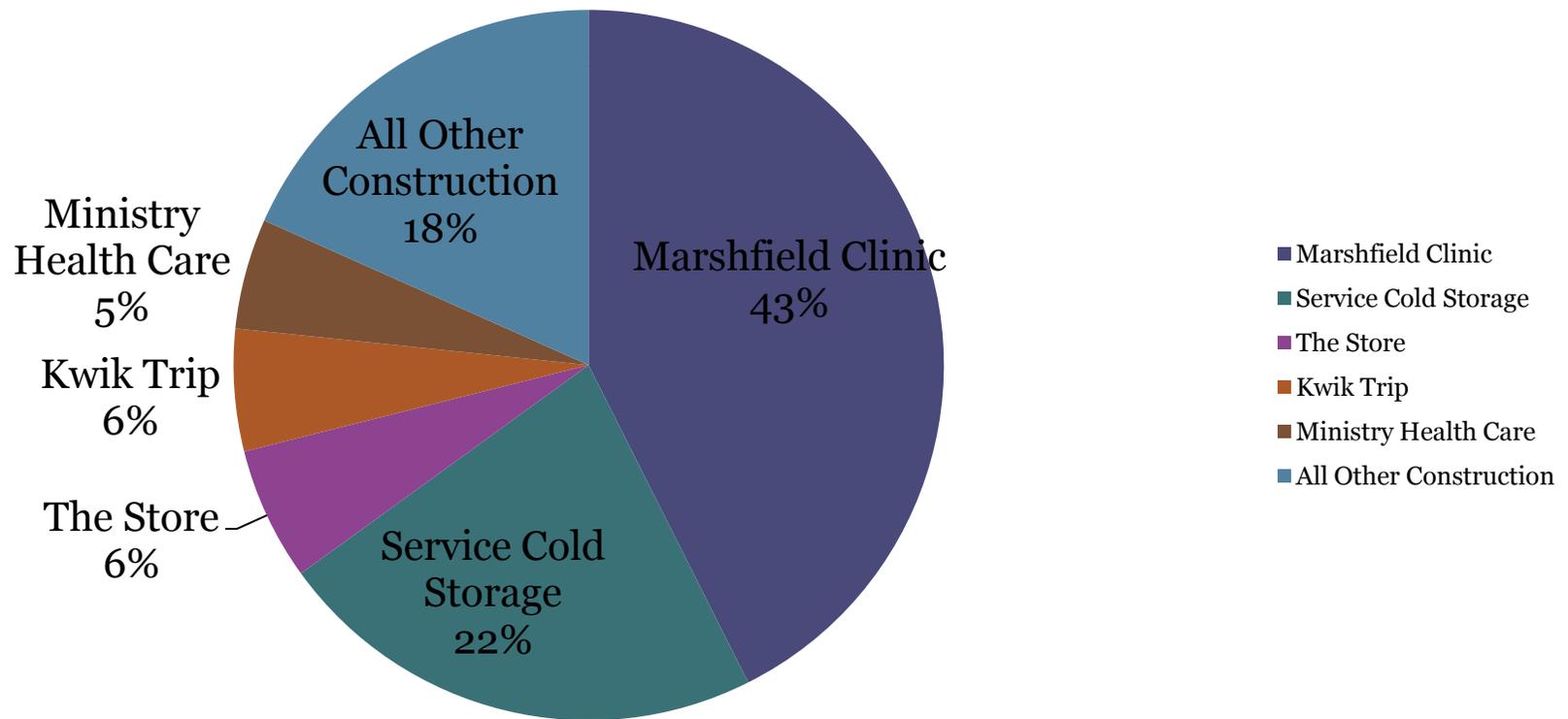
- Negative Adjustment now applies for new fees or fee increases if they were funded by tax levy in 2013 budget year:
 - Garbage Collection
 - Snow Plowing
 - Storm Water Management
 - Fire Protection
 - Street Sweeping



Net New Construction-2015 Budget

- Total: \$24,808,700
 - \$10,562,800: Marshfield Clinic
 - \$5,569,100: Service Cold Storage-Partial
 - \$1,504,200: The Store
 - \$1,379,500: Kwik Trip
 - \$1,247,700: Ministry Health Care
 - \$4,545,400: All Other Construction

Proportion: Net New Construction

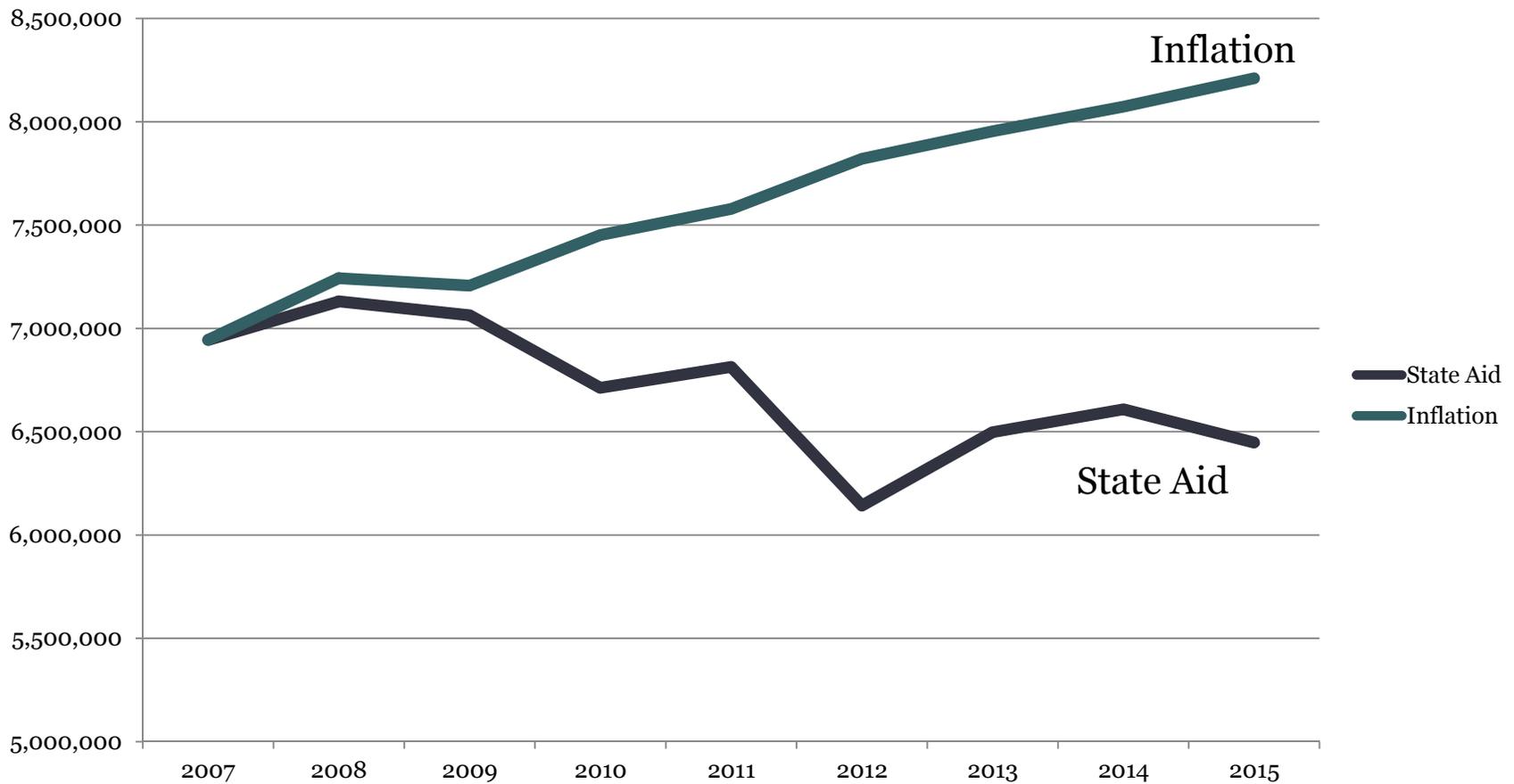


Stevens Point-Limits 2010-15

Budget Year	Allowable Increase
2010	3.0%
2011	3.0%
2012	0.97%
2013	0.58%
2014	1.48%
2015	1.63%

Current Statewide Average: 1.12%

City of Stevens Point: State Aid

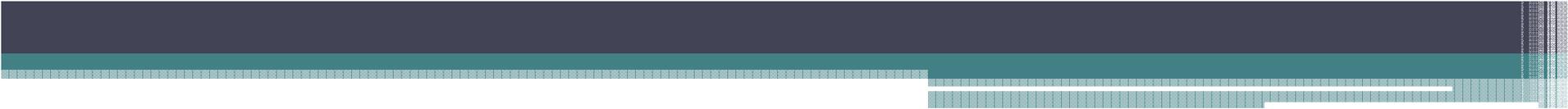


Additional Challenge: Stagnant State Aid

- Shared Revenue, Road Aid, Exempt Computer, ERP, Municipal Services
- 2015: \$6,447,574

Year	Net New Construction	Net New Construction + Stagnant State Aid*
2012	0.97%	0.60%
2013	0.58%	0.34%
2014	1.48%	0.92%
2015	1.63%	1.01%

*Estimate Assuming no Increases in State Aid Categories Mentioned Above

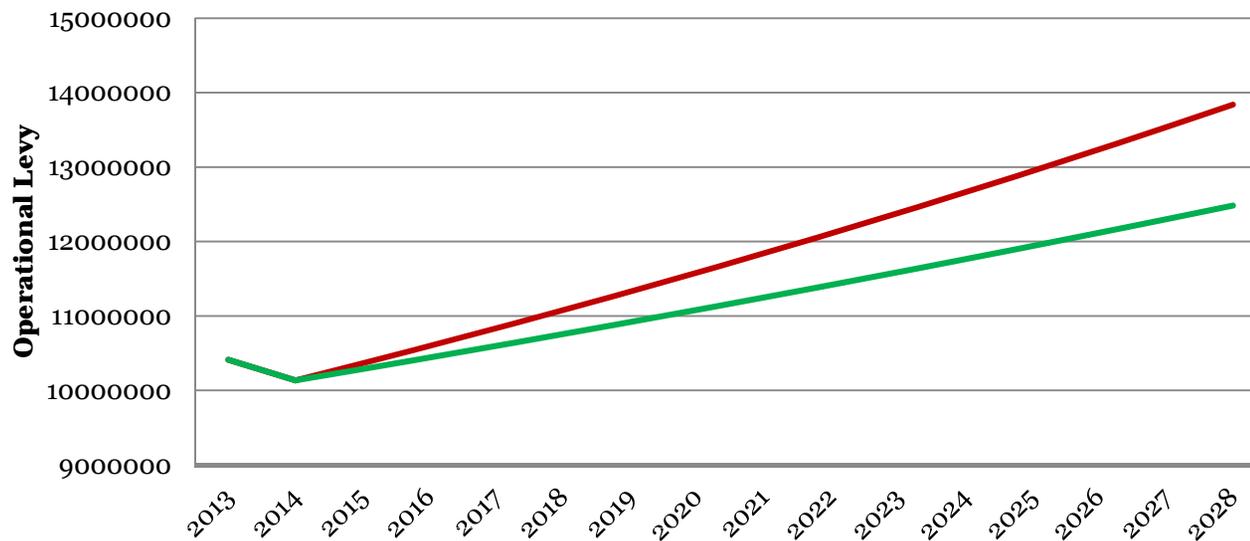


The Implications

- Dan Thompson: Former Executive Director, League of Wisconsin Municipalities
 - Expects “Slow Strangulation” of Municipal Services, Including “Services that are Popular, Services that People Want”

Scenario: Expense Growth (Red) Vs Levy Growth (Green)

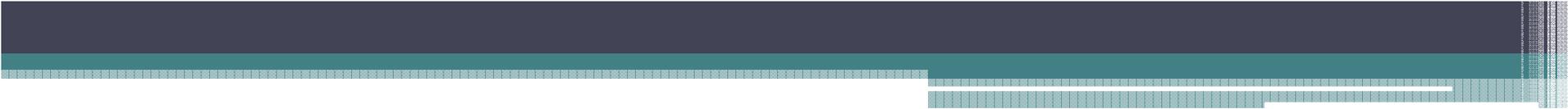
Assuming 2.25% Expense Growth, 1.50% Net New Construction



Second Half of Presentation

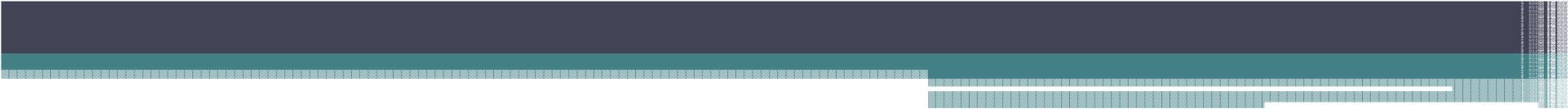
Specifics of 2015 Budget





Changes to Budget Structure

- Certain State Aid payments are affected by spending in three departments
 - DPW Eligible
 - Police
 - Fire
- Gas/Oil and Parts are now broken out for these three departments. (No longer centralized under the Fleet Department)



Budget Highlights

- New IT Service Contract Proposed
 - 24/7 Technical Support
 - Network Health Monitoring/Tools
- IT Coordinator in PD: Reduced to two-thirds time
- With the Above Exception, Budget will not reduce programs or positions
- Revenue Reductions and Fixed Cost increases presented a budgetary challenge.
- Budget gap closed by changes to health insurance funding. (10% Reduction)

Budget Positives

- \$290,201 Health Insurance Funding Reduction
- \$165,075 Net New Construction: 1.63%
- \$88,259 Increased Road Aid
- \$36,520 Reduced WRS (Retirement) Rates

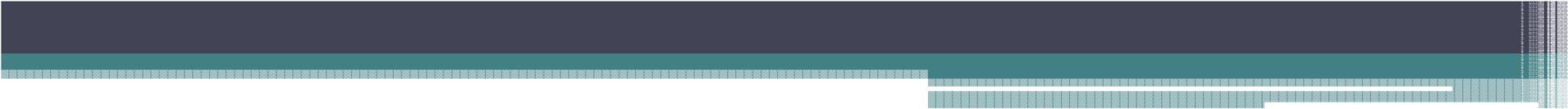
Health Insurance

- Rates Decreased by 10%
- Plan Design Changes
 - Same Deductibles
 - \$1500 Single
 - \$3000 Family
 - After Deductible, employee pays 10% co-insurance up to an additional expense to the employee of:
 - \$1000 Single (For \$2500 Max Out of Pocket)
 - \$2000 Family (For \$5000 Max Out of Pocket)
 - \$100 ER Co-pay
 - Does Not Count toward Max Out of Pocket

WRS (Retirement): City Contribution

	2014	2015
Elected	7.75%	7.70%
General	7.00%	6.80%
Police	11.06%	10.38
Fire (Hired After 7-1-11)	14.66%	13.98%
Fire (Hired Before 7-1-11)	18.16%	13.98%

*Reduction for Fire Partially due to Contract Settlement



Budget Negatives

- \$205,000: Reduced Exempt Computer Aid
- \$174,007: Reduced Special Assessment Revenue
- \$98,500: Increased Worker's Comp Premium
- \$67,445: Fire Settlement
- \$40,566: Reduced Municipal Services Payment
- \$30,000: Former MSTC Bldg Utilities/Maint.

Worker's Comp

- Experience MOD is used to adjust premium, based on previous 3 years of claims

Year	Experience MOD
2011	1.04
2012	0.85
2013	1.12
2014	1.28
2015	1.55

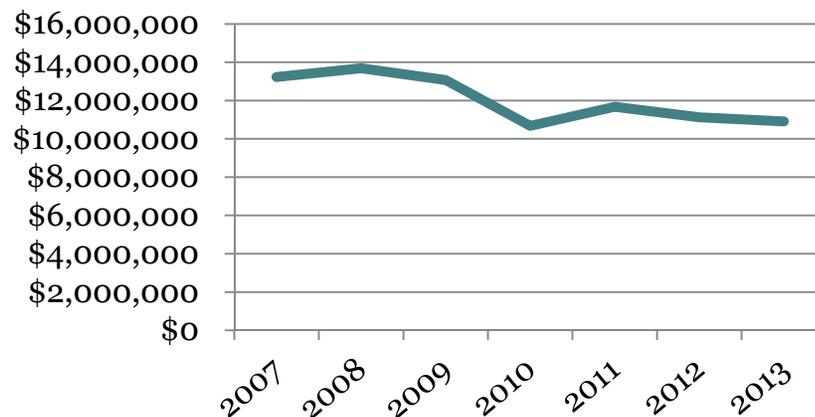
- A Safety Committee has been formed, meets monthly.
- Operational Changes will continue to be made as appropriate to address this issue.

Fund Balance Update

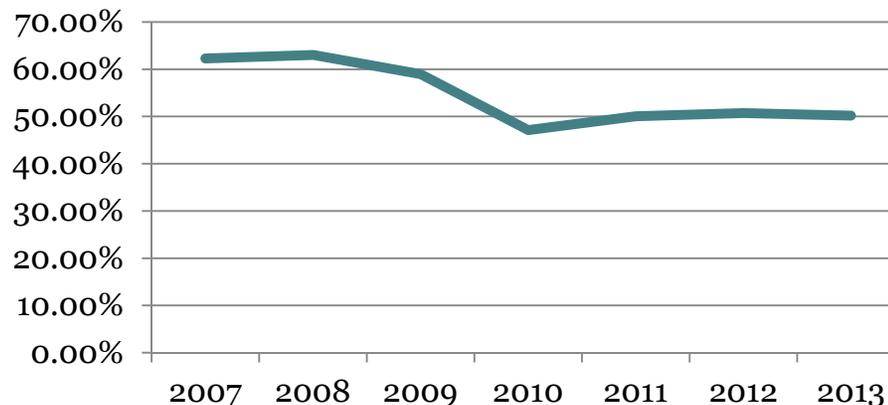
	Unassigned Fund Balance	Percent of Expenditures
2007	\$13,230,853	62.27%
2008	\$13,690,055	63.02%
2009	\$13,074,296	58.94%
2010	\$10,677,575	47.11%
2011	\$11,676,027	50.05%
2012	\$11,126,592	50.72%
2013	\$10,912,994	50.18%

Target: 33.3% to 50% of Expenditures

Unassigned Fund Balance

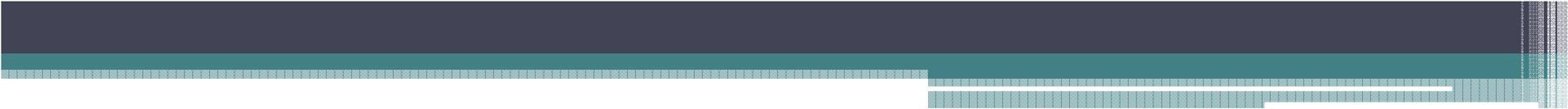


Fund Balance % of Expenditures



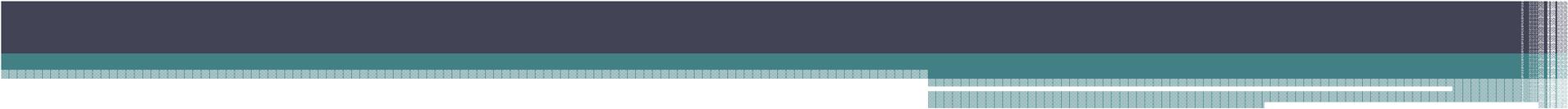
Capital Highlights

- No Complete Reconstruction of a Street, unlike previous years.
- Total Capital Budget: \$2,500,000
 - Borrowing: \$1,750,000
 - Fund Balance: \$750,000
- Borrowing Reduced from \$2.35 Million to \$1.75 Million.
- Regenerating Debt Capacity in preparation for very large projects. (Grade Separation, Bus. 51)
- Use of \$750,000 of Fund Balance, increased from \$649,674 in 2014 budget.



Major Capital Projects/Equipment

- \$400,000: Road Surface Improvements (ie. Chip Seal, Resurface)
- \$295,000: Squad Cars for PD
- \$274,471: IT Hardware Upgrades/Replacement
- \$260,000: Clark St. Bridge, Scour Repairs
- \$215,000: Second St. North Intersection Improvements
- \$200,000: Tri-Axle Dump Truck-Public Works
- \$200,000: I-39 North Reserve Street
- \$200,000: Pfiffner Park: Replace Restrooms
- \$200,000: Mead Park: Reconstruct Shelter (\$20,000 encumbered)
- \$195,000: Community Development Software



Capital Projects: Room Tax

- \$75,000: Goerke Park-Resurface Stadium Bleacher Concrete
- \$40,000: Goerke Park-Resurface Service Road
- \$28,000: Willett-Replace Wheelchair Lift
- \$18,000: Willett-Replace Air Exchanger in Locker Room
- \$17,000: Willett-Replace Warming House Flooring

Proposed Levy

- Levy of \$14,635,000 with an assessed tax rate of \$9.84/1000
- Last Year's Tax Rate
 - Proposed: 9.85
 - Actual: 9.82
- Tax Rate History-Actual
 - 2012: 9.85
 - 2013: 9.84
 - 2014: 9.82