

**SPECIAL FINANCE COMMITTEE  
OCTOBER 27, 2015 AT 6:00 P.M.  
PORTAGE COUNTY LIBRARY – PINERIES ROOM – 1001 MAIN STREET**

PRESENT: Alderpersons Phillips, Van Stippen, and Kneebone

EXCUSED: Alderpersons Slowinski and Patton

ALSO

PRESENT: C/T Ladick; Mayor Wiza; City Attorney Beveridge; Clerk Moe; Ald. Morrow, Ryan, Mrozek, McComb, Oberstadt; Directors Lemke, Schrader, Schatschneider; Deputy C/T Freeberg; Human Resource Manager Jakusz; Interim Police Chief Skibba; Fire Chief Finn; City Planner Kearns; Nate Enwald; Brandi Makuski; Barb Jacob; Sue Hall; Dave Wicz; Jeff Bahling; Liz McDonald

**ITEM #1 – REVIEW OF PROPOSED 2016 BUDGET.**

C/T Ladick reviewed the attached PowerPoint presentation highlighting the levy limits, long-term challenges and the positive and negative highlights of the 2016 budget. He explained the history of levy limits, and how they have gotten much stricter in recent years. He also explained that only the operating budget is restricted, while taxes for debt payments are not restricted, effectively allowing the City to increase taxes for capital projects. He stated that the amount of Net New Construction was 1.62%, and that this sets our adjustment in the operating budget. He noted the major new construction projects, and pointed out that we are reliant on having at least one very large development every year. He explained that State Aid is an additional challenge, on top of levy limits, and that we will see the lowest level of state aid since 1994.

C/T Ladick then got into the specifics of the 2016 operating budget, and covered a few changes to the budget format. He explained the major budget negatives, which included a large reduction in state aid, increased health insurance premiums, and wage adjustments. He went on to cover the positives, which included levy limit increases, increased interest revenue, reduces worker's compensation premiums, and adjustments to how room tax is utilized. He explained that the proposal is to use room tax for more operating needs, as that is the restricted side of our budget. Finally, he proposed the tax levy of \$14,771,056 for an assessed tax rate of \$9.84/1000 and noted that the tax rate has been incredibly stable over the past five years.

Mayor Wiza highlighted a few items. The increased interest revenue in the amount of \$160,000 was all done by C/T Ladick and his financial management. The former pay plan turned obsolete because those incremental increases every year to try to keep up with inflation were not done, this year, they were done at the maximum of .73% across the board. The Code Enforcement Officer was also incorporated into the budget and he said driving around town things look better. The IT Administrator was a big hit, but we knew it was coming and prepared for it and we have already ordered computers that should be here by the end of the week, which will allow those people with outdated machines to do their jobs more efficiently. He commended the City employees for doing their share and highlighted a member of the Streets Dept that partook in the Employee Suggestion Program, recommending taking scrap metal at the dropoff and then finding a buyer for those metals. The City now gets revenue from scrap metal that is collected. He also pointed out that because we have been paying down the debt, we are eligible for some other options. Also the controlled spending by Dept. Heads and the employees has helped the situation. He also touched on some of his concerns. The Air B&B's, where people will rent rooms out on particular websites and not pay room tax on it, basically running unlicensed hotel rooms. Another concern was the taxi service called Uber, along with several others. He stated we need to be able to get those at the state legislature to address these issues.

Jeff Bahling, 3225 Yosemite Drive, asked if someone would explain when the room tax began, what the ordinance says it is for. Director Schrader replied that room tax was put into legislation in 1967 and the City imposed it in 1980. At the time, it was controversial and the City ended up getting sued by the Holiday Inn because they wanted to find out if it was legal to impose a room tax, which the City ended up winning the law suit. In 1987 the first room tax committee was formed and the goal was to set 5 year plans as to how the money was going to be spent. The money was set aside through a resolution with a sinking fund for park improvements. The plans were set in 1987, 1993, 2000, and 2007. The 2007 plan was the last one because they then built the Goerke Sports Complex around 2011 and took money out, which extended the plan. So the history is that there has always been a committee and they always solicited input from the citizens. The breakdown originally was 70% major projects, 10% arts, 10% special events, and 10% planned maintenance. The last plan shifted 65% major projects, 15% planned maintenance, 10% special events, and 10% arts. The arts was split 5% arts endowment and 5% to run the Arts Center and the endowment generates money that helps run the Arts Center.

Ald. Oberstadt mirrored Mayor Wiza's comment that it is not going to get any easier or better for us in the future. She is concerned that when the capital projects are taken out of room tax and put with the other capital projects, it is going to be really hard to compare things that would increase tourism or improve the City in other ways, other than the typical capital projects. She had asked for some history as to what has been built with these funds. Director Schrader stated the Park Commission had asked for a list also, which he has if anyone would like to see it, but there are probably 30-40 items that were done. Some of the projects were Green Circle Trail, Willett Arena, Zenoff Park, renovating different areas of the parks, fixing up the Rec Center, basically a lot of "quality of life" projects and he agreed that it is going to be tough when we come forward with a project and it is up against the Hoover overpass. He hopes that people keep these projects in mind during those discussions. He also stated that when they did not have projects, the money would build and they would have a little pot of money that groups knew that in about 3 years they could start their project so they would start the fundraising for it. This new procedure will complicate that.

Jeff Bahling, Park Board Chairman, stated that without the Green Circle, Bukolt Park, etc., this town would not be what it is today, so he asked to please keep that in mind when making future decisions. He stated he understands it is tough to have to make decisions for things, but encouraged continued funds be put towards things that make Stevens Point a wonderful place to live.

Mayor Wiza wanted to point out that this year they have worked with the school superintendent, along with the Police and Sheriff Departments and decided that it was important that we reinstitute the cadet recognition program that was taken out of the budget a few years ago. They have now added \$3,000 for the purpose of recognizing outstanding safety crossing cadets.

Ald. Kneebone mirrored Ald. Oberstadt's thoughts and asked if there was a way this could be looked at on a yearly basis. Mayor Wiza stated it is already being done that way through the budget process as it is up to the Alderpersons to prioritize.

C/T Ladick agreed with Mayor Wiza, stating that there has been a lot of Parks projects done without using the room tax dollars. This year there was a shelter project at Piffner Park, with a budget of about \$200,000, and also the shelter at Mead Park, so this change does not mean that we will not be doing anything park related anymore. Room tax money has been used to supplement those capital projects and it has, in some instances, helped the capital budget. It is true that there may be a little more competition with capital projects but there has been parks projects done every year. He already knew that the people of this community would make the parks projects a priority, so he was not concerned with making this change. He also stated that there has been a plan discussed to grow that pot for capital projects.

Ald. Mrozek stated that in January-February we will be looking at the borrowing for our capital projects. Since there will not be room tax available for capital projects, it will have a huge impact on what we used that money for in the past. She stated that when she makes decisions, she uses the thought process of what can be done through the public sector and what they will help pay for and the private sector where the money comes forward. She is concerned that with the constraints that are in place, what would happen if Edgewater cannot pay the 1.5 million that they need or if the bids come in more than the 1.5 million, would that become our obligation. She questioned C/T Ladick if Edgewater would run into any operational issues or if they cannot pay back their debt, would that impact our operational budget. C/T Ladick replied that operations are restricted and debt service is not restricted, so the most likely scenario would be that we would have to help them make their debt payment and then that would not affect our operating budget. We could charge extra taxes for it, like we have for the downtown TIF district. He did state, however, that if you are looking at an operational subsidy outside of debt service, then yes, it would affect the operational side of the budget.

Ald. Mrozek reminded everyone that once money starts being set aside for projects, we are going to have to do more with less. She does not want to see things that the public sector should be paying for be compromised due to something that she feels would be better served in the private sector. She pleaded with the rest of the Council to pay attention to the bids that come in for projects and keep the bigger picture in mind.

C/T Ladick reminded the Committee that this is only the first meeting to lay out the initial proposal. There will be a public hearing at our Finance Committee meeting and also a public hearing before adoption.

#### **ITEM #2 – RECOMMENDATION OF 2016 LEVY TO COMMON COUNCIL.**

Motion made by Ald. Van Stippen, seconded by Ald. Kneebone, to approve the recommended levy of \$14,771,056 with an estimated mill rate of \$9.84/\$1,000 of assessed value.

Ayes: All

Nays: None

Motion carried.

Adjournment at 7:04 P.M.

# 2016 Budget Presentation

Overview of Levy Limits and Long-Term Challenges

Specifics of 2016 Operating 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**
  - **No Limit at all on Debt Service Levy**
- **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**
  - **The Philosophy: No One ever has to pay more, even if values increase**

# What About TIF Districts?

- **Still Counts as “Net New Construction”**
  - **Even Though Revenue from New Construction is going to the TIF District, not the general fund.**
- **Also, there is an additional adjustment when the TIF District is closed.**
  - **50% of the Increase in Value**
- **Effectively, Construction in a TIF District gets counted 1.5 times.**

# Bottom Line-Can Amount I Pay in Taxes Increase?

- **Yes, But Under Limited Circumstances:**
  - **Increase in Taxes for Debt Payments**
    - Gives Flexibility on Capital Budget
  - **Ability to Raise Taxes Due to Construction in TIF Districts**
  - **Use of Levy Limit Carryover**
  - **Assessment Changes**
    - This is a Zero-Sum Game

# 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**

# Stevens Point-Limits 2010-16

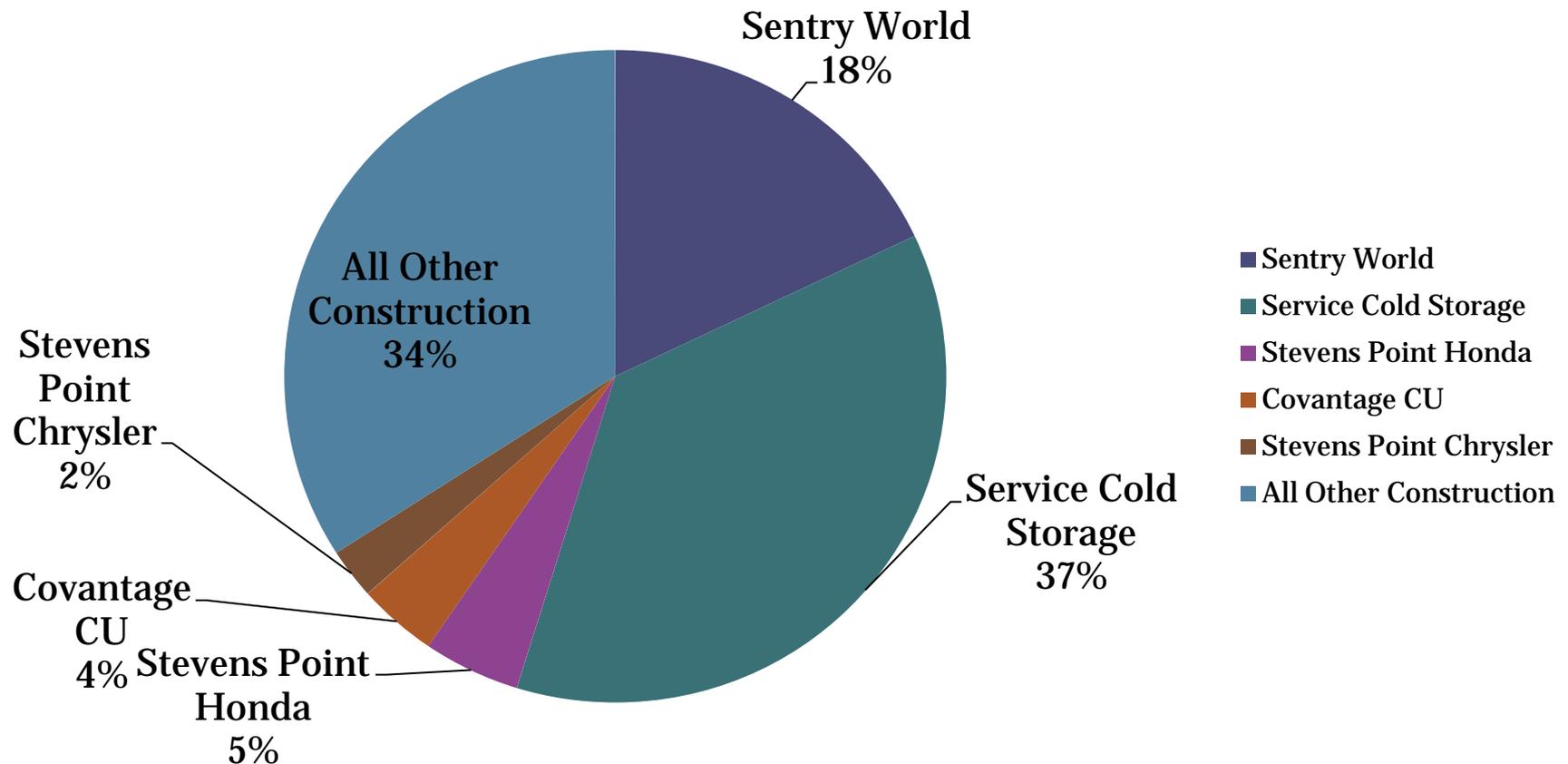
<b>Budget Year</b>	<b>Allowable Increase</b>
2010	3.0%
2011	3.0%
2012	0.97%
2013	0.58%
2014	1.48%
2015	1.63%
<b>2016</b>	<b>1.62%</b>

Current Statewide Average: 1.20%

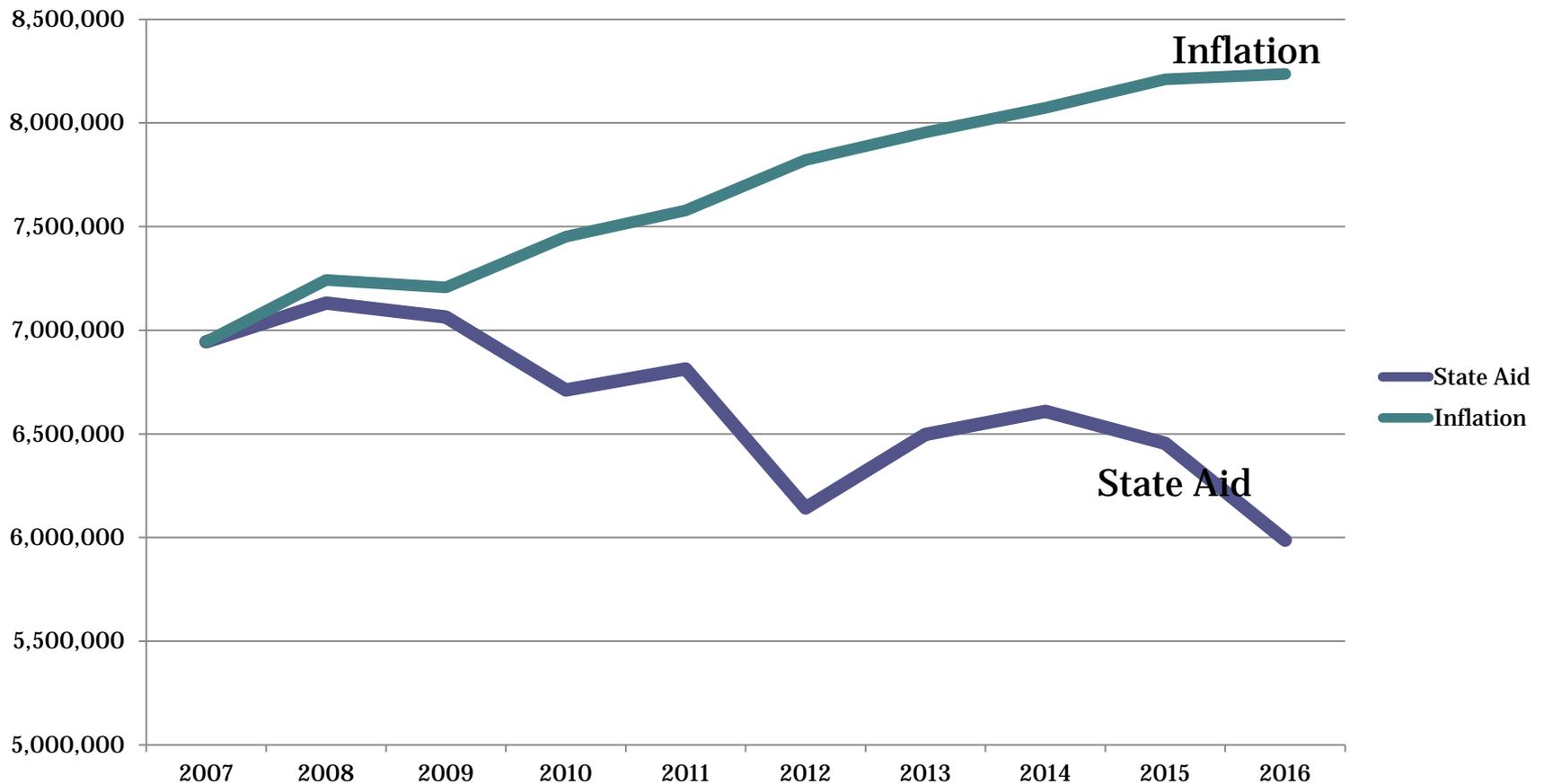
# Net New Construction-2016 Budget

- **Total: \$25,211,300**
  - \$9,298,700: Service Cold Storage Completion
  - \$4,520,300: Sentry World/Golf Course
  - \$1,189,700: Stevens Point Honda
  - \$981,600: Covantage Credit Union
  - \$631,600: Stevens Point Chrysler
  
  - \$8,589,400: All Other Construction
  - -\$1,109,800: Demolitions (Subtract)

# Proportion: Net New Construction



# City of Stevens Point: State Aid



# State Aid at 22 Year Low

- **\$467,606: State Aid Reduction for 2016**
- **In 2016, the City of Stevens Point will receive the lowest amount of State Aid since 1994.**
- **The actual buying power of these dollars will be 38% less than in 1994**

# Additional Challenge: Stagnant State Aid

- Shared Revenue, Road Aid, Exempt Computer, ERP, Municipal Services
- 2016: \$5,987,530

<b>Year</b>	<b>Net New Construction</b>	<b>Net New Construction + Stagnant State Aid*</b>
2012	0.97%	0.60%
2013	0.58%	0.34%
2014	1.48%	0.92%
2015	1.63%	1.01%
2016	1.62%	1.00%

\*Estimate Assuming no Changes in State Aid Categories Mentioned Above

# The Implications

- **Gary Wescott: Stevens Point's Longest Serving Mayor**
  - “With the current financial situation, there will be certain things that the City will not be able to do. It is not because we are cheap, or because we don't want to, it is simply because we do not have the money.”

Second Half of Presentation

# Specifics of 2016 Budget



# Changes to Budget Structure

- **Created Separate Fund for Special Assessments**
- **Created Separate Fund for the Willett Ice Arena**
- **Created Separate Fund for Vehicle/Equipment Replacement**
- **All three have offsetting revenues and expenditures**
- **Also moved Transit Subsidy into the General Fund.**

# Budget Highlights

- **First full year of IT Network Administrator**
- **IT Coordinator in PD: Reduced to half-time as a result**
- **With the Above Exception, Budget will not reduce programs or positions**
- **Revenue Reductions from State Aid presented a significant budgetary challenge.**

# Budget Negatives

- **\$365,000: Reduced Exempt Computer Aid (State)**
- **\$167,330: Increased Health Insurance Premiums (6.5% on Family)**
- **\$105,000: Salary/Pay Plan Adjustments, 0.73% COLA**
- **\$81,689: ERP/Shared Revenue Reduction (State)**
- **\$80,000: Decreased Water PILOT**
- **\$60,000: Police Wage Settlement**
- **\$47,729: Reduced Municipal Services Payment (State)**
- **\$30,164: Decreased Salary Reimbursement from Redevelopment Authority**

# Budget Positives

- **\$169,290** New Levy Limit Carryover\*
- **\$166,736** Net New Construction: 1.62%
- **\$160,000** Increased Interest Revenue\*
- **\$149,000** Decreased Work Comp Premiums\*
- **\$120,000** Room Tax-Full 30% to General Fund\*
- **\$80,000** Room Tax-Operating Subsidy to Willett Arena\*
- **\$20,000** Reduced WRS (Retirement) Rates\*

\*Slide to Follow on Each Item

# New Levy Limit Carryover

- There was already a levy limit carryover provision
- A second one was added to State Statute in 2015, with a different calculation method
- A municipality can claim carryover under either provision
- We have carryover under the new Levy Limit Carryover Provision
- To Utilize it:
  - Must be Approved by a two-thirds vote
  - Must have a lower level of G.O. Debt Outstanding in current year than in previous year (We Do)

# Increased Interest Revenue

- **Cash Flow Forecasting**
  - **Projecting Cash Flow Needs**
  - **Review of Historical Cash Flow Patterns**
- **Depositing Excess Cash for Longer Terms**
  - **Usually 2-3 Year Certificates of Deposit**
  - **Laddered Maturities, Structured to Come Due at Times of Low Cash Flow**
- **Identifying Banks/Credit Unions with higher Interest Rates**
- **Small Addition of Longer Term Bonds to the Investment Portfolio**

# Worker's Comp

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

<b>Year</b>	<b>Experience MOD</b>
2012	0.85
2013	1.12
2014	1.28
2015	1.55
2016	1.02

- The Safety Committee, formed in 2014, continues to meet monthly.
- Operational Changes will continue to be made as appropriate to address safety and liability issues.
- \$3000 Added to Operating Budget for Safety Activities.

# Existing Room Tax Distribution

- **Tax of 8% on Hotel Stays**
- **2014 Revenue: \$738,040**
- **46.86%: Given to Convention and Visitors Bureau**
- **53.14%: Retained by City**

# Is the City of Stevens Point Unique?

- City is Grandfathered
- Can Legally Retain full 53.14% for any purpose
- Non-Grandfathered municipalities
  - 30% for any purpose
  - 70% for activities expected to generate paid hotel stays
- Although not legally required, the City has used Room Tax Primarily for purposes that are likely to generate hotel stays.
- \$100,000 transferred to General Fund every year to compensate for maintaining Room Tax Projects

# New Financial Strategy for Room Tax

- **Shift focus from capital projects to operations**
  - Because of Levy Limit Restrictions
  - Increase the room tax transfer to the general fund to 30%
    - From \$100,000 to \$220,000
  - Operational Subsidy to the Willett Arena of \$80,000
  - In Exchange, City will pick up Capital Project obligations
    - Extra Burden on Capital Budget
    - Will Need to Compete with Other Capital Needs

# Example Under New Formula

- **\$100 Hotel Room**
- **\$8.00 In Room Tax**
  - **\$3.75: To Convention and Visitors Bureau**
  - **\$1.85: City Sponsored Activities benefitting Tourism**
  - **\$2.40: To General Fund**
- **In Comparison, owner of \$100,000 property will pay:**
  - **\$2.70 Per Day for City Services**

# Adjustments to Room Tax-Statutory

- **Changes in State Law Effective 2017**
  - **City No Longer Allowed to Manage the Portion designated for Tourism Promotion and Development**
  - **A Tourism Commission Will Need to Be Created**
  - **Grandfathered municipalities will be frozen on the dollar amount they retain until they hit 30% of total**

# WRS (Retirement): City Contribution

	<b>2015</b>	<b>2016</b>
Elected	7.70%	6.60%
General	6.80%	6.60%
Police	10.38%	9.75%
Fire	13.98%	13.55%

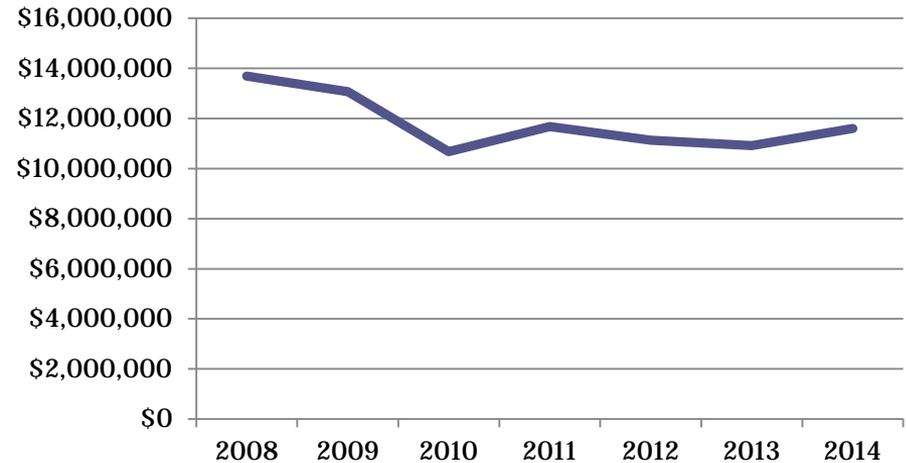
# Fund Balance Update

	Unassigned Fund Balance	Percent of Expenditures
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%
2014	\$11,593,873	53.87%

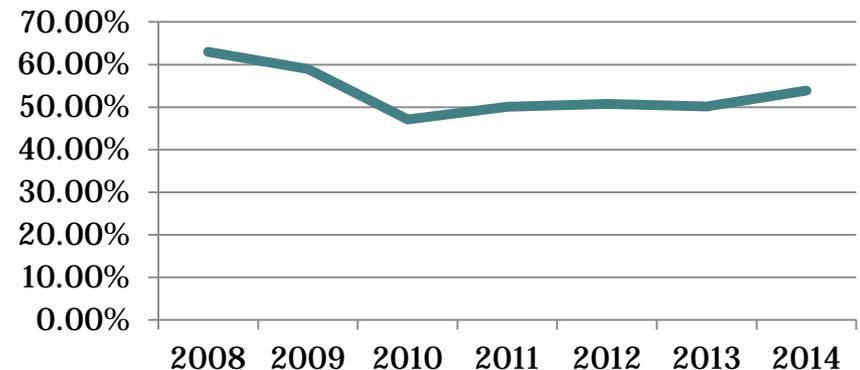
**Target: 33.3% to 50%  
of Expenditures**

**Note: Excess Fund Balance Assigned for  
Emerald Ash Borer and TID 8 in 2015**

## Unassigned Fund Balance



## Fund Balance % of Expenditures



# Proposed Levy

- Levy of \$14,771,056 with an assessed tax rate of \$9.84/1000
  - Tax Rate History
    - 2012: 9.85
    - 2013: 9.84
    - 2014: 9.82
    - 2015: 9.84
    - 2016: 9.84\*
- \*Proposed