

**FINANCE COMMITTEE
NOVEMBER 9, 2015 AT 6:20 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Ald. Slowinski, Phillips, Patton, Van Stippen and Kneebone

ALSO

PRESENT: Mayor Wiza; C/T Ladick; Clerk Moe; City Attorney Beveridge; Directors Ostrowski, Schrader, Lemke, Schatschneider; Ald. Doxtator, Ryan, Mrozek, Morrow, McComb, Oberstadt; Interim Police Chief Skibba; Fire Chief Finn; Human Resource Manager Jakusz; Deputy C/T Freeberg; Jacob Mathias; Nate Enwald; Cathy Dugan; Bob Fisch; Neil Prendergast

ITEM #1 – PUBLIC COMMENTS ON THE PROPOSED 2016 OPERATING BUDGET.

Mayor Wiza stated that since the budget was out and everyone got involved early, he believes the process went very smoothly and thanked C/T Ladick and his office for all the work. He also thanked the general public and Alderpersons for being involved and putting in their input.

ITEM #2 – REVIEW AND POSSIBLE ACTION ON THE PROPOSED 2016 OPERATING BUDGET.

Ald. Kneebone questioned the transfer from room tax in the amount of \$220,000 to the general fund. She questioned why we want to take money out of something that we could use for projects that could bring people into Stevens Point and put it in the operating budget where it will be used for other items. Mayor Wiza replied the State allows us to use 30% of the room tax budget for our operational costs because tourists also use our roads, parking lots, emergency services, police, fire, garbage services, etc., so the State has recognized that about 30% is what the cities could be using to help offset some of the costs. We have not done that in the past, but this will be something that we will be looking at incorporating now.

Ald. Kneebone stated in 2014 and 2015, there was \$100,000 taken out of room tax and put into the general fund, why are jumping that up \$120,000. Mayor Wiza stated that is what used to be done, but they are making the change now.

C/T Ladick stated the primary issue is that we are losing over \$460,000 in State aid, which will be the lowest amount of State aid since 1994. We came up with this as a way to preserve services and jobs. In the past, some of the items that have been talked about to plug holes in the operating budget included closing the pool and getting rid of crossing guards. The intention is to continue the City services that we have, despite the fact that we are losing a very significant amount of money from the State. The larger strategy is the fact that operations are tightly restricted and capital spending is not, so we are optimizing our resources to retain the current services and staffing.

Ald. Kneebone stated it is just disappointing that we have to do this.

C/T Ladick reminded everyone that the general fund strongly supports the Parks and Recreation department. In the past when there had been issues with the general fund, Parks has taken some hits. The general fund is also what makes sure we have police officers and firefighters.

Ald. Slowinski stated there had been a lot of great projects that have been developed through the room tax, which was designed to help them get on their feet and then we will continue to support them through the general fund.

Ald. Van Stippen questioned the debt service increasing in 2014 and 2015 and now will go down in 2016 and whether or not that is good or bad.

Mayor Wiza stated that generally, in the past, we increased our debt and one of his goals was to reduce that debt. This year, we reduced the amount of debt service, so we are making progress but still have things that need to be done. It is a priority and he hopes to continue to bring that number down going into the future.

C/T Ladick stated one of changes that was made earlier in the year was transferring money from the healthier TIF's(5 & 7) to TIF 6, so that also reduced the tax burden.

Ald. Patton questioned if C/T Ladick knew what the debt service number would look like after the budget next year. C/T Ladick stated it is too soon to tell, but what he does is strategize where we are as far as property tax rate and what we have available for debt service capacity. When a new bond is issued, he stated he looks at each year to see how much is coming due and then he tries to balance it out. He can adjust payments for each year to help alleviate any potential issues. The grade separation that is going to be done in 2017 will be a more sufficient borrowing, so in 2018 there will definitely be an increase in levy for debt service. He believes 2017 should be stable.

Ald. Kneebone stated that since the Plan Commission suggested bike hitches at Mead Park, that maybe some of the room tax dollars could be used to fund those since Director Schrader probably did not plan on that in his budget.

Ald. Phillips questioned if there was an increase in salaries and wages this year. C/T Ladick replied there is the pay plan in place, which allows step increases based on experience and performance and there was also an across the board adjustment of .73%, which was the most we could do without going to referendum as that is the Consumer Price Index (CPI) and if we want to exceed that, it has to go to referendum.

Ald. Phillips stated the reason he is bringing this up is to be fair to everyone. He went on to say that there is a group of employees that were redlined on the pay plan and the reason for that was that they were substantially overpaid. During pay plan discussions, it was said that no one would receive less pay, they would, at least, stay flat. He then asked if they would be getting a raise, making them more overpaid. C/T Ladick stated the budget, as proposed, would include a raise for everyone, including redlined employees.

Ald. Phillips stated that is not fair to the rest of the employees, these people will get a bigger raise than people making less than them because .73% on \$20 is more than .73% on \$10, and they are supposed to be redlined, they should not be getting any sort of raise. He believes they should be leveled off to bring these bottom people up more, so he would like to see an adjustment made to take away the raise for the redlined employees.

Ald. Patton agreed with Ald. Phillips stating it sounded good when it was being discussed, but when the math is put to it, it is not fair and does not make sense.

Mayor Wiza stated it was not talked about as being fair by everyone. The employees who are redlined, for the most part, are long-term employees. The lower grades have not been here as long and are entitled to periodic step increases. The people that are lower in the pay plan are eligible for step increases and the .73% increase. The people that have been here longer are eligible for those steps less frequently, so as the employee is with the City longer, the fwage

increases occur less frequently. In all fairness, to keep that plan viable, you have to have increases like this, annually. He believes the reason the first pay plan went out of date was because those CPI increases were not added, so if we do not keep doing that, it will fall behind again.

Human Resource Manager Jakusz stated step increases are based on performance. An employee that is eligible for a step increase has to have a satisfactory performance evaluation, which is done on an annual basis. She corrected a previous statement, stating that when the pay plan was redone, some employees that have been here a longer period of time had an upward adjustment of their grade from the prior pay plan we were on, actually started at a lower step. Some people who have worked for the City for 10-15+ years did start at step 1 because it was based on where their annual salary was the year prior to the implementation of the pay plan. They were moved to a grade and a step that gave them an increase and we were not able to take into account all their years of service because that would have been far too costly at implementation time.

C/T Ladick added when a study like that is done, you identify people who are underpaid and people that are overpaid. The people that were considered to be overpaid were frozen and some of the people that were underpaid were put in the first step and they have a scheduled progression of raises every year. If you look at the overall salary ranges of employees with the City, you are looking at a range of approximately \$30,000 to \$90,000 and the employees that are red circled are pretty much all in the \$40,000 range. There is no one above \$45,000 that is red circled.

Jakusz also mentioned that earlier this year, the Personnel Committee approved, and the Council affirmed the action, modifying one of the policies relating to the pay plan. It is now up to the City Council to decide if the red circled employees would be afforded an increase.

Ald. Slowinski agreed with the Mayor in regard to staying in line with comparables as that was what got us in trouble last time. He supports this because he believes we need to maintain the integrity of this pay plan and continue to move forward with it and not fall behind.

Ald. Patton agreed that we do not want to fall behind again, but it is just the disparity that some are going to get much more than others on the lower end of the scale.

Jakusz added we are still required to bargain with three bargaining units (fire, police and transit) over wages, so bear in mind that we have to look at comparables for those groups. So many times the settlements are going to be about the WI Employment Relations Commission set CPI that C/T mentioned earlier. She is still concerned about management positions and wage compression. If we only do an across the board increase as allowed by CPI, that is lower than what the settlements are with some of the bargaining units.

C/T Ladick questioned Jakusz how many times employees have not received a step increase due to poor performance. Jakusz stated in the last 18 years, she recalls 2.

C/T Ladick clarified how the raises will work. Certain employees will see the step increase of about 2.5% and the .73%, so going into 2016, they would be receiving an increase of 3.2%. For the red circled employees, they would not qualify for steps because they are already off the chart, so they would just get .73%. The decision that needs to be made is do we give one group the 3.2% and the other .73% or one group 3.2% and the other 0%.

Ald. Slowinski agreed with Jakusz with regards to the wage compression and wants to make sure that is monitored and to keep looking for ways to prevent it.

Ald. Patton suggested that we put together something that will show when compression starts to happen so we can see it coming and plan for it.

C/T Ladick stated outside public safety, both management and hourly employees are on the same pay plan, so you are going to see both groups getting 3.2%, therefore staying even.

Ald. Phillips again stated that the employees that are redlined are getting twice as big of a raise as some that are not. Ald. Slowinski stated as C/T Ladick explained, the non-redlined employees are getting .73% plus the 2.5%, depending on where they are in the pay plan. He does not believe that is happening because the lower ones are getting steps in addition to the CPI. Ald. Phillips asked what if they are not getting a step this year, then the redlined employees are getting more and that is not fair.

Mayor Wiza stated the math is the same for the employees who are above the redlined people, for example, if someone is redlined at step L and someone else is at step M, the person at step M will be getting a bigger raise than the person at step L. He sincerely believes this .73% across the board is the fairest way to implement a standardized increase through the entire pay plan and remain viable.

Meeting was recessed at 6:50 P.M. and reconvened at 7:05 P.M.

Motion made by Ald. Patton, seconded by Ald. Van Stippen, to approve the 2016 Budget as presented.

Ayes: Ald. Slowinski, Patton, and Van Stippen Nays: Ald. Phillips Motion carried.

ITEM #3 – INFORMATIONAL PRESENTATION ON SELF-INSURING WORKER'S COMPENSATION.

C/T Ladick gave a presentation (attached) on self-insuring our worker's compensation insurance. He explained the differences between fully insured and self insured, stating that we currently self insure our health insurance. Portage County self insures both health and worker's compensation and it has saved them a great deal of money. Although there is some risk associated with going self insured, he believes the benefits outweigh the risks and recommends going with the same third party administrator that several other municipalities use, which is Cities and Villages Mutual Insurance Company (CVMIC).

Ald. Phillips questioned why the 2014 number for worker's compensation claims was so low and questioned if that could be because of the health program we started. C/T Ladick stated that could be part of it, but also stated claims do fluctuate a lot. He said he would like to think that we are getting better with safety and addressing issues, and agrees the FIT program has been positive. We do continue to work on getting management and supervisors to enforce safety policies and make sure we are creating a safe culture.

Ald. Slowinski questioned if there would be any extra burden on our staff or if the third party administrator would be taking care of it all. C/T Ladick replied it should not be a significant burden. One thing we have to do is set the premium rates, but the administrator would be taking care of most of it. He stated the Human Resource Manager already puts in a lot of work with the worker's compensation program because when there is a claim, there are a number of

things to do and paperwork to complete. That being said, we do not anticipate any significant burden.

Ald. Slowinski questioned when this is going to be implemented. C/T Ladick stated originally we were going to do it for 2017, however once they realized the benefits, they decided to try to get it done for January 1, 2016. He stated there would not be anything additional added to the budget, it would be left the same as it is now. For the first few years, any savings from this will be used to build up the fund, in case we have a year that has a significant amount of claims.

Ald. Slowinski stated he is in support of this change.

Ald. Van Stippen questioned what rate the stop-loss is going to be set at. C/T Ladick replied it would be set to kick in at \$500,000, which means the City would pick up the first \$500,000 and the insurance carrier would pay anything over that.

Ald. Van Stippen questioned if that could be lowered or raised at any point and if there would be a cost difference. C/T Ladick replied there would be a cost difference, but unfortunately with worker's compensation, there is not a lot of availability for stop-loss policies that are lower than \$500,000. The downside is that there is a risk, especially for the first year, but typically our claims have not gotten that high. If we were able to get a lower stop-loss rate, he would go with that for the first year or two, but unfortunately, it is not available.

Ald. Slowinski questioned if the \$500,000 is for one claim or for the year. C/T Ladick stated that is per person, although you can get an aggregate. We would have to pay \$500,000 for each claim, but you could get an aggregate of a million, so your total claims could not go over a million. C/T Ladick stated we could get the aggregate but he is going to see how the rates come back from the various carriers first. He stated that has been looked at for health insurance as well. Our stop-loss for health insurance is \$60,000 per person and if we had an aggregate and claims were over 3 million, the insurance would pick up everything over that 3 million. We have looked at it in the past, but never found it financially beneficial due to the price.

Ald. Phillips questioned if this will be ready at the December finance meeting. C/T Ladick replied it is being expedited and they are ready to charge ahead with it, if the Council is on board. They are going to try to get it done by January 1, 2016, but they do not have a lot of cushion, as far as time, so if they run into a snag, it may not happen in 2016.

C/T Ladick stated it was not on the agenda for action, but he would like to put it on the Council agenda next week to get authorization from the Council to proceed.

ITEM #4 – ORDINANCE AMENDMENT REPEALING SECTION 2.19 (RESOLUTIONS APPROPRIATING FUNDS) AND SECTION 2.23 (CLAIMS AGAINST CITY) OF THE REVISED MUNICIPAL CODE.

C/T Ladick stated this was brought up last month and the concern with the two thirds requirement is that it does leave the possibility to render the City unable to act and unable to do something that needs to be done if there is a lot of dissention and if you cannot get a two thirds consensus one way or another. It has not been an issue in the past; however there could be an issue, especially where we would be unable to pass a budget, which would be very possible. All that would be needed are 4 people who did not get something that they wanted in the budget, and then we cannot get a budget passed.

Ald. Patton questioned if anyone in the administration has an inkling of that or is that just hypothetical and may happen in the future. Mayor Wiza replied we are looking through

ordinances periodically and if we see something, we bring it to the City Attorney's attention to see if there could be a potential problem. We are trying to clean things up and this is one of those things. There has not been an issue, that he is aware of, it is just that the potential is there so we want to clean it up before it becomes a problem.

Ald. Slowinski questioned why we would fix something that is not broken. He understands there is potential that this could be an issue, but it has not been a problem.

C/T Ladick stated they looked at their comparables and neither Wausau, Marshfield or Portage County have it. The other issue is how it is worded, Resolutions Appropriating Funds. He believes the original intention may have been to prevent people from raiding savings and taking money from the Room Tax fund or Telecommunications fund to do something specific with it. This ordinance, more than likely, was put into place a long time ago and since then, some of the terminology has changed so now we see it as the budget is a resolution appropriating funds and it is appropriating funds out of the general fund.

Ald. Patton questioned if this could stop the whole budget. Mayor Wiza replied yes.

Ald. Patton then questioned if some of the alderman pulled an item, they could just pull that one item out of that budget and vote on that item on a two thirds vote, not the whole budget. C/T Ladick stated at the end of the day, the budget does have to be adopted as a full budget, so they could say that until we get this, we are not going to vote to adopt any budget that includes this.

Motion made by Ald. Patton, seconded by Ald. Slowinski, to deny the ordinance amendments as presented.

Ayes: Ald. Phillips, Patton, and Slowinski Nays: Ald. Van Stippen Motion carried.

ITEM #5 – APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. Phillips, seconded by Ald. Patton, to approve the payment of claims in the amount of \$590,371.98.

Ayes: All Nays: None Motion carried.

Adjourned at 7:35 p.m.

Self-Insurance: Worker's Compensation

Corey Ladick: Comptroller-Treasurer



What is Workers' Compensation

- **Workers' compensation** is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment

What Does “Fully Insured” Mean

- **Traditional Insurance**
- **A Fixed Premium is Paid to the Insurance Company**
 - **Based on Last 3 Years of Claims for Work Comp**
- **The Insurance Company Pays Claims Throughout the Year**
- **The Insurance Company keeps the Difference between Premiums and Claims/Expenses**

What is “Self Insurance”

- **Employer (City) is its own Insurance Company**
- **Employer charges itself premiums**
 - **Sets its own rates based on Analysis/Recommendations**
 - **Keeps money in separate fund**
- **Employer Hires Third Party Administrator (TPA) to**
 - **Investigate Claims**
 - **Pay Claims**
 - **Help with Setting Policies**
 - **Ensure Legal Compliance**

What is “Self Insurance” (Cont.)

- **Employer Usually Purchases Stoploss Insurance**
 - Pays Claims above a specific dollar amount
 - Limits Risk from Unusual, Very Large Losses
- **The Self Insured Fund keeps the Difference between Premiums and Claims**

Insurance: City Vs. County

- **City of Stevens Point**
 - Health Plan: Self Insured
 - Workers' Comp: Fully Insured
- **Portage County**
 - Health Plan: Self Insured
 - Workers' Comp: Self Insured

Portage County-Experience with Self-Insurance

- **Became Self Insured in 1992**
- **Was paying \$650,000/year in premiums**
- **In the 22 years since (1993-2014), claims and fees have averaged \$220,322**
- **Portage County.... “will likely never go back to a fully-insured program; the cost savings is too great to consider doing so.”**

Self Insurance Projections

2016 Fully Insured Premium: \$505,000

2016 Self Insured Estimates

\$27,600: Third Party Administrator

\$18,000: Loss Prevention Services/Safety

\$60,000: Excess Insurance Premium

\$399,400: Available to Pay Claims

(Is that enough?)

Historic WC Claims Expenses

2009: \$175,024

2010: \$111,979

2011: \$683,441

2012: \$239,116

2013: \$211,064

2014: \$150,870

Available: \$399,400

Average: \$261,916

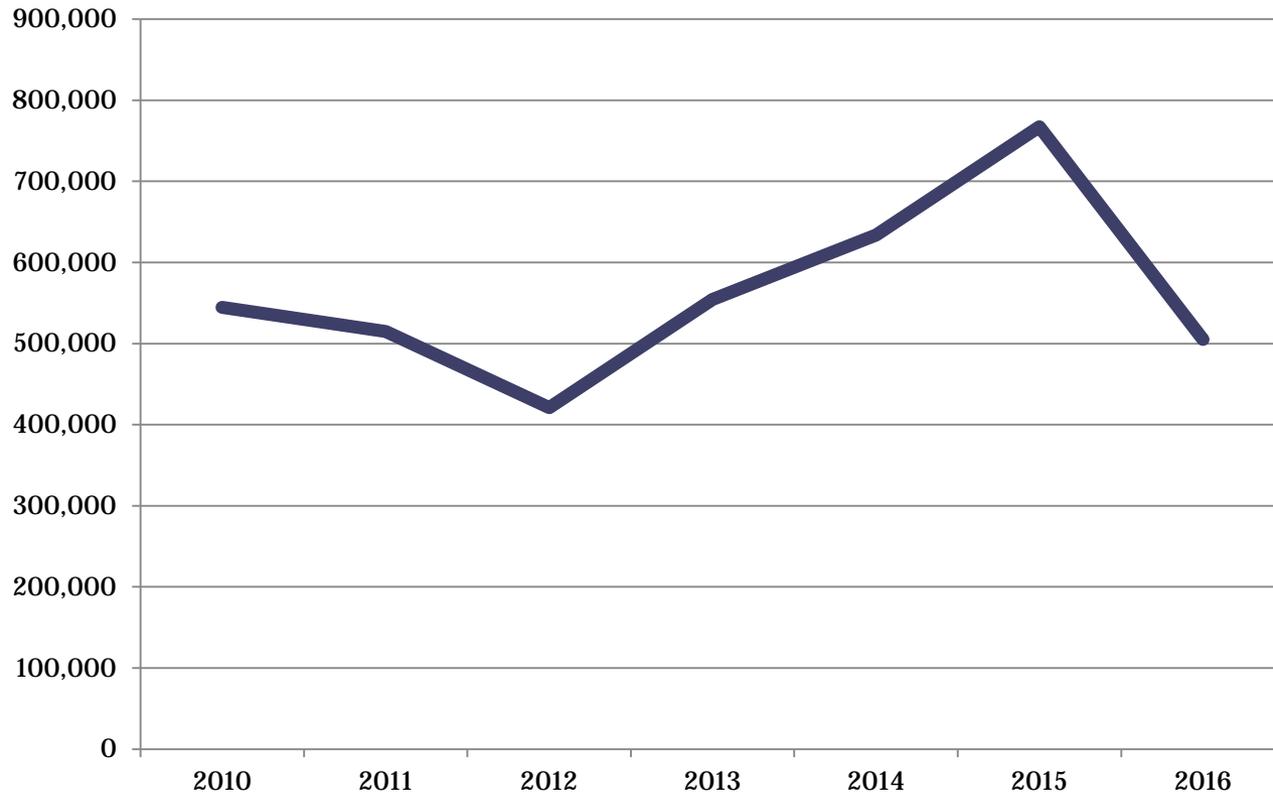
Lost Dividend: \$75,000

Est. Savings: \$62,484

Average: \$261,916

Fully Insured Premium Volatility

Work Comp Premiums



Benefits of Self Insurance

- **More Cost Effective**
- **Budgetary Stability**
- **Decision Making Shifted to City**

Options-Third Party Administrator

- **Willis**
 - Recommended by the County
 - Handles a variety of clients, including many Counties, and a few municipalities
 - Very Large, for profit company
- **Cities and Villages Mutual Insurance Company (CVMIC)**
 - Recommended by Several Municipalities
 - Focuses Solely on Wisconsin Municipalities
 - Non-Profit Government Risk Pool: Founded by Wisconsin Municipalities
 - Cheaper than Willis

CVMIC Members Include

- Wausau
- Rhinelander
- Antigo
- Green Bay
- Appleton
- Neenah
- Menasha
- Superior
- Manitowoc

Staff Recommendation

- **Proceed with Self Insuring Workers' Compensation**
- **Hire CVMIC**