CITY OF STEVENS POINT
SPECIAL COMMON COUNCIL MEETING

Council Chambers — **November 20, 2017**
County-City Building — **6:30 p.m.**

1. Roll Call.

Consideration and Possible Action on the Following:

2. Minutes and Actions Taken at the Special Finance Committee Meeting of October 23, 2017 and action taken at the Finance Committee Meeting of November 13, 2017.
    4. Review and Possible Action on the Proposed 2018 Budget.

3. Public hearing on the General Local Municipal Budget for 2018.

4. Resolution Adopting the Budget (Capital and Operating) for the City of Stevens Point for the Year 2018.

5. Resolution Appropriating Necessary Funds for the City of Stevens Point for 2018 and Levying the Tax Rate for the Year 2017.

6. Resolution Providing for Writing Special Assessments and Special Charges into the Tax Roll for 2017.

7. Adjournment.

Individuals should not expect to engage in discussion with members of the City Council or City staff.

Any person who has special needs while attending this meeting or needs agenda materials for this meeting should contact the City Clerk as soon as possible to ensure a reasonable accommodation can be made. The City Clerk can be reached by telephone at (715) 346-1569 or by mail at 1515 Strongs Avenue, Stevens Point, WI 54481.

Copies of ordinances, resolutions, reports and minutes of the Council meetings are on file at the office of the City Clerk for inspection during the regular business hours from 7:30 A.M. to 4:00 P.M.

SPECIAL FINANCE COMMITTEE
OCTOBER 23, 2017 AT 6:00 P.M.
LINCOLN CENTER – 1519 WATER STREET

PRESENT: Alderpersons Phillips, Kneebone, Shorr, McComb, and Johnson
ALSO PRESENT: C/T Ladick; Mayor Wiza; City Attorney Beveridge; City Clerk Moe; Ald. Slowinski, Oberstadt, Dugan; Nebel; Jennings; Directors Lemke, Ostrowski; Schrader, Beduhn; Deputy C/T Freeberg; Human Resource Manager Jakusz; Asst. Fire Chief Gemza; Police Chief Skibba; Gene Kemmeter

ITEM #1 – REFINANCING A BOND (SERIES 2011A) AND BORROWING MONEY FOR 2018 CAPITAL PROJECTS.

C/T Ladick stated that looking at our borrowing needs for 2018, we do have a significant amount slated, for both the City and the Utilities. One technicality of Municipal Bonds is that the first $10,000,000 that you issue in any year, you can get a better interest rate than any amount issued over $10,000,000. Between this year and next year, it makes sense to look at this because next year we expect that we will exceed the $10,000,000, especially when the Utility is brought in, and this year we have only issued a little over $3,000,000, so we have some room. C/T Ladick suggested that we issue a bond before the end of the year for the first phase of the 2018 Capital. We also have a bond in TIF #6 that should be refinanced as our financial advisor has estimated we could save about $415,000 over the life of the bond by refinancing it. He recommends that we do both of those in the same borrowing and then for that bond, seeing where that TIF is financially and future projections, he also recommends that we push out some of those principal payments so that we can time those payments to match when we expect the cash flow. He would be looking at issuing a bond in December and then for the regular capital borrowing in 2018, he stated we would not have to issue that until sometime after May since the large item that we would be borrowing for still needs some clarity, timing and costs figured out.

Ald. Johnson asked if our financial advisors keep abreast of when interest rates may be going up and keep us updated so if we need to borrow earlier, we can. C/T Ladick stated our financial advisor is Ehlers and that they do follow the market and keep us updated. He also stated that by doing two separate borrowings, it will also help us hedge a bit.

Ald. Johnson stated that the amount of $10,000,000 is tax exempt for individual investors, but not for banks, so she questioned if we know a breakdown of the investors in our bonds or is it all clumped into investor groups. C/T Ladick replied that it is somewhat clumped in if we issue a bond on the open market because the only thing we know is which broker won the bid and then they take it and they sell it to their clients, so we do not always know who owns our debt. He also stated that with some of the smaller issues, we do deal directly with banks so we know who holds it.

Motion made by Ald. Kneebone, seconded by Ald. Johnson, to recommend that we move forward with refinancing the 2011A Bond Series and the borrowing for the 2018 capital projects.

Ayes: All Nays: None Motion carried.

ITEM #2 – REVIEW OF PROPOSED 2018 BUDGET.

C/T Ladick gave the attached PowerPoint presentation highlighting the most significant changes affecting the operating budget. He stated that there is a change in the format of the budget this year as the levy amounts are now shown at the beginning, rather than at the end of each fund. In the past, you would notice a line item for property taxes at the top of the budget and it would say 0 and then follow it down to the end of the fund, you would see -10,000,000, which would say this is the difference that needs to be made up with tax levy. Apparently this is not standard in municipal budgeting, so the Department of Revenue asked us to change how we show that, so now it will be shown at the top, rather than the end. We also established an enterprise fund for parking to make it easier to track those expenses and revenues and to keep them all together, which is in line with what the Finance Committee and Council approved. Another change was that the IT line items have now all been put together, as they were in two different places. He stated that the State Budget did include something good for municipalities, the Transportation Aids were increased by 8.5%, which meant an extra $103,000 for transportation for us. They are also freezing computer aid, so up until now, the Assessor would have to figure out how many computers were in the City, what the value is, send it to the Wisconsin Department of Revenue and we would get a payment based on that. Now, they are giving a set payment based on what we have been getting, which is not so bad for the short-term as we are being made whole, but the long-term there is no adjustment for inflation. They are also going to be doing a partial phase out for personal property tax, which will start in 2019, and we will then be receiving a new state aid payment to make us whole for the lost tax revenue. The same concerns apply here with no adjustment for growth or inflation.

Ald. Johnson questioned if we know what the formula would look like for that payment. C/T Ladick replied their intention is to make us whole, so he assumes that it will be similar to the formula that they used for the exempt computer aid where they take the value and then your tax rate and multiple the two to figure out how much we would have gotten if it was taxable.

C/T Ladick then got into the specifics of the 2018 operating budget, stating that the budget will not reduce programs or positions. He stated that continuing current services does take up the majority of the available money, which is going to inflationary increases, mainly in salaries and benefits. He stated we had an average year for new construction and that 2018 will be the first year for our stronger capital program, where we have more capital dollars to invest so hopefully we can start seeing some improvements. This is also the year for the revaluation adjustments. This will be the first year that there will be no extra tax levy for TIF 6, so this will be the first time since 2012 that the taxpayers will not have to subsidize the downtown TIF district.

Ald. Slowinski questioned if we are still borrowing from TIF 5 and 7 for TIF 6, C/T Ladick replied yes, that has been what has helped us get it off the tax levy.

C/T Ladick stated our net new construction number was 1.48%, so when that is multiplied by our operating levy, that gave us $163,662. We did have some levy limit adjustment carryovers in the amount of $190,000, which came from some one-time exemptions that can be taken and normally they are deducted the next year, but they were not. He stated the health insurance premiums are going up 5%, there was no increase last year, so averaged out, it is approximately 2.5% for each year.

Ald. Johnson questioned why the health insurance is up. C/T Ladick explained this is a premium increase due to claims and also a stop-loss insurance increase.

C/T Ladick stated there was a 1.84% cost of living adjustments added to the pay plan, which totaled about $107,000. He explained that this is based on the CPI published by the State. He went on to list changes in the budget to include the Police Department wage increases for the represented officers was $61,000, a decrease in special charge revenue, which is about $40,000 in less revenue, and the new police department facility added an extra $33,500, which is an estimate as we do not know what the added utilities and maintenance costs will be. There was also $30,000 added for the Fire Department wage increase and $29,000 for increased election expenses, which does change from year to year based on what elections will be happening in that particular year. For this year we also allowed a new 1% line item increase for the departmental line items that are not salaries and benefits, so the total cost of that was $18,000.

He stated it is important that we keep up with the cost of inflation and it has been some time since that was allowed.

C/T Ladick then moved on to discussing tax levy. He started by explaining how the 2018 capital borrowing affects the 2018 tax levy. The tax levy does not get affected until the following year because payments do not start until the following year. The 2018 tax levy is based on what was borrowed from 2007-2017, so what is done in 2018 will affect the 2019 debt service levy. One thing that could affect the 2018 levy would be the borrowing that we may do at the end of this year. He stated for that, he would plan on just paying interest the first year and then principle payments starting in 2019. The interest payments will only have a small effect. He reviewed the tax rate history stating this year he is projecting $9.59, which is down from last year's amount of $9.94. The decrease is because assessments went up, however they didn't decrease as much as they otherwise would have because of the higher debt service levy that we had planned for 2018. He stressed that this value is very preliminary because we are still awaiting some data from the State that we do not have yet relating to manufacturing values. The equalized tax rate, which does fluctuate due to market values, is going from 8.56 in 2017 to 9.11. This is because the equalized tax rate is the tax rate based on the fair market value of your property. When the market values change, so do the equalized values.

Ald. Slowinski questioned why the values for assessed and equalized are not closer together. C/T Ladick replied for instance, last year there was a big difference, an assessed rate of 9.94 and the equalization ratio was only about 86%, so we were only assessing people for 86% of the value of their property. He stated the difference then was not quite a $1.50. For 2018, they are not quite equal, but they are closer. We did expect them to be the same, however the problem is that the State sets their numbers as to what they think we have for all properties and we did try to argue with them but they are not going to do anything about it this year, but he is hoping that next year we see those numbers closer together.

C/T Ladick went on to state that we are looking at a proposed levy of $16,197,211, which would result in an estimated assessed tax rate of $9.59/thousand. Again, he stressed that until he has his manufacturing numbers from the State, that number is not final.

Ald. Johnson stated to help people understand, she wanted to give an example that a house that went up $30,000, with a projected tax rate of $9.59, you would take $9.59 x 30. C/T Ladick stated you would also have to take what the initial value is, so if it started at $100,000 and went up to $130,000, to do an accurate comparison, you would take $100,000 x $9.94, which was last years rate and then take $130,000 x $9.59, so a lower rate, but a higher value, and that would give you the difference. The Mayor reminded everyone to keep in mind, this is just the City rate, to get a total, you would still have to add the County and School amounts. C/T Ladick stated the big factor will be the percentages, for example, if your value only went up by 10%, you will probably going to be fine and taxes may not go up at all, but if you went up by 30% or more, they will go up. The burden is shifting around and some people will be picking up more burden and some people will pick up less.

C/T Ladick stated that typically we would be voting to make a recommendation to the Council, but that does not have to be done at this point since we are still waiting for figures.

Ald. Phillips stated that he still has some questions on the capital that is going to take a while yet, so he would like to hold off on any motions at this time.

C/T Ladick moved on to discuss what a new City Hall would do to the levy. He stated it is his goal to not have City Hall affect the levy by much and laid out his plan. The initial estimate is $6,000,000 and it will increase the outstanding debt. Currently it looks like we will have $2,000,000 in capital funds left over from the overpass that we can use, so we would be looking at an additional $4,000,000 of borrowing, above and beyond our existing capital program. He stated to remember that the current City Hall is a capital asset also. Every asset that we have will cost us money at some point, including staying at the current City Hall. Mayor Wiza did note that we are choosing to borrow for some of the cost, but we could, if Council chose to, take it from fund balance, but asked the C/T to explain why borrowing is the better option.

C/T Ladick stated one of the concerns with taking that amount from fund balance is that we do have a fund balance policy that we try to stay within, which states that we will keep between 4-6 months worth of budgeted expenditures in fund balance. A dramatic drop like that would threaten our bond rating, which is what our interest rates are based on when we borrow.

Ald. Johnson stated she is against taking the money from fund balance because that bond rating is very important. She reminded everyone that the Council did vote to move City Hall as there is no free option, it is going to cost no matter where City Hall is, so it is just a matter of making the best choice as to how those funds are spent.

C/T Ladick stated that what we need to do is make sure that we have a long-term plan as to how to bring the debt back down. He stated that the tax levy could be increased, but he suggested that another route we should look at is to look at our TIF districts as some of them are really improving and some have some significant new construction going on and two of them, TIFs 5 and 7, do support the downtown TIF 6. We are estimating that we could have a million dollars in additional revenue starting in 2020. There is also the dynamic that TIF District 6 owes the general fund almost 4.7 million and he expects it to be over 5 million by the end of the year, so if TIF 6 has an extra million dollars coming in every year, in 2020, that TIF can start paying back the general fund. At that point, the general fund could start using that money to fund capital and then in 2020, we could borrow less and still meet those needs.

C/T Ladick stated there are several large construction projects underway in TIF districts which will affect the net new construction number. That increase in construction allows an increase in tax levy for operations, however the incremental increase in tax revenue goes to the TIF district. When there is a lot of growth in TIF districts, we have the flexibility to be able to levy more money for operations, which we are normally tightly restricted on, however we do not have that base right away, it does not come until that district closes. By using all that flexibility at once, we could end up with a higher tax levy or even a higher tax rate, especially if you have a significant new construction number. He stated that we have been taking the full adjustment for new construction every year, but the highest recent percentage was 2.28%, so even if you are raising the levy a little, it is not a big increase. We have kept that tax rate stable, between 2012 and 2017, the tax rate went from 9.85 to 9.94. We did that because of the dispatch consolidation with the County, which helped 2014 and 2015 and then a decreased tax levy for TIF 6 by bringing in those donor TIF districts, which helped offset those tax rate increases so that we could have more for operating but not necessarily increase the tax rate. In the future, he does not foresee anything else that we could use to offset a levy increase and we are expecting 2020 to be a pretty good year for new construction for the 2020 budget, significantly higher than anything we have recently experienced, at least that is how the numbers are looking right now. We will have two options, one being the spend it all right away option, where if we are allowed an adjustment, we take the whole adjustment, do a substantial increase in the operating budget in a single year and then increase the operating levy by the same amount, making it a substantial increase to taxes in a single year.

Ald. Johnson questioned what the optimism for 2020 is being based on. C/T Ladick reminded everyone that current construction projects are only going to be taxed on what is completed by the beginning of the year, so projects that are currently under construction will not be fully taxed until completed, so full value would be in effect the next year after completion.

C/T Ladick went on to the second option, which is to decide on a reasonable annual adjustment. In regards to levy limit flexibility, you can carry over whatever you do not use into future years, bank the flexibility and use it in future budgets. It would add stability to annual budgets, especially if we run into a year without a lot of net new construction because the economy goes in cycles along with the construction and we could get back to years when it is really low. By doing this option, it would allow us to be able to smooth over those years and allow reasonable increases in the operating budgets over time and also reasonable increases in the tax levy over time so that we are not hitting people with huge tax increases. In the end, we may end up in the same place as using the other option, but it would take place over a longer period of time. He would recommend going with option #2, but stated we have two years to figure it out, although planning ahead helps departments and himself to know the direction we are going to go in.

Ald. Johnson stated she assumed if we have other large projects in TIF districts, that we would need to have similar discussions about those as well, so this is not just confined to one project. What we are looking for is a policy on how we manage those. C/T Ladick stated yes, we want a policy where we can say we are going to use a certain percentage each year.

Ald. Slowinski questioned if there is a max that can be banked. Mayor Wiza stated he does not believe so.

Ald. Slowinski also asked what TIF district expires first. C/T Ladick stated TIF 7, which expires in 2028, so we do have some time, actually all the TIF districts are going to expire between 2028 and 2033. Those will be good years as you will have levy flexibility, which comes with closing a TIF district, but also you have the tax base. He believes it is our job to position the City for a brighter future, so by having some bright future prospects, we are doing our jobs.

Ald. Phillips clarified with regards to the new City Hall, it was voted on and the vote was for a new building downtown, so the rumors about staying at the County-City building need to stop.

Adjournment at 7:20 p.m.

RESOLUTION ADOPTING THE BUDGET FOR THE CITY OF STEVENS POINT FOR THE YEAR 2018

BE IT RESOLVED, by the Common Council of the City of Stevens Point, Wisconsin, that the foregoing and annexed summary budget for the City of Stevens Point for the year 2018 be and hereby is adopted and that the same be incorporated into the minutes of this meeting.

BE IT FURTHER RESOLVED, that the amounts set forth and designated in said budget be and are appropriated to the uses and purposes therein particularly set forth.

APPROVED: ______________________________
Mike Wiza, Mayor

ATTEST: ______________________________
John Moe, City Clerk

Dated: November 14, 2017
Adopted: November 20, 2017

RESOLUTION APPROPRIATING NECESSARY FUNDS FOR THE CITY OF STEVENS POINT FOR THE YEAR 2018 AND LEVYING TAX RATE FOR THE YEAR 2017

BE IT RESOLVED, by the Common Council of the City of Stevens Point, Wisconsin, that for the purpose of raising moneys necessary for general uses by the City of Stevens Point for the year 2017 there is hereby levied upon all taxable property, both real and personal, in the City, a tax in an amount sufficient to raise the amounts required by the budget for the City of Stevens Point and an irrepealable tax in the amount of $ 17,160,093 for the year 2017 and that the tax rate for the City of Stevens Point for the year 2017 be and hereby is fixed and established at $ 9.56 per thousand of such assessable property in the City of Stevens Point.

APPROVED: ____________________________
Mike Wiza, Mayor

ATTEST: ____________________________
John Moe, City Clerk

Dated: November 14, 2017
Adopted: November 20, 2017

RESOLUTION PROVIDING FOR WRITING SPECIAL ASSESSMENTS INTO THE TAX ROLL FOR 2017

BE IT RESOLVED, by the Common Council of the City of Stevens Point, Wisconsin, that there be and is hereby levied against the following property, as described in the annexed roll, a special assessment tax for the purpose of collecting charges for special assessments and special charges and charges of the Water and Sewage Department.

Descriptions and amounts for all special assessments provided for in this resolution are listed in the **SPECIAL ASSESSMENT RECORD** entered in the **TAX ROLL FOR THE YEAR OF 2017**, recorded on file in the City Clerk's Office.

APPROVED:______________________________
Mike Wiza, Mayor

ATTEST:______________________________
John Moe, City Clerk

Dated: November 14, 2017
Adopted: November 20, 2017