

## Meeting Minutes

Special City Council Meeting

September 8, 2005, 6:30P.M.

City Water Department, 300 Bliss Ave.

Mayor Gary W. Wescott, presiding/Roll Call: Present: Ald. Walther, Hanson, Barr, Trzebiatowski, Molski, Stroik, Barber, Moore.

Excused: Sevenich, Wiza, Robinson

Also Present: Clerk Moe, Lt. Kudronowicz, Bill Meyer, Director Gardner, Perry Pazdernik, Todd Jacowski, Scott Boyer, Carol Grubba, Kristi Ahrens, Penny Warren, Director Euclide, Deputy Chief Engebretson, Kevin Ruehl, Steve Louis, Tom Zenner, Tracy Aldrich, Tracey Kujawa, Helen Lee, Capt. Ruder, Eric Niffenegger, Marla Cummings, Joel Lemke, Capt. Dowling, Lisa Jakusz, Transit Manager Lemke, Dennis Laidlaw, Director Schrader, Lt. Eggleston, Chief Morris, Assessor Kuehn, Chief Barnes, Reid Rocheleau, Dennis Zvara

2. Review of new State Tax Levy Law and its impact on 2006-2007 Municipal Budget.

Mayor Wescott stated the City had this issue imposed upon them by the State of Wisconsin. The State Legislature in the current budget imposed on every city and village a tax levy cap. The goal of this meeting was to share with the alderpersons and staff the facts about the 2006 and 2007 budgets and ask for their assistance in dealing with the situation.

C/T Schlice began his presentation saying that back in December they shared with employees some of the City's concerns regarding the upcoming budget. The City is currently under cost controls and with the addition of this new law the budget is going to be a challenge; however the city does have some solutions and a plan.

C/T Schlice continued saying the City could increase spending up to two percent or the percentage increase of new construction. Since new construction is not over two percent, the City is capped at two percent. The City's shared revenue component is roughly \$3.8 million plus an expenditure restraint program payment of around \$500,000. The City is still under expenditure restraint, which caps expenses the City can levy for general operational expenses like wages and fringes. He said he had heard comments asking why the City didn't raise the taxes the past few years: we would be in good shape right now. C/T Schlice said the answer to that is that the City could not. Under expenditure restraint, the City was held to exactly how much operational expenses could increase.

Mayor Wescott highlighted this point, if the comment was why didn't the City slowly increase taxes over the years, the reality is that the City went as high under the cap as it legally could.

Assessor Kuehn asked what the typical levy increase was in the last three years.

C/T Schlice estimated that the inflationary increase plus new construction ran between 3.5 and 4 percent or roughly between \$500,000 and \$700,000.

C/T Schlice continued with the presentation saying there were some positives from the state such as the Governor restoring the Smart Growth program, he vetoed the tax levy freeze from three to two years, and that debt service is excluded from the freeze. That means the debt service setup prior to the freeze is not going to impact the City's operational cost.

C/T Schlice noted that there were two things to worry about in creating the budget. First, under expenditure restraint, the City has some leeway because of closing the two TIF districts. But it doesn't help us on the bottom line. Second, in dealing with new construction, the state allowed 60% of new construction up to two percent plus inflation. According to the state, our 2005 new construction is at 1.3 percent. The bottom line is that the City cannot exceed two percent which means our total levy can only increase by \$201,566 excluding debt service.

The projected 2006 levy was estimated at \$1.3 million due to wages and fringes. So by state law, the levy must be reduced by about \$1.1 million. Currently, the City is down between \$400,000 and \$500,000, the equivalent of around 16 full-time positions.

What happens if the City goes over the limit? For every dollar over the limit, the State takes away a dollar from our state aid.

Ald. Barr asked how Schlice reduced the amount from \$1.1 million to between \$400,000 and \$500,000?

C/T Schlice stated that interest earnings are going to go up, unused expenditures from the previous year, and things like a proposal from the police department for parking enforcement.

The three big budget items are: 1) Wages, fringes, and overtime at \$433,000, 2) medical insurance estimated at \$307,000, and 3) utilities with an estimated increased cost of 15% at \$115,000. These three items total \$905,000. He reiterated that the City is allowed \$201,000.

For wages and fringes in 2005, the City budgeted \$13,056,022. A three percent increase each year will bring the wages and fringes up by \$459,845 in 2008.

In 2005, medical insurance is at \$2.5 million. Projections are that insurance will increase at least 12 percent each year. In 2008, it will cost \$386,275 more. Again, the City is allowed \$201,000.

Health insurance compared to the operational budget was 12 percent in 2005. In five years, that percentage will jump to 17 percent and 25 percent in 2015 of the operating budget.

This year, \$1,093,297 is budgeted for utilities. In 2008, if there is a ten percent increase that figure increases to \$1,455,033. If it goes up by 15 or 20 percent, these figures will increase significantly.

The City's self-funded health insurance is based on actual usage. The City pays the premium to a third party administrator to the insurance and buys reinsurance to cover claims over \$55,000. Premium increases over the last couple of years are around 15%. The biggest concern was in 2003. The City spent \$259,549 more than we took in for medical insurance and we are projecting a 15 percent increase. In 2004, the preliminary figures show the City went into the red an additional \$226,202. During the last two years, nearly \$500,000 came out of the fund balance. The City needs to bring the increases down to a single digit increase.

The Departments were asked to review every capital line and every expenditure line in the budget. Departments were also asked to hold all accounts to a zero percent increase or less except contractual obligations. In addition, the Departments were asked to analyze how services are delivered and determine the most cost effective method.

Today, an email was sent out to all employees asking for their input. For those who wish to remain anonymous, suggestions can be dropped into the night depository box on Strongs Avenue.

C/T Schlice concluded saying that every area of the budget is going to be analyzed. Wages and fringes make up over 75 percent of the budget. He said the City is a people business and that is where the costs are. The City does not want to lay off employees but it is an option of last resort. Recommendations will be brought to the Finance and Personal committees and to the Common Council in the future.

Mayor Wescott asked those in attendance to meet with their employees and ask for their input. This law was passed in July. By law, a budget must be adopted by the end of November. He said he expects department heads and employees to be active participants in helping solve this issue.

Ald. Hanson asked the question about how much additional income can be raised through fees or what is the possibility of a city sales tax such as those in Brown County?

C/T Schlice stated the City would need state action to impose a city sales tax.

Ald. Hanson asked if the room tax could be increased.

C/T Schlice stated that an increase in room tax, according to state law, 99.4% has to go to the Convention and Visitors Bureau.

Mayor Wescott stated that every fee is under review but the City is not going to raise fees to get ourselves out of this, it's too big.

Assessor Kuehn asked is our goal to find 1.1 million or is it 1.1 million minus that 600,000?

C/T Schlice stated that we need to find \$500,000 for this year and an additional \$700,000 in 2007. What we are looking for are long term solutions.

Mayor Wescott stated that many of these numbers are fluid right now. The numbers for utilities and health insurance, for example, are numbers that he does not have a lot of confidence in.

C/T Schlice said that there are some trial balloons sent out to gauge interest such as incentives for employees to go off the City's health insurance plan. Other ideas are offering early retirement incentives for positions that would not be replaced, reducing the pay increase, and employees voluntarily moving to a 32 hour work week.

Mayor Wescott said that by working together, he is confident that this issue can be solved. He also wanted to stress to the employees that if they don't hear it from him, it is not true.

Meeting adjourned at 7:30 p.m.

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