

**SPECIAL FINANCE COMMITTEE
OCTOBER 28, 2019 AT 6:45 P.M.
STEVENS POINT POLICE DEPARTMENT – 933 MICHIGAN AVENUE**

PRESENT: Alderpersons Phillips, Slowinski, Morrow, Shorr, and Johnson

ALSO

PRESENT: C/T Ladick; Mayor Wiza; City Attorney Beveridge; Clerk Piotrowski; Ald. Kneebone, Dugan, Jennings, Zarazua, Dalton; Directors Lemke, Beduhn, Kremer; Deputy C/T Freeberg; Human Resource Manager Jakusz; Fire Chief Finn; Police Chief Skibba; Bldg Insp Sup't Schneider; Brandi Makuski; Troy Hojnacki; Ken Rozek

ITEM #1 – REVIEW OF PROPOSED 2020 BUDGET. A. ADDITION OF NEW POSITIONS. B. ADJUSTMENTS TO EMPLOYEE WAGES.

C/T Ladick gave a PowerPoint presentation. (see attached)

Ald. Johnson would like to see the revaluation timeline be a future Finance Committee agenda item so that we can stay on top of it.

Ald. Johnson would also like to make sure we look at our Emergency Management plan since that is outdated and find someone within the City staff that is resourceful enough to be able to coordinate that within the City. Mayor Wiza stated we have looked at several options for this and talks are in the works. He expects a proposal to show up on the Personnel Committee agenda in the next month or two.

ITEM #2 – RECOMMENDATION OF 2020 LEVY TO COMMON COUNCIL.

Motion made by Ald. Shorr, seconded by Ald. Morrow, to recommend a levy of \$17,006,643 with a tax rate of \$9.95 to the Council.

Ayes: All

Nays: None

Motion carried.

ITEM #3 – STRATEGY FOR ADDRESSING LONG-TERM CAPITAL BUDGETING CHALLENGES.

C/T Ladick continued with Part 2 of his PowerPoint presentation.

Adjournment at 8:05 P.M.

2020 Budget Presentation

Specifics of 2020 Operating Budget

Long-Term Capital Budget Challenges



Part 1-Operating Budget Presentation

Budget Highlights

- **Budgeted for continuity of services**
 - Continued funding for existing programs and positions
- **Primary focus of new money was new positions**
 - Followed the Plan Established last year (except for floater position)
- **Made positive adjustments to keep compensation competitive**
- **Results not Typical**
 - Unusually Strong Year
 - Typically only have enough money for inflationary increases
 - Expected to be the case for the 2021 budget based on timing of new construction
 - Will not be implementing Phase 2 of the staffing plan in 2021.

	2019 Budget	2020 Budget	Dollar Change	Percent of Change
GENERAL GOVERNMENT	\$3,004,356.00	\$3,161,309.00	156,953.00	5.22%
AIRPORT	\$155,420.00	\$158,600.00	3,180.00	2.05%
TRANSIT	\$414,113.00	\$422,700.00	8,587.00	2.07%
PUBLIC SAFETY - FIRE	\$5,368,016.00	\$5,507,623.00	139,607.00	2.60%
PUBLIC SAFETY - POLICE	\$5,398,739.00	\$5,695,592.00	296,853.00	5.50%
PUBLIC SAFETY - INSPECTION	\$772,938.00	\$772,157.00	(781.00)	-0.10%
PUBLIC WORKS	\$5,783,945.00	\$6,180,946.00	397,001.00	6.86%
PARK, RECREATION, ARENA & FORESTRY	\$2,043,884.00	\$2,121,692.00	77,808.00	3.81%
CAPITAL IMPROVEMENTS	\$1,141,000.00	\$950,000.00	(191,000.00)	-16.74%
TOTAL LEVY EXPENDITURES (RESTRAINT PROG.)	\$24,082,411.00	\$24,970,619.00	888,208.00	3.69%
GENERAL REVENUES	\$22,941,411.00	\$24,020,619.00	1,079,208.00	4.70%
CAPITAL IMP FUND BALANCE APPL	\$1,141,000.00	\$950,000.00	(191,000.00)	-16.74%
TOTAL REVENUES	\$24,082,411.00	\$24,970,619.00	888,208.00	3.69%
GENERAL CITY TAX LEVY	\$11,364,789.00	\$11,876,643.00	511,854.00	4.50%
DEBT SERVICE LEVY	\$5,130,000.00	\$5,130,000.00	0.00	0.00%
TOTAL CITY TAX LEVY	\$16,494,789.00	\$17,006,643.00	511,854.00	3.10%

Budget Summary Page-Details Behind the Numbers

- **Community Development**
 - Reduction of \$781 due to turnover of a position, change in health plan enrollment
- **Capital Improvements**
 - Reduction of \$191,000 is just for the General Fund portion of capital improvements. (Portion funded with savings, not with debt)
 - Total size of General Fund budget is at the maximum allowable under the Expenditure Restraint Program.
 - 2 Separate Restrictions: Need to be in compliance with both
 - Levy Limits: Restricts the amount of property taxes collected for operations
 - Expenditure Restraint Program: Limits total size of General Fund Budget
 - Expecting repayment of TIF advances to General Fund, but not allowed to budget for them.

Budget Summary Page-Details (Cont.)

- **Operating Tax Levy Increasing by 4.50%, Does not match Net New Construction of 3.99%**
 - Levy Limit applies to both operational tax levy and Personal Property Aid payment. Personal Property aid to the General Fund went down, which is offset by higher operational levy.
- **Total City Tax Levy: Increase of about 3.1% in tax rate is accurate. Rate expected to increase by 30 cents, from 9.65 to 9.95/thousand in value. (increase of \$30/\$100,000 in value)**

Budget-Sources of Available Funds

- **\$460,424: Net New Construction: 3.99%**
(This is Before the Personal Property Aid Adjustment)
- **\$151,000: Increased Investment Interest Revenue**
- **\$145,020: Reduced Self-Insured Work Comp Premiums**
 - **40% Reduction in Premium**
- **\$77,162 : Increased Inspection Revenue Budgeted**
- **\$36,000 : Increase in Aid Under Expenditure Restraint Program**

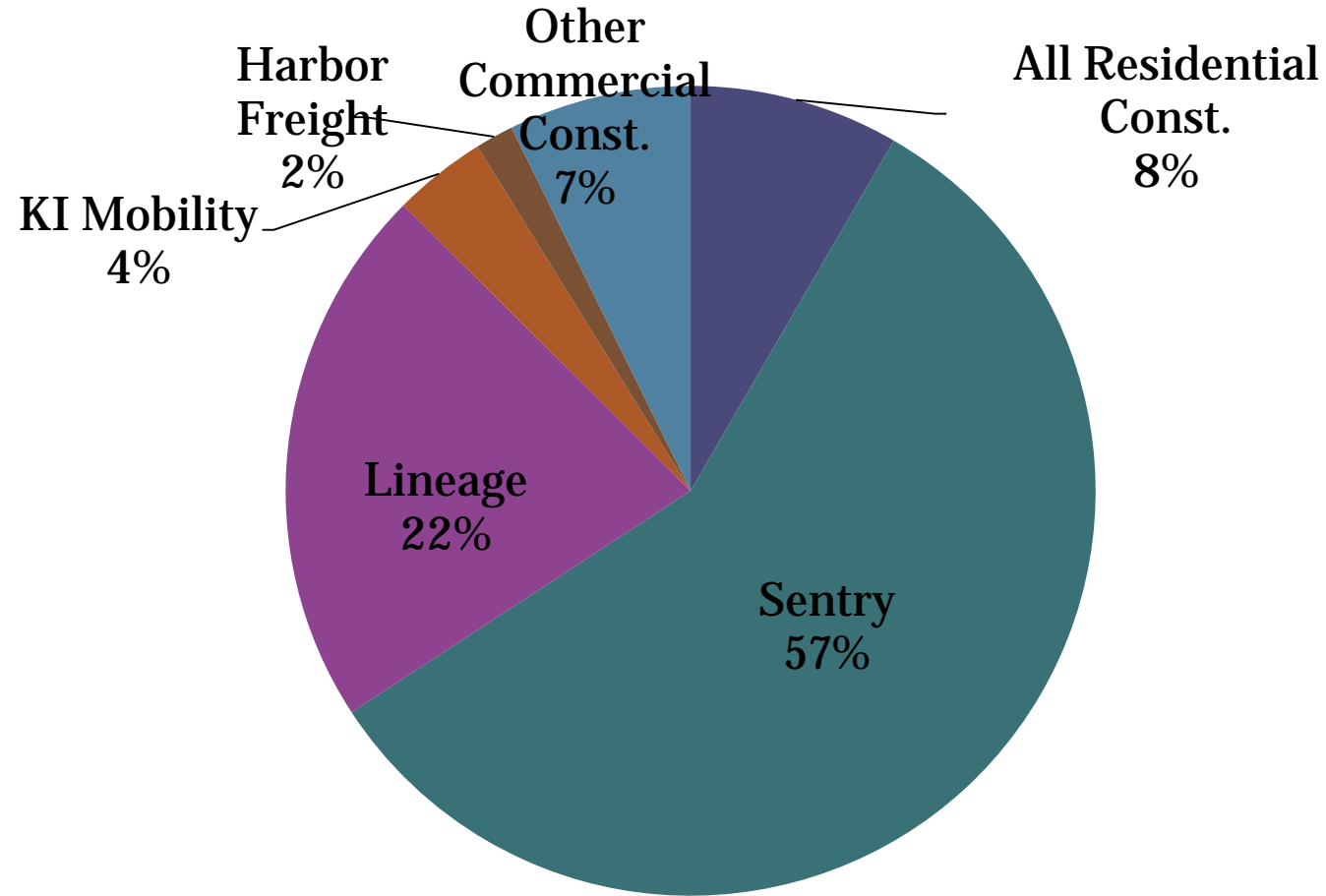
Stevens Point-Limits 2015-20

Budget Year	Allowable Increase
2015	1.63%
2016	1.62%
2017	2.28%
2018	1.48%
2019	2.67%
2020	3.99%

Net New Construction-2020 Budget

- **Construction between 1-1-2019 to 12-31-2019**
- **Total: \$76,840,700**
 - \$44,394,190: Sentry
 - \$16,752,097: Lineage-Service Cold Storage
 - \$2,880,000: KI Mobility
 - \$1,184,669: Harbor Freight
 - \$5,636,154: All Other Commercial Construction
 - \$6,470,939: All Residential Construction
 - -\$477,349: Demolitions (Subtract)

Proportion: Net New Construction



Budget-Uses of Available Funds

- **\$398,836: New Positions**

- **2 New Police Officers:** **\$179,012** **\$10.48/\$100,000**
- **1 New Firefighter/Paramedic:** **\$91,289** **\$5.34/\$100,000**
- **1 New Parks Technician:** **\$69,910** **\$4.09/\$100,000**
- **0.5 City Engineer:** **\$58,625** **\$3.43/\$100,000**
 - **Other Half Paid by Utilities**

Budget-Uses of Available Funds (cont.)

- **\$187,531: Pay Plan Adjustment: 2.07-4.57%**
 - **\$128,036: 2.07% Across the Board (Based on CPI)**
 - **\$59,495: Portion for Extra Grade G-K Adjustments**
- **\$59,292: Salary Steps-Pay Plan**
 - **\$109,454 Total Cost minus \$50,162 due to turnover**
- **\$113,560: Police Dept. Union Wage Adjustment**
- **\$73,029: Fire Dept. Union Wage Adjustment**
- **\$56,926: Increase in WRS (Pension) Rates**
- **\$56,288: Increase in Election Expenses: Presidential Election**

Pay Plan Basics-Grade

- **Grade: Sets the salary range for a position (Letters)**
 - **Non-Seasonal Full-Time Positions: Grades G-V**
 - **Some Part-Time Positions: Grades B-E**
 - **Seasonal Positions not on the Pay Plan**
 - **Difference between Grades is about 6%**
 - **Annual Cost of Living Adjustments lift entire grade (Salary Range)**

Pay Plan Basics-Step

- **Step: Sets where an individual employee is within the Grade (Salary Range) (Numbers)**
 - **Currently 11 steps**
 - **Difference between each step is about 2.75%**
 - **Step 6 is considered the mid-point, should be the market rate for a position**
 - **Step 1 is 87.3% of the Midpoint**
 - **Movement (if performance is satisfactory)**
 - **From 1-6: 1 Step Every Year**
 - **From 6-9: 1 Step Every Two Years**
 - **From 9-11: 1 Step Every Three Years**

Pay Plan Adjustment

- **Reviewed Other Municipalities**
 - **Marshfield**
 - **Wausau**
 - **Wisconsin Rapids**
- **In general, noticed that many pay rates toward the lower end of the plan are below the comparables**
- **Noticed that, in general, the majority of salaries toward the higher end of the plan are at or near the comparables.**
- **2.07% Base Wage Adjustment to Pay Plan: Based on Consumer Price Index (CPI)**

Example Position-Street Maintenance Worker-2019 Starting Wage

- Stevens Point: \$18.32 (87.3% of Mid-Point)
- Wausau: \$18.33 (83.3% of Mid-Point)
- Marshfield: \$19.48 (90% of Mid-Point)
 - Also has a \$16.20 position which doesn't require CDL
- Wisconsin Rapids: \$24.48 (100% of Mid-Point: Everyone paid the same in this position regardless of years of service)
- Portage County Highway: \$19.40 (93.3% of Mid-Point)

How Do We Address Issue

- **Higher Cost of Living Adjustment for Lower Grades**
 - **Grade K: +0.5%**
 - **Grade J: +1.0%**
 - **Grade I: +1.5%**
 - **Grade H: +2.0%**
 - **Grade G: +2.5%**
- **Applies uniformly to every position in those grades**
- **Result is separation between Grades G-L will be reduced from 6% to 5.5%**
- **Simplify compensation by eliminating 18 cent lift for operating a wing-plow/quad- axle**

Total Cost of Living Adjustments to Grades

- Grades L-V: 2.07%
- Grade K: $0.5\% + 2.07\% = 2.57\%$ Total
- Grade J: $1.0\% + 2.07\% = 3.07\%$ Total
- Grade I: $1.5\% + 2.07\% = 3.57\%$ Total
- Grade H: $2.0\% + 2.07\% = 4.07\%$ Total
- Grade G: $2.5\% + 2.07\% = 4.57\%$ Total
- Grade B-E: 2.07% (Part-Time Positions)

Additional Solution

- **Effective January 1, 2020: Start all new hires at Step 2.**
 - Means they will start at 89.7% of mid-point, rather than 87.3%
 - Put our best foot forward in advertising and recruiting
 - Will mean that employees hired in both 2019 and 2020 will be in the same step
 - No real way around this
 - Consistent with process followed in the past

Result of Both Solutions Combined

- **Lowest Regular Full-Time Non-Seasonal Wage-2020:**
\$19.70/Hour
 - **Annual Salary of \$40,976**

Pay Plan Adjustment History

Year	Percentage
2016	0.73%
2017	0.68%
2018	1.84%
2019	3.25%
2020	2.07%-4.57%
Average	1.71%-2.21%

Adjustments based on Consumer Price Index as determined by the Wisconsin Employment Relations Commission. Additional consideration given in 2019 and 2020.

Line Item Increase

- **Non-Salary/Benefit Line Items**
- **Last year, allowed 2.25% increase**
- **This year, allowed 1.0% increase**
 - **Focused more on new positions and compensation, instead of line items.**

Budget Format Changes

- Moved some revenue line items to the proper category.
 - The old line item will show a zero budget for 2020.
- Consolidated capital projects in the Capital Projects fund-Fund 401
 - Used to be in both the General Fund and Capital Projects Fund
 - Easier to have everything in one place
 - Makes tracking unspent bond proceeds easier

Changes from State Budget

- **Reduction of Cable Franchise Fees**
 - 5.0% to 4.5%
 - Reduces revenues to the Telecommunications Fund
 - New Video Service Provider Aid payment being made by the State to make us whole.
 - \$25,800
 - For 2021, Cable Franchise Fee will be reduced from 4.5% to 4.0%, and Video Service Aid payment will double to offset the impact.

Increase in General Transportation Aid

- **State Budget included 10% more for General Transportation Aids to Local Governments.**
- **Increased reimbursement amount from 16.28% to 17.72%**
- **Aid to the City increased by \$192,990.**
 - **Went to Road Maintenance Budget to supplement Capital budget for roads**
 - **Increase due partly to State Budget increase (\$150,159), and partly to the City's increased spending on roads (\$42,831).**

Tax Rate History

Year	Assessed	Equalized
2014	9.82	9.47
2015	9.84	8.79
2016	9.84	8.49
2017	9.94	8.56
2018	9.56	9.12
2019	9.65	9.20
2020	9.95*	9.01*

*Projected

Proposed Levy

- Levy of \$17,006,643 with an assessed tax rate of \$9.95 /1000
 - Tax Rate History
 - 2016: 9.84
 - 2017: 9.94
 - 2018: 9.56
 - 2019: 9.65
 - 2020: 9.95*
- *Proposed/Projected

Looking Ahead: 2021 and Beyond

- **Total Annual Inflationary Increases: \$283,600**
 - \$90,000: Police Dept. Union Wage Adjustments
 - \$60,800: Fire Dept. Union Wage Adjustments
 - \$132,800: Pay Plan Cost of Living Adjustments (2.0%)
- **Required Net New Construction Percentage: 2.37%**
- **Required Annual New Construction: \$50,271,000**

Part 2-Long Term Capital Challenges

Lingering Issues

- **Increases in Cost of Construction**
 - Exceeding rate of inflation
- **No allowance for catching up**
 - Simply funding at sustainable replacement rate
- **Still have not built new items/additional assets into overall capital budget size**
 - New Park Equipment
 - New intersection control

Increase in Street Reconstruction Costs

- **\$200/Linear Foot: 2016 Capital Analysis**
- **\$243.53/Linear Foot: Sixth Street (2016)**
- **\$263.36/Linear Foot: Prentice Street (2017)**
- **\$335.04/Linear Foot: Isadore Street (2018)**
- **\$190.10/Linear Foot: Reserve Street (2019)**
- **\$273.96/Linear Foot: Northside Project (2019)**
- **\$280/Linear Foot: 2019 Updated Estimate**

Cost to Update Long-Term Capital Plan

- **\$668,706 to maintain 90 year replacement cycle, 1.58 miles/year**
 - **Tax Rate increase of 39 cents/\$1000 in value**

Potential Solutions-Increase in Construction Costs

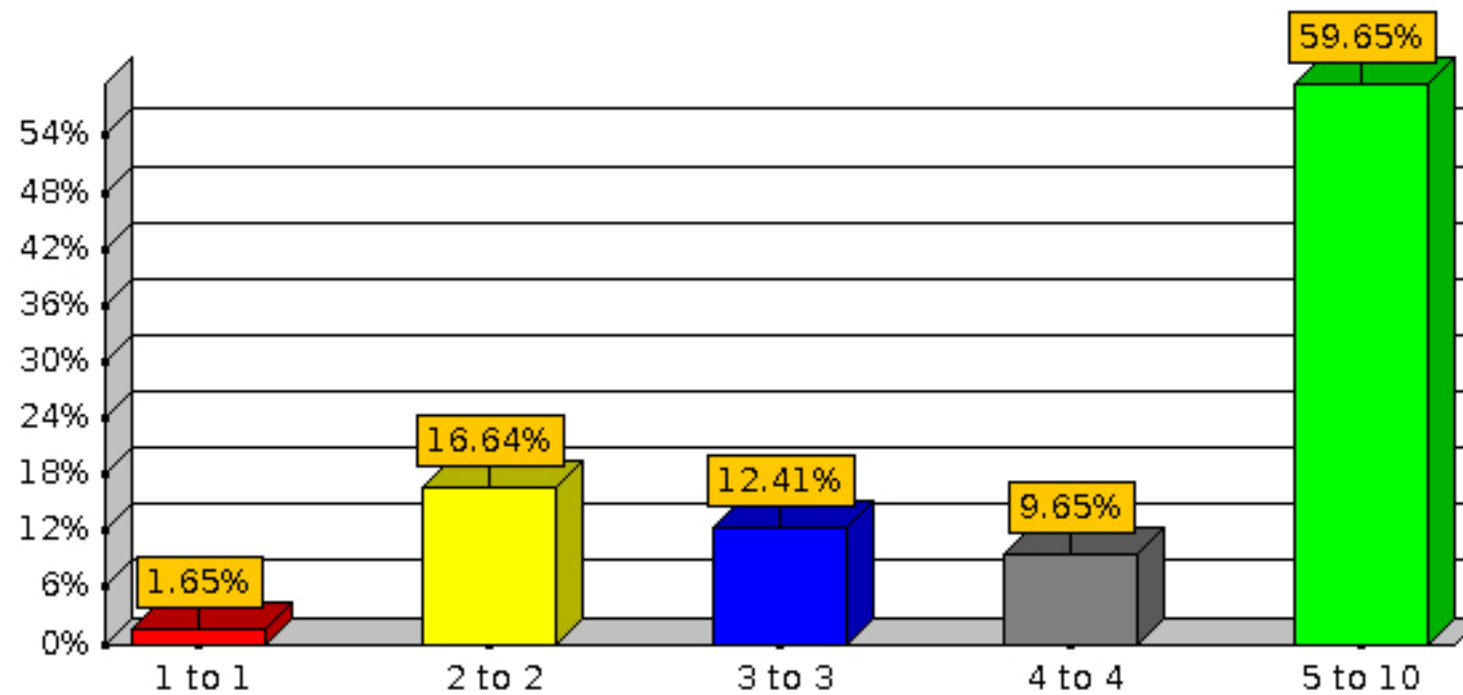
- **Increase Capital Budget (Means increase in taxes)**
 - Could set target percentage for annual tax increase (for example: 3%)
- **Investigate further to determine options for reducing costs**
 - Already asked DPW to look into this
- **Try to Ride it Out and hope costs come back down**
 - In the meantime, accept that we will have assets in less than perfect condition
 - Right now: Reconstructing Urban-style areas with curb and gutter.
 - Costs should be less for Rural designed streets



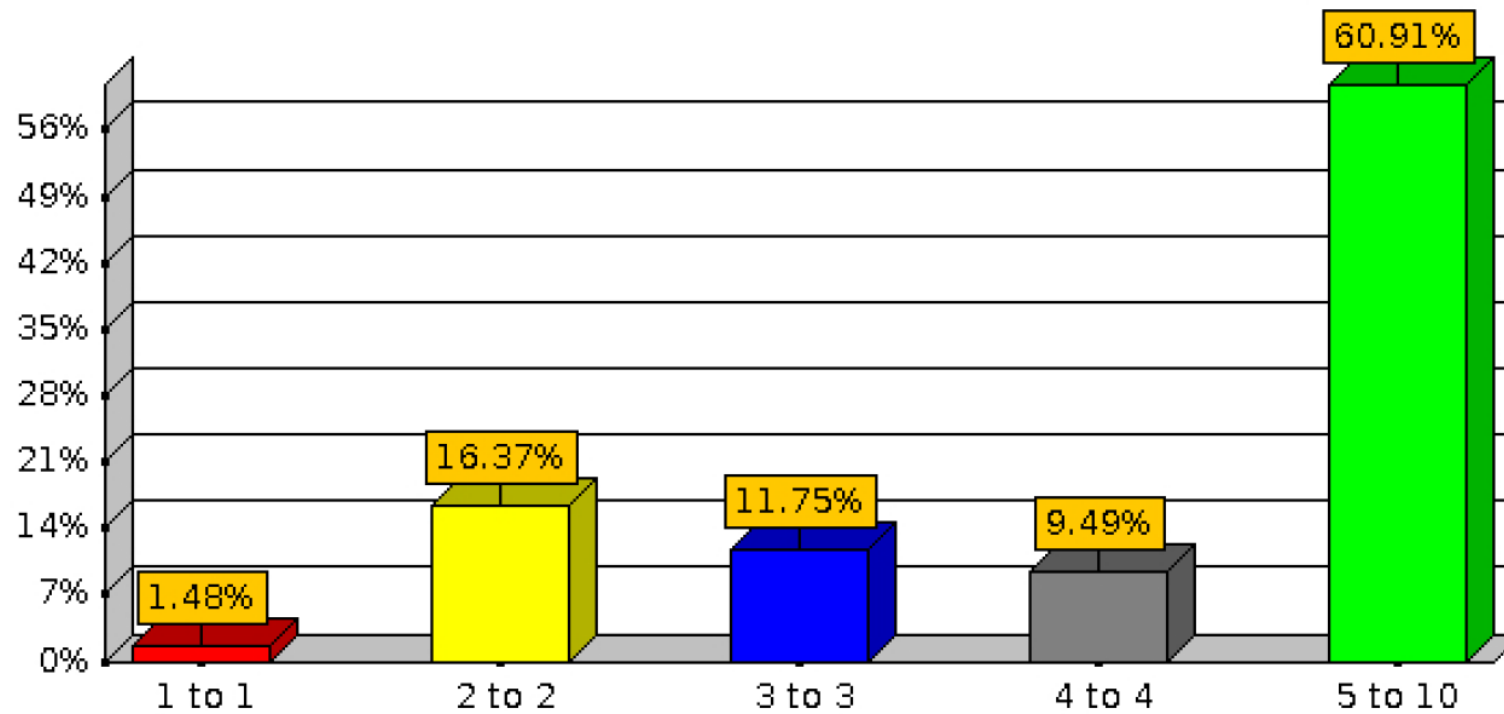
Allowance for Catching Up

How Far in the Hole Are We?

City PASER Ratings-2017



City PASER Ratings-2019



Cost to Catch Up

- 2017: 18.29% of Roads Rated 1 or 2
- 2019: 17.85% of Roads Rated 1 or 2
- Equals about 25 Miles of Road needing to be reconstructed or resurfaced.
- Based on updated Cost Numbers, total cost estimated to be \$25.8 million.
 - We don't have \$25.8 million.

Potential Solutions-No Allowance for Catching up

- **Increase Capital Budget (Means increase in taxes)**
 - **Could set target percentage for annual tax increase (for example: 3%)**
- **Accept that it will take some time to catch up**

No Budget for New Assets

- **Means if we add new assets**
 - **Will Short Capital Replacement**
 - **Will get behind on Capital Replacement Cycle**
- **Plans don't do any good if we don't follow them.**
 - **Potential to unravel whole concept**

Potential Solutions-No Budget for New Assets

- Increase taxes to pay for important new assets, and explain what people are getting for their increase
- Build in a budget amount for new assets (also requires a tax increase)
- Simply not fund any new assets.
 - Limit capital budget to replacement of existing assets at end of useful life.
 - We have already discovered this isn't realistic