

## **FINANCE COMMITTEE**

Date and Time: Wednesday, August 13, 2014 @ 5:00 pm., Board Room

Members Present: Winters, Nagle, Kellbach, Nutting, Oberbeck

Others Present: Tipple, Groat, Giese, Hite, Jacobson, Lenz, M. Lawrence, Mohelnitzky, Werth, Seubert, Geier, Wagner, Gisselman, Mielke, Abitz, Goede, Brian Stezinski-Williams, Kathy Foley, Deb Ryan

In accordance with Chapter 19, Wisc. Statutes, notice of this meeting was posted and sent to the Daily Herald in the proper manner. It was noted that there was a quorum present and the meeting was called to order by Chairperson Winters.

### **Public Comment on matters appearing on the agenda.**

Deb Ryan, 702 Elm St, spoke regarding the justification of a sole source purchase for the Water Utility. She indicated she found the address for a water meter company in Milwaukee on the Internet and asked them if they were aware of the city's project. She stated she was notifying them that she felt the water department had not done their homework.

### **Minutes of the previous meeting(s). (6/25/14)**

Motion by Kellbach, second by Nutting to approve the minutes of a previous meeting. (6/25/14). Motion carried 5-0.

### **Presentation of Boys and Girls Club 6 month report - Brian Stezinski-Williams**

Brian Stezinski-Williams reviewed the summarized report in their packets. Results were very strong; survey results highlighted 93% of the members reported the club helps them do better in school studying, art, leadership, computers, jobs, careers and getting along with others. He noted they will be opening a fourth site at Franklin Elementary in September and anticipate that it will dramatically increase the services available for the kids and families of that school. It will run five days a week, two and a half hours a day, with a main emphasis on academics including after school snack, dinner. It should bump up club membership by 200 Wausau kids and put our daily participation organization wide at about 400.

Nagle commented our youth needs to be exposed to the things the Boys & Girls Club provides; he was proud of the city's financial support last year and would look for continued financial partnership going forward in the next budget. Motion by Nutting, second by Nagle to approve the report. Motion carried 5-0.

### **Discussion and possible action on selection of proposal for newsletter printing - Jacobson/Groeschel**

Anne Jacobson explained Deb Geier, Kathi Groeschel and herself reviewed the rankings which are shown in the RFP. She stated the cost for Sun Printing, which they have used in the past, is greater than Color Vision; however, this is a request for proposal not a bid so you are not required to go with the lowest cost. Winters noted Color Vision was 10% cheaper, but the committee rated them lower. Tipple pointed out Color Vision will add \$40 an hour for anything over two hours, which is not the case with Sun Printing. He recommended that if they chose Color Vision a termination clause be added to the contract relative to quality.

Motion by Nagle, second by Kellbach to approve a two year contract with Sun Printing. Motion carried 5-0.

### **Discussion and possible action on funding request and the acquisition and short term lease of 6 used buses – Seubert**

Greg Seubert, Transit Director, stated they have been scrambling over the last several weeks to identify used vehicles and there aren't many. The federal capital dollars have dried up and so most are not taking delivery of new buses and therefore used vehicles are hard to find. He stated in June when they did their annual safety inspection and due to structural corrosion they found six buses that needed to be removed from service. Cracks have developed in the frames which are hollow steel. This also requires the Federal Transit Administration and the Wisconsin DOT to sign off because it is outside of their normal practice. He explained normally the seller would have to go through a competitive process to dispose of these; however, they have both waived that requirement in light of the dire situation we are in. He noted Milwaukee County is operated by a private firm and doesn't own the vehicles and the Milwaukee County Board is on a summer hiatus, further complicating it. He indicated as of yesterday he had all of the information necessary which was contained in the resolution and lists the vehicles they would like to acquire.

He pointed out one of the big difference with these vehicles is they have a stainless steel frame which would solve the problem that we've been encountering within the last few years; the down side is they have a lot of miles on them (a half million) so the concern will be the engines and transmissions. He noted however, these are million mile engines, so there should be plenty of life in them. He reiterated the situation was dire. Groat stated because the transit is an enterprise fund, they have reserves in the fund that will pay for the buses.

Motion by Nagle, second by Oberbeck to approve the acquisition of the 6 used buses. Motion carried 5-0.

**Discussion and possible action on approval of sole source purchase of Neptune Water Meters Ecoders – Geier**

Deb Geier clarified the sole source request is for water meters only and has nothing to do with the meter reading system. She explained water meters are our source of revenue; without a meter there is no means of registering how much water is used by a resident or a business. She indicated they had ordered a number of meters in January, however, with the extreme cold of this past winter they went through a lot more meters than is typical and are still finding properties whose meters froze and need to be replaced. She commented normally an order of 200 meters would get us through the year, but this year they got us through only half the year.

Geier stated they have used Neptune meters for many years and currently use 100% Neptune. She explained they have stayed with this company is because they meet all the standards of the AWWA, which sets the standards for water utilities in North America. She commented some of these meters have been in service since 1982, which have been taken out, rebuilt and put back in the homes, saving the expense of purchasing new. The Neptune meters are very accurate for both residential and commercial properties; they are also robust and hold up well to temperature changes. They have an outstanding lifetime warranty on the body of the meters. She noted all the new meters since 2001 are lead free brass and a new law went into effect in 2014 that all plumbing has to be lead free. She indicated there are still many older meters out there that contain lead and need to be replaced.

Geier stated Neptune has territories they service and the only representative that sells Neptune meters in this territory is Ferguson Water Works out of Minnesota. She noted they have had Badger meters in the past, but they did not seem to hold up as well and if we have different types of meters we have to have different types of parts, which is not the most efficient. Neptune is 100% compatible with our current meter reading system and radio boxes. She pointed out none of the other big three of the meter vendors would be compatible.

Winters questioned if she could do an RFP specifying Neptune compatible products for this purchase instead of a sole source, which would get just the one bidder. Geier indicated she could but needed meters soon because they were down to eight and a couple boxes wouldn't get very far.

Oberbeck commented products change over the years and even manufacturers get bought out by other manufacturers. He felt evaluating products on a periodic basis would provide documentation on the justification for going with a higher price in some situations.

Motion by Nagle, second by Oberbeck to authorize the purchase of 10 boxes of Neptune meters from Ferguson and to put out an RFP for meters. Motion carried 5-0.

**Reconsideration of the referral of expanded audit scope of work to the Committee of the Whole - Winters**

Winters stated the Finance Committee is essentially the audit committee and we would make a decision on the scope of work and recommend it to the Council, but if we send it to the Committee of the Whole first, it just seems like an extra step that isn't necessary.

Motion by Nagle, second by Oberbeck to reconsider the motion to refer the expanded scope of work to the Committee of the Whole. Motion carried 5-0.

**Discussion and possible action on an expanded audit scope of work – Winters**

Winters stated we have had some issues where we have identified at least four instances that have been brought to our attention through different investigations relative to breach of control. They may be singular examples or they may be just the surface of a larger problem. He felt it was our fiduciary duty to engage a firm to do testing to determine if they are either a singular odd example or part of a larger systematic problem. They could also come

back with recommendations for best practices based on their experience with audits in lots of Wisconsin municipalities.

Jon Trautman stated there are two ways to approach a project like this; one is to go back and look at a transaction history to a certain point in time, but to look at all transactions would be extremely costly and a lot of work. He stated what they typically do in this situation is to do a sample, which will not give you ultimate assurance that there is not an issue. The other approach is more of an organizational study, in which you say what happened is done, now let's look at the internal controls that are there now, which will identify weaknesses and go forward. He felt focusing on recommendations for improvement is key to the whole process because we can only learn so much by looking at the past.

The committee reviewed and discussed the bullet points of a proposed outline of the scope of work for an expanded audit with Trautman which was prepared by Winters and was included in their packets.

Motion by Nutting, second by Kellbach to approve the expanded scope of work as presented and discussed. Motion carried 5-0.

#### **Discussion and possible action on Request for Proposals (RFP) for refuse and recycling services – Lenz**

Brad Lenz referred to the draft RFP and the staff report summarizing the main components. He indicated they've looked at keeping the contract the same the first year and then switching to an automated or carted system in the subsequent years. The length of the contract is a mid-range of six years. The third component of the contract would be to add in the annual large item service which is done in the spring. He noted typically DPW had contracted that out individually every year.

Lenz stated staff has spoken to other communities and people in the garbage and recycling industry and have some concerns about this RFP in this format going out at this time. There was discussion about the time crunch we were under last time and how long it takes haulers to gear up, especially if they are coming to a new city where they haven't been before. With this proposed change in service it is a difficult situation for new haulers to gear up in three months and amortize the costs of new trucks or retrofitted trucks. It is even more difficult for smaller haulers or others who may want to bid on the contract. Nagle suggested extending our current contract another calendar year and thereby perhaps expanding the pool of bidders. Lenz stated they could either extend the current contract for a year or bid out for a one year contract.

Groat stated research showed that communities going to the automated system are taking their landfill costs out of their contract and paying for those directly. She explained this way we will benefit from the benefits that come from recycling. She commented Lacrosse indicated they are receiving 174% increase in their recycling. She felt the city could then benefit from the landfill savings of the recycling rather than a hauler who may have under estimated those savings. She stated this is one example that she felt if they had more time to work on a fully automated system, we would be able to come up with a proposal RFP that really spoke to all of those issues. She noted two communities in the Green Bay area required their haulers to provide compressed gas vehicles, which is another example of things that could be added if we had a little more time. Oberbeck was concerned about delaying the process another year and felt we need to be proactive.

Motion by Nagle, second by Kellbach to direct staff to either negotiate adding another year on our current contract or negotiate for a new one year contract; and/or put out an RFP; and continue working on a long term solution for a six or seven year contract beginning January 1, 2016. Motion carried 4-1. (*Oberbeck was the dissenting vote.*)

#### **Consider 2015 Room Tax Budget Instructions – Groat**

Groat stated we have had some changes in our hotel inventory due to the fire at Days Inn in 2013 as well as a possible sale of The Plaza, which may not stay a hotel, but may change to an assisted living facility. She was concerned that change in the room inventory would impact our total revenues. She indicated we have the first two quarters of room tax in and we have actually seen a tiny increase, so at this time it doesn't look like it is impacting us substantially; however, she suggested we step down our estimate of \$720,000 to \$700,000 to ensure that we don't over commit our room tax funds.

Motion by Kellbach, second by Nutting to change the room tax budget to \$700,000. Motion carried 5-0.

**Discussion and possible action approving amendment to Section 3.25.030 Collection and Distribution (Room Tax) – Groat**

Groat stated early this spring a room tax committee looked at how the city was allocating room taxes and also looked at a report that was crafted by the Taxpayer's Alliance on room tax policies throughout the state. There are number of communities that collect room tax on a monthly basis rather than a quarterly basis. There is also a variation throughout the state whether the hotels are allowed to keep a portion of their room taxes that they collect. She stated the ordinance proposed reflects two changes that the committee recommended: 1) room taxes would be due monthly; and 2) hotels would be allowed to retain 1% of their collections to offset some of their administrative costs. She noted about 96% of hotel customers pay with plastic which requires a fee that comes out of their room revenues. Mayor Tipple commented the committee was rather conservative with the 1% recommendation and some other communities are giving more, but they wanted to start low and may review it again in the future.

Motion by Kellbach, second by Nutting to approve the committee's recommendations. Motion carried 5-0.

**Consider offer to purchase of 101 N. 72nd Avenue**

Werth stated at the last meeting Finance Committee approved the purchase price of \$438,800 for 36.6 acres on 72<sup>nd</sup> Avenue, which is in TID #5. She indicated we have an accepted offer contingent upon Phase I and soil borings which are taking place right now.

Motion by Nagle, second by Nutting to approve the purchase of 101 N. 72<sup>nd</sup> Avenue. Motion carried 4-1. (*Winters was the dissenting vote.*)

**Consider authorizing the execution and terms of an Airport Ground Lease to Keith Kocourek - 100'x116'**

Nagle stated the Airport Committee is overwhelming endorsing the ground lease with Mr. Kocourek.

Motion by Nagle, second by Nutting to approve the execution of an Airport Ground Lease with Keith Kocourek. Motion carried 5-0.

**Consider economic factors that influence the budget – Winters**

Winters referred to a recent editorial regarding a graduate living and finding a job in central Wisconsin, which referred to the Wausau Metropolitan Statistical Area (MSA), and which is basically defined as Marathon County. He reviewed statistical data on unemployment rates in the county and the state, as well as growth, income and tax data. He commented Wausau has had a trend where we have tended to budget more than we plan to take in revenues, subsequently losing \$2.2 million from our fund balance. He noted over the past five years departments have actually spent less than we have granted them in expenditure authority. He felt with all the challenges we have demographically and socially it compounds the problems for the budget.

**Report - 2015 Budget update - Tipple/Groat**

Mayor Tipple stated the departments are working on their budgets and have been directed to make a 1% reduction. He provided an example of a new form the departments will be using to plan their budgets that they felt would be a helpful budget narrative.

Myla Hite, HR Director, stated we will be looking at potential increases in our health insurance fringe benefits; dental is currently projecting a 3% increase and we are in the process of researching our health insurance. She indicated the possible health insurance increase range we have been given is 8.5 – 14%.

Groat stated we have received our preliminary equalized values as of August 1<sup>st</sup>. She indicated she had initially estimated \$400,000 increase in the levy, but based on the preliminary equalized value and the net new construction figures we actually are looking at \$360,096. She noted net new construction came in at 1.2% for the City of Wausau, which was slightly higher than Marathon County as a whole at .97%. She reviewed the status of the TIF districts.

**Future agenda items for consideration**

Oberbeck requested an update of where we are with the 2014 budget. Groat indicated the refuse recycling contract would be on the agenda.

**CLOSED SESSION pursuant to 19.85(1)(e) of the Wisconsin Statutes for deliberating or negotiating the purchase of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. (Negotiations with CBL)**

Motion by Nagle, second by Oberbeck to move into closed session. Roll Call Vote: Ayes: Oberbeck, Kellbach, Winters, Nutting, Nagle. Noes: 0. Motion carried 5-0.

Meeting adjourned in closed session at 6:55 pm.