

## **FINANCE COMMITTEE**

Date and Time: Tuesday, **May 12, 2015** @ 5:30 pm., Board Room

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

Others Present: Groat, Jacobson, Giese, Hebert, Hite, Lindman, Mohelnitzky, Petit, Hanson, Goede

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.**

None.

### **Minutes of previous meetings. (4/14/15 & 4/28/15)**

Winters provided a couple of comments to be added to the carryover item in the April 14, 2015 minutes.

Motion by Nutting, second by Nagle to approve the minutes of 4/14/15 and 4/28/15, as amended. Motion carried 5-0.

### **Update on 2015 Department of Public Works Budget and related street maintenance - Mohelnitzky**

Ric Mohelnitzky updated the committee on the status of street maintenance in the city. He stated they have a lot of streets that need to be rejuvenated and seal coated. He commented it is very important to maintain the streets and to keep the asphalt cement (AC) levels up. New pavements are losing their AC faster than they ever did before because of the recycle in them. He reviewed pictures of examples of streets in disrepair with the committee. He stressed the importance of crack filling as well to keep the moisture from getting underneath the pavement and then freezing and thawing. Brian Petit distributed a map of all the streets that have been paved from 2003 – 2011 in the city and which need surface treatment. He indicated there were some streets that were borderline on being able to repair them and if we wait any longer they will be past the point of return.

Eric Lindman requested \$100,000 to be allocated to the budget for seal coating and the streets so that we can assist and extend the design life and an additional \$5,000 for the material for crack filling. He indicated his budget did not have the funds to transfer.

Motion by Nagle, second by Nutting to instruct staff to develop options to transfer funds from somewhere else and bring it back to the next meeting. Motion carried 5-0

### **Discussion and Possible Action on changes to the Procurement Policy regarding Utility Services - Groat**

Groat noted as we run into situations we will continue to bring the Procurement Policy back so that it reflects operations. She stated when we looked at the east hangar development at the Airport we were going to make a payment to WPS to relocate those services. She explained it is their infrastructure but they require a payment from us to move it and we really don't have an option to hire someone else. She requested placing utility services and charges under the sole source exemption category where everyone recognizes that there is no other contractor so we don't have to document the sole source or do a competitive purchase.

Motion by Nagle, second by Oberbeck to approve the change to the Procurement Policy as presented. Motion carried 5-0.

### **Discussion and Possible Action on the Citywide Revaluation - Giese**

Nan Giese reported that they are currently doing data entry and calibration of all the tables; will be starting four weeks of value verification around July 27<sup>th</sup>; and the preliminary values are scheduled to be published on August 21<sup>st</sup>. She noted following this the Change of Assessment notices will go out and be posted online. She stated they do not value one property at a time; they will be doing mass appraisals. She explained they do not visit every house, but the most important piece of valuing property is the information that you have on the property and maintaining that data whether you have made an inspection or not. We follow up on all sales, building permits, and letters or requests regarding property changes. She indicated they are continuing training on the new software and she did not anticipate any further delays.

Winters questioned if the committee could see some values by the seven categories or by neighborhoods. Giese indicated she could bring the information in late July or August. Oberbeck felt the properties need to be inspected rather than mass appraised. Giese stated approximately 20% of the properties are inspected per year, so in a five year period we should be getting through the entire city.

#### **Discussion and Possible Action regarding the Inspection Citations - Hebert**

Hebert provided a list of the immediate citations that were issued in 2014 and the beginning of 2015. Winters requested the report be expanded to show how many of each type of violation by month.

Hebert indicated they will start working with the CSOs for the summer and will be implementing a door notice that will let the resident know we were there, what the issue is and to call us. Another thing he would like to do is shift some of their hours to 6:00 or 7:00 pm., so that we can reach people that work until 5:00 pm.

#### **Discussion and Possible Action on the 2015 Debt Timetable and Uses of Funds - Groat**

Groat stated she had not yet met with bond counsel to review the uses of funds and that is what determines whether we can use tax exempt debt or taxable debt. She indicated they are following through with the 2015 budget in issuing debt as was anticipated in that plan. General capital improvements - \$2,850,000; Memorial Pool - \$3 million; TID #3 - \$4 million, reflecting the increase for the church (Resurrection Church) acquisition of property; TID #6 - \$4.5 million for funding for Thomas Street acquisition, which we would borrow for in 2016 since the Official City Map will not come out until August. She proposed not borrowing for: TID #7 - \$305,000 for a storm water project as it pertains to O'Malley's, which most likely won't happen in 2015; or TID #8 - Decrease of \$50,000, but no current plans. She indicated TID #10, which is the Linetec loan, had no change.

Groat stated we are only allowed to issue \$10 million of tax exempt debt per year and right now our proposal is to issue \$12.4 million. She explained when we are involved with projects that could have private benefit then we may have to issue taxable debt. There are a number of tests to determine that. She commented she spoke to the financial advisors regarding the increasing level of debt and they felt because of the downtown and riverfront investment there wouldn't be any negative reflection for that activity. Groat stated she will bring the preliminary resolutions to the next Finance meeting on May 26<sup>th</sup> and they will go to Council on June 10<sup>th</sup>; the sale resolutions will be on July 14<sup>th</sup> and the settlement with tentatively take place August 1<sup>st</sup>.

Motion by Nagle, second by Kellbach to approve the list as presented. Motion carried 5-0.

#### **Discussion and Possible Action on the RFP for vehicle leases - Hanson**

Mark Hanson requested guidance from Finance Committee as to how to proceed and if they are in agreement with where we are headed with the RFP. The direction is to lease some of the light duty vehicles because it is getting harder and harder to maintain these vehicles. In the beginning it will not necessarily save money, but in the long run we will see a decline on how much we are spending on them for maintenance and fuel. Groat stated they discussed strategies to get more people interested in the RFP to increase competition. The proposals would be opened at the Board of Public Works and we will do an analysis and bring it to Finance for final consideration.

Motion by Oberbeck, second by Nagle to approve the RFP for vehicle leases. Motion carried 5-0.

#### **Discussion and Possible Action on Capital Improvement Project Reporting and Carryover Procedures**

Groat stated she met with the departments and we tried to develop a spreadsheet that wouldn't be unduly burdensome for the departments to complete, yet would provide some good information to the Finance Committee as to what projects were going on, what status they were in, and what it looked like project costs were going to be at completion. The vision is that the departments will report this on June 1<sup>st</sup> and it will be compiled and included in the CIP request packet for CIP Committee review. On September 1<sup>st</sup> there would be another one to allow us to provide an update during the operating budget time period. On December 1<sup>st</sup> there would be another report which would come to Finance and to Council showing the projects with a recommendation that funds be carried over to the next year, although we won't know that exact dollar amount yet. The final report will come in April when we have all of the contractor payments. This method will keep the Council informed on exactly where projects are and what the budget looks like.

**Discussion and possible action regarding the March 2015 General Fund Budget Report - Groat**

Groat reviewed the March 2015 report. (Narrative can be accessed online at: <http://www.ci.wausau.wi.us/Departments/Finance/MonthlyReports.aspx> )

Winters commented it appears we are now at a place where we are again projecting to spend more than we take in, which seems to be our pattern. Groat stated they are spending out of contingency because they authorized the transfer from contingency. She noted there are government entities that would present contingency as a revenue source from the budget perspective so it still looks like a balanced budget.

**Discussion and Possible action regarding Contingency Balance - Groat**

Groat stated we started out with a balance of \$361,000 on January 1, 2014; last year we transferred approximately \$96,000 worth of funds out of contingency, \$63,000 to Animal Control, \$31,000 for the mid-year budget modification and \$1,149 out of Animal Control, bringing the balance down to \$266,000. This year through April 30, 2015 we are down to \$163,000 because we transferred \$86,000 for the Sears settlement and \$16,773 for the Associated Bank tax settlement. Oberbeck noted that the Sears and Associated Bank settlements are losses in property value that will continue throughout our budget process.

**Discussion and Possible Action on the 2016 Budget Schedule and 2016 Budget Projections - Groat**

Groat stated the budget prediction is based on cost to continue. She explained this assumes that we are going to provide the same level of services in the same manner that we are providing today, using some of the historical trends that we saw 2014 and in the first quarter of 2015. Based on that prediction we would require an additional levy of \$1,446,464, which is a 6% increase in the levy, of which the lion's share is going to the General Fund. Groat stated the driving factor behind the increases are: costs of the public safety union wage increases as part of the contract; the vacant firefighter position deferred for 7 months that must be returned back; a 10.68% increase in health insurance; a 10% increase in dental insurance; the need to increase the line item for motor pool due to winter costs by \$185,000; increase in the Data Center operating expenses; increase in street maintenance costs; salt and street materials; and increases in governmental property insurance.

Motion by Nagle, second by Kellbach to refer the budget issue to the Committee of the Whole. Motion carried 5-0.

**Discussion and possible action on closing TID #5 at the end 2015.**

Winters questioned if they could close TID #5 by December 31<sup>st</sup> in order to produce \$425,000 in revenue available to the General Fund. Groat stated on May 15<sup>th</sup> of each year we have to let the state know whether we are going to keep the district open another year and there are no extensions to that deadline, so a decision would have to be made immediately. She predicted that at the end of 2015 there will be \$176,000 in the fund and it will have an outstanding debt of \$573,000 left. She explained to close the TID #5 and retire the debt we would have to take \$400,000 from the General Fund. Winters questioned if it could be transferred from another TID and Groat stated it could not without approval from the Joint Review Board.

**Discussion and Possible Action on amending Municipal Ordinance 3.08.040**

Winters stated this ordinance has existed for some time and basically says that you can't write any checks out of the treasury unless it is in the budget. He commented in the last couple of years we have written some checks that were not in the budget and the question is if that is good practice and how can we avoid doing that in the future. He proposed two changes to add to the ordinance, one that we do an annual budget adjustment, looking at our year to date actuals between August 31<sup>st</sup> and October 31<sup>st</sup> and move money from lines where there is surplus to deficit. In some instances we may have to make decisions to delay some things to the next year. The second change would be to direct all personnel who have budget management responsibility to let us know. Groat requested they look at the job descriptions of all department heads to ensure that budget monitoring a part of it so that everyone has that responsibility. Winters agreed and recommended that go to Human Resources.

Motion by Nagle, second by Kellbach to approve the amendments to Section 3.08.040. Motion carried 5-0

**Discussion and Possible Action on dog and cat license fees for 2016 - Winters**

Winters stated the two desired outcomes are to have no lost pets that cannot be identified and returned to their owners and to have no unwanted pets taken to the animal shelter; the question is how to achieve this. If animals

have microchips and licenses they are easily returned and if they are spayed or neutered it keeps down the animal population. He questioned if the fee schedule encouraged these things in an appropriate way.

Winters proposed the two following options:

***The National Average Plan***

Increase the base license fee for unaltered animals from \$20 per year to \$38 dollars to match the national average and better tie revenue to costs. Give an \$8 per year discount from the base license fee for people who have micro-chips implanted in their animals. The \$8 discount would allow most owners to recover the cost of having a micro-chip implanted in about five years. Increase the current discount for spaying and neutering from \$10 per year to \$15. A dog or cat that was spayed or neutered and also had a micro-chip implanted would pay an annual license fee of \$15, equal to the national average for spayed and neutered pets.

***The Payback Plan***

Keep the fully discounted annual license fee at \$10 (below the national average). Set the discount for micro-chip implants at \$8 per year, allowing owners to recover the cost of the procedure in about five years. Set the discount for spaying and neutering at \$42 per year, again allowing owners to recover the cost of the procedure in about five years. The undiscounted fee for unaltered animals would then be \$60 per year (above the national average).

Oberbeck stated he liked the Payback Plan because it was incentivizing all of the right behaviors. He felt the microchipping was extremely important to identify the owner. Matt Barnes agreed something has to change and to have a financial incentive to be a responsible pet owner was significant. He stated there was no guarantee we can long-term sustain free microchipping clinics. He commented both were good plans but the National Average Plan ultimately raises more revenue for animal control. Oberbeck felt the Payback Plan differentiates further from the behavior that we want to accomplish versus the behavior that we don't want.

Motion by Oberbeck, second by Nutting to move forward with the Payback Plan. Motion carried 5-0. (*This item will go to Council July 14, 2015.*)

Winters indicated they were out of time and the rest of the items would be deferred to the next meeting.

**Discussion and Possible Action on Master List of Contracts - Groat**

**Discussion and Possible Action on the Strategic Planning Process - Tipple**

**Suggestions for Future Agenda Items**

**Adjournment**

Motion by Kellbach, second by Nagle to adjourn the meeting. Motion carried unanimously. Meeting adjourned at 7:03 pm.