CITY OF STEVENS POINT

FINANCE COMMITTEE AGENDA
October 23, 2023 - 6:00 PM

Community Room
933 Michigan Avenue, Stevens Point, WI

OR

Zoom Teleconferencing

Meeting ID: 873 2390 5958 | Passcode: 301663
By Computer: Zoom Link
By Phone: +1-312-626-6799 (US Chicago)

MINUTES

I. Non-Action Items:

1. Roll Call.

PRESENT	Ald. Christianson, Shorr, Shuda, and Broderick
ABSENT	Ald. Morrow
OTHERS PRESENT	Mayor Wiza; C/T Ladick; City Attorney Beveridge; Clerk Yenter; Deputy C/T Freeberg; Alderperson Kneebone, Keymer, and Lang; Directors Lemke, Kernosky, Kremer, Beduhn; Police Chief Kussow; Human Resource Manager Frasch; Ken Rozak, Steven McKay

2. Review of Proposed 2024 Operating Budget.

A Powerpoint presentation was given by C/T Ladick on the 2024 Proposed Budget.

II. Closing Section:

3. Adjournment.

Adjournment at 7:00 p.m.

2024 Operating Budget Presentation

Corey Ladick
Comptroller-Treasurer

First-Where We are in the Process

- July/August: Had initial budget discussions and the Finance Committee and Council set guidelines for the 2024 operating budget
- September/October: Capital budget presented and approved by the Finance Committee and Council
- **Now: Initial Budget Presentation, chance to ask any initial questions or express any initial concerns**
  - **No Formal Action Today**
- November Finance: Finance Committee can make changes and recommend a budget to the full Council
- November Council: Final approval from the full City Council
- Mid/Late December: Tax bills arrive

Decisions That Have Already Been Made (August Finance/Council)

- Prioritize Employee Compensation as the use for any budgetary flexibility
  - Pay Plan Implementation
  - Cost of Living Adjustments
- Roll over the property tax levy limit adjustment for operations to the 2025 budget
  - We have shared revenue to get us through the 2024 budget
  - Will need the extra adjustment in 2025 due to low net new construction
- Avoid increasing the total amount we collect in taxes for the 2024 budget
  - Being mindful of the impacts of the assessment revaluation this year
  - 100% of the increase in assessments will go to reducing the tax rate
  - Still expect significant impacts from the revaluation due to a property market that has changed considerably

Budget Highlights

- Budgeted for continuity of services
  - Continued funding for existing programs and positions
- Cost Increases Had Significant Impact
  - Some Non-Discretionary
    - Increases to WRS (Pension) Contribution Rates
    - Police and Fire Wage Increases
  - Others Based on Critical Need
    - Wage Increases outside Police and Fire
    - IT Cost Increases
- Luckily-Revenues Increased as Well
  - State Aid Programs (Results not Typical)
  - Investment Interest Revenue

A Note About Making Numbers Understandable

- New standard is to “Round with enthusiasm” to make numbers more understandable
- Most numbers are rounded to the nearest thousand

Budget Summary Page

	2023 Budget	2024 Budget	Dollar Change	Percent of Change
GENERAL GOVERNMENT	$3,349,698.00	$3,615,061.00	265,363.00	7.92%
AIRPORT	$169,800.00	$174,894.00	5,094.00	3.00%
TRANSIT	$447,100.00	$471,750.00	24,650.00	5.51%
PUBLIC SAFETY - FIRE	$5,695,911.00	$6,030,749.00	334,838.00	5.88%
PUBLIC SAFETY - POLICE	$6,215,407.00	$6,644,427.00	429,020.00	6.90%
PUBLIC SAFETY - INSPECTION	$903,935.00	$992,127.00	88,192.00	9.76%
PUBLIC WORKS	$6,217,561.00	$6,561,529.00	343,968.00	5.53%
PARK, RECREATION, ARENA & FORESTRY	$2,367,294.00	$2,486,366.00	119,072.00	5.03%
CAPITAL IMPROVEMENTS	$1,700,000.00	$1,491,400.00	(208,600.00)	-12.27%
TOTAL LEVY EXPENDITURES (RESTRAINT PROG.)	$27,066,706.00	$28,468,303.00	1,401,597.00	5.18%
GENERAL REVENUES	$25,366,706.00	$26,976,903.00	1,610,197.00	6.35%
CAPITAL IMP FUND BALANCE APPL	$1,700,000.00	$1,491,400.00	(208,600.00)	-12.27%
TOTAL REVENUES	$27,066,706.00	$28,468,303.00	1,401,597.00	5.18%
GENERAL CITY TAX LEVY	$12,675,571.00	$12,675,571.00	0.00	0.00%
DEBT SERVICE LEVY	$6,487,869.00	$6,487,869.00	0.00	0.00%
TOTAL CITY TAX LEVY	$19,163,440.00	$19,163,440.00	0.00	0.00%

Budget Summary Page-Details

- Note that the Capital Improvements amount is only the amount that is funded by the General Fund, does not include the amount funded by borrowing.
  - Total Capital Budget has increased for 2024
  - Decrease in portion funded by the general fund is due to discontinuation of TIF repayments
- Unique to see no increase in the tax levy, but remember there will be impacts of the revaluation as the tax burden is redistributed

Budget-Sources of Available Funds

- $865,000: Shared Revenue Increase
- $260,000: Increase in Investment Interest Revenue
- $169,000: Net New Construction: 1.33%
  - Rolling over to 2025 Budget
- $99,000: Increase in General Transportation Aid
- $91,000: Moved Wellness Expenses back to the Health Insurance Fund
- $60,000: Increase in Room Tax Revenue (General Fund Share)
- $22,000: Increase in Expenditure Restraint Program Aid
- $21,000: Increase in Connecting Highway Aid

Shared Revenue-An Overview

- Established in 1911 when the State started an income tax.
  - Income tax was created to reduce property taxes
  - 70% went to the Municipality of the Taxpayer
  - 20% went to the County
  - 10% is all the State kept
  - Created Inequalities: Rich get Richer, Poor get Poorer

Shared Revenue (Cont.)

- 1972: Changed to a need based formula, based on:
  - Population
  - Equalized Value Per Capita
  - Revenue Requirements

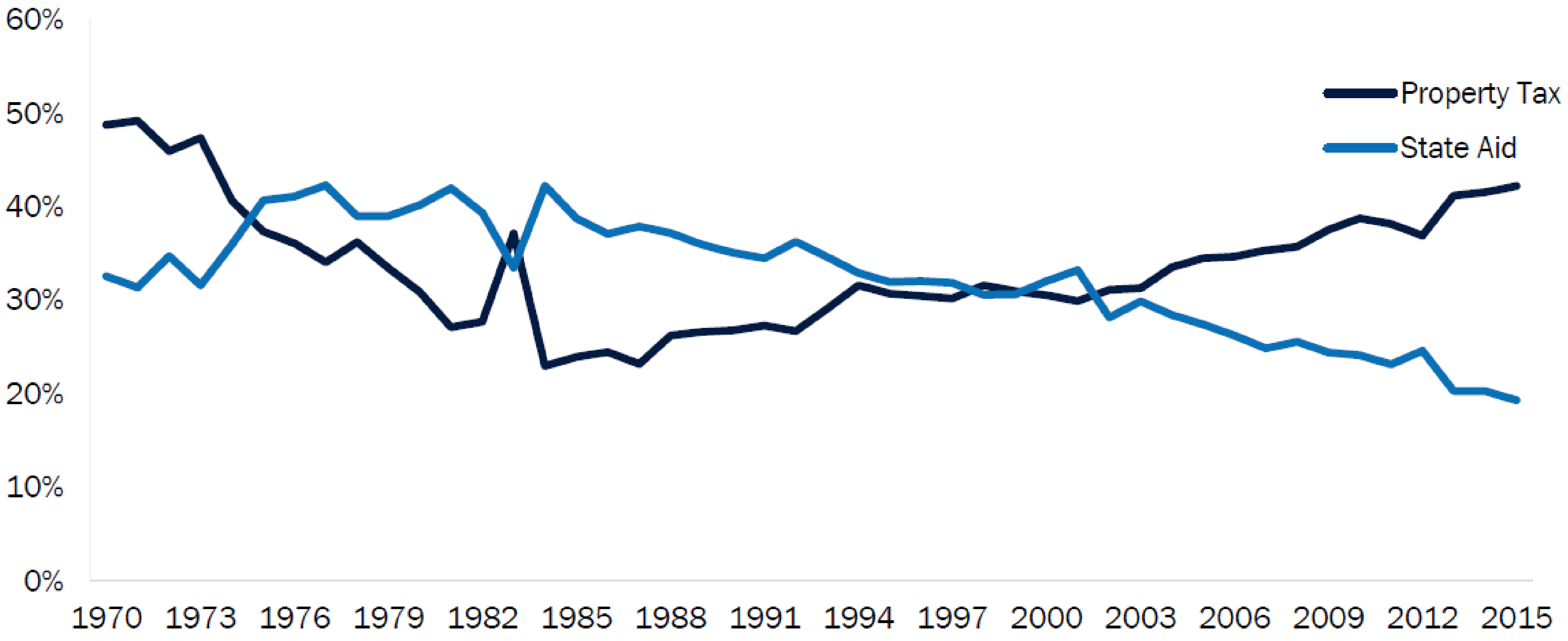
- 2001: Last Year that Formula was actually used.
  - Now simply based on previous year's payment

Shared Revenue (Cont.)

- 2011: Act 10
  - Changes to Public Employee Benefits
    - Non-Protective employees required to make pension contributions
  - Savings Offset by Decrease in Shared Revenue
    - Formula for Reduction based on Population and Equalized Value
    - Targeted to hit the largest municipalities disproportionately
- Since then, amount of aid had been essentially frozen
  - Buying power of this revenue has eroded over time

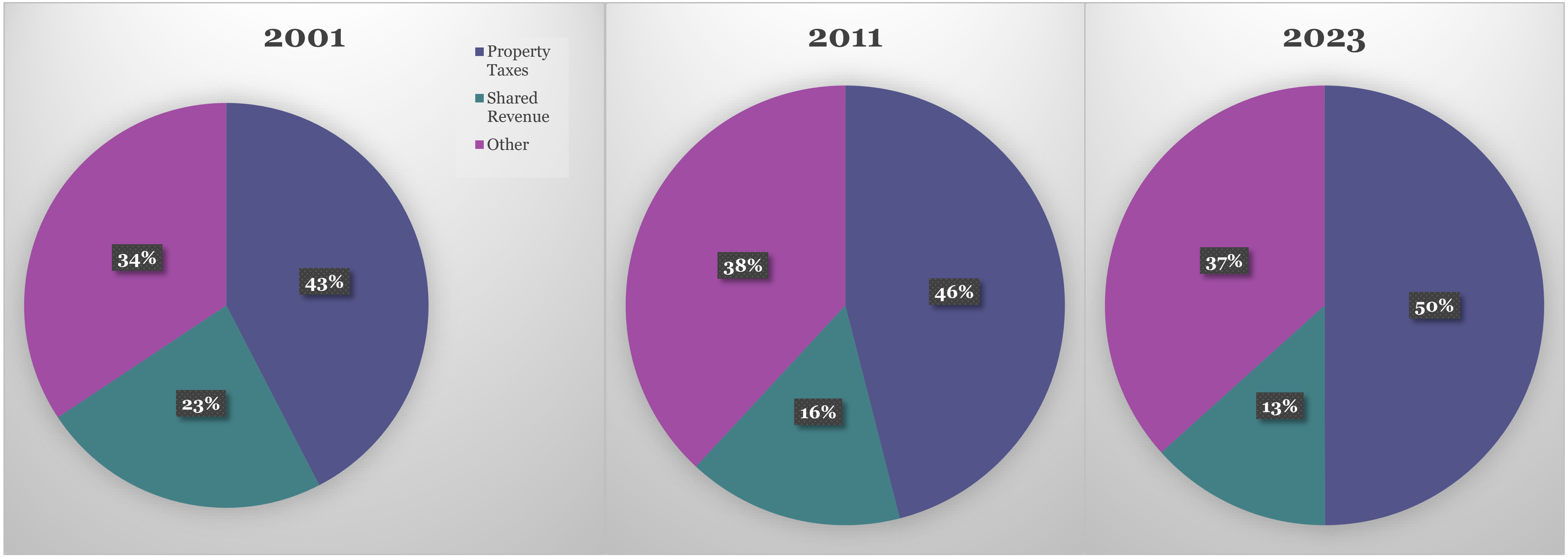
Figure 2: Property Tax Overtakes State Aid

% of General Revenue by Source for WI Municipalities, 1970-2015

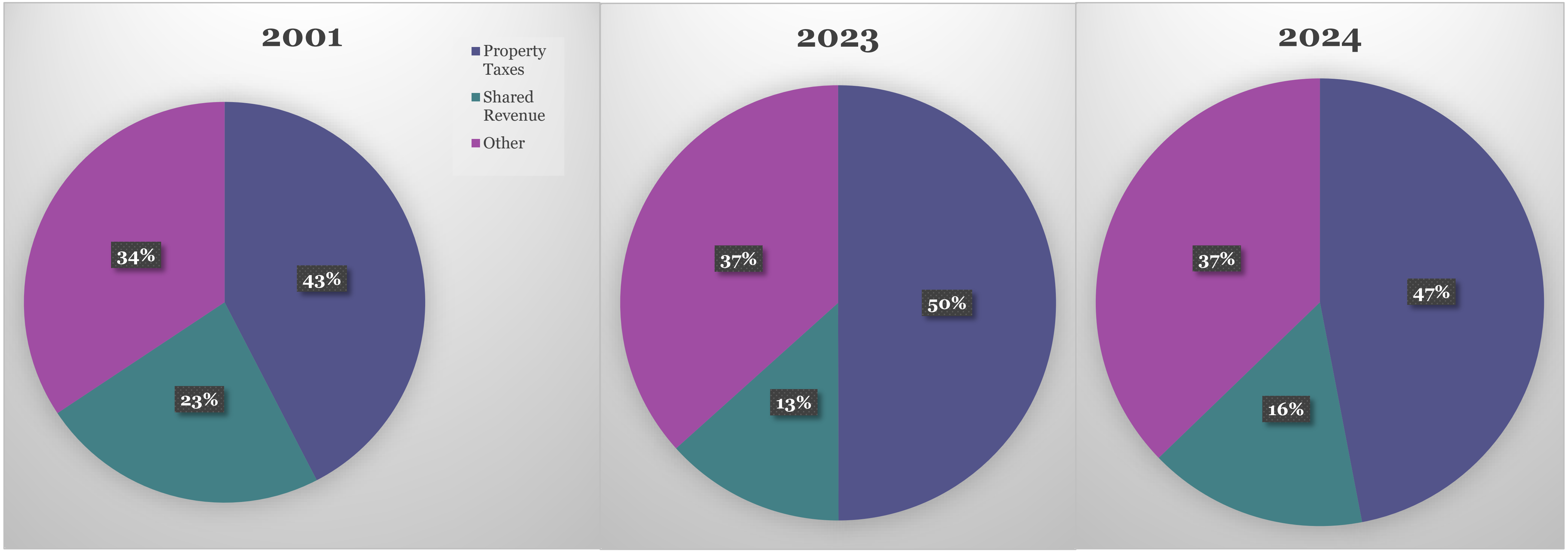


Source: Wisconsin Policy Forum, Dollars and Sense Report

Stevens Point Operating Budgets,Percentage of Revenues by Source



Stevens Point Operating Budgets,Percentage of Revenues by Source



Shared Revenue Bill-Act 12

- Designates 20% of state sales tax collections for County and Municipal Aid
  - State sales tax is 5%, so 1 penny per dollar spent
  - Does not matter in which municipalities it is collected
    - Statewide pool of money for local government aid
  - Future aid increases or decreases based on changes in sales tax revenue
    - Could go down in a given year, but long-term trend is expected to be upward

Shared Revenue Bill-Act 12

- $275 Million Increase in County and Municipal Aid
  - Our share of that is $865,000 (3.2% of our annual operating budget)
- The additional funds may be utilized for: law enforcement, fire protection, emergency medical services, emergency response communication, public works, courts, and transportation.
  - The above functions were 74% of our 2023 operating budget
  - We have sufficient cost increases in these areas

Cost Increases in Eligible Categories

Police	429,020
DPW	343,968
Fire (Excluding EMS)	210,561
Transit	24,650
Municipal Court	5,553
Airport	5,094
Total	1,018,846

What the Shared Revenue Increase Meant for Stevens Point

- Started 2023 projecting a budget issue for 2024 due to low new construction
  - Contemplated a referendum/and or increased fees, such as a wheel tax or transportation utility
  - Were relieved when we heard bipartisan talk of increasing shared revenue
    - Decided to not pursue other options for this reason
- As the shared revenue deal came together, we realized 2025 was going to be a difficult year as well due to low new construction
  - Decided to rollover tax levy adjustment limit to 2025 to address this issue
- Basically, the shared revenue increase is getting us through 2 bad budget years
- Allowed us to forgo a tax increase for 2024
- Allowed us to make progress on employee compensation

What the Shared Revenue Increase didn't do for Stevens Point

- It didn't solve all of our problems
- It didn't address adequacy of staffing levels
  - Phases 2 and 3 or personnel plan are still waiting to be implemented
- It didn't address our infrastructure/capital project deficit
  - And need for future tax increases or other revenues to address this issue
- We still have an unsustainable levy limit formula
  - Especially as commercial construction has declined
- No guarantee we won't have future budget issues
- Overall, initial proposal was for $2,185,000. That would have allowed us to address more of these issues. We ended up with less than half that amount, $865,000.

Wisconsin Public Radio Article

"State's shared revenue deal more lifeline than bonanza for smaller municipalities"

"Needs go beyond what the supplemental aid can cover"

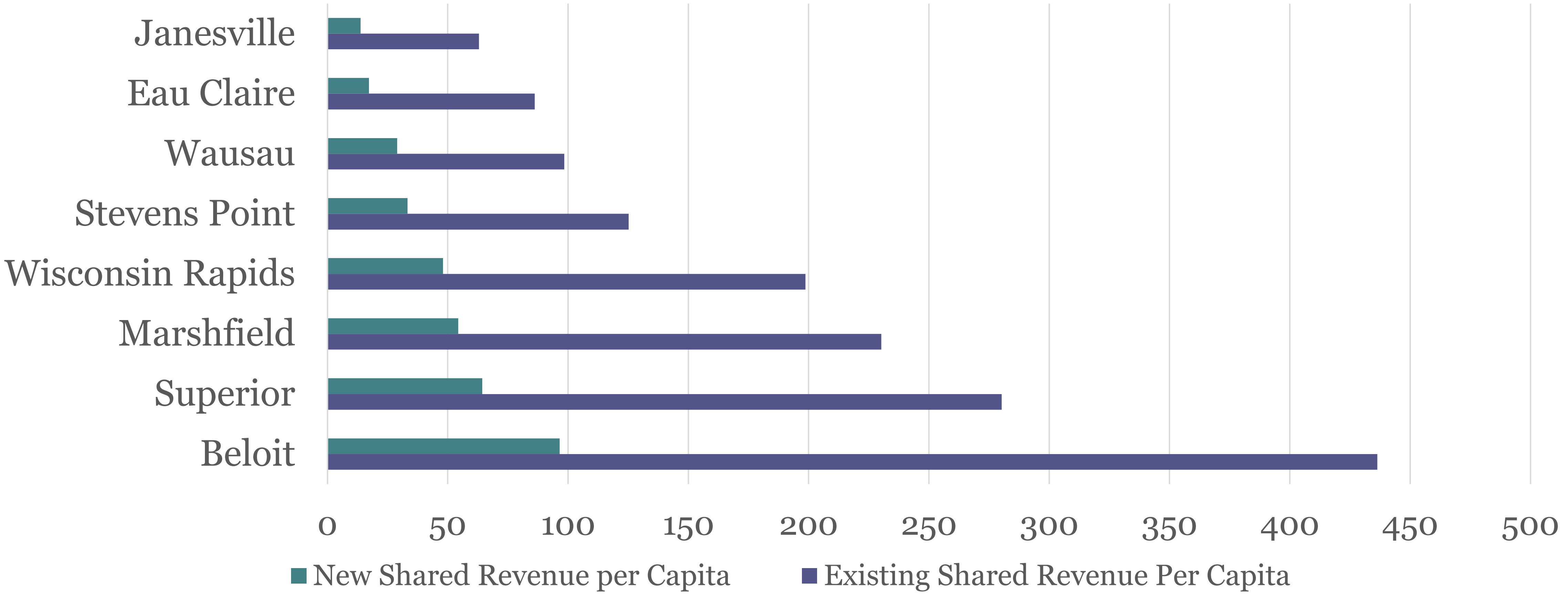
"Eau Claire's 2024 proposed budget is putting all of its increased shared revenue towards the police and fire departments. [City Manager] Hirsch predicts the extra funds will only cover the cost of inflation in those departments, not add new services or expand existing ones."

https://www.wpr.org/states-shared-revenue-budget-deal-municipalities-taxes-fees-local-government

How the Supplemental Shared Revenue Increases were calculated

- Municipalities divided into tiers based on population
- We fell into the tier of 5,000-30,000 in population
- Components of Formula
  - Minimum 20% increase in shared revenue, plus
  - Per capita distribution
- Using existing shared revenue amounts as the base for the supplemental increases built on the existing inequities in how shared revenue is distributed

Shared Revenue Formula Built on Inequities in Existing Formula



Shared Revenue Bill-Act 12

- $300 Million in one-time grants for service consolidation (innovation fund)
  - Requires service consolidation with another unit of local government, or a non-profit or private entity
  - Must save at least 10% to qualify
  - Grant is basically a cash bonus, equal to 25% of the cost of the service for 3 years

Maintenance of Effort Requirements for Police

- For Police, certify any **<u>one</u>** of the following three factors has not decreased from the prior year:
  - Number of sworn officers employed
  - Amount of property tax levy dollars spent on employment of sworn officers
  - Percentage of property tax levy spent on employment of sworn officers

Maintenance of Effort Requirements for Fire/EMS

- For Fire/EMS, certify any **two** of the following four factors have not decreased from the prior year:
  - Expenditures for fire protective services and EMS
  - Number of full-time equivalent fire fighters and EMS personnel employed.
  - Level of training of and maintenance of licensure for fire fighters and EMS personnel
  - Response times for fire and EMS adjusted for call location.

Maintenance of Effort Requirements

- Penalty is 15% of shared revenue
  - $639,000
- We literally cannot afford to fail to meet these requirements

Other Act 12 Provisions

- Repeal of the Personal Property Tax, with State backfilling lost revenue
  - Not effective until January 1, 2024 so everyone will receive one final personal property tax bill in December.
  - The City will start receiving an aid payment in 2025 to make up for the lost revenue
- For TIF Districts created in 2025 and beyond, modifies the formula for levy limit adjustments due to net new construction
  - Currently 100% at construction, and an additional 50% at district termination
  - Reduced to 90% at construction, and 10% at district termination

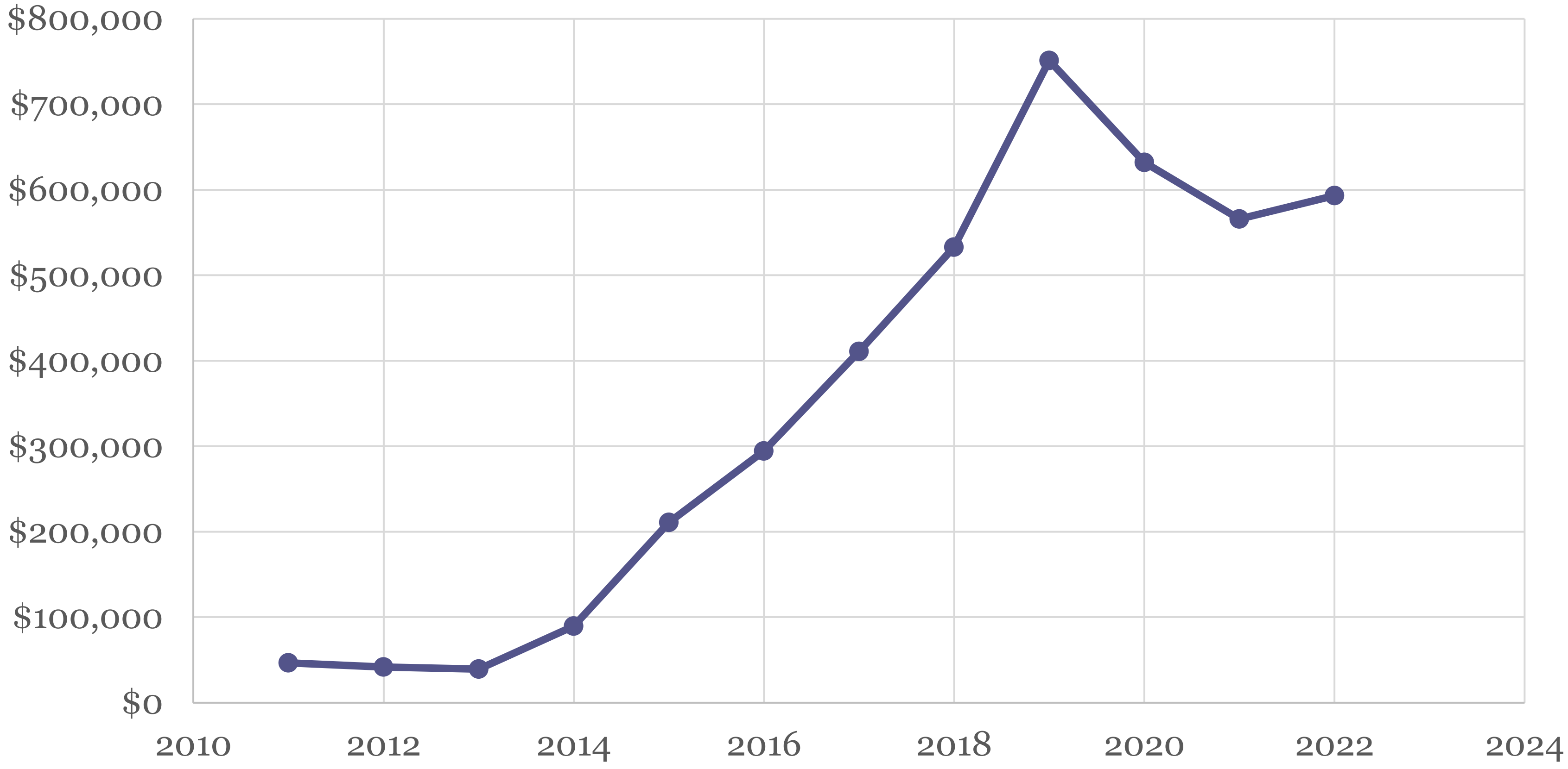
Other Act 12 Provisions

- Advisory Referenda – Prohibits a county or municipality from holding an advisory referendum, unless the referendum concerns:
  - A capital project that would be funded via the property tax levy
  - Local revenue sharing agreements
  - Boundary agreements
  - Establishment of municipal cable, broadband, or telecommunications utilities.
- No local discrimination or preferences – Prohibits local governments from discriminating against or providing a preference in hiring or contracting based on race, color, ancestry, national origin, or sexual orientation (unless as required to receive federal aid).

Investment Interest Revenue Increase ($260,000)

- Interest rates have increased
- Backbone of our investment structure is a 5 year Certificate of Deposit ladder
  - Maturities spread out evenly over 5 years
  - This provides the stability we need in budgeting
- One of the institutions we do business with has an early withdrawal penalty of only 2 months worth of interest
- We took some early withdrawal penalties to essentially rebuild the deposit ladder at higher rates
  - Much more profitable over the long-term
- Allowed us to get the best of both worlds
- Reminder-We need to reasonably preserve our fund balance to continue earning this level of interest revenue

Investment Interest Revenue 2011-2022



Total 2011-2022: $4,208,696

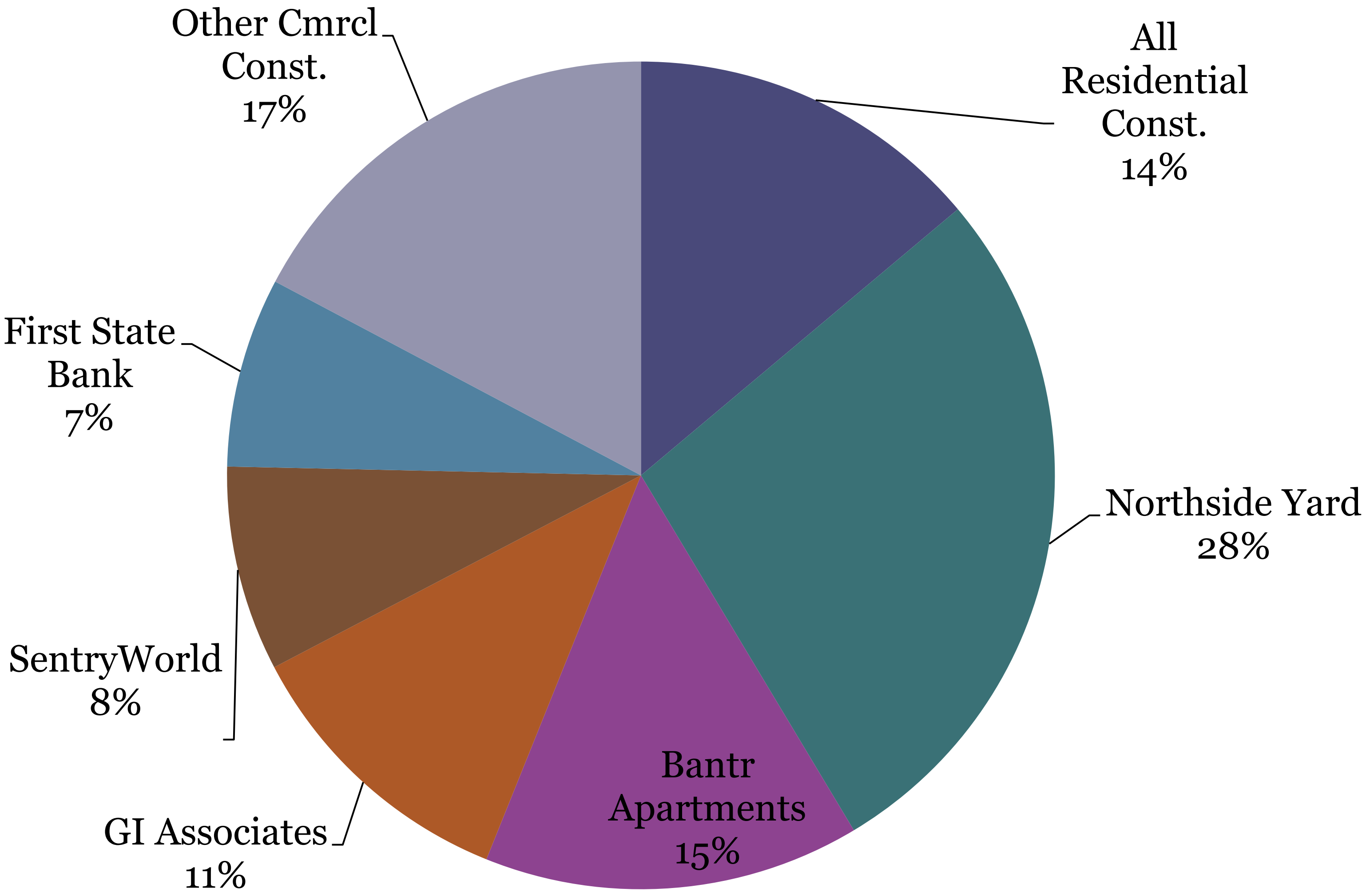
Stevens Point-Limits 2019-2024

Budget Year	Allowable Increase
2019	2.67%
2020	3.99%
2021	1.19%
2022	2.81%
2023	2.52%
2024	**1.33%**

Net New Construction-2024 Budget ($169,000)

- Construction between 1-1-2022 to 12-31-2022
- Total: $35,172,000
  - All Residential Const. 4,901,000
  - Northside Yard 9,716,000
  - Bantr Apartments 5,187,000
  - GI Associates 3,967,000
  - SentryWorld 2,830,000
  - First State Bank 2,618,000
  - Other Cmrcl Const. 6,088,000
  - Demolitions -135,000

Proportion: Net New Construction



General Transportation Aid ($99,000)

- Aid program that is a reimbursement for past transportation spending.
- Calculation is based on a rolling 6-year average of transportation spending, ranges from 15-17% reimbursement.
- Aid payment is going up for two reasons:
  - The State increased total funding for the program by 2%
  - Our average spending on roads has increased

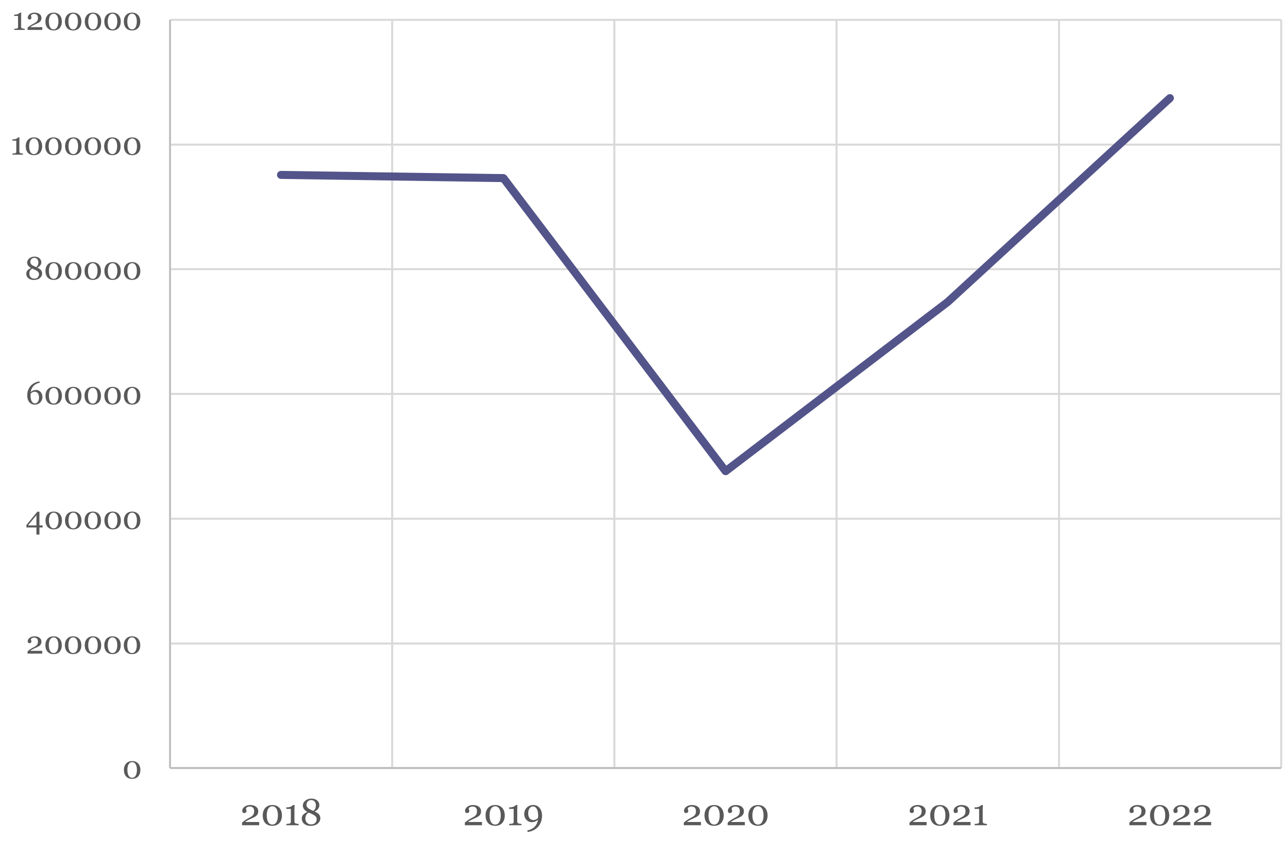
Wellness Expenses-Back to the Health Insurance Fund ($91,000)

- Wellness expenses have traditionally been budgeted in our self-funded health insurance fund
- For the 2021 budget, moved them to the General Fund in order to assist the Health Insurance Fund
- Health Insurance plan has performed well so far in 2023
- Proposing to move the wellness expenses back to the Health Insurance Fund
  - Savings to the General Fund, helps balance the budget

Increased Room Tax Revenue ($60,000)

- 8% Tax on Paid Hotel Stays
- Split up as follows
  - 30% General Fund
  - 46.86% Convention and Visitors Bureau
  - 23.14% Tourism Commission
- The $60,000 increase refers to the General Fund portion only
  - Benefits to other entities as well

Room Tax Collections are now higher than pre-pandemic amounts



Expenditure Restraint Program ($22,000)

- State aid program that provides an incentive to keep the total general fund budget size from growing beyond a specific percentage
- Payment amount based on amount of property taxes levied above $5.00/$1000 fair market value
  - Currently equals about 7% of taxes levied above the above threshold
- The State has not added money to this program, but our “share of the pie” has increased based on how our property values and taxes have changed versus other municipalities

Connecting Highway Aid ($21,000)

- Aid program for maintaining state highways that go through the City
  - Highway 66
- Funding has stagnated for years while costs of maintaining roads have gone up
- State finally recognized this and increased funding for the program by 25%

Budget-Uses of Available Funds (cont.)

- $774,000: Wage Increases
  - $141,000: Pay Plan Initial Implementation (Next step that gives an increase)
  - $149,000: Cost of Steps
  - $484,000: Cost of COLA (6.26%)
- $105,000: Increased IT Expenses
- $64,000: WRS (Pension) Contribution Rate Increases
- $63,000: Increased Election Expenses
  - Separate Fund now for Elections, will also need to utilize fund balance
- $60,000: Fire Dept. Union Wage Adjustment
- $22,500: Discretionary Line-Item Adjustments
  - Restored Cuts from Last Year

Pay Plan Adjustment History ($774,000)

Year	Percentage
2020	2.07%
2021	1.56%
2022	2.30%
2023	3.00%
2024	6.26%

2024 Minimum Wage Rate-Full Time Employees: $23.69/$49,275
Minimum After 5 Years (W/ Acceptable Performance): $27.13/$56,430
Note that we are unlikely to be able to do 6% COLAs in the future

Increased IT Expenses ($105,000)

- Needed to increase IT contracted services to address level of need citywide for IT support
- Also moved some software license fees from the Community Media Fund to the General Fund IT budget

WRS (Pension) Employer Contribution Rates ($64,000)

	2023	2024	Change
General	6.80%	6.90%	0.10%
Police	13.24%	14.34%	1.10%
Fire	18.14%	19.14%	1.00%

A New Way to Budget for Elections ($63,000)

- We are always alternating between 2 elections in odd-numbered years, and 4 elections in even-numbered years
  - Means costs are always either going down or going back up
  - Constant budget volatility
- Solution
  - Created a separate fund for elections (Pg 61 of budget book)
  - Will transfer the same amount into it every year ($107,320)
  - Fund will increase in odd-numbered years, and draw down in even-numbered years, acting like a shock absorber
  - Will need to do additional transfer from fund balance this year of $105,435 to get the fund started and prepared for the presidential election next year

Proposed Levy

- Levy of $19,163,440 with a projected assessed tax rate of $8.11*/1000
  - No increase in the levy from the previous year
- Tax Rate History
  - 2018: 9.56
  - 2019: 9.65
  - 2020: 9.95
  - 2021: 10.16
  - 2022: 10.86
  - 2023: 11.30
  - 2024: 8.11*

*Proposed/Projected. The total levy is what is being adopted, not the tax rate.

Tax Rate History

Year	Assessed	Equalized
2018	9.56	9.12
2019	9.65	9.20
2020	9.95	9.01
2021	10.16	8.94
2022	10.86	9.21
2023	11.30	8.68
2024	8.11*	7.95*

*Projected

Questions/Discussion