

**SPECIAL CITY COUNCIL MEETING
MONDAY, NOVEMBER 16, 2015 – 5:00 PM
COUNCIL CHAMBERS, CITY HALL**

Mayor Connors called the meeting to order at 5:16 p.m.

The Pledge of Allegiance was led by City Clerk Waswo

Roll Call. Present: Mayor Connors, Aldermen Chappell, Wall, Kordus, Hill, Gelting, Kupsik, Hedlund, Howell. Also Present: City Attorney Draper, City Administrator Oborn, Comptroller Pollitt and City Clerk Waswo

City Administrator Oborn explained the two resolutions and options. Option 1 reflected a balanced budget based upon a forecast of the city's assessed value. It included a \$249,443 increase from the previous year in expenditures and revenues, 1.5% salary increase for employees, and moving the fire protection fee to the utility bill. There were slight increases in debt service and the Library levies.

Option 2 is based upon the actual assessed value. With the higher assessment, the levy was raised \$110,000 keeping a flat mill rate. There is an increase of approximately \$60,000 in the contingency line item.

Option 2 can take some of the assessment and reduce it down from the \$155,010 in option 2a and go to Option 2b and allocate a part of that to increase the employee raises from 1.5% to 2% which would cost about \$20,000. The PSC is forcing the city to tie the water rate increase with the PFP fee. The PFP fee may have to be paid as a municipal charge as opposed to a direct charge on the utility bill (around \$19,500 a month). Mr. Oborn is projecting one month will be paid as a municipal charge but worst case is 3 months. The utility bill in April would not have the full 3 months as they are not authorized to charge for the whole period.

Alderman Kordus questioned in option 2b, if the PFP fee could be pulled out of contingency by resolution if needed and could that be the same for employee raises. Mr. Oborn replied it is an option. Mayor Connors explained each month is roughly \$19,500 provided to the utility to make them whole.

Mayor Connors opened the Public hearing pertaining to the adoption of the 2016 operating and capital budget for the City of Lake Geneva

Terry O'Neill, 954 George St, questioned if the transfer of the Fire Hydrant rental fee from property taxes to the water bill would be reflected as a 5% reduction in the 2016 property taxes. He asked the current budget draft shows a corresponding reduction of revenue and expenses in the 2016 spending budget. The number of full-time City administration workers is being reduced and replaced with part-time workers, which saves money but reduces employee perspective, loyalty and commitment to the City. In the Fire Department, the opposite is occurring where full-time employees increases and part-time employees and volunteers decreases. This results in department loyalty and job security increasing but reduces motivation. It also increases cost and influence in the City. The cost is not due to fighting fires but to transform the Fire Department into an EMS department that requires different equipment and personnel. He questioned if having an EMS division would benefit the residents or just the Fire Department and personnel.

Pete Peterson, 1601 Evergreen Lane, commented that income is speculation whereas the expense is more accurate, showing an increase of \$249,000. It also shows \$232,000 for the public fire protection charge. Therefore that expense is actually \$470,000. This is a 5 to 10% in cash outflow for the taxpayers. There is no equitable way to divide this cost to the rate payer and taxpayer. If moving an expense of \$232,000, then the bottom line should be \$232,000 less. The tax rate is being kept as what is being said is the same even though the assessments have gone up. The total expense is being raised to all the people who use water and the taxes. He questioned the difference between the contingency fund and undesignated reserve fund. He believes the undesignated fund should be the contingency fund.

Hedlund/Kordus motion to close the public hearing. Unanimously carried.

Resolution 15-R51, a resolution approving and adopting the 2016 operating and capital budgets for the City of Lake Geneva. City Administrator Oborn explained the reduction for the public fire protection fee strategy has been to increase the debt service to correspond. It is reported on the levy limit. The City has a lot of unused levy capacity in debt service so rather than pass it on; the strategy has been to increase the debt service to offset the reduction in the levy limit. Mr. Oborn noted EMS cost is a matter of service and results in faster response times with staff available to fight fires. It costs more with the paid on premise but is still cheaper than a career Fire Department. For undesignated funds, the City is at 25%. This is the optimal level our bonds rating company want the City to be at. If it continues above 25%, the Council may make the decision to spend some of the fund balance; however, it is there so immediate cuts are not made should something happen.

Alderman Hill was in favor of option 2b.

Hedlund/Hill motion to adopt Resolution 15-R51 to use option 2b and keep the mill rate flat.

Alderman Hedlund believes the City will have to pay the first month of the \$19,500 and would like employees to receive the 2% raise.

Alderman Gelting noted 2b includes 2% employee raises and would authorize payment of the PFP of \$19,000. He asked if it could be put on the tax roll. Mr. Oborn stated it will be adjusted but the City may have to file an amended levy limit. In subsequent years if the PFP charge goes up, the City will have to reflect that in levy limit increases. There is \$1 million debt service with about \$250,000 on the levy limit worksheet. The City has \$750,000 in levying authority. Mr. Gelting asked if 2b eliminates the contingency or just reduces it by that amount. Mr. Oborn explained 2a put it up to \$155,010. Option 2b brings it down to \$114,510 by the combination of the \$21,000 and \$19,500. Mr. Gelting said the City is moving \$232,000 off the tax roll but spending \$232,000 additional plus spending \$309,000 with 2b. Spending would be increased by \$541,000. Mr. Oborn said the net is \$309,000. Mr. Gelting questioned if they are comfortable increasing the spending fairly significantly. He feels the raises are well earned by staff, but has a hard time saying it is offset by increasing the debt service levy when the debt service payment is increased by \$34,000 not \$232,000. Mayor Connors added that Options 2a and 2b are keeping the mill rate flat to what it was last year because of the higher assessment. Mr. Oborn said the revenue is going up by the same amount, so we are keeping the same budget.

Mayor Connors noted Option 1 shows an increase in a part-time position in the Clerk's Office as well as increased elections and salary. The paid on premise for the Fire Department is an additional \$117,000. Revenue is generated by the increase in assessment and transfer of the fire protection fee. Mayor Connors stated Ms. Chappell was correct in stating the mill rate will remain the same and the increase in assessed value will bring in more taxes.

Alderman Wall asked if the increase from last year was \$156,000 plus the \$232,000. Mayor Connors replies it was under Option 2a. Last year \$8.1 million was budgeted, this year it is almost \$8.5 million. The only other major expense was \$95,000 for the Street Department. This is a 3.78% increase from last year. Mr. Gelting added they are also spending another \$232,000.

Alderman Kordus said what is really increasing is most the FPF with a potential cost of \$40,000, most likely \$19,500, and \$21,000 in employee raises. This is a minimum increase of \$40,500 and a maximum of \$60,000 in spending. He questioned if 2b is adopted, are they assuming the motion is to go with 2a or can they tag 2b to Option 1 as well as reduce the contingency on Option 1 and decrease the levy limit but still carry 2b forward. Alderman Kupsik explained Option 1 reduces the mill rate. Alderman Hill felt the City doesn't have the revenue to account for the options in 2b. Mr. Kordus commented we do, but they would have to reduce contingency down to \$35,000 or \$40,000. Mr. Gelting stated the undesignated funds would be added to if there was contingency left at year end. Comptroller Pollitt responded it could be designated to other funds such as equipment replacement or capital projects. Mr. Kordus is more comfortable with Option 1 and tagging Option 2b on to Option 1. Mayor Connors clarified Option 2b is keeping the mill rate flat and adding employee raises and the fire protection fee. Mr. Kordus followed by saying it is assuming Option 2a and adding the additional spending of up to \$60,000 for Option 2b. He would be much more comfortable with the reduction in mill rate and taking the \$40,000 to \$60,000 out of contingency. Alderman Hedlund would like to do it in one swoop as opposed to approving Option 2a and then coming back to the Council with an amendment to add those other items. Mr. Kordus again, prefers it tagged onto Option 1 rather than Option 2a and reduce the mill rate.

Mayor Connors questioned if by only taking the fire protection fee and employee raises, would the mill rate change or would contingency be reduced. Mr. Kordus would like to know what the mill rate change would be or take it all out of contingency. Ms. Chappell asked what the lower mill rate is and last time it was discussed, it was not worth it to lower. Ms. Pollitt explained the difference in Option 1 versus Option 2a or 2b. It is 5 cents on the mill rate, which would be \$5 per \$1,000 assessed value. Ms. Hill stated she is not comfortable with that small of a contingency fund. She noted the employees need to be taken care of and staff needs to be added. Last year they debated the 1.5% versus the 2% and said they could revisit the 0.5% and take it out of contingency. It never happened. The employees received 1.5% and the raise wasn't applied until June. She feels 2b is the most realistic option.

Mr. Wall noted his social security increased by 1.7% last year but this year is a 0% increase. If there isn't any inflation, why is there a 4% increase in the budget. Mr. Gelting restated he has a hard time saying the increase is so subtle when \$232,000 is moving to a fee. He understands and agrees with the move to expand that expense over a broader base with users that are not necessarily part of the tax base, but to not give the benefit of the reduction on the taxes feels like it is spending money like it is free money. He does not like increasing fees consistently and moving the expense side up. They need to do some pay increases and thinks 2% isn't too much to go as it is fairly modest. He felt staff will be worked harder as time goes on. They are fooling themselves to think it is ok to take that \$232,000 windfall and use it. He feels it needs to be given back to the people that are going to be paying it on their water bill.

Alderman Chappell stated it is not just a 2% increase in the wages; the bulk is the Fire Department paid on premise. Mr. Gelting replied it was \$31,000 net increase which is fairly modest. Ms. Chappell said the next biggest item is paying for the Public Works Director as well as another staff member at the Street Department. Mr. Gelting felt the budget needed to be fine tuned. They are taking the savings from the tax bill and shifting it to a fee on the water bill. He asked if they are comfortable shifting that to a fee to the constituents. Ms. Chappell said she would be more upset if it were to a piece of equipment and feels the items added are needed. It would bother her if half way through the year it was taken from contingency. She feels this was looked at wisely and the money is being used properly.

Mayor Connors would like staff to comment on the implication if they were to lower the levy. Mr. Oborn said the general rule is not to lower it as it is more challenging to raise it back up. Mayor Connors felt lowering it could mean long term implications. Mr. Gelting asked if the alternative would be to divert it to a debt service levy or increase the debt service by that amount. Mr. Oborn replied the goal is to lower debt to get to a pays as you go system. It puts money aside for equipment and they would only borrow for roads.

Mr. Wall is fine with employee raises, but asked if there was a contingency at \$95,000 then and now we are raising it. Ms. Pollitt explained that is Option 1. He feels Option 2b is too high. Ms. Chappell asked if they can do Option 2b to be tacked on to Option 1. Mayor Connors stated Option 1 decreased contingency by roughly \$40,000. It was noted recruitment, retirement and outside legal fees are some of the expenses that come out of the contingency fund.

Roll Call: Chappell, Hill, Kupsik, Hedlund, Howell voted "yes." Motion carried 5 to 3 with Alderman Wall, Kordus and Gelting voting "no."

Adjournment

Kordus/Hill motion to adjourn at 6:10 p.m. Unanimously carried.

/s/ Sabrina Waswo, City Clerk

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