

**FINANCE, LICENSE & REGULATION COMMITTEE - BUDGET WORKSHOP**  
**THURSDAY, OCTOBER 15, 2015 – 6:30 PM**  
**COUNCIL CHAMBERS, CITY HALL**

Alderman Kordus called the meeting to order at 6:30 p.m.

**Roll Call.** Present: Aldermen Howell, Gelting, Kupsik, Kordus and Wall. Absent: Alderman Kupsik. Also Present: City Administrator Oborn and Comptroller Pollitt.

**Comments from the public as allowed by Wis. Stats. §19.84(2), limited to items on this agenda, except for public hearing items. Comments will be limited to 5 minutes.** None.

**Discussion/Recommendation of the 2016 Budget**

City Administrator Oborn gave a summary of the budget, showing a deficit of \$42,804. The goal with regard to revenue is to keep the general property tax flat. Room tax was trending higher and he was comfortable raising it. The City gets 100% up to \$450,000 and anything above that is split. The Chamber gets 25% and the City gets 75%. On the shared revenue side, the City qualified for the expenditure restraint, which is an additional \$61,310. Last time we qualified in 2010, the City received \$1,500 for expenditure restraints. Mr. Oborn stated court and building and zoning were trending up. The police revenues were trending down and fire revenue was raised. The street department was trending down a little bit with traffic control staying the same. Park revenue is trending up. Mr. Oborn wants to put that money into a separate fund and use for capital replacements. He is hoping to raise the fee for the Brunk Pavilion, especially for out of town weddings. It can be done in a reserve or a special fund.

Alderman Kordus questioned the Fire revenues as the actual figures were significantly under estimated. He asked if the number budgeted is close to actual or ultra conservative. Mr. Oborn explained the Chief felt it was a conservative revenue number. There is about a \$25,000 increase between revenue and expenditures. Right now on the weekends, the calls are going to a private firm. When we have people on premise, they can answer EMS calls, which will increase revenue. Alderman Gelting noted it would be helpful to know what the 2015 actual revenues are year to date with the projection that was put together. Mr. Kordus hoped if the Fire Department was doing the paid on premise, the City could break even as opposed to running at a deficit. Mr. Oborn stated there is more volume in the summer than all year long. There is a possibility it will help our fund balance. Mr. Gelting would like to avoid what happened this summer where the paid on premises got added after the fact, mid-year. It was presented that funds would need to be allocated to this and it was done without going to Council. It came across as not the right way to lay out the budget. Alderman Howell stated having paid on premise Firefighters to break even or make a profit is not why they are there. They are there for another reason. Alderman Kordus and Gelting agreed. The paid on premise was paid out of excess in their revenue. Alderman Wall asked if the committee would rather have them say that there is going to be an extra \$100,000 and then they come up short. He feels what they are doing is fine. Mr. Kordus said they should be looking at actual numbers rather than being ultra conservative. Mr. Wall said no one knows how many calls they are going to get. Mr. Oborn commented any savings goes into fund balance on the revenue side. It is the expenditure side that he estimated. The problem is that it is easy to salary when it is a 40 hour work week. The calls become more difficult to double check what was done and they have to rely upon them. Mr. Gelting said it has been hedged pretty tight and he agrees with Mr. Kordus. There is a little bit of room where we might not have that type of deficit which is a good problem to have. Mr. Oborn said the real question is does he need the \$108,000. We could drop that down, which would help the \$42,000 deficit.

Mr. Oborn stated the general government was trending down with regard to expenditures. Contingency in this budget was dropped \$30,000. If there is surplus, we would put it back. Insurance was trending down because of the worker's comp. The real wild card here is what the health benefits are going to be. There is quite a significant increase of \$140,000. They have been trending even a little higher. We did raise it but are hoping with the 3-step approach it will trend down. This is the number that is the hardest to predict. Mr. Wall asked if there have been any savings since the changes have been put in place earlier this year. Mr. Oborn explained he hasn't been provided with any reports that suggested any yet. Mr. Wall asked if we are considering having the staff pay for part of their healthcare in the upcoming year. Mr. Oborn said in previous discussions, for the time being, it was discussed to not do that. The option the City was looking at is going fully insured. A quote should be coming in fairly soon for this next budget year. Mr. Wall said that change should be made at that time. Mr. Oborn explained he is not budgeting that because he does not

have a clue. The number may not come in. The only trend we have is being self insured. He would hope if we went that route, it would come down. Mr. Wall noted that right now it is a big increase. Mr. Oborn said it is a big increase and could even be higher. It has been a wild card in the past. We took the middle ground and didn't put in the whole \$1,500,000. Mr. Kordus said he thought there would be no change from the July period date but would look at employee payments toward their healthcare beginning January 1. He thought that was part of the agreement. It would be looked at with a phased approach starting January 1. Mr. Oborn answered we were going to look at self insured and the HSA options. The Council has always put that out there. Part of the reason the employees made the concessions for the increase in the benefit plan cost was to try to curtail the Council's desire to implement a premium. Mr. Kordus stated in these numbers we are not moving anywhere toward the reduction of the City having to pay that Cadillac tax. We aren't reducing any of the numbers or any of the benefits, so we aren't moving toward reducing that burden on the City. He asked if that is being pushed off to 2017. Mr. Oborn said it is not, he is still looking at the HSA option and the fully insured options. The compensation plan has been implemented, which will be talked about. We did the 4% lower because it's about 4% in salary if you were to implement the 10% deduction. Mr. Gelting asked if it is normally 12% at most municipalities. Mr. Oborn said 12% is what the state has. The most common is 10%. Mr. Gelting feels we made an implementation mid-year as a corrective action because of how out of control these costs are. From the looks of what they are being told, the implementation hasn't really done a whole lot. He noted he was under the impression that we are looking toward getting some sort of adjustment, not only with an HSA but to have an employee contribution or some other method. Mr. Oborn said when it goes back to Personnel, he will bring both options.

Mr. Oborn noted Common Council is trending up a little bit. City Clerk has a salary increase for the Clerk and a big election year with 4 elections, which explains the increase. Mr. Kordus asked if the number was comparable to 2012. Mr. Oborn said yes. The Clerk also budgeted for a part-time position. The Finance increase is pretty much the proposal that is coming to Personnel next week to add a Benefits Specialist position. Mr. Gelting questioned if there was anyone at the Utilities that has the financial expertise that could be helpful. Mr. Oborn wouldn't want to calculate any consolidation savings or movement of staff at this time. In the future if we have more staff then with attrition, we'll look at innovation and hope over time the consolidation would lead to savings. In the short run for this budget, he thinks it is too early to tell. If it were approved, it would be about a 3 month process.

Mr. Oborn explained City Hall was good news as it is trending down. Police expenses are trending down. Public fire protection charge was discussed earlier. Mr. Oborn is waiting for information from the PFC. Mr. Kordus asked if the Council addressed the public fire protection charge back in August. Mr. Oborn said fire protection is sometimes called hydrant rental. Mr. Kordus asked if the Council authorized that to go to direct bill. Mr. Oborn explained that they requested more information, which he has been gathering. One of the tricky things is subject to the levy limit but we have enough debt service on it so you can make a decision to drop the levy or you can bring up our debt service and wash it out. A decision needs to be made if they want to direct bill that on the utility bills. It would be around \$50 a year. Building and Zoning is trending higher. The numbers are conservative but if there is a lot of development, they can go higher.

Engineering was left flat. The Street Department excludes labor and 1/3 of the DPW wages, which Mr. Oborn is recommending be put into that position. Traffic control is trending a little higher. Museum is trending lower. Conservation is increases in the Chamber of Commerce. With adding the \$50,000 increase in revenue, the Chamber's payment goes from \$100,000 to \$112,500. The YMCA raised theirs about \$2,000. He noted there are a number of options that can be selected. Adding employee raises at 1.5% is an estimate of \$65,000, which he included. A 2% raise would be around \$85,000 if you wanted. The Finance Counter position is going to Personnel next week to be made into 2 part-time positions rather than 1 full-time. There is savings in health benefits that went towards the additional street laborer position. In the past, the Director of Public Works position has always worked for the City for free. Mr. Oborn does not think that should continue. He recommends the City pay 34% of that salary, which is around \$50,000. Mr. Oborn assumes the fire protection fee is going to be moved out in option number 1 and save \$232,000. The difference would be an increase in the contingency. That would get it up to \$82,000. The debt service has a slight increase in the way it is calculated. They can cut costs other places or raise the increment and levy. Capital levy was left the same. Library is asking to implement the compensation study and bring everyone up in one swoop as well as the City absorbing the whole cost at \$51,204. Option 2 is the same deficit to start; the raises are at 1.5%. Health benefits remain the same. The difference would be the fire protection fee. It would not be moved to the direct billing on the water bill. The best estimate Mr. Oborn has is an \$84,000 increase. We may not get that number in before the budget is finalized. Mr. Oborn noted he did not budget for the implementation of the compensation study, which is about \$14,500. He felt it could be done with contingency funds. We may not implement that the same way the Library

plans to. We are still completing the compensation study and we may not agree with some of those raises. They may be lowered to a lesser step. In regard to the public fire protection fee, administrative charges can be charged to the Utility Commission. Mr. Oborn came up with a rough estimate of \$20,000. We do provide insurance and benefit services for them. The contingency would be reduced from the \$60,000 by \$47,400. We can get a slight revenue increase by looking at the boat launch fee and getting \$500,000 there. Mr. Oborn also feels adjustments can be made in the levy. The levy would go up. The rate could remain the same by leaving our taxes the same rate. We are estimating that we can get upwards of \$110,000 because of our assessed value going up. The debt service increase would remain the same. He is open to either option or modify into a hybrid.

Alderman Kordus commented he really thought that we were going to move January 1 toward staff paying some portion of their health care. He is really surprised that it was not taken into consideration. Mr. Oborn did implement at another city he was at and administrative wise it creates some balancing issues. Mr. Kordus asked if it really creates that much work to add one more deduction to the payroll. Mr. Oborn explained it does create issues but overall, health benefits are a huge cost. Mr. Kordus noted he is not looking at it as a budget balancing item; it is more of a cost reduction toward the health care to avoid what is coming down the road. He thought the intention was to ease into it. Mr. Oborn explained if we were to ease in, he would keep the expenditure the same. Comptroller Pollitt stated the employees were lobbying that they took the hit on the copays and the coinsurance when the plan was revised. Most claims have a 60 day period before they are processed. We haven't seen what result we are going to get from those plan changes. With the thought of looking at a fully insured plan, when those rates become available which we may have by the end of the month, maybe we can realize the savings that you are looking for, which is how Ms. Pollitt recalled the discussion. Mr. Kordus said if we go to the fully insured plan, it doesn't do anything regarding the affordable care act as far as the Cadillac tax. Mr. Oborn noted that most fully insured aren't Cadillac. The rate for the number of employees has been moved up to 100. Ms. Pollitt explained in two weeks we are doing the second year of the wellness testing. This is the year that if the employees don't improve or keep their score in the healthy range, they are subject to a 10% premium share. That applies to them and their spouse. Conceivably, we could have some employees paying a 10% premium share as of January 1. Mr. Oborn stated there is already an employee paying because they didn't want to participate. It is hard to tell what the trend will be. Mr. Kordus stated if there is already someone paying, the administrative costs are there. He asked if it would be a difference if 1 person is paying or the entire employee base. Ms. Pollitt noted that employee is not with the City, so she is not handling the deduction. The changes need to be decided within the next month so an open enrollment period can be publicized to the employees so they can decide what they want to do. Mr. Kordus asked when they will have some solid numbers. Ms. Pollitt said she spoke with the brokers last week about the fully insured quotes, but apparently Obama just signed a law that the States are in control of what pool employers with under 100 employees fall in to. That is where we fall. We now have to wait for the fully insured companies to figure out how they are going to interpret it. Mr. Kordus asked if we are too late in the game to try to go fully insured for this year. Ms. Pollitt said she does not think so. Ms. Pollitt explained that is why the numbers were kept the way they were in the budget because we feel that we are covered in the best case now to stay self funded. We are tentatively looking at the third week in November for the open enrollment period. Alderman Wall stated this has been talked about for years now and he personally felt the staff should be paying toward their insurance. He feels each year it gets right to the end and nothing happens. This has to trend down. Alderman Gelting said we cannot keep footing the increases with the size that they are. He was under the impression that the mid-year adjustment that was made was an emergency correction to see what could be saved. He didn't look at it as a negotiation. Mr. Oborn stated the issue will be put on the Personnel agenda.

Mr. Oborn is looking for direction on option 1 or 2 or perhaps a hybrid of both. Alderman Howell is not sure how an answer can be given until they have an answer on that large expenditure. Mr. Kordus asked if you had to estimate, is the number too low if we have to stay in the self insured pool. He wonders if there will be a bigger hole to fill. Mr. Oborn said the worst case scenario was \$1.6 million. It is variable, that is the risk of being self insured. Mr. Kordus asked if there could be another hole in there. Mr. Oborn said worst case scenario. He is confident that the 3 pronged approach that has been implemented will drive us down. Mr. Kordus said the number is based on remaining self insured. Mr. Oborn answered he doesn't know what the rates would be to go fully insured. If it is advantageous, he wants to present that option to the Council. Mr. Oborn explained if the premium is brought down, if we do a premium share, it actually helps the employee because it is 10% of a smaller number. Mr. Wall suggested maybe we need a different agent. He said he noted back in June or July that he had been approached by a company that had substantial lower rates than what were presented to the Council. Mr. Oborn noted he is looking at other options. Mr. Gelting asked how far we are off from our 2015 budget number. He asked if a year to date is a reasonable way to forecast where we are going to end up for the year. Comptroller Pollitt shared through June our health insurance claims were

\$822,000. It is a little misleading because once you go over \$40,000 per person then our insurance kicks in and we get reimbursed. You can't just double it, because we would be getting some. As we said 3 months ago, part of the problem is that we have some very sick people on our plan. Mr. Gelting added we also have an inordinate number of family plans and no way of incentivizing people to take spouses' plans. Mr. Oborn stated a few people have dropped out of our plan when the plan design changed. In the numbers were above the trend before the change. Ms. Pollitt said if the Council feels that strongly about it, we need some direction on percentages and what plans would be affected and how does that impact the disincentive for the wellness program. Mr. Kordus suggested keeping the wellness program and have people pay more that don't participate or reach the healthy goal. Ms. Pollitt asked how that would affect raises. Mr. Kordus said one does not affect the other. Ms. Pollitt said we have held the levy flat since she has been with the City. Mr. Kordus stated between the two options, the significant difference is moving the PFP to the water bill. He felt as a Council they were moving in that direction anyway.

Mr. Oborn said a final decision did not need to be made today. The full Council will look at everything on October 21 at a special meeting and it will go to the regular Council on October 26. It will then be published and the final decision is made at the November 16 meeting. Right now we are just making a decision on what is the budget you publish. Mr. Kordus said in lieu of not knowing what our real healthcare costs are and some of the other numbers in a firm way, and knowing some direction has been given out, he feels more inclined to go with option 1. Mr. Gelting agreed. He does think a few things should be moved around. He agrees with the increase in the boat launch fees as well as changing the Front Counter position to two part-time positions. Mr. Kordus suggested implementing additional fees such as the parking stickers. He feels there is some abuse out there. There should be a 2 or 3 car maximum. A fee could be charged per sticker after that. Mr. Gelting asked for clarification on the contingency in option 1. Mr. Oborn said it is the balance. Mr. Kordus said we really have another \$22,000 that we have to cover and if we look at some of those options for fees. Mr. Gelting said that is an increase or a net decrease of \$8,000 from our previously budgeted contingency but that is a nice number if we want to go a little higher on the raise. Mr. Oborn asked Ms. Pollitt if the contingency is fairly new. Ms. Pollitt explained it has been budgeted for about 3 or 4 years and has worked out quite well. Mr. Gelting noted the Fire Department is looking to add another ambulance and hoped it was budgeted. He asked if some of that was set aside or available. Mr. Oborn said it would be part of the capital borrowing with allocating a balance into the equipment replacement fund. There was a significant savings with not putting in the full roof, so he's hoping all three of those issues together can address their capital needs. There will still be a proposal for the equipment replacement detail and redoing the capital projects fund. Mr. Kordus would like to direct staff to move forward with option 1; looking at moving additional revenue for things like lakefront and parking into option 1, and taking into consideration employee contributions to healthcare and solidifying the healthcare number. Mr. Gelting would like to see option 1 a little sharper along with tiers of what employee contribution percentages would look like. Ms. Pollitt asked if they want any raises built into the budget. Mr. Kordus believes they are building in 1.5% at this time, and that is included in option 1. Mr. Kordus asked to see 3%, 5%, and 10% contribution rates across single and family. Mr. Oborn asked if this would affect the retirees as they are all over the board. Mr. Kordus said it should be applied where it can be applied. Mr. Gelting wants to continue working on plan design.

Mr. Oborn noted the lakefront was raised a little bit by keeping the contribution to the general fund the same. The reserve went up by almost \$2,000. We could save a little bit of money by capping that at \$75,000 and putting a little less than \$2,000 into the general fund. The lakefront is trending higher. There were significant increases in the fee for the Riviera ballroom. The bad news is that parking is trending down on the revenue side. He held the transfer to the general fund the same, but it did create a deficit of \$13,216. People are paying less in fines. When the fines were raised, the total revenue from fines decreased. People began to comply. The transfer amount would need to be decreased into the general fund. Mr. Wall asked if the downtown parking is being used as much as last year. Mr. Kordus said less people are getting tickets. Comptroller Pollitt shared parking ticket revenue at 9 months is \$770,000. They year revenue finished at \$920,000. Meter revenue is at \$900,000 and we finished last year at \$919,000. We also lowered it because of the free parking in November and December.

### **Adjournment**

Gelting/Howell motion to adjourn at 7:46 p.m. Unanimously carried.

/s/ Sabrina Waswo, City Clerk

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