



**CITY OF STURGEON BAY
COMMITTEE OF THE WHOLE
MONDAY, OCTOBER 5, 2020
4:00 p.m.
COUNCIL CHAMBERS
CITY HALL - 421 MICHIGAN STREET
DAVID J. WARD, MAYOR**

1. Call to order.
2. Roll call.
3. Adoption of agenda.
4. Consideration of: 2021 Budget.
5. Adjourn.

NOTE: DEVIATION FROM THE AGENDA ORDER SHOWN MAY OCCUR.

Posted:

Date: 10.1.2020

Time: 3:40 pm

By: UM



Josh Van Lieshout
City Administrator

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Memorandum

To: Mayor David Ward and the Common Council
From: Josh Van Lieshout, Administrator
Val Clarizio, Finance Director
Date: October 1, 2020
Re: Recommendations and response to questions from the September 28th 2020 Committee of the Whole Budget Workshop

This memorandum is intended to address some of the questions and comments that came up during the Committee of the Whole meeting on Monday, September 28, 2020, and to address other significant increases/decreases to revenue and expense lines that have come forth since you received your initial budget packets.

As you may recall from prior years, budgetary numbers and valuations are reported and updated daily as the City works its way through the budget process.

- 1) Insurance premium deduction by increasing deductibles. Staff has reached out to the insurance provider and they will take a look at this and let us know if any significant savings can be realized by increasing deductibles.
- 2) Compost Fee. The fee schedule has been updated to reflect the reduction in the contractor compost permit fee, reducing it from \$1,000 to \$500.
- 3) Safety Program. The 2021 budget line item for the safety program has been updated to reflect the current costs, thereby, increasing the line item from \$10,800 to \$15,800.
- 4) Miscellaneous Consultants. Currently, the 2021 Miscellaneous Consultant line item is \$90,000. Following is what makes up that number:
 - Storm Water Operation, Maintenance and Repair Financing Study \$48,000
The City of Sturgeon Bay storm water system relies on an intricate network of storm sewer pipes, culverts spillways, ditches, inlets, catch and detention basins to manage storm water flow and discharge. The operation, maintenance and repair of this system is financed through the City's general and capital funds.

Revenue constraints, rising operational and capital reinvestment costs along with competition for limited general fund dollars drive the need to examine how this critical infrastructure is

financed. The purpose of this study is to examine sustaining means of financing the operation of the storm water management system off of the tax levy and general fund and determine the suitability of such for the City of Sturgeon Bay.

- Bayview Bridge Trail \$15,000
The purpose of this is to finalize engineering details for the path on the North and South sides of the highway at the south end of the Bay View Bridge.
- Child Care Study \$10,000
For the last several years the importance of child care for working families has become a topic central to employment and living in Sturgeon Bay and Door County. While many can anecdotally relate to the difficulties of finding child care, not much is actually known about the industry in Sturgeon Bay and Door County. These funds represent a small portion of the expected cost of a professional study, other agencies like Door County Economic Development Corporation will contribute to the study as well. The results of the study would be used to determine what, if any, other efforts need to be made regarding child care needs in the community; similar to the housing study.
- Hotel Study \$13,000
Recently, the City received an inquiry concerning the development of an additional hotel in the City, this inquiry like many others asks for certain incentives. The purpose of this study would be to independently determine the market capacity and feasibility of such development.
- GASB/Arbitrage Compliance \$4,000
These funds enable the city to access the third-party software necessary to accurately value the post-employment benefits required to be reported in the annual audit. In addition, to contract with an arbitrage specialist to timely compile and submit required filings for the City to remain in compliance with IRS, and Securities and Exchange Commission regulations concerning municipal debt obligations.

- 5) Increase Part-Time Administration Assistant to Full-Time. During the Committee of the Whole meeting, staff was asked what it would cost to increase the Part-Time Administrative Assistant position to a Full-Time position for the purposes of adding Grant Writing duties to this position. Assuming this position would pay in the mid-50s per year, the increase to the budget would be about \$68,000, including the benefit package.
- 6) Directive to Reduce the **Estimated** Proposed Tax Rate by 1%, decreasing it from 7% to 6%.

Staff discussed a few different options to address this and proposes the following two components accomplish the task.

The first component was briefly discussed at the Committee or the Whole meeting—adjusting some city fees. If approved, the below fee adjustments would yield roughly \$26,284 in revenue.

Fee Type	Current Fee	Proposed Fee	Date of Last change	Estimated Increased Income
Farm Market Fees				
Daily Vendor Farm Market Fee	20.00	40.00	12/3/2013	
Daily Vendor Farm Market Fee Half Space or Grass	15.00	30.00	12/3/2013	
Seasonal Vendor Farm Market Fee Per Space	150.00	300.00	12/3/2013	
Seasonal Vendor Farm Market Fee Extended Season	175.00	350.00	12/3/2013	
Total - Farm Market Proposed Estimated Increased Income				15,000.00
Marina Slip Fee	2,600.00	2,700.00	2020	2,200.00
Commercial Slip Fee - Special Charge for Water Weed Program	48.00	60.00	2011	7,764.00
Large item Pick up & Brush Collection	25.00	35.00	5/17/2016	1,320.00
Total Proposed Estimated Increased Income				26,284.00

The second component to address the desired tax rate decrease, is to apply a small amount of fund balance to close the gap, approximately \$45,000. It is acceptable to reduce fund balance for capital assets as it is currently at 48%, but a healthy, stable fund balance is important to maintain due to some of the other benefits such as receiving a great bond rating. During every bond rating call, the City's stable fund balance is discussed, and ultimately rewarded by the rating agency, as you all saw when the City received a .94% interest rate on the most recent debt issue. Another benefit afforded to the City by maintaining a healthy fund balance is the City's ability to react more quickly to economic development opportunities by having available cash on hand. So, it is not without reservation and full analysis that staff proposes to use a portion of the fund balance to mitigate the proposed, estimated tax rate increase for 2021.

- 7) Wisconsin DOT gave notice that General Transportation Aids will increase rather substantially for 2021. The projection for 2020 and 2021 revenues have been updated. The Increase to the 2020 projection is \$71,885. The DOT estimate for 2021 funding is \$113,220 more than what is in the current budget workpapers. Staff proposes to use this additional surplus, and any others that surface during the budget process (netting out any additional expenses that arise during this process) from 2020 and 2021 to offset the increased debt service payments in the upcoming years as well as any other budgetary increases. For example, we know right now that the scheduled debt payments increase from 2021 to 2022 will be just over \$400,000. This GTA surplus will be used to help offset that increase. A note of caution though, the state has maintained that state aids, Shared Revenue and General Transportation Aids, should not be affected by increased costs and lost revenues caused by the COVID pandemic in 2021 because the state budget had been set before that, BUT, the state has also expressed that it is possible there could be reductions in these aids in 2022. A conservative course of action would be to hold back on increasing spending now, as there may be future reductions in state aid that will have to be used to offset limited levy capacity for future debt and capital expenses.