

**CITY OF MERRILL
COMMITTEE OF THE WHOLE
Thursday, July 24, 2014 at 5:30 P.M.
City Hall Common Council Chambers
1004 East First Street**

AGENDA

1. Call to order
2. Public Comment
3. Consider 2015 budget request to Lincoln County for T.B. Scott Free Library (agenda item requested by Finance Director Unertl)
4. Consider 2015 budget request to Lincoln County for Merrill Ambulance/EMS (agenda item requested by Finance Director Unertl)
5. Consider assessment maintenance and revaluation contract with Bowmar Appraisal Inc. (agenda item requested by Finance Director Unertl)
6. Review and discussion of City of Merrill tax-levy supported debt service and potential restructuring options
7. Presentation and discussion on draft City of Merrill Capital Plan (agenda item requested by Finance Director Unertl)
8. Adjournment

NOTE: It is possible that a quorum of the Common Council will be present at this meeting. However, no Common Council action will be taken.

Agenda prepared by City Clerk Bill Heideman

The Merrill City Hall is accessible to the physically disadvantaged. If special accommodations are needed, please contact the Merrill City Hall at 536-5594.

Date and time agenda was posted: _____ *Posted by:* _____

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REQUEST TO INCLUDE ITEM ON AGENDA

Board or Committee: Committee of Whole

Date of Meeting: July 24th, 2014

Request by: Library Director Stacy Stevens,
Fire Chief Dave Savone,
and Finance Director Kathy Unertl

Describe below the item(s) you wish to have put on the agenda:
(please attach any pertinent information)

Consider 2015 budget requests to Lincoln County for:

- a. T.B. Scott Free Library; and
- b. Merrill Ambulance/EMS

Signed: *Kathy Unertl*

Date: 7/14/2014

Memo to: Dan Leydet, Lincoln County Finance Director
From: Stacy D. Stevens, T.B. Scott Free Library Director
Re: 2015 Budget Request
Date: July 24, 2014

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T.B. Scott Library

2015 BUDGET REQUEST

Personnel Services	754,862
Contractual Service	54,900
Supplies and Expenses	31,454
Fix Charges (Insurance)	7,400
Print Media—Library	55,050
Nonprint Media—Library	22,665
Technology	33,937
Special Major Projects	-0-
Subtotal	960,268
Est. misc. income (turned over to City)	-20,500
TOTAL	\$939,768

COUNTY REQUEST **\$424,775 (No Increase)**

CITY OF MERRILL REQUEST **\$514,993 (No Increase)**

Circulation to Lincoln County Residents in 2013 – 43.7%
Circulation to Lincoln County Residents in 2012 – 45.5%
Circulation to Lincoln County Residents in 2011 – 45.3%

For a second year, due to ongoing fiscal challenges at both municipal and county levels, the T.B. Scott Free Library Board approved a library budget that reflects no increase from the previous budget. As such, the Board’s funding requests to the municipality and the county will be the same as that in 2014.

This budget request has been approved by the Library Board of Trustees 7/16/2014 and the City of Merrill Personnel & Finance Committee / Committee of the Whole 7/24/2014.

CITY OF MERRILL
 PROPOSED BUDGET WORKSHEET
 AS OF: JUNE 30TH, 2014

10 -General Fund
 Library

	2012	2013	(-----2014-----)			(-----2015-----)		
	ACTUAL	ACTUAL	CURRENT BUDGET	Y-T-D ACTUAL	PROJECTED YEAR END	REQUESTED BUDEGT	BUDGET CHANGE	PROPOSED BUDGET
REVENUES								
<u>Intergovernmental</u>								
45110-43790 County Library Aid	428,218	424,775	424,775	212,388	424,775	424,775	0	
TOTAL Intergovernmental	428,218	424,775	424,775	212,388	424,775	424,775	0	
<u>Public Charges-Services</u>								
45110-46710 Library Revenue	20,204	19,400	20,500	10,424	20,500	20,500	0	
TOTAL Public Charges-Services	20,204	19,400	20,500	10,424	20,500	20,500	0	
<u>Miscellaneous Revenues</u>								
45110-48400 Library Endowment Reimb.	32,485	3,086	0	0	20,000	0	0	
45110-48450 Ins. - Sprinkler Damage	4,218	0	0	0	0	0	0	
45110-48455 Friends of Lib. Reimb.	1,323	2,643	0	120	0	0	0	
45110-48475 Library Programs Revenue	0	2,130	0	1,600	0	0	0	
45110-48500 Grant - Mead Witter	10,000	0	0	0	0	0	0	
45110-48555 Grant - WVLS System Aid	3,322	0	0	0	0	0	0	
45110-48750 Grant - Walmart	0	0	0	1,000	0	0	0	
TOTAL Miscellaneous Revenues	51,348	7,859	0	2,720	20,000	0	0	
TOTAL REVENUES	499,771	452,034	445,275	225,532	465,275	445,275	0	
EXPENDITURES								
<u>Personnel Services</u>								
55110-01-11000 Salaries - Regular	157,751	163,393	165,792	76,139	165,792	170,664	4,872	
55110-01-21000 Wages - Perm - Regular	350,175	347,022	356,729	163,809	356,729	368,031	11,302	
55110-01-22000 Overtime	212	1,002	0	506	750	0	0	
55110-01-23000 Longevity	2,412	1,845	1,656	0	1,656	1,656	0	
55110-01-51000 Social Security	36,716	38,585	40,100	18,602	33,673	41,337	1,237	
55110-01-52000 Retirement (WRS)	28,781	31,302	33,783	17,295	33,783	33,817	34	
55110-01-52500 Prior Service-Debt Serv.	3,392	3,467	3,378	3,378	3,378	3,481	103	
55110-01-54000 Health Insurance	130,270	144,363	144,723	79,353	144,723	132,007	(12,716)	
55110-01-55000 Life Insurance	4,128	3,608	4,123	1,868	4,123	3,869	(254)	
TOTAL Personnel Services	713,837	734,587	750,284	360,949	744,607	754,862	4,578	

55110-01-1100Salaries - Regular

PERMANENT NOTES:
 Salaried include Library Director, Assistant Library Director, and a Department Head.

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CITY OF MERRILL
 PROPOSED BUDGET WORKSHEET
 AS OF: JUNE 30TH, 2014

10 -General Fund
 Library

			2014			2015		PROPOSED BUDGET
	2012 ACTUAL	2013 ACTUAL	CURRENT BUDGET	Y-T-D ACTUAL	PROJECTED YEAR END	REQUESTED BUDEGT	BUDGET CHANGE	
Contractual Services								
55110-02-15000 Contract Services	0	65	0	0	0	0	0	
55110-02-15500 Snow Removal Services	462	583	750	0	750	750	0	
55110-02-16000 Elevator Contract/Inspect	2,404	2,472	2,600	2,557	2,600	2,600	0	
55110-02-16250 HVAC Service	0	0	0	0	0	0	0	
55110-02-16500 Fire/Security System Cont	1,549	1,659	1,700	174	1,700	1,700	0	
55110-02-21000 Water and Sewer	1,360	1,394	1,300	743	1,300	1,300	0	
55110-02-22000 Electric	27,849	27,419	28,500	11,170	28,000	28,500	0	
55110-02-22500 Fuel - Natural Gas	8,613	10,259	11,000	9,198	14,000	11,000	0	
55110-02-23100 Janitorial Services Contr	0	0	0	0	0	0	0	
55110-02-23250 Facility Cleaning Service	5,976	6,117	6,500	3,009	6,500	6,300	(200)	
55110-02-23500 Misc Facility/Equip Servi	338	225	250	58	250	0	(250)	
55110-02-25000 Telephone	2,709	2,691	1,500	1,660	1,500	1,500	0	
55110-02-26000 Office Equipment Service	1,195	698	1,250	0	1,250	1,250	0	
TOTAL Contractual Services	52,456	53,583	55,350	28,569	57,850	54,900	(450)	
Supplies & Expenses								
55110-03-10000 Office Supplies	2,844	2,061	1,800	849	1,800	1,800	0	
55110-03-10500 Library Supplies	9,511	6,924	7,150	2,867	7,150	7,150	0	
55110-03-11000 Postage	5,351	3,823	5,000	2,954	5,000	4,500	(500)	
55110-03-13000 Copier/Printing	780	644	1,000	315	1,000	1,000	0	
55110-03-21000 Membership Dues	232	200	250	0	250	250	0	
55110-03-30500 Mileage	1,859	1,992	1,600	679	1,600	1,600	0	
55110-03-31000 Misc. - Petty Cash	42	21	75	(41)	75	75	0	
55110-03-32000 Education & Conference	4,967	2,686	2,000	659	2,000	1,000	(1,000)	
55110-03-41000 Public Relations/Publicit	1,944	2,167	2,500	294	2,500	2,000	(500)	
55110-03-41250 Programming - Adult	380	300	250	420	250	250	0	
55110-03-41251 Misc Rev-Programming Adul	1,846	620	0	0	0	0	0	
55110-03-41500 Programing - Youth	1,244	2,298	1,000	888	1,000	1,000	0	
55110-03-41501 Misc Rev-Programming-Yout	569	3,721	0	2,176	0	0	0	
55110-03-41750 Hospitality	557	429	300	128	1,000	300	0	
55110-03-41751 Misc Rev-Hospitality	230	0	0	0	0	0	0	
55110-03-44000 Janitor Supplies	3,687	3,897	3,750	2,278	3,750	3,750	0	
55110-03-50000 M/R-General Repair/Maint.	8,569	7,878	5,850	1,938	5,850	5,650	(200)	
55110-03-50001 Mis Rev-M/R General/Cont	4,996	1,477	0	0	0	0	0	
55110-03-50275 M/R - Contingency	12,268	2,424	1,400	2,275	3,000	1,129	(271)	
55110-03-50750 M/R- Equipment Maint.	0	0	0	0	0	0	0	
TOTAL Supplies & Expenses	61,877	43,563	33,925	18,680	36,225	31,454	(2,471)	
Fixed Charges								
55110-05-10000 Ins.-Property, Liability,	6,541	7,794	7,400	1,403	7,400	7,400	0	
TOTAL Fixed Charges	6,541	7,794	7,400	1,403	7,400	7,400	0	

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10 -General Fund
 Library

	2012 ACTUAL	2013 ACTUAL	2014			2015		PROPOSED BUDGET
			CURRENT BUDGET	Y-T-D ACTUAL	PROJECTED YEAR END	REQUESTED BUDEGT	BUDGET CHANGE	
Capital Outlay								
55110-08-50000 Special/Major Projects (18)		0	0	0	0	0	0	
55110-08-50001 Misc Rev-Special/Major Pr	1,745	903	0	693	0	0	0	
55110-08-50500 Capital Equipment/Outlay	7,171	0	0	0	0	0	0	
55110-08-50501 Misc Rev-Capital Equip/Ou	33,735	676	0	0	0	0	0	
55110-08-57500 Sprinkler Damages	4,718	0	0	0	0	0	0	
TOTAL Capital Outlay	47,350	1,579	0	693	0	0	0	

55110-08-5050 Misc Rev-Capital Equip/Out PERMANENT NOTES:
 For 2012 - Mead Witter (\$10,000) furniture replacement.

Print Media - Library

55110-13-10000 Adult Dept Fiction	9,336	9,818	9,700	4,271	9,700	9,700	0	
55110-13-10100 Adult Dept Non-Fiction	11,748	12,167	10,150	7,209	10,150	10,150	0	
55110-13-10200 Adult Dept Paperbacks	1,974	1,634	1,800	789	1,800	1,800	0	
55110-13-10300 Adult Dept Reference	2,180	1,300	500	985	500	500	0	
55110-13-10400 Adult Dept Large Print	2,831	4,162	3,800	1,594	3,800	3,800	0	
55110-13-20000 Youth Children's Books	16,315	15,378	15,700	7,529	15,700	15,700	0	
55110-13-20100 Young Adult Books	3,702	2,799	2,600	772	2,600	2,600	0	
55110-13-20200 Youth Services Reference	1,496	694	500	238	500	500	0	
55110-13-30000 Standing Orders	1,901	1,658	1,300	257	1,300	1,300	0	
55110-13-40000 Professional Books	120	24	0	0	0	0	0	
55110-13-50000 Magazines/Periodicals	9,113	9,188	9,000	1,746	9,000	9,000	0	
55110-13-60000 Pamphlets	0	0	0	0	0	0	0	
55110-13-75000 Misc Rev-Grant Print	0	0	0	0	0	0	0	
TOTAL Print Media - Library	60,715	58,820	55,050	25,389	55,050	55,050	0	

Non-Print Media-Library

55110-14-10000 Adult Dept Audio Books	0	0	0	0	0	0	0	
55110-14-10100 Adult Dept Books on CD	3,869	3,476	4,865	2,447	4,865	4,865	0	
55110-14-10200 Adult Dept CDs	2,155	2,117	2,150	351	2,150	2,150	0	
55110-14-10300 Adult Dept CD-ROMs Circ.	0	0	0	0	0	0	0	
55110-14-10301 Misc Rev-Adult Software	777	0	0	0	0	0	0	
55110-14-10400 Adult Dept DVDs	4,425	4,227	4,250	1,292	4,250	4,250	0	
55110-14-10500 Adult Dept Videos	0	0	0	0	0	0	0	
55110-14-20000 Youth Audiobooks & CDs	1,979	2,878	2,800	1,487	2,800	2,800	0	
55110-14-20100 Youth Videos, DVDs & CD-R	3,378	2,954	2,800	1,163	2,800	2,800	0	
55110-14-30000 Microfilm	528	435	500	100	500	500	0	
55110-14-40000 Learning Games/Story Boxe	353	260	300	96	300	300	0	
55110-14-45000 Ebooks/Digital Content	2,975	6,213	5,000	3,956	5,000	5,000	0	
55110-14-45001 Misc Rev-Ebooks/Digital	2,537	0	0	0	0	0	0	
55110-14-45900 Misc Rev-Grant Non-Print	0	0	0	0	0	0	0	
TOTAL Non-Print Media-Library	22,976	22,561	22,665	10,892	22,665	22,665	0	

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CITY OF MERRILL
 PROPOSED BUDGET WORKSHEET
 AS OF: JUNE 30TH, 2014

10 -General Fund
 Library

	2012	2013	2014			2015		
	ACTUAL	ACTUAL	CURRENT BUDGET	Y-T-D ACTUAL	PROJECTED YEAR END	REQUESTED BUDEGT	BUDGET CHANGE	PROPOSED BUDGET
Technology								
55110-15-31000 Computer Supplies	3,651	4,434	3,350	314	3,350	3,350	0	
55110-15-32750 T1/Internet Access	4,144	3,748	5,000	0	5,000	4,530	(470)	
55110-15-40000 Computer/Network Maintena	9,000	9,250	9,000	4,500	9,000	9,000	0	
55110-15-42500 Computer Equipment	17	9,278	0	0	0	0	0	
55110-15-47500 Software/Upgrades	3,535	2,648	730	219	730	986	256	
55110-15-70000 V-Cat Shared Automation	15,560	14,708	16,014	0	16,014	16,071	57	
55110-15-71000 Computer Contingency	13,105	475	1,500	20,559	22,000	0	(1,500)	
TOTAL Technology	49,011	44,540	35,594	25,593	56,094	33,937	(1,657)	
TOTAL EXPENDITURES	1,014,764	967,027	960,268	472,168	979,891	960,268	0	
REVENUE OVER/(UNDER) EXPENDITURES	(514,993)	(514,993)	(514,993)	(246,637)	(514,616)	(514,993)	0	

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CITY OF MERRILL
 PROPOSED BUDGET WORKSHEET
 AS OF: JUNE 30TH, 2014

10 -General Fund
 Ambulance/EMS

	2012 ACTUAL	2013 ACTUAL	2014			2015		
			CURRENT BUDGET	Y-T-D ACTUAL	PROJECTED YEAR END	REQUESTED BUDEGT	BUDGET CHANGE	PROPOSED BUDGET
<u>Supplies & Expenses</u>								
52300-03-10000 Office Supplies	2,002	2,330	1,000	1,120	2,000	2,000	1,000	
52300-03-32000 Education & Conference	6,759	6,768	6,000	3,249	6,500	7,000	1,000	
52300-03-40000 Operating Supplies	44,516	50,625	46,500	24,768	48,953	47,500	1,000	
52300-03-40250 Linens & Laundry	8	82	150	0	150	150	0	
52300-03-51000 Amb. Repair/Maintenance	10,925	15,174	7,000	7,255	10,000	7,000	0	
52300-03-53000 Gas & Oil - Vehicles	10,645	12,076	13,275	6,232	12,500	12,500	(775)	
TOTAL Supplies & Expenses	74,854	87,055	73,925	42,625	80,103	76,150	2,225	
<u>Technology</u>								
52300-15-92500 CAD-Linking Software	0	0	0	0	2,500	2,500	2,500	
TOTAL Technology	0	0	0	0	2,500	2,500	2,500	
TOTAL EXPENDITURES	940,114	967,079	987,000	470,465	985,575	994,500	7,500	
REVENUE OVER/ (UNDER) EXPENDITURES	0	0	0	(70,676)	0	0	0	

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REQUEST TO INCLUDE ITEM ON AGENDA

Board or Committee: Committee of Whole

Date of Meeting: July 24th, 2014

Request by: Finance Director Kathy Unertl

Describe below the item(s) you wish to have put on the agenda:
(please attach any pertinent information)

Consider assessment maintenance and revaluation contract with Bowmar Appraisal Inc.

City of Merrill has existing contract with Bowmar Appraisal, Inc. through 2015 (for \$29,500 for assessment maintenance and electronic updates).

The following provides an overview of Assessed and Equalized Valuations beginning in 1990 through 2013. The 1/1/2014 assessments are pending.

Also provided is proposed Capital Plan financing proposal for the proposed 1/1/2016 revaluation, as well as the proposal 2015 – 2017 contract.

Signed: *Kathy Unertl*

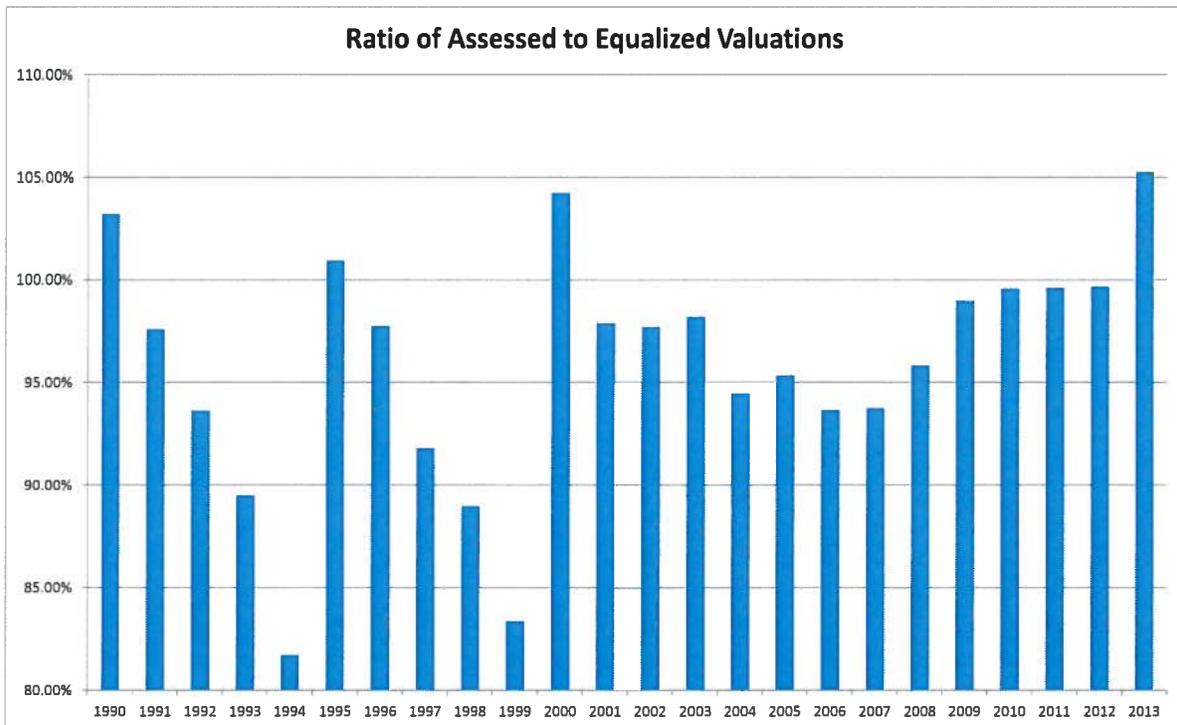
Date: 7/16/2014

City of Merrill

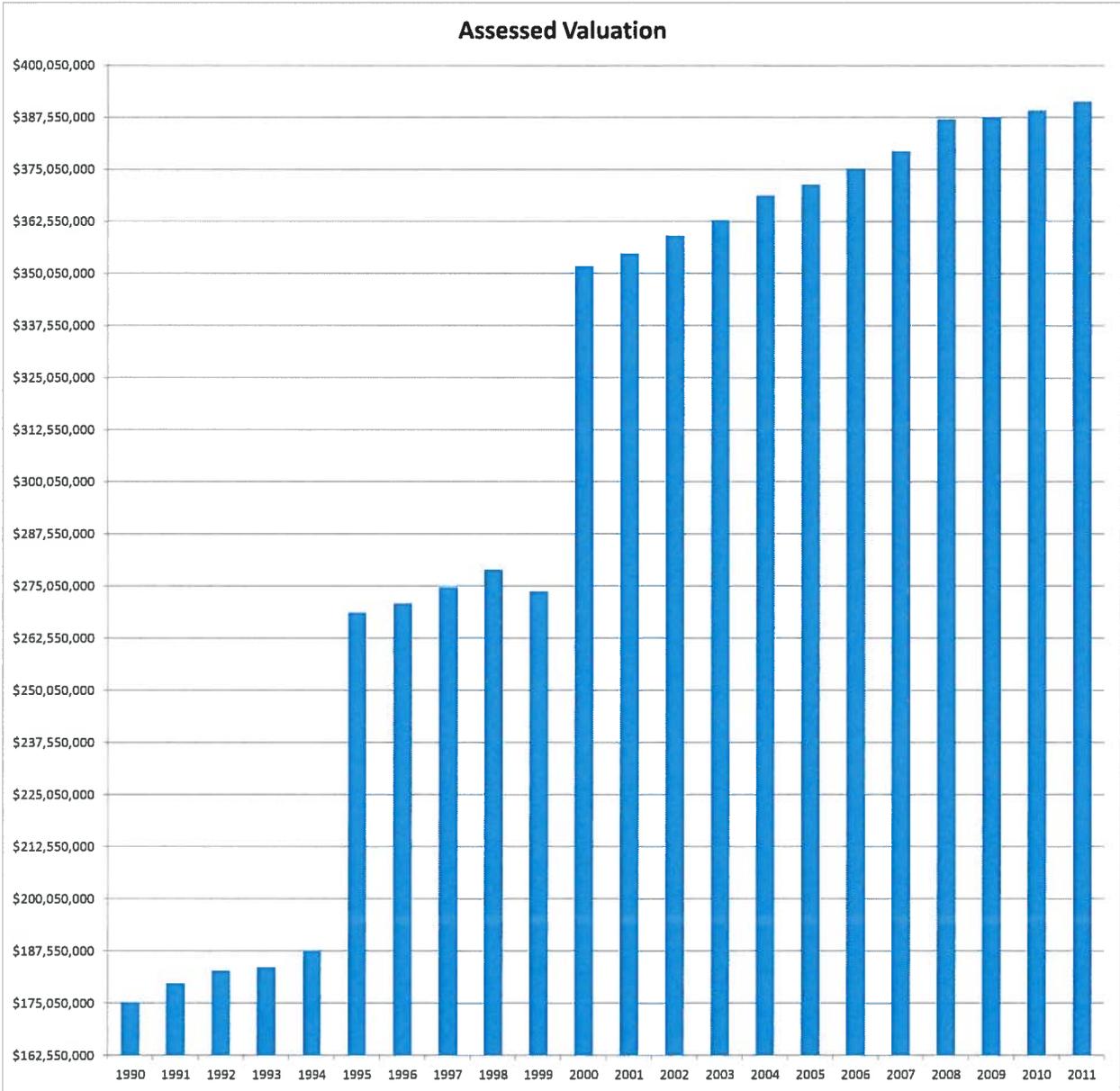
Assessed and Equalized Valuations

Levy Year	Assessed Valuation	% Change	Equalized Valuation TID In	% Change	Equalized Valuation TID Out	% Change	TID Value Increment	% Change	Ratio of Assessed to Equalized Value
1990	\$175,190,130		\$169,701,400						103.23%
1991	\$179,743,100	2.6%	\$184,606,700	8.8%					97.60%
1992	\$182,748,000	1.7%	\$195,158,800	5.7%					93.63%
1993	\$183,661,300	0.5%	\$205,382,800	5.2%			\$0		89.48%
1994	\$187,572,000	2.1%	\$229,599,300	11.8%	\$227,152,000		\$2,447,300		81.69%
1995	\$268,655,400	43.2%	\$266,158,000	15.9%	\$260,059,100	14.5%	\$6,098,900	149.2%	100.94%
1996	\$270,907,700	0.8%	\$277,149,700	4.1%	\$270,658,400	4.1%	\$6,491,300	6.4%	97.75%
1997	\$274,768,800	1.4%	\$299,312,000	8.0%	\$291,524,500	7.7%	\$7,787,500	20.0%	91.80%
1998	\$279,000,000	1.5%	\$312,124,600	4.3%	\$302,842,600	3.9%	\$9,282,000	19.2%	88.98%
1999	\$273,770,700	-1.9%	\$328,478,800	5.2%	\$319,232,100	5.4%	\$9,246,700	-0.4%	83.35%
2000	\$351,837,900	28.5%	\$337,474,600	2.7%	\$325,735,200	2.0%	\$11,739,400	27.0%	104.26%
2001	\$354,830,500	0.9%	\$362,443,800	7.4%	\$348,699,900	7.1%	\$13,743,900	17.1%	97.90%
2002	\$359,114,300	1.2%	\$367,544,800	1.4%	\$353,312,300	1.3%	\$14,232,500	3.6%	97.71%
2003	\$362,941,900	1.1%	\$369,727,200	0.6%	\$355,235,400	0.5%	\$14,491,800	1.8%	98.20%
2004	\$368,876,400	1.6%	\$390,524,700	5.6%	\$390,524,700	9.9%	\$0	-100.0%	94.43%
2005	\$371,496,700	0.7%	\$389,885,100	-0.2%	\$389,885,100	-0.2%	\$0		95.35%
2006	\$375,339,700	1.0%	\$398,547,900	2.2%	\$395,691,400	1.5%	\$2,856,500		93.67%
2007	\$379,466,000	1.1%	\$404,809,100	1.6%	\$398,948,900	0.8%	\$5,860,200	105.2%	93.74%
2008	\$387,130,900	2.0%	\$404,161,700	-0.2%	\$396,868,900	-0.5%	\$7,292,800	24.4%	95.82%
2009	\$387,613,100	0.1%	\$391,590,700	-3.1%	\$384,545,100	-3.1%	\$7,045,600	-3.4%	98.98%
2010	\$389,251,200	0.4%	\$390,935,400	-0.2%	\$382,255,600	-0.6%	\$8,679,800	23.2%	99.57%
2011	\$391,370,000	0.5%	\$392,919,700	0.5%	\$382,748,200	0.1%	\$10,171,500	17.2%	99.61%
2012	\$389,937,400	-0.4%	\$395,700,100	0.7%	\$385,099,400	0.6%	\$10,140,000	-0.3%	99.67%
2013	\$394,235,310	1.1%	\$374,530,100	0.7%	\$364,710,300	-5.3%	\$9,819,800	-3.2%	105.26%
Change	\$4,297,910		(\$21,170,000)		(\$20,389,100)		(\$320,200)		

Note: 1/1/2014 Assessments are pending.



City of Merrill



Capital Plan

2015 thru 2019

City of Merrill, Wisconsin

Department Administration

Contact Finance Director

Type Assessments

Useful Life 5 years

Category Assessments - Property Values

Priority 1 Critical

Project # **A-16-001**
 Project Name **Revaluation (1/1/2016)**

Total Project Cost: **\$133,000**

Description

Last City reassessment was 1/1/2000. Per the City Assessor Kit Koski from Bowmar Appraisal, there is increasing variance between sale price and assessed valuations.

Proposed reassessment valuation as of 1/1/2016 with field work in 2015 and 2016. Board of Review would be held in September or October 2016.

Total assessment maintenance and revaluation cost of \$158,000 (with 2016 payments).

Justification

Last reassessment was 1/1/2000.

Report at 2014 Board of Review from City Assessor Kit Koski from Bowmar Appraisal is that there is increasing variance between sale price and assessments.

Per 6/19/2014 phone conversation with Roger Koski from Bowmar Appraisal and Finance Director Kathy Unertl: With the increasing variance between sales and assessments, it is likely that City of Merrill will be required by Wisconsin Department of Revenue to reassess within the next several years.

Expenditures	2015	2016	2017	2018	2019	Total
Other		133,000				133,000
Total		133,000				133,000

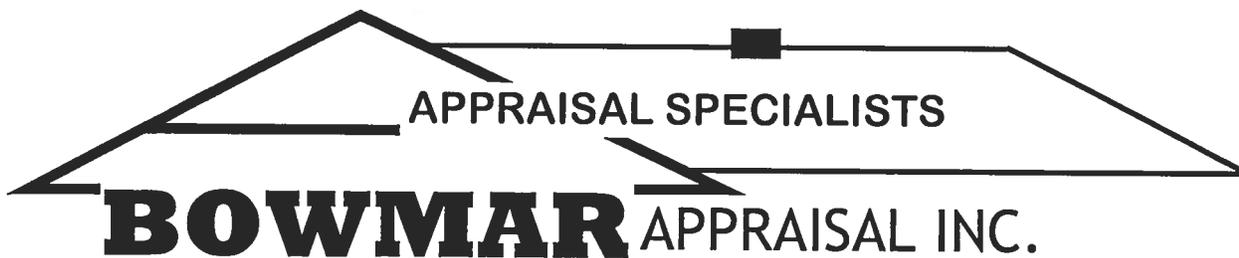
Funding Sources	2015	2016	2017	2018	2019	Total
Tax Levy	66,500	66,500				133,000
Total	66,500	66,500				133,000

Budget Impact/Other

Finance Director proposes allocating Capital Funds in 2015 and 2016 for the 1/1/2016 revaluation. There would also continue to be \$25,000 in 2016 Assessment Department tax levy operational budget.

Non-Lapsing account would be created in 2015 for this major 2016 expenditure.

Budget Items	2015	2016	2017	2018	2019	Total	Future
Maintenance	29,800	25,000	24,900	25,500	26,000	131,200	26,500
Total	29,800	25,000	24,900	25,500	26,000	131,200	Total



City of Merrill – Lincoln County

Maintenance & Revaluation Contract

THIS AGREEMENT by and between BOWMAR APPRAISAL INC., hereinafter called the "Appraiser", and the CITY OF MERRILL, Lincoln County, Wisconsin, hereinafter called the "Municipality".

WITNESSETH: The Appraiser and the Municipality for the consideration stated herein agree as follows:

ARTICLE I

SCOPE OF WORK: The Appraiser shall complete assessor and revaluation work of all taxable real property within the Municipality for the 2016

Assessment Roll. The Appraiser agrees to perform everything to be performed and to complete in a professional manner all the work required under this agreement in accordance with the Wisconsin State Statutes.

ARTICLE II

COMPENSATION: The Municipality shall pay to the Appraiser for the performance of the contract the following compensation:

SECTION I

For maintenance during 2015 and 2017 and revaluation of 2016 for all taxable real property and personal property, the Appraiser shall be paid the base compensation of two hundred twelve thousand four hundred dollars (\$212,400)

SECTION II

For the providing of services as described below the following compensation:

1. For attending the Board of Review for more than 2 work day, the Appraiser will be paid \$375 per day.
2. For any days that require the Appraiser to defend the assessed values before the Department of Revenue or the courts, whether pretrial or trial, the Appraiser shall be paid \$375 per day.
3. For attending informal hearing more than 10 days, 2016, the Appraiser will be paid \$375 per day.
4. For correction of taxable legal descriptions: no charge.
5. For additional residential improved parcels: N/C.
6. For additional mercantile improved parcels: N/C.
7. For additional vacant parcels: no charge.

The base parcel count was obtained from the 2014 Assessment Roll and charges for additional services are calculated from that number of accounts. Numbers 1 through 3 will only be charged during the 2016 Revaluation year.

ARTICLE III

AGREEMENTS - APPRAISER: The Appraiser agrees to perform the following for the Municipality:

1. **CONFORMANCE TO THE STATUTES.** All work shall be accomplished in accordance with the provisions of the laws of the State of Wisconsin and in full compliance with all the rules and regulations officially adopted and promulgated by the Wisconsin Department of Revenue at the time of signing of this contract.
2. **PERSONNEL.**
 - a. All personnel of the Appraiser providing services shall be currently certified in compliance with Section 70.055.
 - b. The Appraiser shall review any complaint relative to the conduct of his employee(s). If the Municipality deems the performance of any of the Appraiser's employees to be unsatisfactory, the Appraiser, shall, for good cause, remove such employee(s) from work upon written request from the Municipality, such request stating reasons for removal.

3. **ASSESSMENT MANUAL.** All assessments shall be made in accordance with the 2012 version of the Wisconsin Property Assessment Manual Volume 1 & the 2001 Wisconsin Property Assessment Manual Volume 2.

ARTICLE III (continued)

4. **PREPARATION OF RECORD CARDS.** The Appraiser shall update individual record cards for each parcel to be revalued on forms approved by the Department of Revenue.
5. **DATA FOR EVALUATION.** The Appraiser will gather and analyze construction and market data necessary to appraise the revalued properties. This data will be noted on the individual property record cards. All data gathered will become the property of the Municipality.
6. **DATA COLLECTION.** The Appraiser will physically inspect each parcel to be appraised if possible. He will check all improvements and furnish a complete outline sketch to scale of the major buildings showing all additions, porches and appendages with dimensions and necessary identification on the proper record cards. All pertinent construction data of improvements will be entered on the appropriate property card. The date of inspection of all major buildings will be indicated on the record cards. If the Appraiser is refused by the owner or occupant to inspect the interior of a major building, the Appraiser will list and value the improvements according to the best information he can practically obtain.
 - a. If no one is home at the time of visit, a card notifying the owner of the appraisers visit will be left at the property explaining why property was visited.

7. IMPROVEMENTS - VALUATION.

- a. The Appraiser shall consider all appropriate approaches to value.
- b. In valuing improvements by the Cost Approach, replacement costs shall be derived from Market Drive CAMA program which is based on Volume 2 of the Property Assessment Manual.
- c. The cost approach for commercial buildings shall be based on Marshall Swift valuation models as contained in the Market Drive CAMA program.
- d. In the valuation of improvements by the Income Approach, where applicable, adequate records shall be prepared for each improvement so valued showing the determination of value, a reconstruction of income and expenses, estimate of remaining economic life and capitalization rate. Municipality agrees to enact (if not already enacted) a confidentiality agreement protecting the privacy of the records.

8. DETERMINE LAND VALUES

- a. Unit value ranges per acre for each grade of agricultural land and swamp and timber land shall be determined from an analysis of sales and other available market data. Soil surveys and maps where available shall be used in the development of land unit values for agricultural lands

- b. Aerial photographs shall also be used in the evaluation and classification of agricultural, swamp, and timber lands.
- c. Basic unit values shall be determined for residential and mercantile lands from an analysis of sales, rents, leases and other valuable market data.
- d. Having determined basic unit and gross values, the Appraiser shall determine the land value of each parcel to be appraised. Land value computations shall be properly shown for each parcel on the property record cards.

ARTICLE III (continued)

- 9. **FINAL FIELD REVIEW.** After tentative appraisals have been made for each parcel, the Appraiser will make a final review of all property appraised. This review is to insure uniformity in the assessments of the various properties and to eliminate any errors that may have been made.
- 10. **CHANGE OF VALUE NOTICES.** Upon completion of the revaluation, all property owners will be sent a notice of a change in their assessed values. This notice will indicate their new assessment.
- 11. **INFORMAL HEARINGS.** After sending out the Change of Value Notices, the Appraiser will hold informal hearings at the City Hall with interested property owners or their agent to review and compare assessed values. Any questions concerning their assessed values will be answered by the Appraiser.
- 12. **ASSESSMENT ROLL.** The Appraiser, in conjunction with the county's Real Property Lister, will be responsible for the proper completion of the assessment rolls.
- 13. **BOARD OF REVIEW: SUBSEQUENT APPEARANCE.** The Appraiser will attend all meetings of the Board of Review to explain and defend the assessed values and be prepared to testify under oath in regard to such values. In the event of an appeal to the courts, it is agreed that the Appraiser will be available to furnish expert testimony in defense of any of the assessed values.
- 14. **INSURANCE.** The Appraiser will maintain full insurance coverage to protect and save harmless the Municipality from claims, demands, actions, and causes of action, arising from any act or omission of the Appraiser in the execution of work. He will maintain Workmen's Compensation and Public Liability Insurance on all employees. The Appraiser will carry Valuable Paper Insurance on any records withdrawn from the Municipality as well as the Appraiser's records.
- 15. **MISCELLANEOUS GENERAL AGREEMENTS.**
 - a. The Appraiser shall ensure that employees maintain strict confidence regarding all privileged information received by reason of this agreement.

- b. The Appraiser will supply necessary office machines such as, but not limited to computers and calculators.
- c. If the Department of Revenue or Municipality should place additional requirements on the Appraiser after the initial date of the signing of this document, which requirements are not set forth in this contract, the Appraiser and the Municipality shall negotiate and determine if additional fees are required to complete each additional requirement. Any such additional fees will be paid at the final installment of this contract.

ARTICLE IV

OBLIGATIONS OF THE MUNICIPALITY: The Municipality will provide to the Appraiser at no cost the following:

1. **ACCESS TO RECORDS:** the Municipality will allow access and make available to the Appraiser municipal records, such as previous assessment rolls and records, building permits, assessor's work book, and municipal plats and maps at no cost.
2. **OFFICE SPACE:** The Municipality will provide adequate office space so Appraiser can hold Open Book and Board of Review meetings in City Hall.

ARTICLE V

METHOD AND TERMS OF PAYMENT: Payment for services rendered under this Contract will be based on quarterly statements. The Municipality will make these payments no later than 30 days after receiving an invoice.

Revaluation & Maintenance Payment Schedule:

2015 - \$29,500 (maintenance and electronic updates)

2016 - \$158,000 (maintenance and revaluation)

2017 - \$24,900 (maintenance)

APPROVED BY:

City of Merrill

By: _____

Appraiser:

Roger Koski

By: _____ 6-30-2014

Witness:

By: _____

ADDENDA:

1. Base contract includes digital pictures & sketches of improvements.
 - a. Base maintenance contract includes 2 hours of Open Book and 2 hours of Board of Review
 - b. All properties visited during maintenance will be updated to reflect the current Department of Revenue requirements
 - c. The appraiser will be available at City Hall to meet with taxpayers every third week for two hours

2. Appraiser will provide on-line access to property information. Price includes one (1) time setup for view-only or website access to view data on internet - after revaluation is complete.

3. Help set up Public Relations program with Municipality to inform taxpayers of the 2016 Revaluation (newsletters and articles in newspaper, etc.)

ADDENDUM #2

Bowmar Appraisal Inc uses the Market Drive¹ CAMA² program, Apex© Sketch Program, SPSS statistics program, Microsoft Office, Pictometry, County GIS, and other programs to perform the duties of the office of Assessor.

Technology, innovation, and data security are increasing costs in today's digital world and Bowmar Appraisal Inc is a leader in the use of Market Drive CAMA software. Bowmar Appraisal Inc implemented computerized records, digital sketching, and digital pictures *long before* the Department of Revenue requirement that all assessment records be in a digital format.

Bowmar Appraisal Inc has born the cost of these programs, the technology to safeguard the data, the staff time devoted to maintenance of the data, the dissemination of the stored records, and changing compliance issues.

Bowmar Appraisal Inc chose the Market Drive CAMA program years ago (prior to 2000) because of the hopes of widespread usage throughout Wisconsin in order to have more uniform assessments. Market Drive has become the most widely used CAMA program in the State of Wisconsin. Department of Revenue in the past created and distributed CAMA programs but ceased doing so in the mid 1990's.

Market Drive contains modules for the assessment of land, residential housing, manufactured housing, mobile home parks, outbuildings, commercial buildings, sketches (if user owns a sketch program), digital pictures, sales, personal property, and numerous reports. Options for in depth sales analysis, income approach to value, and mapping are also available. Market Drive allows for electronic reporting to Department of Revenue (required, as Department of Revenue no longer accepts paper reports) & County Real Property Tax Lister. Market Drive also imports sales information from Department of Revenue and name/address updates from county databases.

¹ Market Drive is a licensed product of Assessment Technologies LLC

² CAMA = Computer Assisted Mass Appraisal

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REQUEST TO INCLUDE ITEM ON AGENDA

Board or Committee: Committee of Whole

Date of Meeting: July 24th, 2014

Request by: Finance Director Kathy Unertl

Describe below the item(s) you wish to have put on the agenda:
(please attach any pertinent information)

**Review and discussion of City of Merrill tax-levy supported debt service
and potential restructuring options**

Signed: *Kathy Unertl*

Date: 7/16/2014



merrill

Location. Nature. People.

Smart Move

CITY OF MERRILL

Finance Director/City Treasurer

Kathy Unertl, Finance Director

1004 East First Street • Merrill, Wisconsin • 54452

Phone (715) 536-5594 • FAX (715) 539-2668

e-mail: Kathy.Unertl@ci.merrill.wi.us

Date: July 18th, 2014

To: Personal & Finance Committee

From: Kathy Unertl, Finance Director

RE: **Tax Levy Supported Debt Service**

At the May 3rd, 2014 Committee of Whole, the agenda items I was requested to address included Debt Service: Where are we and where do we want to go? How much do we owe? How much can we borrow?

- a) Existing General Fund/Tax Levy – Debt Service for 2013 to 2033 in response.

Reminder: **City's new borrowing was over \$5 million in 2013** – majority for new fire station construction. The fiscal impact on increased debt service was highlighted as part of the policy-making decision process to proceed with this major capital project.

I began City employment as Finance Director on March 31st, 2003. I quickly learned that the Moody's bond rating for City had been downgraded in 2002 with a negative outlook and multiple firms were interested in helping with more borrowing. Following a formal Request for Proposal process and presentations at Personnel & Finance Committee, Ehlers & Associates was selected as the City's independent financial consultant. Quarles & Brady has been the long-time City Bond Counsel.

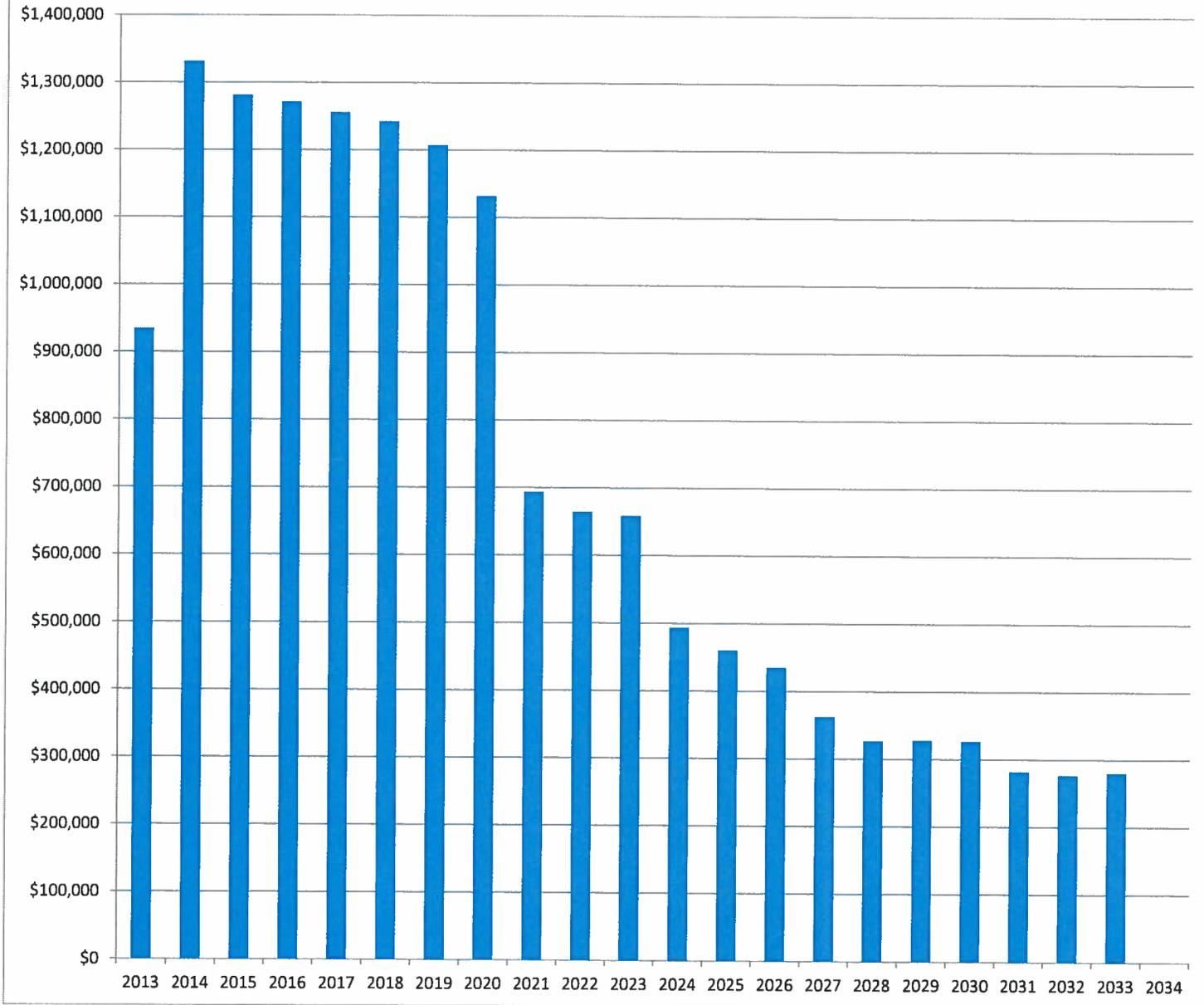
The past decade has been a challenge to meet the Personnel & Finance Committee/Common Council budget philosophy of limiting property tax rate increases. Various historical information is provided to assist you in understanding where we have been and techniques that have been successfully used.

- b) Debt Service Tax Levy – Historical (1999 through 2014) and Historical Gap (2003 -2007)
- c) Principal Payments Compared to New Borrowing (2002 – 2012)
- d) Total Library Debt Service – GO2001, as well as after GO2013 Refinancing

Bottom-line: Many of the City's debt service challenges relate to the structure of this 2001 borrowing. Over 54% of the Principal remains outstanding as of 11/1/2014 when it finally can be called and paid off by the City's escrow agent (through the 2013 refinancing).

- e) Standard & Poor's – August 12, 2013 Ratings Report for City of Merrill

General Fund/Tax Levy - Debt Service (Principal & Interest)



a

City of Merrill - General Fund (Tax Levy)

Debt Service (Principal & Interest)

BAB = Build America Bonds with some offsetting Federal Credits

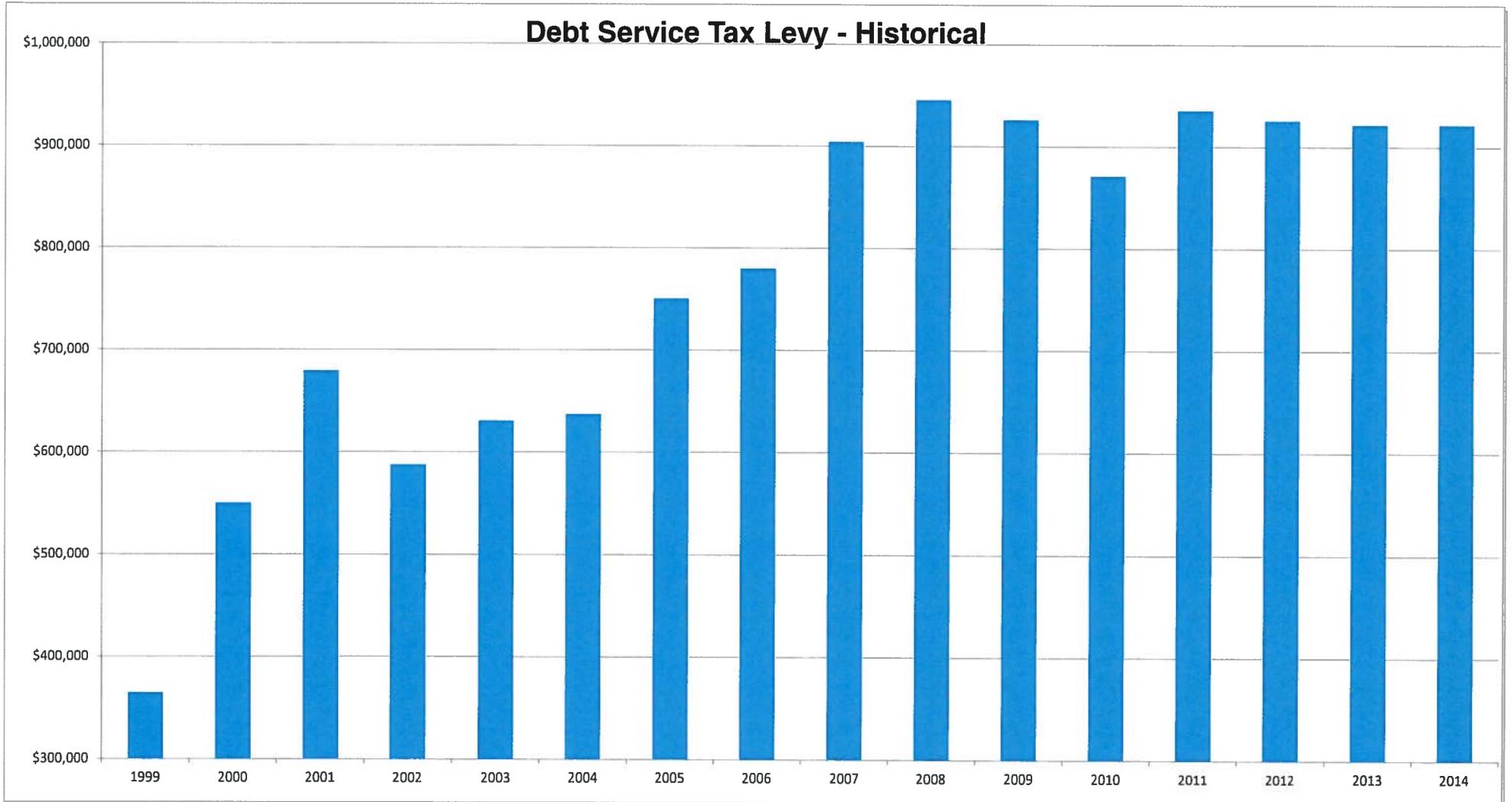
	GO2001 Library	GO2004 Infrastructure	STF2004 Pension	SIB2005 Hwy 64	STF2005 Infrastructure	Landfill Pension	2006A Equipment	2006B Infrastructure	2008B Infrastructure	STF2009-1 Street Equip	STF2009 2 Street Equip	STF2009-3 Infrastructure	STF2010-1 Notes	STF2010 2 Bonds	GO2013A Bonds	GO2013B Notes	Total Debt Service	Difference
Principal & Interest	\$2,955,501	\$997,610	\$556,590	\$154,718	\$444,375	\$469,802	\$237,475	\$1,930,292	\$743,514	\$132,395	\$138,228	\$378,042	\$417,582	\$870,797	\$5,776,498	\$3,138,833	\$19,342,251	
2013	\$313,991	\$73,080	\$13,256	\$10,315	\$10,983	\$32,650	\$16,330	\$62,003	\$0	\$14,711	\$15,359	\$30,038	\$48,094	\$49,899	\$0	\$0	\$934,402 **	
2014	\$230,560	\$86,280	\$33,103	\$10,315	\$23,388	\$32,650	\$15,784	\$151,253	\$59,475	\$14,711	\$15,359	\$60,228	\$47,539	\$49,635	\$311,308	\$189,983	\$1,331,569	\$397,167
2015	\$0	\$88,940	\$33,103	\$10,315	\$23,388	\$32,650	\$16,234	\$127,128	\$52,995	\$14,711	\$15,359	\$53,023	\$46,954	\$48,445	\$291,455	\$426,575	\$1,281,272	(\$50,296)
2016		\$86,140	\$33,103	\$10,315	\$23,388	\$32,650	\$16,640	\$118,708	\$51,700	\$14,711	\$15,359	\$47,562	\$46,359	\$48,201	\$297,855	\$428,474	\$1,271,163	(\$10,109)
2017		\$88,340	\$33,103	\$10,315	\$23,388	\$32,650	\$0	\$135,435	\$50,370	\$14,711	\$15,359	\$44,220	\$45,693	\$47,784	\$294,030	\$420,150	\$1,255,547	(\$15,616)
2018		\$85,190	\$33,103	\$10,315	\$23,388	\$32,650		\$136,340	\$49,040	\$14,711	\$15,359	\$42,465	\$45,017	\$47,387	\$290,205	\$416,824	\$1,241,993	(\$13,553)
2019		\$87,040	\$33,103	\$10,315	\$23,388	\$32,650		\$101,995	\$57,675	\$0	\$15,359	\$39,710	\$45,118	\$46,947	\$290,955	\$422,450	\$1,206,704	(\$35,289)
2020		\$83,520	\$33,103	\$10,315	\$23,388	\$32,650		\$98,795	\$45,920	\$0	\$0	\$43,670	\$46,512	\$291,580	\$422,700	\$1,132,152	(\$74,552)	
2021		\$0	\$33,103	\$0	\$23,388	\$32,650		\$70,555	\$64,520				\$0	\$45,933	\$286,630	\$136,700	\$693,479	(\$438,673)
2022			\$33,103		\$23,388	\$32,650		\$73,300	\$32,320					\$45,360	\$286,230	\$137,950	\$664,301	(\$29,178)
2023			\$33,103		\$23,388	\$32,650		\$70,840	\$31,270					\$44,743	\$285,680	\$137,025	\$658,699	(\$5,602)
2024			\$0		\$23,388	\$32,650		\$73,320	\$35,220					\$44,116	\$284,980	\$0	\$493,674	(\$165,025)
2025					\$23,388	\$0		\$70,590	\$33,930					\$44,258	\$288,155		\$460,321	(\$33,353)
2026					\$0			\$67,795	\$32,640					\$43,465	\$290,980		\$434,880	(\$25,441)
2027								\$0	\$31,320					\$42,628	\$288,455		\$362,403	(\$72,477)
2028									\$0					\$41,762	\$285,205		\$326,967	(\$35,436)
2029														\$41,702	\$286,205		\$327,907	\$941
2030														\$40,038	\$286,805		\$326,843	(\$1,065)
2031														\$0	\$282,005		\$282,005	(\$44,838)
2032															\$277,005		\$277,005	(\$5,000)
2033															\$280,775		\$280,775	\$3,770
2034															\$0		\$0	(\$280,775)
Total 2014-2034	\$230,560	\$605,450	\$331,025	\$72,202	\$280,658	\$359,152	\$48,658	\$1,296,053	\$628,395	\$73,553	\$92,152	\$287,207	\$320,350	\$768,916	\$5,776,498	\$3,138,831	\$14,309,660	
Outstanding as of 12/31/2013	7.8%	60.7%	59.5%	46.7%	63.2%	76.4%	20.5%	67.1%	84.5%	55.6%	66.7%	76.0%	76.7%	88.3%	100.0%	100.0%	74.0%	

Advance refunding of GO2001 included in GO2013B with borrowed Principal proceeds of \$1,565,000. Escrow agent will payoff 11/1/2014.

**2013 includes \$235,000 Principal & \$8,695 Interest on GO2003.

City of Merrill Debt Service - Tax Levy Supported

(b)



City of Merrill Debt Service

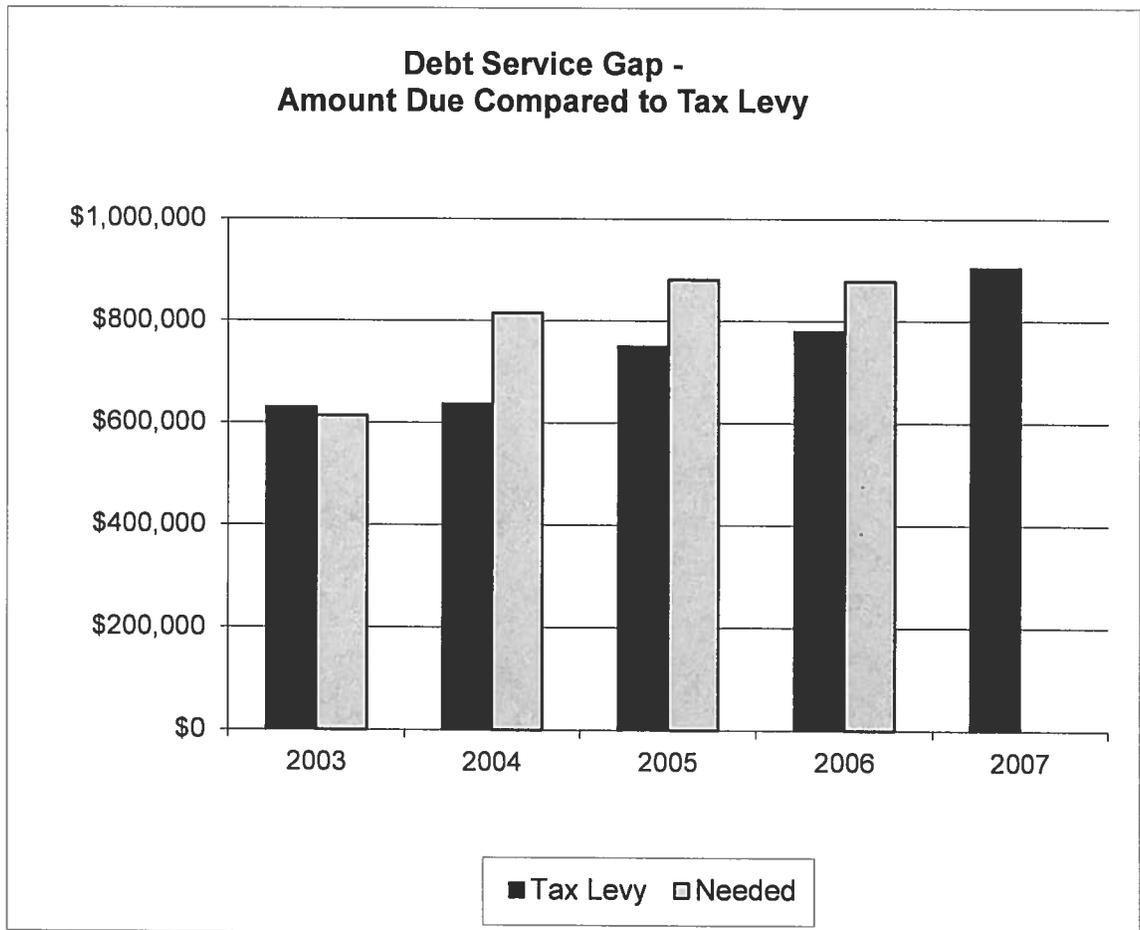
Debt Service Tax Levy

Budget Year	Tax Levy Debt Service	Change	
1999	\$364,758	\$364,758	City did <u>not</u> levy for Debt Service in 1998.
2000	\$549,936	\$184,178	
2001	\$679,006	\$129,070	
2002	\$587,451	(\$91,555)	GO2001 Library Debt Service paid through donations
2003	\$630,261	\$42,810	
2004	\$636,979	\$6,718	\$184,951 actual increase in debt service - 29.3%
2005	\$750,341	\$113,362	
2006	\$779,698	\$29,357	State Levy Limit imposed resulting in about \$100,000 Gap
2007	\$904,000	\$124,302	Two issues advantageously refinanced (2001 Notes & 2002 STF for Aerial Truck)
2008	\$945,415	\$41,415	
2009	\$925,945	(\$19,470)	Additional \$161,535 Principal Payments - Restructuring of State Trust Fund Loans (2010 to 2013)
2010	\$870,907	(\$55,038)	
2011	\$935,666	\$64,759	Additional \$150,000 Payments - Early payoff of GO2001 MARC-Smith Center
2012	\$925,482	(\$10,184)	
2013	\$921,619	(\$3,863)	
2014	\$921,619	\$0	\$409,950 General Fund Offset for Debt Service

*Personnel & Finance Committee policy to phase-in increase in Debt Service Tax Levy 2004 through 2007 using fund balances.

City of Merrill - Debt Service Historical Gap

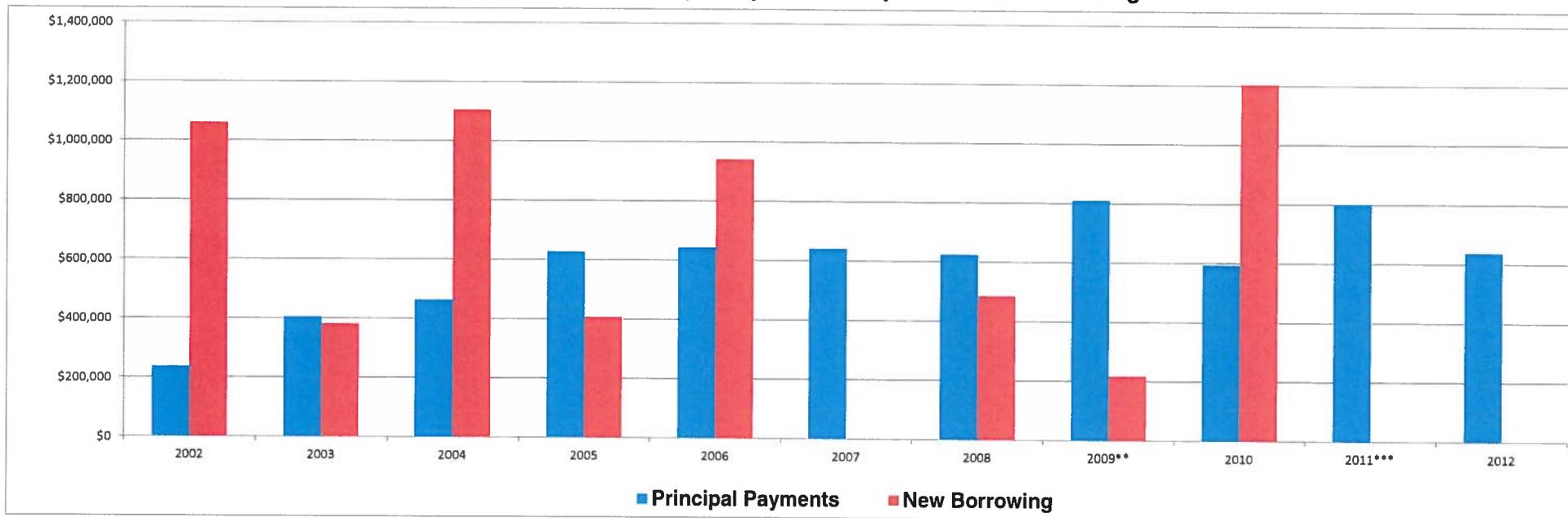
Budget Year	Debt Service Tax Levy	Debt Service Needed	Gap - Debt Service
1997	\$508,403		
1998	\$0	Yes, there was Debt Service paid!	
1999	\$364,758		
2000	\$549,936		
2001	\$679,006		
2002	\$587,451		
2003	\$630,261	\$613,549	(\$16,712)
2004	\$636,979	\$815,212	\$178,233
2005	\$750,341	\$880,887	\$130,546
2006	\$779,698	\$878,039	\$98,341
2007	\$904,000		Refinancing Resolved Gap





City of Merrill - Tax Levy Supported Debt Service

Principal Payments Compared to New Borrowing



**2009 - additional \$161,535 Principal on STF Loans
 ***2011 - GO2001 \$150,000 early payoff

Tax Levy Supported Principal Payments and New Borrowing Comparison:

	2001	2002	2003	2004	2005	2006	2007	2008	2009**	2010	2011***	2012
Principal Payments	\$285,283	\$236,284	\$402,828	\$461,742	\$626,248	\$642,370	\$640,315	\$623,436	\$809,085	\$593,254	\$797,241	\$636,988
New Borrowing - GO	\$3,402,500	\$1,060,000	\$380,000	\$1,105,000	\$406,400	\$940,000	\$0	\$485,000	\$216,500	\$1,203,925	\$0	\$0

Library @ \$2,885,000
 Fire Aerial Truck @ \$450,000

Pension \$425,000 @ 5.25% vs. 8.00%

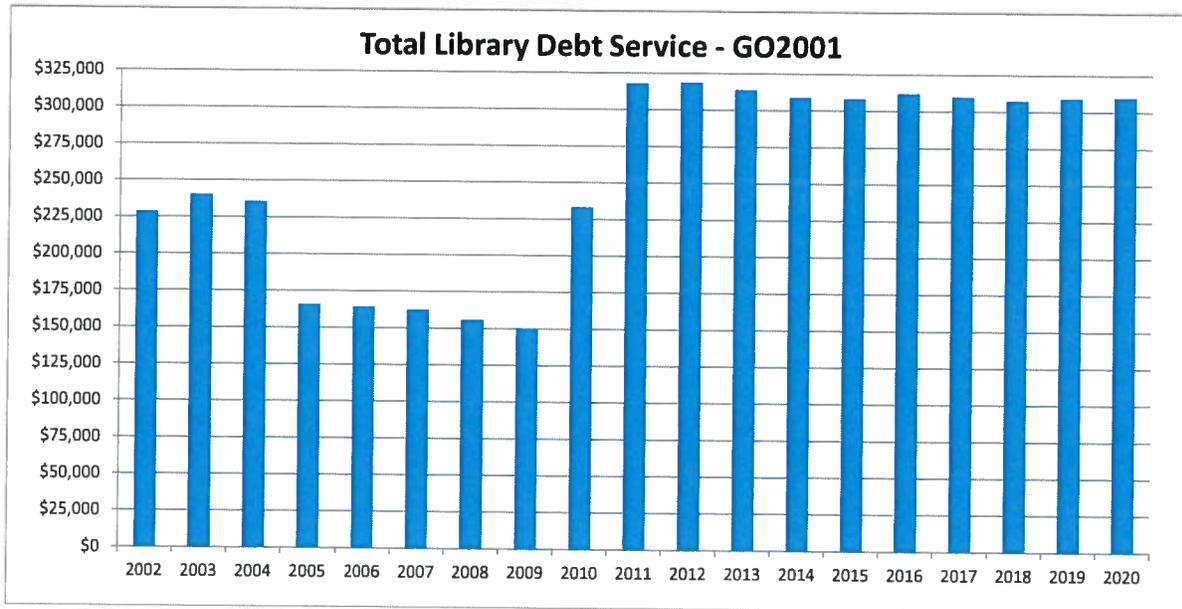
New Borrowing in 2001 & 2002 = \$4,462,500

Total for 2001 - 2004 (4 Years)
 (\$1,386,138) Principal Payments
 \$5,947,500 New Borrowing - GO
 \$4,561,362 Increase in Principal

Total for 2005 - 2009 (5 Years)
 (\$3,341,453) Principal Payments
 \$2,047,900 New Borrowing - GO
 (\$1,293,553) Decrease in Principal

Total for 2010 - 2012 (3 Years)
 (\$2,027,484) Principal Payments
 \$1,203,925 New Borrowing - GO
 (\$823,559) Increase in Principal

City of Merrill - GO2001 Library Bond (\$2,885,000)

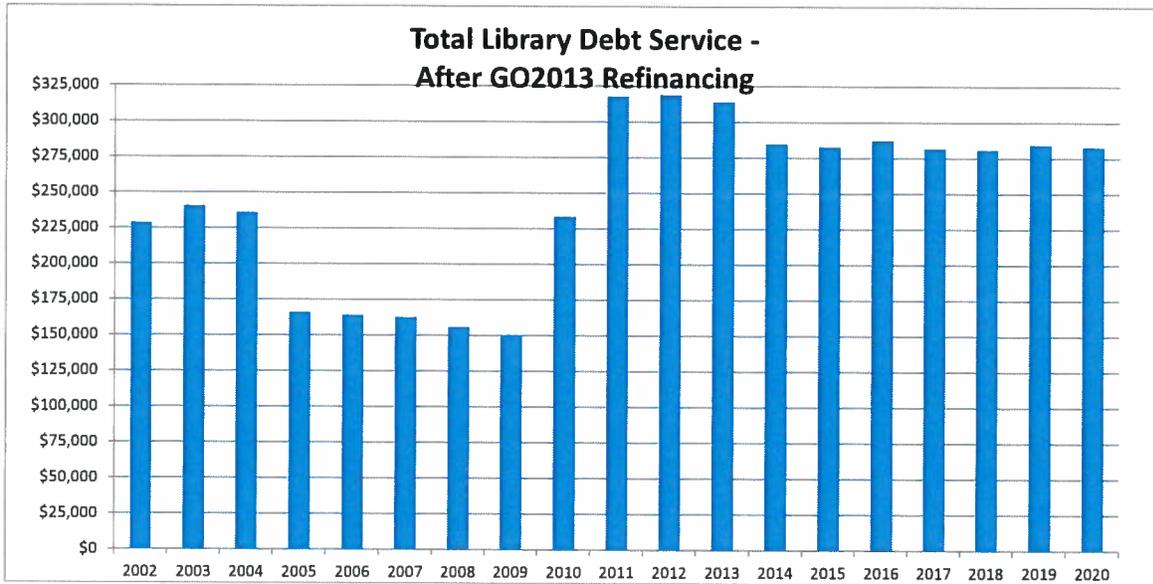


Payment Year	Principal	Interest	Total Payments	As of:	Balance
2002	\$0	\$228,402	\$228,402	12/31/02	\$2,885,000
2003	\$100,000	\$140,315	\$240,315	12/31/03	\$2,785,000
2004	\$100,000	\$135,565	\$235,565	12/31/04	\$2,685,000
2005	\$35,000	\$130,815	\$165,815	12/31/05	\$2,650,000
2006	\$35,000	\$129,135	\$164,135	12/31/06	\$2,615,000
2007	\$35,000	\$127,455	\$162,455	12/31/07	\$2,580,000
2008	\$30,000	\$125,775	\$155,775	12/31/08	\$2,550,000
2009	\$25,000	\$124,335	\$149,335	12/31/09	\$2,525,000
2010	\$110,000	\$123,135	\$233,135	12/31/10	\$2,415,000
2011	\$200,000	\$117,855	\$317,855	12/31/11	\$2,215,000
2012	\$210,000	\$108,755	\$318,755	12/31/12	\$2,005,000
2013	\$215,000	\$98,990	\$313,990	12/31/13	\$1,790,000
2014	\$220,000	\$88,778	\$308,778	12/31/14	\$1,570,000
2015	\$230,000	\$78,218	\$308,218	12/31/15	\$1,340,000
2016	\$245,000	\$67,063	\$312,063	12/31/16	\$1,095,000
2017	\$255,000	\$55,058	\$310,058	12/31/17	\$840,000
2018	\$265,000	\$42,435	\$307,435	12/31/18	\$575,000
2019	\$280,000	\$29,185	\$309,185	12/31/19	\$295,000
2020	\$295,000	\$15,045	\$310,045	12/31/20	\$0

Refinanced*

*City refinanced \$1,565,000 as part of GO2013 borrowing. Net present value savings of \$175,902.

City of Merrill - Library Bond (\$2,885,000)



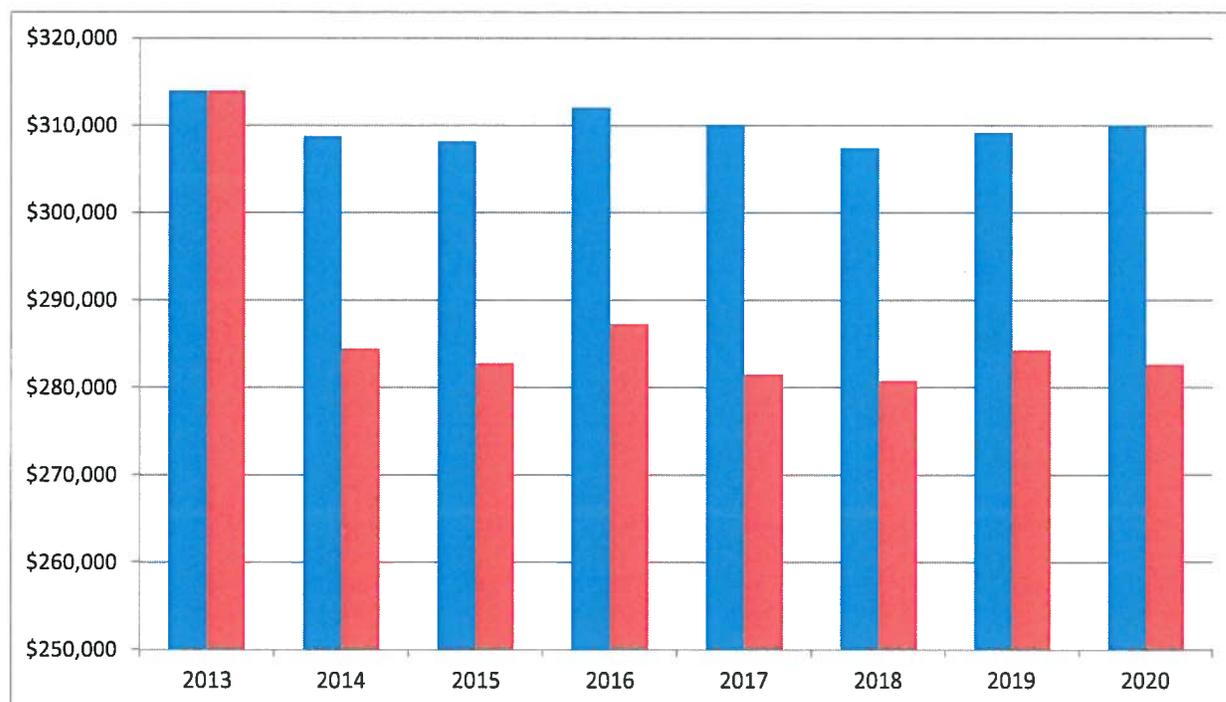
<u>Payment Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>	<u>As of:</u>	<u>Balance</u>
2002	\$0	\$228,402	\$228,402	12/31/02	\$2,885,000
2003	\$100,000	\$140,315	\$240,315	12/31/03	\$2,785,000
2004	\$100,000	\$135,565	\$235,565	12/31/04	\$2,685,000
2005	\$35,000	\$130,815	\$165,815	12/31/05	\$2,650,000
2006	\$35,000	\$129,135	\$164,135	12/31/06	\$2,615,000
2007	\$35,000	\$127,455	\$162,455	12/31/07	\$2,580,000
2008	\$30,000	\$125,775	\$155,775	12/31/08	\$2,550,000
2009	\$25,000	\$124,335	\$149,335	12/31/09	\$2,525,000
2010	\$110,000	\$123,135	\$233,135	12/31/10	\$2,415,000
2011	\$200,000	\$117,855	\$317,855	12/31/11	\$2,215,000
2012	\$210,000	\$108,755	\$318,755	12/31/12	\$2,005,000
2013	\$215,000	\$98,990	\$313,990	12/31/13	\$1,790,000
2014	\$230,000	\$54,475	\$284,475	12/31/14	\$1,560,000
2015	\$245,000	\$37,800	\$282,800	12/31/15	\$1,315,000
2016	\$255,000	\$32,288	\$287,288	12/31/16	\$1,060,000
2017	\$255,000	\$26,550	\$281,550	12/31/17	\$805,000
2018	\$260,000	\$20,813	\$280,813	12/31/18	\$545,000
2019	\$270,000	\$14,313	\$284,313	12/31/19	\$275,000
2020	\$275,000	\$7,653	\$282,653	12/31/20	\$0

*Refinanced

*GO2001 refinanced as part of GO2013 borrowing. As of 11/1/2014 (when first callable), balance of \$1,565,000 Principal - which is 54.25% of original borrowing amount.

Net present value savings of \$175,902 through the 2013 refinancing.

**City of Merrill - Library Bond (2013 - 2020)
Comparison of Original Debt Service and Refinancing Structures**



	GO2001 Original	GO2013 Refinanced	Difference
2013	\$313,990	\$313,990	\$0
2014	\$308,778	\$284,475	\$24,303
2015	\$308,218	\$282,800	\$25,418
2016	\$312,063	\$287,288	\$24,775
2017	\$310,058	\$281,550	\$28,508
2018	\$307,435	\$280,813	\$26,622
2019	\$309,185	\$284,313	\$24,872
2020	\$310,045	\$282,653	\$27,392



RatingsDirect®

Summary:

Merrill, Wisconsin; General Obligation

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Summary:

Merrill, Wisconsin; General Obligation

Credit Profile

US\$4.29 mil GO corp purp bnds ser 2013A dtd 09/04/2013 due 06/01/2033

Long Term Rating A/Stable New

US\$2.89 mil GO promissory nts ser 2013B dtd 09/04/2013 due 05/01/2023

Long Term Rating A/Stable New

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating to Merrill, Wis.'s series 2013A general obligation (GO) corporate purpose bonds and series 2013B GO promissory notes. The outlook is stable.

The 'A' rating reflects our opinion of the city's credit quality, including:

- The city's status as county seat and access to a more diverse employment center in nearby Wausau;
- Strong available general fund reserves; and
- Moderate debt load as a percentage of the market value and low debt burden on a per capita basis.

The following factors offset the credit strengths above:

- Adequate, but below-average, income and wealth levels; and
- Unemployment that, despite recent improvements, remains well above the state and national rates.

The city's unlimited-tax GO pledge secures the series 2013A bonds and 2013B notes. Officials intend to use bond and note proceeds to finance several capital projects, including fire station construction, fire engine acquisition, street improvements, and various other projects. Furthermore, the 2013B note proceeds will be used to refund the city's series 2001 bonds for interest-cost savings only.

Merrill, with a population estimate of 9,618, is located by the Wisconsin and Prairie rivers approximately 16 miles north of Wausau.

As the seat of Lincoln County, the city is the business center of the county. Historically, the economy was primarily supported by logging and wood manufacturing industries; however, the economy has since diversified into the insurance, government services, health care and manufacturing sectors. Leading employers include:

- Church Mutual Insurance Co. (902 employees),
- Lincoln County (472);
- Merrill Area Public Schools (376),
- Lincoln Wood Products (window and doors manufacturers, 300), and
- Ministry Good Samaritan Health Center (252).

Some residents work in the nearby Wausau area. Despite the relative employment diversity, the city's and county's

economic indicators are below average. The county's unemployment rate has historically tracked above the state and national averages and although it improved slightly in 2012 to 9.5% from 10.1% in 2011. We consider median household and per capita effective buying incomes adequate at 79% of national levels. The value of the city's primarily residential tax base has not changed during the last three years; it declined a mere 0.4% to \$390 million in 2012. The tax base is very diverse, with the 10 leading taxpayers accounting for 10% of total assessed value (AV) in 2012. Equalized value totaled \$395 million in 2012, or \$41,094 per capita, which we consider adequate. Management indicates that new construction could increase the city's base by 1% in 2013.

We believe that despite some recent fluctuations in Merrill's ending reserve position, the city will maintain at least good general fund available reserves during the next two fiscal years. In fiscal 2012, the total available general fund balance declined to \$321,000, or 2.4% of operating expenditures, from \$1.7 million, or 13.4%, in 2011 mainly because the city chose to use some of its reserves to pay for the construction project upfront in anticipation of future debt issuance. The city's management expects to reimburse the general fund balance with the debt proceeds and aims to end the fiscal 2013 with nearly \$1.4 million in available fund balance, or approximately 11% of operating expenditures, which we consider strong. The city's management expects to end fiscal 2014 with nearly break-even results.

Merrill's financial performance has fluctuated over the last several years and available reserves have been declining mostly because of growing capital outlays. The city has issued debt in three out of the past five years and the timing of the debt issuance has, to an extent, affected the city's finances. Excluding the volatile capital outlays, operating expenditures and revenues have remained fairly stable over the same time frame because of management's conservative spending and intent to maintain a stable tax rate. Management made cash advances to the tax increment districts (TIDs), weakening the city's cash position. The city anticipates that some of the TID deficits could be covered with transfers from the more successful TIDs. However, the general fund will likely continue to make cash advances to the TIDs in the foreseeable future.

The availability of the cash reserves is an important credit determinant because of the city's limited capacity to raise additional operating revenue. The city's state-shared revenue accounted for about 42% of general fund receipts, followed by property taxes at 35%. The city is subject to a levy limitation that allows for growth in the operating property tax levy with new construction but does not allow for the inflationary growth. In addition, the state reduced shared revenue to local governments for the fiscal 2012-2013 biennium and maintained local funding levels in its fiscal 2014-2015 budget. While local governments were able to collect additional health care and pension contributions from employees beginning in 2012, those savings may be insufficient over the longer term as revenues remain relatively flat and other costs may rise. Minimal new construction over the past few years has constrained Merrill's levy growth, but management expects current new construction to lead to levy growth in the next few years.

Standard & Poor's considers Merrill's financial management practices "standard" under its Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas. Management provides monthly reports to the council on budget performance and strives to maintain a 12%-15% general fund reserve. In addition, the city's debt management policy dictates that general obligation bonds should not exceed 70% of the legal debt limit established by the state. The city does not conduct financial planning or capital planning.

Overall net debt is moderate, in our opinion, at 4.8% of equalized value, and low at \$1,972 per capita. Net of capital outlay, debt service typically accounts for between 7% and 8% of total fund expenditures, which we consider low. Proposed debt obligations will likely increase the debt service charges to a moderate 11% of total fund expenditures on a pro forma basis. Debt amortization is rapid, with officials planning to retire 73% of GO debt principal over 10 years. There are no additional GO debt plans for 2013 and 2014.

Merrill participates in the Wisconsin Retirement System (WRS) and has historically met its annual required contribution. The total required WRS contribution was \$924,000 in fiscal 2012. Of that amount, the city contributed 72%, and employees were responsible for 38%. The city's WRS contribution amounted to 4.2% of total governmental expenditures. The city does offer other postemployment benefits.

Outlook

The stable outlook reflects our expectation that Merrill's management will remain committed to maintaining at least good reserves. The city's status as county seat and proximity to employment opportunities in nearby Wausau lend stability to the rating. In our view, the city's growing advances to the TIDs and limited new construction could potentially strain finances in the long term. Should the TIDs' cash needs increase significantly and eat into reserves while revenue is stagnant, we could consider lowering the rating within the outlook's two-year period. We do not see upward rating potential at this time given the city's projected deficits, persistently high unemployment, stagnant tax base, and just-adequate incomes.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Financial Management Assessment, June 27, 2006

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McGRAW-HILL

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REQUEST TO INCLUDE ITEM ON AGENDA

Board or Committee: Committee of Whole

Date of Meeting: July 24th, 2014

Request by: Finance Director Kathy Unertl

Describe below the item(s) you wish to have put on the agenda:
(please attach any pertinent information)

Presentation and discussion on draft City of Merrill Capital Plan

The tax-levy supported and Tax Incremental District (TID) capital plan will be distributed at the meeting.

Additional Committee of Whole meetings will be needed to present Water and Sanitary Sewer capital plan, as well as prioritize potential capital expenditures.

Signed: *Kathy Unertl*

Date: 7/16/2014