

BUDGET & FINANCE COMMITTEE MEETING

Tuesday, December 13, 2005
Committee Room #2

PRESENT: Alds. Bruderle-Baran, Casey, Grimm, Herzog, Jenkins, Purins, Stepaniak – 7

EXCUSED: Ald. Maher

ALSO PRESENT: T. Wontorek, City Admin.; A. Kesner, City Attorney; B. Aldana, Asst. City Atty./Personnel Admin.; R. Braier, Finance Director; W. Kappel, Pub. Works Dir.; Capt. J. Reit, Police; Dr. N. Kreuser, Health Officer; J. Wojcehowicz, Water Supt.; J. Tshudy, Acct./Bus. Mgr., Water

Ald. Bruderle-Baran as Chair called the meeting to order at 8:03 p.m.

Village Business Improvement (BID) District 2004 Audit

John Perry, BID Treasurer, Wauwatosa Savings Bank, 7500 W. State Street, presented the audit to the committee.

Jim Heaviland, BID Chair, 11419 W. Wisconsin Avenue, said the audit was presented to the full board where it was amended to make changes recommended by their financial auditor to improve the financial ability of the BID. These changes were voted on by the board.

Moved by Ald. Herzog, seconded by Ald. Stepaniak to recommend accepting and placing on file the 2004 Village Business Improvement District audit – 7

Selected funds from Bioterrorism Consortium Grant for education and training of the public health workforce

Dr. Kreuser said the Bioterrorism Consortium Grant funds the Milwaukee/Waukesha Consortium for Public Health Emergency Preparedness training to increase the capacity of public health and emergency response based on core competencies. There are certain funds earmarked for the public health workforce. The Consortium requests \$200,000 to be allocated toward this objective using Bioterrorism 2006 funds.

Ald. Purins asked if these funds were only to be used by Wauwatosa staff. Dr. Kreuser said there are approximately 500 people in 15 organizations. The Wauwatosa Health Department is organization number 11. The Consortium goes through a similar approval process to that used by the city.

Moved by Ald. Stepaniak, seconded by Ald. Grimm to recommend approval to utilize selected funds in the amount of \$200,000 for the 2006 education and training of the public health workforce – 7

Continuation of Blackberry Communications service for the Bioterrorism Consortium

Dr. Kreuser said they are requesting to pre-pay 2006 service for 93 existing Blackberry communications software, hardware, and equipment using 2004 carryover funds. This equipment has supported the Milwaukee/Waukesha Consortium for Public Health Emergency Preparedness since 2003. The estimated cost is \$52,550.51 for 2006.

Moved by Ald. Jenkins, seconded by Ald. Purins to recommend approval of the pre-payment of 2006 Blackberry service using 2004 carryover funds in the amount of approximately \$52,220.51 – 7

SBC pager communications service for the Bioterrorism Consortium

Dr. Kreuser said they are requesting to pre-pay service for the existing SBC pagers using 2004 carryover bioterrorism grant funds to support the Milwaukee/Waukesha County Consortium for Public Health emergency preparedness. They have an existing contract through Waukesha County and would like to continue service with SBC for another year. The estimated cost is \$7,306.04.

Moved by Ald. Casey, seconded by Ald. Stepaniak to recommend approval to pre-pay service for the existing SBC pagers using 2004 carryover Bioterrorism Grant funds in the amount of approximately \$7,306.04 – 7

Professional services contract with Aurora Health Care for Health Risk Assessment services

Ms. Aldana said this is the first time the city has offered health risk assessment services; therefore, they needed to find a vendor. They received 4 proposals and chose Aurora Health Care for professional services related to health risk assessments for city employees and retirees. The other vendors bidding were Midland Health, Malloy Wellness and E-Care solutions. United Health does not provide this type of service.

Ald. Herzog asked if this would be a yearly contract. Ms. Aldana said the prices are good until the end of 2006. She said a certain number of employees have agreed to take the health risk assessment and they assume a number of retirees will take it.

Moved by Ald. Jenkins, seconded by Ald. Herzog to approve awarding a professional service contract to Aurora Health Care for health risk assessment services contingent upon a two year contract with an increase of not more than 3% --

Ald. Bruderle-Baran asked about privacy concerns. Ms. Aldana said Aurora Health Care would do a limited blood screen and the city would not have access to the questionnaire or the results. They are returned to the vendor. The handling of the information is carefully designed so that the city only gets the aggregate report.

Ald. Purins asked if there was a way to measure the effectiveness of the program. Ms. Aldana said the effects are not immediate, but the return on the investment is significant according to the opinions she has gotten. Early detection and sometimes behavioral change can save more money than having to treat a serious illness. Ald. Purins suggested that it would be good to have some kind of assessment tool to see if the program is making a difference. Ms. Aldana added that the scope of the health risk assessment is dictated by the union contract negotiations.

Ald. Stepaniak said he would be voting present because of his affiliation with the Aurora Health Care board.

Ald. Herzog asked if there would be any spike in health care claims. Ms. Aldana said it was her impression that if there was a spike it would be small.

Vote on the motion was Ayes: 6, Present: 1 (Stepaniak)

Wisconsin Department of Natural Resources (DNR) Municipal Flood Control grant for analysis and installation of flood proofing measures for the Muellner Building complex

Mr. Kappel said they are requesting acceptance of up to \$800,000 for a Municipal Flood Mitigation grant from the Wisconsin Department of Natural Resources (DNR) for analysis and installation of flood proofing measures

for the Muellner Building complex. The city's local share is 30% and should be covered by the \$900,000 set aside by the Milwaukee Metropolitan Sewerage District (MMSD) Hart Park Project. In response to a question about the insurance values of the buildings, he said they were included with his memo.

Moved by Ald. Casey, seconded by Ald. Jenkins to recommend acceptance of the Wisconsin Department of Natural Resources (DNR) Municipal Flood Control Grant in an amount up to \$800,000 and to authorize the Public Works Director to act as the City of Wauwatosa's authorized representative – 7

Transfer and carryover of the year-end balance of the 2005 Traffic Control account to the 2006 Traffic Control Lamp account for continued installation of LED signal lamps

Mr. Kappel said that in 2003 the Council approved a resolution to carry over unspent funds in the traffic control budget in order to purchase LED lamps for the city's traffic control signals. About one third of the signals have been converted. There are about \$55,000 worth of lamps and brackets for pedestrian signals that still need to be purchased and changed out. As a result of last year's installation, a check was received from the state Focus on Energy Program in the amount of \$5,940. These funds were returned to the traffic signal lamp account. They didn't have time to spend the money so he recommended moving the funds over to the 2006 Traffic Control lamp account. He did not have a definite number on the cost of completing the project because they have to buy different housing units for the pedestrian lights as well as brackets and other installation pieces.

Moved by Ald. Grimm, seconded by Ald. Casey to recommend approval of the carryover of funds to the 2006 Traffic Control lamp account for the purchase and installation of LED signal lamps – 7

Increase in pay stipend for non-represented employees for a 24-hour fill-in shift; and for a fund transfer from the 2006 overtime account to the regular salaries account

Chief Redman said they would like to have 100% staffing of the command vehicle. The rate for a staff officer working a 24-hour "fill-in" shift was originally \$500 in 1998. It was adjusted once since then to \$600 per 24-hours. In comparison, the cost of a captain on overtime and acting as duty chief is \$920 in 2006 pay rates. If the current rate were adjusted for pay increases between 2000 and 2006, the current rate would be about \$720 per 24-hour "fill-in" shift. Transferring a total of \$13,100 will include \$5,640 from overtime "out of category" pay and \$7,460 in new costs. He recommended a transfer of \$13,100 from the 2006 overtime account to the 2006 regular salaries account. He further recommended that the pay stipend for a 24-hour "fill-in" shift be adjusted from \$600 to \$720 to reflect pay increases since the last rate adjustment. Taking these steps would enable the department to have 100% coverage for staffing the command vehicle.

Ald. Jenkins noted that the Employee Relations Committee approved the staffing changes.

Moved by Ald. Jenkins, seconded by Ald. Purins to recommend approval of a fund transfer from the 2006 overtime account to the 2006 regular salaries account in the amount of \$13,100 and to adjust the pay stipend for a 24-hour "fill-in" shift from \$600 to \$720 – 7

Award of professional services contract related to the environmental clean-up project at 69th and North Avenue

Mr. Kappel said this award of contract is related to site investigation, cleanup and closure activities associated with the former Clark Oil Gasoline Station at 6826 W. North Avenue. This municipal parking lot was a gasoline station from 1935 to 1982. There are no records verifying that the former underground gasoline storage tanks were ever removed. The Department of Natural Resources (DNR) is requiring that the city perform site investigation services to verify whether or not there are any abandoned underground storage tanks on this site. If they are found, they will have to be removed and the soil and water may have to be tested to determine if any

contamination exists on the site. These steps are necessary to obtain proper DNR closure for the site. The professional services for this work are estimated at \$20,000 to \$30,000.

Mr. Kappel said they have applied for and received PECFA funding eligibility and a site assessment grant of up to \$30,000 to help defray the city's costs. There is a \$200,000 budget for the entire project. They sent out 7 Requests for Proposals and received 7 back. He recommended awarding the work to GeoTrans, Inc. in an amount up to \$30,000. He further recommended carrying over the entire 2005 budget to 2006 for all the work associated with the project since the majority of the work will be done in 2006.

Ald. Herzog left the meeting at 7:26 p.m. (-6)

Moved by Ald. Stepaniak, seconded by Ald. Herzog to recommend approval of a professional services contract with GeoTrans, Inc. in an amount up to \$30,000 and to carry over the entire 2005 budget to 2006 for all the work associated with the project – 6

Carryover of funds into the 2006 budget to complete police in-car camera replacement, fingerprinting equipment, building security and recording equipment; and replacement of the E911 dispatch center consoles and monitors

Capt. Reit said they would like to carry over into 2006 previously approved funding for projects that are not yet completed. The police department needs to carry over three accounts: 1) the in-car camera replacement account; 2) the other equipment account; and 3) the jobs account. With regard to the first account, the project is progressing and is expected to be completed in the first quarter of 2006. The account balance is \$100,000. With regard to the second account, Funds recently approved as part of the 2005 re-estimate are for fingerprinting equipment, building security and recording equipment. There is not enough time remaining in the year to complete this process. The carryover balance is estimated to be approximately \$70,000. With regard to the third account, it is for the replacement of the E911 dispatch center consoles and monitors. The balance to carry over is \$49,000. He recommended approval to carry over the funding into the 2006 budget.

Ald. Herzog returned at 8:35 p.m. (-7)

Moved by Ald. Casey, seconded by Ald. Stepaniak to recommend approval to carry over \$100,000 from the in-car camera replacement account, \$70,000 from the other equipment account and \$49,000 from the jobs account to the 2006 budget for projects that are not yet completed – 7

Claim of Diane Alexander, 506 N. 107th Street

Mr. Kesner said Ms. Alexander filed a claim for damages when a branch from a city tree fell on her fence. His office has determined that the tree has been consistently maintained by the city and there was no liability on the city's part.

Moved by Ald. Casey, seconded by Ald. Purins to recommend denial of the claim. Vote on the motion was Ayes: 6, Noes: 1 (Jenkins)

Claim of David Vogel, 2039 Pleasant Street

Mr. Kesner said that Mr. Vogel's claim is for approximately \$2,100 in damage done to his car by a fallen tree branch from a city tree. That tree has been consistently maintained by the city and there was no indication from the last assessment of that tree that there was a problem. His office has determined that there is no liability on the part of the city.

Ald. Herzog asked about the city's method of assessment for the trees. Mr. Kappel said they perform an analysis of each tree from top to bottom as they cycle through the city.

Moved by Ald. Herzog, seconded by Ald. Grimm to recommend denial of the claim – 7

Review of the 2006 Water Department Budget

Mr. Wojcehowicz said the Finance Director's previous memo outlined the observation that 2006 and 2007 capital projects and equipment purchases will be funded by the surplus account. Without the ability to reimburse the surplus with a bond issue, the account will fall significantly below its targeted balance which is equal to six months of operating and maintenance expenses or \$2.5 million. At year-end 2006, the surplus balance is projected to be \$833,279. The next opportunity for a Revenue Bond issue is in 2008 if the 2007 Net Revenue is sufficient. Capital projects in 2007 will again be funded by the surplus bringing its balance to an unadvisedly low level.

Mr. Wojcehowicz said that in 2001 the utility had a surplus of nearly \$4 million. They did not want that amount to drop in sales below \$2.5 million; however, there have been changes in the economy, in the city's customer base and in the bonding. He said that 1999 was a premium year with total sales of \$2,961,281, but there has been a severe drop with the decrease in industrial customers and in the city's population. There have been approximately 60 properties eliminated by the Milwaukee Metropolitan Sewerage District (MMSD) Hart Park project reflecting a \$35,000 loss in revenue. The city is now in the redevelopment stage and it will take time to get to get service established at Briggs and Stratton and the former Western Metals Property. Some of the industrial sites also have some levels of contamination. They haven't measured the water used when pouring concrete, but that could be a potential source of revenue.

Mr. Wojcehowicz said that in most districts dead end water stagnates. They normally do a flush of the system during the third shift. They start at 10 p.m. and are done by 3 a.m. Doing it this way saves homeowners from any water service interruption, but costs the utility money in overtime. Overtime could be reduced if the flushing occurred during the day. In the non-bonded capital expenditures category they have cut some of the smaller expenditures for a savings of approximately \$37,000. They also deleted some projects from N. 72nd Street and from W. State to Blanchard Streets. This added approximately \$210,000 to the surplus and kept it above \$1 million. In order to get the coverage ratio of \$1.25 million they could look into a rate increase.

Mr. Wontorek noted that the water utility is operated differently from the general fund budget. The water utility relies on its customer base. They need to keep 50% of their expenditures or \$2.5 million in surplus in the event that it is needed to cover a loss of revenue or expenditures. In the general fund budget there will be a list of projects and the bonding for them. In the case of the water utility, expenses for capital improvements are drawn from the surplus in anticipation of bonding to refund the money. There is an 18 month period that is open for bonding; however, the financial people want to see a coverage ratio. Normally the general fund budget relies on the property tax. Revenues for the water utility are variable depending on a variety of situations. They need to have the surplus to cover the costs. By scaling back the expenditures from the surplus they are incurring less need to borrow in the future. The utility needs to have revenue to cover the debt service and that can be done by bringing in new sales or having a rate increase.

Ald. Stepaniak asked if the budget assumes a rate increase. Mr. Wontorek said the budget does not assume a rate increase; however, they are projecting additional revenues if a rate increase were to take place in July or September.

Ald. Stepaniak said that while he understood the reason for cutting some of the operational plans and capital projects, there is an invisible line between those savings and investing in the infrastructure because of the age of some of the mains. It is a balancing routine that may not serve for a long term strategy. With redevelopment there are some positive sides. There are two or three major projects in the works that will have a positive effect on water sales including the water park at the zoo and the City of Elm Grove's proposal to buy water from

Wauwatosa. These types of projects could reverse the trend. He felt the water utility needs to be deliberate about long term planning. He hoped that there would be a full rate review with the Public Service Commission (PSC).

Ald. Casey noted that most of the drop in revenue could be attributed to industrial sales and the city doesn't have a lot of "wet" industries at the moment. Mr. Wojcehowicz said they noticed a slow down in 2004 with the closing of Kohl's Bakery, Western Metals and SK Williams. He noted that Milwaukee lost Miller, Red Star Yeast and AO Smith. Ald. Casey said he would like to see a listing of the types of industries that have left the city. He noted that there will be less water usage when the Best Buy replaces office buildings on Mayfair Road. Part of the strategy should be to find industries that use large volumes of water. He was optimistic about the long term, but not so optimistic about the short term. Mr. Wojcehowicz agreed saying that they need to get through the next couple of years until the customer base builds up. Ald. Casey concurred with Ald. Stepaniak that the utility should ask for a full rate review.

Ald. Herzog noted that the city bond rating is Aaa. He asked about the bond rating for the water utility. Mr. Braier responded that the water utility's bond rating is Aa 3. He added that the rating won't change until they go out for bonds again where the financial position of the utility will be taken into consideration at that time.

Ald. Herzog asked how the city's water utility is doing compared to other municipalities. Mr. Tschudy said the 25 cubic feet of water is the average for residential usage in most cities and that is the average that the PSC uses for homeowner usage. Mr. Wojcehowicz noted that West Allis has lower residential rates because of their larger industrial base, in fact it is about 10% lower.

Ald. Herzog said he would like to know where Wauwatosa is compared to other cities. Mr. Wojcehowicz said that with the exception of the North Shore, the other cities get their water from the City of Milwaukee. Franklin gets their water from Oak Creek. Wauwatosa is paying a premium or retail rate from Milwaukee while Milwaukee pays wholesale. The City of Brookfield may be interested in purchasing water from Wauwatosa, but he didn't see enough financial commitment.

Ald. Herzog noted that the proposed cuts do not achieve the \$1.5 million coverage ratio. Mr. Wojcehowicz said that actually cuts in the capital program do not affect the coverage ratio. Mr. Braier said the proposal to have a full rate increase brings the coverage ratio up to \$1.4 million. Ald. Herzog asked if they should try to make cuts in the budget instead of increasing the rate. Mr. Wojcehowicz said that 35% of the budget goes to purchasing water and 15% goes to the city for the tax equivalent, equipment rental and administrative costs. Mr. Tschudy explained that the tax equivalent is a fee established by the state that every utility pays to the municipality based on water usage. Mr. Wojcehowicz noted that the hydrant fee was just moved to the water utility budget.

Ald. Purins asked if any other municipalities go for bonding first and then use surplus money for projects. Mr. Braier said the system the water utility uses is the most economical way to handle the budget. The utility would have to see a 10% increase in revenue to see the surplus at \$2.5 million. Mr. Tschudy said they are proposing a rate increase that would generate approximately \$445,000 per year or a 7.5% to 8% increase.

Ald. Purins noted that the 100 year old water mains are a concern. Mr. Wontorek said that some of the 100 year old water mains are in better shape than some of the younger ones. They are planning on discussing long term planning along with the follow-up from the capital projects summit. They will also be looking at the infrastructure of not only the non-utility projects, but the utility projects as well. Mr. Wojcehowicz said there had been an 8 year gap in rate increases. Mr. Tschudy said they did a full rate increase in 2003 and a simple rate increase in 2005.

Moved by Ald. Stepaniak, seconded by Ald. Purins to recommend approval
of the 2006 Water Utility Budget as presented – 7

Water Utility application for a full rate review by the Wisconsin Public Service Commission (PSC)

Mr. Wojcehowicz said the water utility is requesting approval to submit a Water Rate Case Application with the Wisconsin Public Service Commission (PSC). The PSC encourages water utilities to submit a full rate review once every three years to help insure their financial stability. Based on the proposed Water Department 2006 Budget, the utility projects net income of \$46,552 for the 2006 fiscal year and the utility's rate of return has been reduced to 2.72% for the upcoming year. The current PSC's target rate of return is 6.5% for water utilities. The city's water utility last submitted a request for a full rate review in 2003 and a simplified rate review in 2005. He said a full rate review is the most advantageous option for the water utility to insure the rates are fair and equitable based on PSC guidelines. Depending on the review process and the PSC implementation date, the city's water utility could add \$148,540 of additional revenue during 2006. The additional revenue places the utility in a better position for future bonding. He said the PSC is looking out for the customer's and the utility's best interest. The simplified rate review is basically a cost of living increase.

Ald. Herzog said he could not support a full rate review. He suggested doing a simplified rate in September when there might be more information.

Moved by Ald. Stepaniak, seconded by Ald. Jenkins to recommend approval of the application for a full rate review by the PSC --

Ald. Stepaniak said the full rate review is the most advantageous option so that the city can get a fair and equitable review. This will put the water utility in a better position.

Ald. Grimm said he would like more information.

Vote on the motion was Ayes: 5, Noes: 2 (Grimm, Herzog)

Vouchers

<u>NAME</u>	<u>AMOUNT</u>	<u>FOR</u>
S. Javoroski	\$176.04	Health – 11/10/05 – Madison Dealing with Difficult People
M. Swanson	\$255.41	Health – 10/28/05 – Rockford, IL Children, The Feeding Relationship and Weight
D. Redman, M. Anton, W. Rice, P. Nook M. Carberry, S. Erke	\$90.00	Fire – 12/3/05 – Waukesha County Joint Milwaukee/Waukesha County Fire Chiefs Annual Meeting
D. Redman	\$45.00	Fire – 9/7-11/2/05 – Milwaukee County Milwaukee County Fire Chiefs monthly meetings – Sept., Oct., Nov.
J. Kutz	\$513.04	Police – 11/28-12/2/05 – Racine Hostage Negotiations – Phase I and Phase II
J. Stohler	\$234.50	Consortium – 11/29-11/30/05 – St. Charles, IL Mid-America Advanced Executive Public Health Leadership Institute
J. Bembenek	\$25.00	Purchasing – 12/1/05 – Madison WAPP Quarterly Mtg. & Annual VALUE Mtg.

<u>NAME</u>	<u>AMOUNT</u>	<u>FOR</u>
W. Tarman-Ramcheck	\$68.87	Public Works – 12/9/05 – Madison APWA WI Chapter Executive Comm. Meeting
D. Collins	\$25.78	Police – 12/7-12/9/05 – Milwaukee County Interview & Interrogation w/Forensic Statement Analysis
W. Mainus, S. Presnal	\$135.00	Building – 12/8/05 – Pewaukee Required Continuing Education
M. Swanson	\$205.02	Health – 11/30/05 – Madison WI Tobacco Control & Prevention Conf.
C. Anderson	\$128.12	Health – 11/30/05 – Madison WI Tobacco Control & Prevention Conf.

Moved by Ald. Casey, seconded by Ald. Herzog that the vouchers
be allowed and paid – 7

The meeting adjourned at 9:43 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

svh