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BUDGET & FINANCE COMMITTEE MEETING
Tuesday, May 29, 2007
Committee Room #2

PRESENT: Alds. Becker, Grimm, Hanson, Krol, Maher, Purins, Stepaniak – 7

ABSENT: Ald. Ewerdt

ALSO PRESENT: J. Archambo, City Admin.; A. Kesner, City Atty.; R. Braier, Finance Dir.; W. Kappel; Pub. Works Dir.; N. Welch, Comm. Devel. Dir.; J. Wojcehowicz, Water Supt.

Ald. Stepaniak as Chair called the meeting to order at 8:12 p.m.

Independent auditor's report and financial statements for the year ended December 31, 2006

Mr. Braier introduced Mr. Jim Budick and Mr. Jake Lennell of Clifton Gunderson LLP. The committee reviewed the auditor's statement. Mr. Budick outlined the auditor's responsibility under generally accepted auditing standards explaining the following points contained in the auditor's statement: 1) there were no significant accounting policies or activities in controversial or emerging areas; 2) there were no significant account estimates of financial data which would be particularly sensitive and require substantial judgments by management; 3) the adjustments arising from the audit that could, in their judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process included restatement of beginning fund balances for the library transactions and accrued vacation; 4) they did not perform any procedures or corroborate other information included in the annual report; however, they read management's discussion and analysis of financial conditions and results of operations and concluded that the information did not require revision; 5) there were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the city's financial statements or their report; 6) management made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards; 7) there were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to their retention as auditors; and 8) they encountered no difficulties in dealing with management related to the performance of the audit. Mr. Budick went on to explain the components of the audit document. He added that with regard to the water utility, the financial statements are fairly stated and all material is correct.

Mr. Braier noted that the responses to the management letter are concise. There are comments included from Carol Thomas, Payroll and Benefits Mgr., Thomas Otzelburger, Information Systems Mgr., and Nancy Welch, Community Development Dir. with regard to some of the auditor's questions. He added that the audit has never included a management letter from the Water Utility, the information is included in the full city report.

Ald. Maher encouraged the staff to present a brief report to the Budget & Finance Committee which would provide a different perspective going into the budget discussions.

Moved by Ald. Maher, seconded by Ald. Krol to accept the report and place it on file – 7

State of Wisconsin Critical Infrastructure Protection funding to perform security upgrades

The committee reviewed a memo from the Purchasing Manager regarding water department qualification for Critical Infrastructure Protection funding from the State of Wisconsin to perform security upgrades. Mr. Wojcehowicz referenced the memo from the Purchasing Manager and his letter saying that the funds are 80% federal with a 20% local match. He went on to say that the initial goal is to establish a baseline water quality parameter that can be continuously monitored and that will alert staff to any deviations. He noted that HACH is the only company certified as an approved water distribution monitoring panel by Homeland Security (the Safety Act, 2002). The Water Utility has identified their cost sharing portion for security upgrades to be $43,833.70. The quote includes 3 HACH Water distribution Monitoring Panels including a 10% discount and 1 HACH Colorimeter, a portable water sampling instrument. There is also on site initial start up, reagents for instrumentation and quarterly equipment inspections and calibrations. He added that 3 of the monitors are permanent and the other is for residential as they are required to take 50 samples for the Department of Natural Resources. This equipment will tie back into the SCADA system. The grant award is $190,000 with federal share of approximately $153,000. This would be Phase I of multiple phases. He noted that there would be ongoing maintenance costs. He recommended approval of the purchase.

> Moved by Ald. Maher, seconded by Ald. Grimm to recommend approval to purchase 3 monitoring panels and 1 portable water sampling instrument from the HACH Company at a cost not to exceed $43,833.70 – 7

Reallocation of funds to replace defective water department valves

The committee reviewed a memo from the Water Superintendent regarding the reallocation of funding for the replacement of 2 defective valves at water department pumping stations. Mr. Wojcehowicz explained that the water utility has experienced unexpected failures of two DeZURIK butterfly valves. Because of this, the utility will not be able to complete a detailed evaluation of the stations pumps and motors. On March 8th the second shift operator technician observed one of the pumps at the N. 64th Street station rotating in reverse indicating that the DeZURIK surge valve was not completely closing.

Mr. Wojcehowicz noted per the memo that in the 2007 budget, the utility recommended a preventative maintenance program for the pumps and motors at the pumping stations because of the age of the pumping equipment. The utility recommended a professional evaluation at each of the city's three stations so they could proactively plan and budget to rebuild or replace the equipment before there was a failure. An initial evaluation with "Focus on Energy" centered on building heating and lighting issues. Phase 2 of the evaluation will target their station pumps, motors and pumping operations.

Mr. Wojcehowicz noted that the utility budgeted $11,000 in the Pumping Equipment Maintenance Account for 2007. Three quotes were received for the replacement of the 2 DeZURIK butterfly valves with the lowest bid price of $20,053. They have identified the Main Maintenance account as a source of available additional funding. The utility has also placed a hold on all recommended new purchases listed under Equipment and Tools and has also identified reductions in Materials and Lawn Repairs. A Level 2 fund transfer of $9,100 has been approved by the appropriate city staff. He recommended replacing the defective valves.

> Moved by Ald. Grimm, seconded by Ald. Krol to recommend approval of the Change of Purpose in the Main Maintenance account and the replacement of 2 defective DeZURIK butterfly valves at a cost of approximately $20,053 – 7

Fund transfer from the sundry contractual services account to the scale repair fund to pay outstanding invoices and to the appropriate account for sole source purchase of a scale reader, printer and software package

Ald. Stepaniak noted that this item was held from the last meeting. Mr. Kappel explained that the scale components are part of a proprietary program owned by Fairbanks Scale. He noted that the reasons for the two remaining invoices are partially because of some consumables purchased by the city and costs the city incurred pertaining to the scale. He planned to include the remaining invoices and the purchase of the scale reader, printer and software package in one fund transfer. This is a full service package that will record, and store all transactions that go through the scale. It will generate reports and save the department staff time.

> Moved by Ald. Maher, seconded by Ald. Hanson to recommend approval for a fund transfer from the Sundry Contractual Services account to the scale Repair fund to pay for outstanding invoices and to the appropriate account for sole source purchase of a scale reader, printer and software package from Fairbanks Scale. Vote on the motion was Ayes: 6, Noes: 0, Present: 1 (Grimm)

Change of purpose in the fleet maintenance reserve account to purchase a replacement tractor for Hart Park

The committee reviewed a memo from the Parks and Forestry Superintendent requesting a Change of Purpose in the Fleet Maintenance Reserve account to purchase a replacement tractor for Hart Park. Mr. Kappel referenced the memo's background information noting that the engine governor on a 2001 Craftsman lawn tractor/mower failed. This would necessitate a complete overhaul of the vehicle to make a repair. The cost of repair would be more than the value of the tractor. The parks department staff has researched replacement vehicles for function, versatility and cost and determined that a Toro Workman 2110 utility vehicle is a suitable replacement. Demo models with 100 hours or less carrying a 2-year as new warranty are available through Reinder's in Elm Grove. The cost would be approximately $6,999. He recommended the Change of Purpose from the Fleet Maintenance Equipment Reserve account to purchase this vehicle.

> Moved by Ald. Maher, seconded by Ald. Becker to recommend approval of the Change of Purpose and the purchase of a Demo model Toro Workman 2110 with a 2-year, as new warranty for approximately $6,999 – 7

Discussion of expectations of program based performance budgeting for 2008

The committee reviewed a memo from Mr. Archambo regarding expectations for program-based performance budgeting for 2008. He noted that the city has started to develop a program-based budget which will build on what is currently in place. He stressed that this will be a multi-year process. He asked for input from the committee at the start of the 2008 budget process, specifically, the expectations of the Budget and Finance Committee for this budget cycle. He presented suggested modifications to the budget summary for the 2008 budget cycle: 1) tax rate per $1,000 of assessed value – demonstrating proportionate share of taxes going to the city, state, county, MATC and School district; 2) comparison over time of equalized and assessed valuation – demonstrates progress of constraining taxes based on economic development; 3) equalized and assessed tax rates over time; 4) property tax based on property value; 5) revenues and expenditures by department – identifies, for instance, how much of the tax levy, undesignated and program revenue actually supports various functions; and 6) creation of a cross-section

analysis of expenditures and revenues – demonstrates for instance, how much personnel costs impact the whole budget.

Mr. Archambo stressed that they would like to begin to assign better benchmarks so that the committee can ask specific questions such as how it is determined that a service is going well. In the future they would like to implement a citizen survey as well and look deeper into the cost of revenues and expenditures; for example, how much of the cost of running the city hall building is attributable to the health department. In the police department, how much revenue is derived from writing tickets, how much is undesignated revenue and how much of the levy is going to support those functions.

Committee members were interested seeing how the city's resources are allocated and how costs are assigned throughout the city. They thought this would be the best mechanism to use in making budget decisions. Mr. Archambo said this type of budgeting will help to identify what it really costs to provide services. Ald. Maher stressed that audits will require this type of budgeting in future years. He noted the last page of the materials on program based budgeting which points to the benefits of this approach: 1) clearly states the desired outcome to be achieved; 2) helps Council focus on the end-result, high-level outcome desired; 3) more understandable and relevant to Council, staff and the community; 4) stronger role for boards and commissions; 5) more customer oriented; 6) provides greater flexibility to staff in the use of resources; 7) eliminates meaningless counting of output and gets rid of deadwood measures; 8) better measures effectiveness and quality of service delivery, as well as the city's traditional measures of production and efficiencies; 9) measures of success are directly tied to outcome and shown together; 10) shows success more clearly and comprehensively; 11) provides a roadmap to align organizational structure with outcome being sought; and 12) enhances the review of strategic and tactical approaches to best meet desired outcome.

Ald. Stepaniak suggested dramatically condensing the budget presentation. Labor and fringe benefits are the biggest line items. He suggested summarizing all amounts other than labor and fringe benefits. If there are any questions during the budget process, the Finance Director would be available to answer them. The committee may miss big items by having too many small items being presented. Ald. Purins requested a column that would show the percentage of the budget attributed to each item. He further suggested highlighting the big ticket items before the budget discussion.

Creation of a Tax Increment Financing (TIF) policy

Referencing his memo to the committee, Mr. Archambo said that there have been only 5 Tax Increment Financing (TIF) Districts in the city. They are expecting at 2 or 3 others in the near future. The following is a basic description: TIF Districts "freeze" the assessable value of a designated geographical area. For example, a district is created inclusive of a 3 block area. The current value of the properties total $1 million. For the life of the TIF, taxes continue to be paid on that value to each property taxing jurisdiction. The city and/or developer construct infrastructure and development that increases the assessable value. Any value created above the original $1 million value has the same tax rate applied to it, but all (excepting State of Wisconsin property tax rate) is "captured" to pay for projects specified in the TIF project plan. Once those identified projects are complete the TIF is eliminated and property taxes are paid to all taxing jurisdictions based on the new full assessable value. He included in his information TIF policies from the Cities of Janesville and Madison noting that these are good starting points. He suggested that a policy regarding TIF Districts which is ultimately an economic development tool would be an extension of the Comprehensive City Plan.

Ald. Stepaniak noted that the city has been very conservative in the use of TIF Districts. He encouraged the establishment of a set of guidelines that are connected to the Comprehensive City Plan. Ald. Krol

suggested that staff create a TIF District policy incorporating any additions from the committee. Ald. Maher noted that a TIF District policy will provide staff and developers with direction.

Ald. Stepaniak noted that the City of Madison refers to a TIF team of staff. Wauwatosa has that informally, but there is no formalized process. He encouraged the city to be more deliberative in reviewing developer applications and to be clear on what the TIF District will be used for.

Homeland Security LETPP/Critical Infrastructure Grant Program – video surveillance component

The committee reviewed a memo from the City Administrator regarding the Homeland Security LETPP/Critical Infrastructure Grant Program – video surveillance component. Referring to his memo, Mr. Archambo said that the water utility received and the Council accepted $152,736 in grant funding from the Homeland Security LETPP/Critical Infrastructure Grant Program. Part of the funding is specifically for video surveillance of water facilities. They anticipate there to be seven such locations. They have identified a program cost of $364,000 for video surveillance in the Hart Park project plan. They have also invested and continue to purchase services related to communication interoperability of police and other functions. Immediate potential uses include surveillance of Hart Park and up-linking video and other data from police squads to the station. Other potential future uses that need to be considered should include fixed point meter reading, interconnectivity of employees in the field and efficiency of current communication infrastructure.

Mr. Archambo proposed bringing the committee a recommendation for a consultant some time in June to analyze the city's current infrastructure, consider future uses, assist in bidding hardware and installation, and cost effectiveness of varying options. He recommended that the committee give considered thought to this concept and the process under which the water utility video surveillance is completed without overlooking other practical applications of the same technology infrastructure. If approved the committee will review bids for equipment and installation in the beginning of September.

Vouchers

NAME	AMOUNT	FOR
K. Verbanac	$84.00	Water – 5/8/07 – Milwaukee WI Water Association Safety Seminar
M. Sobieski	$84.00	Water – 5/8/07 – Milaukee WI Water Association Safety Seminar
R. Kraft	$84.00	Water – 5/8/07 – Milaukee WI Water Association Safety Seminar
M. Steffey	$168.48	Consortium – 5/15/07 – Milwaukee Designing Attention-Grabbing Brochures
L. Nielsen	$2,970.04	Health/Consortium – Summer Session Public Health Cert. – Online Program
D. Schindler	$36.02	Health – 4/20/07 – Oconomowoc Communicable Disease Seminar

NAME	AMOUNT	FOR
M. Swanson	$126.12	Health - 4/19/07 – De Pere Communicable Disease Seminar
A. Eldredge	$36.02	Health – 4/20/07 – Oconomowoc Communicable Disease Seminar
S. Javoroski	$36.02	Health – 4/20/07 – Oconomowoc Communicable Disease Seminar
J. McGuire	$36.02	Health – 4/20/07 – Oconomowoc Communicable Disease Seminar
J. Wojcehowicz	$342.00	Water – 5/17/07 – Chicago, IL American Water Works Association Seminar – Water Infrastructure at a Turning Point
M. Meske	$36.02	Health – 4/20/07 – Oconomowoc Communicable Disease Seminar
J. Milotzky	$856.95	Police – 4/3-4/8/07 – Tampa, FL Snipercraft Conference and Training Exercise
B. Zalewski	$2,176.23	Police – 4/3-4/8/07 – Tampa, FL Snipercraft Conference and Training Exercise
S. Kirby	$1,320.19	Police – 4/3-4/8/07 – Tampa, FL Snipercraft Conference and Training Exercise
M. Swanson	$480.23	Consortium – 5/15-5/18/07 – St. Charles, IL Annual Maternal Child Health Conference
L. Kavelaris	$279.54	Police – 5/7-5/9/07 – Oshkosh Crisis Negotiator Conference
C. Fox	$108.00	Police – 5/15-5/16/07 – Madison Computer Training – TRACS User
M. Dahlen	$90.48	Police – 5/16-5/17/07 – Madison Computer Training – TRACS User

Moved by Ald. Hanson, seconded by Ald. Becker that the vouchers be allowed and paid – 7

The meeting adjourned at 9:57 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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