

BUDGET & FINANCE COMMITTEE MEETING

Tuesday, February 28, 2006
Committee Room #2

PRESENT: Aids. Bruderle-Baran, Grimm, Herzog, Maher, Meaux, Purins, Stepaniak – 8

ALSO PRESENT: T. Wontorek, City Administrator; R. Braier, Finance Dir.; W. Kappel, Public Works Dir.; J. Wojcehowicz, Water Supt.; Capt. Reit, Police; J. Bembenek, Purchasing Mgr.; T. Otzelberger, Info. Sys. Mgr.;

Ald. Bruderle-Baran as Chair called the meeting to order at 8:04 p.m.

Contract with AT&T (SBC) for a complete voice and data solution telecommunications system

Mr. Bembenek said the committee requested information regarding the cost comparison between Choice One and AT&T. He said that although the monthly charge is less for Choice One, AT&T's cost is lower by \$45,829.80 over the 60 month contractual agreement plus an additional \$39,609.82 if the "single payment option" is considered.

Mr. Braier said that his memo addressed the financing of the project and outlined the two aspects of the decision: 1) should the city choose the single payment option or the contract pricing for the proposed software purchase and 2) should the city use cash on hand or issue debt for five years to execute the single payment option for the operating expenses? He noted that by choosing the single payment option for the purchase of the software, there is a savings of \$19,837.95. He recommended the single payment option. With regard to the operating expenses, borrowing the funds rather than using cash on hand produces a savings of \$7,695. There is one other difference between leveraging the expense and paying from operating cash. Debt service expenses are exempt from the Expenditure Restraint formula and the Levy Limit restrictions, operating expenses are not.

Ald. Maher said the city can possibly save \$7,600 dollars and maybe less if current interest rates increase. The core question is how to pay for operating expenses. He did not agree with using the debt service to pay for operating expenses. He had no problem with funding the hardware. He also questioned the timing of the proposal and asked if the current phone system could last until the next budget cycle. Mr. Bembenek said the public works and the police departments are in the worst shape. The system at city hall could maybe wait for a short time, but most of the other areas have extremely old equipment. Ald. Maher said the basic question is how you fund the operating expenses and where. He asked if there was a time limit on the discount if the committee were to wait until the standard budget process.

Tom Pedrana, AT&T, 17950 W. Corporate Drive, Brookfield, responded that telecommunications costs have started to creep up so he couldn't guarantee the discount price that far into the future. Ald. Maher said this is a large sum of money and he was concerned about setting a precedent with bonding for operating expenses.

Ald. Herzog noted that the current contracts are expired and something has to be done sooner than later. This is a perfect opportunity for the city to act like a business and take the deal when they can. This is saving money for the city and he was comfortable with the recommendations of Mr. Bembenek and Mr. Braier. He pointed out that under normal obligation the city would pay the debt over 10 years. This debt would be paid over 5 years. He wished the city could do that for all operating expenses.

Ald. Purins asked about the impact on the operations budget. Mr. Bembenek said the monthly charges would drop this year and in years 2 through 5 the operating budget will be equal to what the city is paying now. He added that some maintenance and operating costs will have to be funded.

Ald. Purins asked why this proposal was before the committee at this time. Mr. Bembenek responded that the Telecommunications Committee was formed over a year ago and about six months ago they gave a progress report to the committee. They had hoped to be able to lower the cost for the network, but too much equipment had to be replaced. That is why this was not part of the budget process.

Ald. Purins asked if the single payment option were approved would there be a reduction in the operating expenses. Mr. Bembenek reiterated that initially there would be a reduction, but years 2 through 5 would increase due maintenance costs. He noted that if the city does not go with the single payment option the monthly cost would be about \$4,000 or \$1,000 more than the current situation.

Ald. Grimm left the meeting at 8:19 p.m. (-7)

Ald. Purins asked where the money would come from if the city would pay from year to year. Mr. Braier said it would come from a re-estimation of the budget. He said the first payment of approximately \$9,000 would not be a concern. The money could come from the general fund surplus as opposed to borrowing for it, but the city could do either option.

Moved by Ald. Maher, seconded by Ald. Purins recommend approval to fund the single payment option for \$190,000 out of the 2005 general fund balance and bond the remaining capital expenses according to the Finance Director's formula. Upon a roll call vote Ayes: 2, Noes: 4 (Bruderle-Baran, Herzog, Jenkins, Stepaniak), Present: 1 (Meaux)
The motion fails.

Ald. Stepaniak asked if paying for the operating expenses out of the operating expenses budget and capital expenses out of the bonding would cost more. Mr. Braier reiterated that it would cost \$7,600 more over the five-year period. Ald. Stepaniak noted that paying out of operating expenses would satisfy a budgeting principal, but it would cost the city money.

Ald. Maher said that given past practice, if the \$190,000 is not approved for this proposal, it would be used for other projects. Mr. Braier said the city has not been in a situation for the last few years where they can borrow money at a lower rate. He added that the city has used excess surplus to reduce the following year's tax levy.

Ald. Stepaniak said this was an excellent conversation, but he was not concerned with bonding for the operating expenses.

Moved by Ald. Herzog, seconded by Ald. Jenkins to recommend approval of the contract with AT&T (SBC) for a complete voice and data solution telecommunications system with funding through general obligation bonds.
Upon a roll call vote Ayes: 5, Noes: 1(Maher), Present: 1 (Meaux)

Resolution authorizing the borrowing of \$4,000,000; and providing for the issuance and sale of general obligation promissory notes, series 2006

Mr. Braier said they will fund all the projects included in the capital projects. The sale will happen in the beginning of March.

Paul Thompson, Hutchinson, Schockey, Erley & Co., said the estimated interest rate is about 3.91% for a ten year note. In the last 4 or 5 years they are getting positive arbitrage that hasn't existed for that amount of time. They need to keep track of actions by the Federal Reserve. They don't expect any change between now and the sale date and no change in the city's Aaa rating.

Mr. Braier noted that the bonding limit is \$3.5 million, but the city can borrow \$4 million because of mandated improvements for the sanitary sewer system from the Milwaukee Metropolitan Sewerage District (MMSD). The principal amount of general obligation debt being retired in 2006 is \$3,987,704. The capital projects fund has an excess of \$495,000 which can be used to lower the 2006 promissory note issue, spend on other capital expenditures approved by the Common Council or can be set aside for the Hart Park improvements that have been discussed.

Moved by Ald. Stepaniak, seconded by Ald. Maher to recommend approval for the authorization of the bond issue – 7

Resolution updating the City Depository listing and adding Johnson Bank and Ridgestone Bank as public depositories

Mr. Braier said they are adding Johnson Bank and Ridgestone Bank as public depositories. There are also four or five bank name changes in the resolution. He would like to have the correct resolution on file.

Moved by Ald. Jenkins, seconded by Ald. Herzog to recommend approval of the resolution updating the City Depository listing and adding Johnson Bank and Ridgestone Bank as public depositories – 7

Transfer of funds from the Municipal Complex Budget to the Police Complex Budget

Mr. Wheaton said the 2006 budget proposal contained a number of projects to be completed in the police department: 1) upgrade of the security lock system, 2) repair of a fire door assembly along with smoke detection system, and 3) replacement of the damaged plumbing system serving the jail cells. They need to transfer funds from the Municipal Complex budget to the Police Complex budget to get these projects done. He recommended the transfer.

Moved by Ald. Maher, seconded by Ald. Purins to recommend approval for the Transfer of Funds from the Municipal Complex budget to the Police Complex budget to complete level 1 priority projects – 7

Purchase of 42 computers with a 3-year extended warranty for various departmental needs

Mr. Bembenek said this purchase is the basic configuration of computers that they have purchased in the last few years. The only change is they are increasing the memory. The city's cost is \$1,344 per computer from Dell at a cost not to exceed \$56,448. He added that the other two vendors they checked were charging \$50-\$75 more for each computer. He recommended the purchase.

Moved by Ald. Stepaniak, seconded by Ald. Maher to recommend approval for the purchase of 42 computers from Dell at a cost not to exceed \$56,448 – 7

Vendor selection for new communications and dispatch console furniture

Mr. Bembenek said they received proposals from three console furniture manufacturers Bramic, Watson and XYBIX Systems. Captain Reit said they chose XYBIX Systems because they have showed the most interest in

their dispatch operation and the cost was approximately \$1,000 apart. He and Mr. Bembenek recommend that XYBIX Systems, Inc. be awarded the contract for dispatch console furniture in the amount of \$47,751.50.

Moved by Ald. Maher, seconded by Ald. Purins to recommend approval of the award of contract to XYBIX Systems for police department communication and dispatch furniture in the amount of \$47,751.50 – 7

Selection of digital in-squad video vendor for the police department

Captain Reit reported that after an 18 month search, they have decided to approve Baycom, Inc. as the provider of the Panasonic Arbitrator in-squad video system at a cost of \$95,504. They have dealt with them in the past and like their service. He recommended approval.

Moved by Ald. Herzog, seconded by Ald. Maher to recommend approval of the proposal from Baycom, Inc. for digital in-squad video equipment and hardware in the amount of \$95,504 --

Ald. Herzog asked if the cameras are always on in the squad cars. Captain Reit said the cameras are not on constantly, but they are turned on by several triggers such as speed, impact and sirens. They also have a GPS system in the cars.

Ald. Bruderle-Baran asked how many toughbooks are in the squad cars. Captain Reit answered that they now have 16 toughbook computers in the squads. The toughbooks have a three year extended warranty. They have enough in-squad computers to meet their needs, but they need two more in the budget rotation in order to be on a five year cycle.

Vote on the motion was Ayes: 7

Revised development fees for 2006

Mr. Wontorek said the proposal for revised development fees for 2006 is part of the original changes in the Consolidated Fee Schedule. They have also established a new fee for specialized zoning letters. He recommended the changes and added that the planning department will be working on fees for a site plan review.

Moved by Ald. Jenkins, seconded by Ald. Stepaniak to recommend approval of the revised development fees for 2006 --

Ald. Herzog asked if zoning letters could be broken down between residential and commercial zoning. Mr. Wontorek said they both take the same amount of time.

Ald. Meaux asked if there was a comparison done with other municipalities. Mr. Wontorek said they did not do a flat percentage increase; they did compare the fees of other municipalities.

Vote on the motion was Ayes: 7

Purchase of seven new LED light bars for the police department squad cars

Mr. Kappel said this was a budgeted item and the \$19,000 was set aside in the Police Equipment Purchase Account. This is a cooperative purchase with the City of Brookfield. General Fire Equipment will be the vendor

at a total cost of \$19,203. The current light bars are 12-15 years old and require an extra battery which will no longer be needed with the new light bars.

Moved by Ald. Herzog, seconded by Ald. Maher to recommend approval of the purchase of 7 new light bars and installation from General Fire Equipment at a cost of 19,203 – 7

Award of professional services contract related to flood proofing of the Muellner and Parks Administration Buildings

Mr. Kappel said they sent out proposals to six engineering firms and received one proposal from Graef, Anhalt, Schloemer & Associates, Inc. in conjunction with Zimmerman Design Group. They met with the firm and explained that they wanted to explore more than one proposal. They asked them to go back to the drawing board and come up with a more substantial idea of cost. The combined firms came with a satisfactory plan. Eligible design services for this project are funded up to 70% by Department of Natural Resources (DNR) grants. The remaining funds would be paid by the Milwaukee Metropolitan Sewerage District (MMSD). The city would be responsible for any final design components not associated with flood proofing.

Moved by Ald. Maher, seconded by Ald. Jenkins to recommend approval of the award of a professional services contract related to flood proofing of the Muellner and Parks Administration Buildings --

In response to a question about soliciting more proposals, Mr. Kappel said this is a unique project involving what MMSD will permit and what the DNR will require because of the flood plain. They decided that it was best to work with firms that are local.

Ald. Jenkins said he felt good that this was being done with grant money. He asked about the worth of the buildings. Mr. Kappel said the parks building is valued at approximately \$210,000 and could be built for between \$400,000 and \$700,000.

Vote on the motion was Ayes: 7

Changes to Section 3.20 of the City Code pertaining to purchasing procedures

Mr. Wontorek said that during the last several months, members of the committee have commented on why various routine items have to appear on the agenda for committee and Common Council action. The items which come before the committee are included in the provisions of the purchasing ordinance. The proposal makes the following changes: 1) sets the minimum for written quotations at \$1,000, 2) raises the minimum for sealed bids from \$8,000 to \$15,000, 3) removes the requirement for Common Council approval to award a bid over \$15,000 unless it is awarded to other than the lowest responsible bidder, 4) increases the maximum contract amount that a department director may approve from \$8,000 to \$15,000, 5) limits the bid surety to surety bonds, 6) deletes the requirement that rejection of an altered bid has to be made by the Common Council, 7) Modifies the procedure to resolve a tied bid, 8) distinguishes between written quotations and sealed bids, 9) modifies the provision regarding disposal of surplus materials, 10) deletes obsolete language regarding storerooms and warehouses, 11) includes cooperative buying groups in the language, 12) modifies the language for escalator clauses, and 13) discussion whether specific types of purchases should be exempt from the bidding process. Either list specific items or allow such a list to be adopted periodically by the Common Council as supply conditions change. He said the proposed changes should allow the department directors to make the purchases in a more timely fashion, without having to wait for scheduled committee and Council meetings to approve award of bids. By raising the limit for written specifications and sealed bids from \$8,000 to \$15,000, there may less competition among vendors for the award of purchase and may result in some higher bids.

Ald. Herzog said he would not want to take action right now and asked if the increase in the minimum for sealed bids could be done incrementally. Mr. Wontorek said that some municipalities increase the minimum as a cost of living increase or as a percentage of the general fund operating budget. Ald. Herzog said he would like to see what is being done in other municipalities. He said it was a question of what the committee and Council want to give up to the department heads. He asked for some examples and comparisons in other municipalities.

Ald. Bruderle-Baran said that in Section 3.24.040 of the Code the assumption is that these are expenditures that were already approved by the committee in the budget process. She thought that the discussion should take place during the budget process and not have to come back to the committee again. Mr. Wontorek said that is a matter of comfort level and how much detail there is in the budget document. Ald. Bruderle-Baran suggested that the purchasing could be handled in the same way as the vouchers with the committee reviewing a list of the last months bid and purchasing activity. Mr. Wontorek noted that in the monthly report there is usually a summary of bids that have been awarded.

Ald. Meaux asked if there needs to be a separate ordinance dealing with professional service contracts. Mr. Kesner said that Section 3.20.020 exempts contractual professional services from the bid process.

Ald. Stepaniak noted that when he worked for the county, the exempt amount was \$25,000. The state exempt amount was \$25,000-\$50,000. The basic question is how many cycles does one need to approve these items. The changes would make things much more efficient. He encouraged the committee to continue in this direction.

Moved by Ald. Stepaniak, seconded by Ald. Herzog to hold the revisions to the purchase ordinance for one month – 7

The committee recessed at 9:22 p.m. and reconvened at 9:30 p.m.

Strategic plan for Water Utility Capital Improvements

Mr. Wontorek reviewed water department's Strategic Plan for Capital Investment. The highlights are as follows: 1) the water department tries to have pipes last at least 100 years; however, during a 25 year period they were making and installing cast iron pipes that have a considerably shorter life; 2) the city's utility district is divided into two sections. East of Highway 45 is in good shape. West of Highway 45 is not in good shape and lacks the redundancy to ensure the water supply; 3) over half the pipes in the city are six inch and need to be upgraded to 8 inch pipe; 4) some miles of pipe are pre 1900 and between 1950-74 approximately 50% of the pipes were installed; 5) currently a number of pipes are in the 40-50 year age range due to the quality of the pipe and how it was installed; 6) many six inch mains are acting like four inch mains because of the buildup; and 7) it would cost approximately \$223,000,000 to replace all the pipes at one time and \$2-3 million per year for upkeep using the 100-year life span.

Mr. Wontorek said that in the ten years between 1996 and 2005, the utility benefited from the investment of \$7 million from non-revenue-bond funds. This included: 1) approximately \$2.3 million capital investment from cash. Approximately \$1.8 million of which was invested in the existing system and \$450,000 was used to extend the system on Harley Davidson Drive; 2) Community Development Block Grant (CDBG) funds totaling \$1.4 million were used for water main improvements in existing neighborhoods; 3) approximately \$920,000 in privately-funded extensions of new public mains were installed by Mayfair Mall and others; 4) approximately \$2.4 million in Tax Incremental Finance (TIF) District funds were invested in the water system, of which \$1.7 million was used on the existing system and \$794,000 was used to extend water mains for new development; and 5) \$834,000 in utility surplus funds were invested in painting the steel storage tanks and elevated towers.

Mr. Wontorek noted that there has been a decline in water usage in the city. Residential and commercial usage has remained stable, but industrial usage has dropped by more than 50% and that affects revenues. The residential customer is bearing a larger portion of the utility. There has been fluctuation among the top ten water users in the city. Consumption at the Briggs and Stratton facility has dropped from 390,000 to 90,000 cubic feet. Grede Foundries has increased from 79,000 to 82,000 cubic feet. Some industries are no longer in operation such as the Western Metals. The drop in sales is significant in the industrial base.

Mr. Wontorek said that the total debt service hovers at \$1,000,000 until 2009 and drops to \$500,000 after that. The coverage ratio is slipping below the 1.25% needed in order to meet its financial pledge. This is predicated on no increase in sales. If more customers come on line, that will improve. The revenue options are: 1) a simple rate increase which will not provide sufficient net revenue to meet the coverage ratio without an increase in sales or reduction in expenses and 2) a full rate increase which is projected to provide the required coverage ratio without the need to anticipate increased sales while at the same time anticipating increased operating costs. He added that other factors include the need to invest \$2.9 million. Last year's investment was \$1.2 million. The utility needs to invest more, but won't be able to take that on in the next few years. If repairs need to be done, they could use short term borrowing and then convert to permanent financing in 2010. The Milwaukee Zoo water park project and water sales to Elm Grove may help. All of these factors indicate that in the immediate future, the utility will need to apply for a full rate review.

Ald. Stepaniak noted that the utility needs to invest a lot more money, but is constrained by the coverage ratio. Mr. Wontorek added that the utility can't do that until they can get the operating budget in better shape. Ald. Stepaniak asked if a full rate review would result in a significant rate increase. Mr. Wojcehowicz explained that a simplified rate increase would be approximately 3%. The full rate increase would be 6+%. Mr. Braier added that the 6% is not a rate increase, it is rate of return on the equity. The Public Service Commission (PSC) says a reasonable return on equity is 6%; however, this may generate a 12-20% increase in the water bill. Ald. Stepaniak stressed that the utility has to prioritize the improvements it needs to make and maximize outside funding from TIF, CDBG and private funding. The other important component is finding a use for any empty industrial land.

Ald. Bruderle-Baran asked if there was funding available in capital improvements to invest. Mr. Wojcehowicz said there was no money to invest from that source.

Ald. Herzog asked when the utility will go out for bonding. Mr. Wontorek responded that they are holding out for long term bonding until 2009. Starting in 2010 the large debt service drops to half and the utility will be in a better position.

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

Mr. Wojcehowicz said the previous item touched on the need for this. He recommended a full rate increase. Ald. Jenkins said he didn't see any many other options.

Moved by Ald. Stepaniak, seconded by Ald. Purins to recommend approval of a Water Utility application for a full rate review by the Wisconsin Public Service Commission (PSC) --

Ald. Herzog said that all of these options assume that the water park and Elm Grove are not included. He was not prepared to vote for the full rate increase.

Mr. Wojcehowicz said that the last full rate review was in 2003 and the one before that was in 1995. Ald. Purins was concerned that residents understand the rate of inflation and small incremental changes, but may have a hard time understanding a larger increase.

Ald. Stepaniak said the argument is very strong for a full rate increase. The Water Utility is behind the eight ball and the problem won't be solved by taking in less money than they need from this point on. He noted that a couple of users in the top ten may not be here five years from now.

Upon a roll call vote Ayes: 6, Noes: 1 (Herzog)

Vouchers

<u>NAME</u>	<u>AMOUNT</u>	<u>FOR</u>
F. Carsky	\$48.30	Police – 2/7-2/10/06 – Appleton Uniting in the Search for Missing Children and Adults
J. Wojcehowicz, J. Nash B. Gieger, C. Mason	\$72.00	Water – 2/16/06 – Pewaukee Tri-County Waterworks Meeting

Moved by Ald. Maher, seconded by Ald. Meaux that the vouchers
be allowed and paid – 7

The meeting adjourned at 10:15 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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