

**BUDGET & FINANCE COMMITTEE MEETING**

Tuesday, October 31, 2006

Committee Room #2

PRESENT: Aids. Becker, Ewerdt, Grimm, Krol, Hanson, Maher, Purins, Stepaniak – 8

ALSO PRESENT: A. Kesner, Interim City Admin./City Atty.; W. Kappel, Pub. Works Dir.; J. Wojcehowicz, Water Supt.; J. Plass, Acctg. Mgr.

Ald. Stepaniak as Chair called the meeting to order at 8:03 p.m.

**Transfer of funds and budget carryover for city's new voice data system**

Mr. Kesner said additional funding is required for the city's new voice and data solution system. He reminded the committee that this is a major investment approved by the Common Council, to upgrade the city's existing voice and data communication infrastructure. He said the voice equipment is \$235,196 of the \$471,306.73 total approved for the expenditure. AT&T has run into a few trouble spots before implementation can proceed: 1) the police department is requesting integration of new voice equipment with existing E911 emergency system and recording equipment. The additional cost would be \$14,556.64; and 2) the required needs for the civic center include library Automatic Call Direction (ACD), and health department enhancements of 6 additional digital phones hotlines, auto attendants and associated equipment for traffic issues during the immunization programs. The additional cost will be \$15,065.95. The combined cost for the enhancements total \$29,622.59.

Mr. Kesner explained that completion of this project requires an additional \$18,000 in capital funds. It has been determined that funding is available from the Bridge Repair Capital account. The engineering department has also requested that the remaining funds in this account be carried over into the 2007 budget.

Ald. Maher asked if the \$18,000 could come from a source of funding other than bonding. Mr. Kesner said that the Finance Director felt that since the rest of the funding for the phone system was paid for out of the bonding, the \$18,000 should come from that source as well. Ald. Maher said he would not recommend bonding for the \$18,000 and would prefer to come up with the funds from some other part of the budget.

Ald. Krol asked about the specifications given to AT&T. Mr. Kesner said they were relying on the phone company to help determine what was needed for communications throughout the city. They realized after the process was started that there were problems such as the 911 system was not included in the specifications. He said the specifications were drawn up by a committee and sent out for Request for Proposals (RFP). A lot of the details were put in by the phone company.

Ms. Plass said this type of purchase would usually be bonded. Mr. Kesner said they have already borrowed the money in the bonding so it made sense to keep the entire purchase in that funding. At this point it is like paying cash. If the money is not used it stays in the Bridge Repair Capital Account. He added that other departments requesting additional equipment have provided for the extra cost in their budgets.

Moved by Ald. Maher, seconded by Ald. Hanson to direct the City Administrator to find the necessary funding in the amount of \$18,000 in the current operating budget as opposed to using capital funds and to carryover the balance of the Bridge Repair Capital account to 2007 – 8

Mr. Kesner asked if the funding could be taken from the Reserve for Contingencies because there is a time consideration and Council approval is needed as soon as possible.

Moved by Ald. Maher, seconded by Ald. Purins to take the additional Funding in the amount of \$18,000 from the Reserve for Contingencies and to carryover the balance of the Bridge Repair Capital account to 2007. Vote on the motion was Ayes: 7, Noes: 1 (Grimm)

### **Water rate adjustment approved by the Public Service Commission**

Mr. Wojcehowicz said the Milwaukee Water Works received approval from the Public Service Commission (PSC) to increase their water rates. The Wauwatosa Water Utility applied to the PSC for authority to pass this increase through to their customers. On September 13, 2006, the utility received permission from the PSC to pass through the increase in Milwaukee's water rates. The purpose of this request is solely to recover the increased cost of water from Milwaukee. The requested rate adjustment would take effect with the bills issued on December 1, 2006. He said the increase in rates will recover the increased cost of water from Milwaukee. The requested rate adjustment would take effect with the bills issued December 1, 2006. The increased cost from Milwaukee Water Works would be approximately \$70,000 annually. The increase to Wauwatosa customers would be 1.1% or \$0.74 per quarter for the average residential customer.

Moved by Ald. Maher, seconded by Ald. Grimm to recommend approval of a water rate adjustment as approved by the PSC and implementation with the bills issued on December 1, 2006 – 8

### **Change of Purpose for 2006 funds in the public works Building Equipment account**

Mr. Kappel said there are currently two projects funded in the public works Building Equipment account. The larger of the two projects was to change out the lighting system for \$101,500. The other at \$10,000 was to install a security system in the facility. The lighting program was eliminated because the illumination would have actually been less than what is currently in place. The proposed fixtures were not heavy duty which is what would be needed in the public works facility. He said the cost of the security project has turned out to be more than their original estimate. They planned to add a card reader system to the public works building to make it more secure. The card system specified will be identical to the one used in the city hall complex so only one card is needed for those requiring access to both facilities. They are recommending a sole source purchase to be compatible with the city hall security system. The cost of the project is \$17,774 and they recommend setting aside \$18,000 to cover the purchase.

Mr. Kappel said they also need to perform some door repairs and change out the hardware on the doors that face the exterior of the building. They had originally requested an amount of \$35,000 in the 2007 capital budget for this purpose. During the executive review of the budget, they dropped this request because they already knew the lighting project would not be going forward. They planned on coming before the committee with a Change of Purpose request as soon as they had some estimates. The door repair estimate was for \$30,000 and he recommended that \$33,000 be set aside for door and hardware replacement. He said the department would also like to use the balance of funds for an updated facility asset audit and energy audit. The asset audit would take a long range view of the facility and design a capital program to keep the integrity of the facility intact as well as a longer range capital program. He noted that the plumbing fixtures are original and the facility also has the two original boilers. The question is how soon they would need replacement or major overhaul. He would like to create a budget over time to maintain the public works building.

Mr. Kappel said it doesn't make sense to go ahead with the security project if the doors are not functioning. They are looking at 8 different card readers. The card readers are connected to homeland security issues and

security issues with the water department. He said it would be important to have a consultant look at the needs. This is a general fund allocation and it will take him until 2007 to get the Request for Proposals together. Ald. Ewerdt felt that the city should have enough staff to do this type of audit. Mr. Kappel said they do not have enough people with heating, plumbing and HVAC experience. They want a consultant who is experienced in all these systems. Mr. Kesner explained that the staff people in the building department are hired to do inspections and to be well versed in city and state code requirements. They are not hired to do plumbing or electrical work such as maintenance of building systems.

Moved by Ald. Purins, seconded by Ald. Maher to approve a Change of Purpose in the public works Building Equipment account to fund the security and door hardware at a cost of \$51,000 and to allocate the balance to potentially cover the cost of an asset and energy audit for the public works building at a cost to be determined within the available balance of \$60,000. Vote on the motion was Ayes: 7, Noes: 1 (Ewerdt)

### **Level Three fund transfer and budget carryover from Traffic Signal account to Street Lighting account**

Mr. Kappel said the Department of Transportation (DOT) has informed the city that there may be a change in the standards for traffic signal controllers. He feels it would be prudent to postpone purchasing any more replacement traffic signal controllers until such time as the new regulations are finalized. They would like to transfer funds from the Traffic Signal account into the Permanent Street lighting account where it will be used for new lighting distribution cabinets and other street lighting improvements. This work will likely extend into 2007. They are requesting a Carryover of Funds from 2006 to 2007 to fund the work.

Ald. Stepaniak asked when the money would be transferred back to the Traffic Signal account. Mr. Kappel said they have made provisions for that in 2007.

Moved by Ald. Maher, seconded by Ald. Becker to recommend approval of the Level Three fund transfer in the amount of \$50,000 and the carryover of funds from the Permanent Street Lighting account at the end of 2006 to the 2007 Permanent Street Lighting account – 8

### **2007 Water Utility Budget**

Mr. Kesner said the water department staff have worked to improve their budget format and to have it prepared earlier than usual as requested by the committee. The utility has lost a number of large customers primarily Briggs & Stratton. The pumpage reports keep decreasing and they have not been able to do some of their capital projects. The rate adjustment will help with the revenues and in future years the water utility will be in the positive. He said there a couple of opportunities to improve the water utility. They are nearing an agreement with Elm Grove and that agreement has become more of a wholesale proposal rather than a retail proposal which means that Elm Grove will incur more of the expenses. This will be a significant improvement for the water utility. He stressed that the budget does not assume the numbers for the Elm Grove water sale.

Mr. Wojcehovicz said they purchase water from the Milwaukee Water Works, but they don't bill their customers for months down the road. He noted that 23% of their revenues come in the first quarter of the year and 45% at the half way point. The revenues increase more rapidly during the summer months; however, 50% of the broken water mains happen in the winter. There are seasonal expenses related to construction. They are trying to allocate and document the effect of Digger's Hotline over time. There is also a change in the areas the city is responsible for in the water laterals. This will increase the utility's call for service repairs. He noted that during daylight savings time, the water towers will be running more lighting increasing that cost. The utility budget holds some unpredictability. They are at 72% of revenues based on what they projected; however, the

fourth quarter might not be as strong. Another factor was heavy rainfall in September. He noted that redevelopment has not necessarily brought more water usage. He said that Worker's Compensation has increased their costs and there are other labor issues. He also noted that they have made great strides in reducing the overtime and the water main breaks.

Mr. Wojcehowicz said that a number of Hart Park projects related to the water mains have been completed with Milwaukee Metropolitan Sewerage District (MMSD) funding and TIF funding. He noted that they have experienced a shortfall in Community Development Block Grant funds so they will have to reduce some of their projects. He further noted that the water utility building which was built in 1964 has leaks in the roof and other parts of the building. They also have received water security grant funding and have met with Milwaukee County emergency government. They do not plan on bonding until 2010.

Ald. Maher said he was concerned that the water utility was assuming that CDBG money would provide total funding. Mr. Wojcehowicz said that in the CDBG pot of money it seems that there are other pools of money appropriated at different points in time. He noted that the water utility projects were eligible. Ald. Stepaniak said seeing the money that has been spent by CDBG in the past; it is possible to think that the water utility projects would fit the criteria. Mr. Kesner said the CDBG allocations are somewhat unpredictable.

Ald. Purins requested to see the areas of expenses that can be controlled reflected in the budget. He said it is helpful to see where the trends are going.

The committee recessed at 9:56 p.m. and reconvened at 10:05 p.m.

Ald. Krol asked if there was any indication that the utility is spending less money because the pumpage rate is decreasing. He said that when the revenues go down the expenditures have to go down as well. There have been a lot of improvements as older water mains have been replaced. He said the utility may have to look at reducing the amount of staff. He would also like to see some tracking of the expenditures to see what is being done to account for declining revenues and controlling costs. Mr. Wojcehowicz said the decrease in water volume doesn't change the amount of water mains that have to be maintained in the city or the DNR requirements the utility is expected to meet. They have also added approximately one mile to the water main system and that brings additional expenses and labor to maintain. Approximately 2.7% of the total expenses go to contracting for work that the utility can't do and that is a variable depending on what kind of jobs they encounter. Ald. Krol said it might be good to track the outside contracts and the fluctuation in personnel. Mr. Wojcehowicz said their staffing hasn't changed and they might be expanding their water service. Mr. Kesner added that if the agreement with Elm Grove is approved there will be a need for additional water mains.

Ald. Maher said he was concerned with the rate increase and the fact that the utility is still running a deficit and tapping into the surplus. He was also concerned with the long term picture. He was looking for more than just holding the line on the budget until the bonds are paid off or until an agreement with Elm Grove is finalized. He would like to see a business plan as well. He noted the proposals listed in the 2006 Strategic Plan. He was interested to see if any of them were included in the 2007 Water Utility budget. He thought there needed to be serious attention paid to medium and long range issues. He proposed that there be analysis done of the utility and any options for addressing the problems. Some of those options might include new management, putting the water utility under the auspices of another department or hiring an outside consultant to run the utility.

Moved by Ald. Maher, seconded by Ald. Purins to recommend approval  
of the 2007 Water Utility budget – 8

Ald. Maher said, using the strategic plan as a starting point, he would like to know where the water utility envisions itself in the next 5 years. The utility is spending more money than they are taking in and this is a fact that needs to be addressed. He also would also like to look at the operations of the utility.

**Vouchers**

<b><u>NAME</u></b>	<b><u>AMOUNT</u></b>	<b><u>FOR</u></b>
J. Nuter	\$300.35	Police – 10/18-10/19/06 – Madison Midwest Conf. on Child Sexual Abuse
J. McGuire	\$2,790.00	Health – Fall Semester 2006 – Rush Univ. Graduate Nursing Program
B. Weber	\$2,137.82	Police – 10/13-10/19/06 – Boston, MA 113 <sup>th</sup> Annual International Assoc. of Chiefs of Police (IACP) Conf.
L. Nielsen	\$2,130.76	Health – 10/14-10/17/06 – Raleigh, NC Univ. of North Carolina Management Academy – Consortium funded
D. Moldenhauer	\$150.00	Police – 8/23-8/25/06 – Green Bay 2006 WI Narcotics Officers Assoc. Annual Training Conf.
J. Milotzky	\$150.00	Police – 8/23-8/25/06 – Green Bay 2006 WI Narcotics Officers Assoc. Annual Training Conf.
J. Short	\$150.00	Police – 8/23-8/25/06 – Green Bay 2006 WI Narcotics Officers Assoc. Annual Training Conf.
J. Wojcehowicz	\$517.99	Water – 9/19-9/22/06 – Wisconsin Dells WI Water Assoc. Annual Conf.
B. Aldana	\$139.24	Personnel – 9/26/06 – Waukesha Worksite Wellness Conf.
S. Van Hoven	\$29.55	City Clerk – 7/18-7/19/06 – Waukesha Statewide Voter Registration (SVRS) Training
G. Gabrish	\$91.55	Police – 9/25-10/6/05 – Port Washington First Line Supervisor Course
T. Karnick	\$371.00	Police – 10/2-10/5/06 – Wisconsin Dells National Assoc. of Field Training Officers WI Chapter 14 <sup>th</sup> Annual Conf.
P. Rehal	\$261.70	Municipal Court – 10/4-10/6/06 – Green Bay Municipal Court Clerk Seminar
J. Beix	\$604.05	Health – 9/10-9/12/06 – La Crosse Preparedness Conf.

<u>NAME</u>	<u>AMOUNT</u>	<u>FOR</u>
D. Wheaton, B. Mainus	\$186.00	Building – 9/19-9/22/-06 – Green Lake Annual Plumbing Inspector Re-certification
S. Sment	\$53.48	Police – 10/23-10/25/06 – Appleton Street Crimes Seminar

Moved by Ald. Maher, seconded by Ald. Grimm that the vouchers  
be allowed and paid – 8

Ald. Ewerdt said he would like to see a change in the way the vouchers for conference and travel are handled. He would like to look into changing the current policy set by the committee. The current policy requires that approval for travel and conference attendance for city staff would come from department heads, the City Administrator and the Finance Director according to state and federal guidelines.

The meeting adjourned at 10:25 p.m.

Carla A. Ledesma, City Clerk  
City of Wauwatosa

svh