



CITY OF WAUWATOSA

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BUDGET COMMITTEE MEETING

Thursday October 28, 2010
Committee Room #1

PRESENT: Alds. Berdan, Causier, Donegan, Ewerdt, Hanson, McBride, Wilson – 7

EXCUSED: Ald. Walsh

ALSO PRESENT: Ald. J. Roznowski; J. Archambo, City Admin.; J. Plass, Acctg. Mgr.; W. Wehrley, City Engin.; J. Wojcehowicz, Water Supt.; J. Tschudy, Acctg./Bus. Mgr.; A. Brown Admin. Intern.

Ald. Ewerdt as Chair called the meeting to order at 6:05 p.m.

Water Utility Budget

Mr. Wojcehowicz reported that his department provides 24 hour service to their customers and they are very proactive in maintaining their pumping stations and other equipment. At approximately 90 cents per day they offer a great value to their customers in the form of clean, safe water. He added that they are in the middle tier of the state as far as cost.

Mr. Wojcehowicz stressed that they are saving over \$70,000 in wages and are not using much in overtime expenses. Their cost increases are due to investment in water main replacement and part of their expense was the result of the 2007 bond issue. He noted that they still don't know what Milwaukee will do with an estimated 12% increase which is down from 36%. The trend in water sales continues to decline. Some cities have gone to conservation rates. Water efficient products all contribute to less water use.

Mr. Wojcehowicz continued that there is a concern about maintenance for pumping equipment and GIS cost reductions have been due to competitive bidding. There has also been a cost reduction in training for employees.

Mr. Wojcehowicz added that water main relay repairs target 1950 water mains. The vintage pipes in District 8 are the worst. They are focusing on the mains that failed the most. Hillcrest has some of the original water mains dating back to the late 1800s. Behind Target there are dual feeds from Burleigh to Hampton. He continued describing the types of projects and repair work the department had done emphasizing that they had saved close to \$1 million due to the economy.

In response to questions regarding net income projections, Mr. Tschudy explained that they were projecting a loss in 2010 using a three-year moving average. Heavy rains impacted a decrease of \$136,000 in residential use plus \$50,000 of interest expense for 2010. Those two items equaled approximately \$190,000 in reduction that year. Mr. Wojcehowicz added that if the weather goes back to normal it would help.

Ald. Donegan asked what the total rate increase would be. Mr. Tschudy responded that the rate increase would be 3% or \$2.86 per quarter for the average homeowner.

The committee went on to discuss the number of water main improvements and the cost. Mr. Wojcehowicz added that when they make a payment in January 2011, some of the bonding will be paid

off. He added that in 2011 they will be paying the principle on two bond issues so the budget will be tougher.

Ald. Donegan asked about risks if the infrastructure is not kept up. Mr. Wojcehowicz noted that there were 85 main breaks in 2008 and 114 in 2009; it remains to be seen whether this year the main breaks will go back to 2008 levels. He stressed that as long as they proceed with maintenance there shouldn't be many problems.

Ald. McBride noted that the Water Utility is a well a managed operation.

Moved by Ald. Hanson, seconded by Ald. Causier, to recommend approval of the Water Utility Budget as presented – 7

Capital Improvements

Mr Wehrley reported that the Capital Improvements budget was focusing on the problem of basement backups and flooding. They planned for what they could handle in one year. The city could accelerate the work if the Council chooses. He noted that \$5 million is strictly for sewer work. Several of the 2010 projects were put on hold. The total bond issue is \$6.6 million. Ms. Plass noted that of the \$21.3 million in Schedule A some of that is for the new fire station and most of the costs occurred in 2010.

Thomas Woznick, 2419 N. 84th Street, spoke about his experience with basement backups. He commented that he knew his property was susceptible to backups, but thought there was going to be major work done after the first backup in 2009. In 2010 they had two more backups and they had to pay for the cleanup themselves. Each time was very time consuming. He added that they have done their part. They have had the lateral inspected and put in a back flow valve. He is concerned about their ability to sell their house. He stressed that the Meinecke Avenue rebuild will do a lot to help with the problem.

Laura Mierow, 8608 W. Meinecke Avenue, told the committee they have had a lot of flooding and six backups. In 1986 the home was flooded to the first floor. They have had sewer backup flooding up to three feet. For about ten years they were backup free because of the sump pump; however, the pump failed last year. In June 2009 they were back to 18 inches in the basement again. Then they got a letter of assessment for the Meinecke Avenue rebuild. It didn't take place. Shortly after that they received a letter saying that their insurance had been canceled for their home. Again they had 18 inches of flooding in their basement and four days later after they had cleaned that up there was another storm and six feet of water poured into the basement. They had to pump out the basement and replace all the electrical and appliances. They don't know how much more their house can take. Besides not being able to get insurance, the children have respiratory issues and severe allergies that she is sure are related to the basement flooding. Everything is gone. They want to make sure that people understand that they have done everything to mitigate the problem and it still keeps happening.

Ald. Roznowski reported that he had held a meeting with the Meinecke area residents. They discussed the following issues:

- The frequency of the flooding
- Home owners insurance being cancelled or increased
- Money spent on replacement of utilities and appliances
- The steps the residents have taken personally to mitigate the problem

He stressed that a solution is desperately needed

Mr. Wehrley stressed that his department can make no guarantees, but they are going to do their best to mitigate this problem. He noted that the area in question on Meinecke is a bowl in which rain water collects. The stronger the rain the harder it is for the sewers to take the water away. He noted that in

worst case scenarios the walls of houses can collapse or the water can pour in through broken basement windows. If the back water valve seals properly, it will keep the water out. Residents also need to install a sump pump.

Mr. Wehrley suggested replacing the current 18-inch pipe with 24-inch pipe. The cost estimate for sanitary sewer work is approximately \$3 million for the sanitary sewer and \$3.5 million for the storm sewer. He pointed out that the high point on Meinecke is near Pasadena. He added that they would like to implement a solution that is effective and they have budgeted the \$6.5 million for work on Meinecke.

Mr. Wehrley went through the Capital Improvements Program list and noted the projects that were removed during executive review because they were deemed too expensive. He was advised to only concentrate on flood related problems.

The committee discussed the city's ongoing debt level. Mr. Archambo mentioned that the total debt is currently approximately \$47 million. There will be some debt retirement in 2010. In 2011 the total debt amount will be about \$67 million. He asked the following: 1) should the debt be blended into the existing debt schedule, and 2) should there be options in the debt policy like how much debt will the city issue in a single year.

Mr. Archambo noted that the budget format this year was somewhat confusing. They are looking at reformatting the document so there will be more information to use in deliberations.

Ald. Ewerdt commented that city debt has doubled, but the Capital Improvement program is necessary and all the Council can do is try to contain any further problems with the infrastructure.

Ald. McBride reported that he has heard from constituents with flooding problems, he has noticed the roads that are in disrepair. Much of this is because in previous years they were neglected. He stressed that Council members need to lay out for constituents what the costs will be to address the problems. He suggested asking the community what their personal limits are with these projects.

Ald. Donegan noted that if the city fulfilled the borrowing plan the level will be at \$64,000,000. Actually the city is borrowing at a lesser percent of capacity than other communities.

Mr. Archambo commented that the city would like to go to \$93,000,000 and could go as high as \$110,000,000.

Ald. Donegan stressed that these projects have been neglected. It is his feeling that virtually all municipalities are caught between highly compensated unions and keeping taxes down. Expenses have to be controlled; however, the city does not need to restrict borrowing the way it used to.

Ald. Ewerdt noted that borrowing \$17,300,000 will show up on the average tax bill as a \$33 increase. The city's tax bill has been flat. Working on the problems is not a guarantee and would only be addressing 20% of the problem.

Ald. Hanson commented that it is difficult not to support this budget and trying to get everyone involved in what needs to be done. He stressed that unsellable houses hurt the tax base.

Ald. Wilson pointed out that the city's modest level of debt makes the city eligible for better interest rates and better terms. Ald. Causier agreed that at this point the city could borrow money cheaply. She expressed support for the budget.

Ald. Berdan was concerned that the Seventh District was not in the budget yet, but she could see what has to be done.

Ald. McBride noted that the city will have to put a program in place to deal with private laterals.

Moved by Ald. Donegan, seconded by Ald. Hanson to recommend approval of the 2011 city budget with a request that Administration do research to preserve the Aaa rating while borrowing for Capital Improvements projects --

Ald. Ewerdt thought that borrowing \$17,300,000 for flood mitigation programs was too much, too fast. It is a substantial increase. He also thought it would take too long to pay off. Mr. Archambo explained that cities are always in a cycle of borrowing and retiring debt. A number of aldermen compared the length of debt to paying off the mortgage on a house. Ald. Ewerdt stressed that he would like to see an amount borrowed that was closer to \$10,000,000.

Ald. McBride stressed that the city is likely to never see such low rates for borrowing. Ewerdt noted that with flooding issues being involved there are no guarantees that the work proposed will be the solution.

Ald. Causier commented that the work would be part of the solution. The city needs to stress the responsibility of the homeowners as well.

Vote on the motion was Ayes: 6, Noes: 1 (Ewerdt)

The meeting adjourned at 9:52 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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