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COMMITTEE OF THE WHOLE
Tuesday, June 21, 2011 – 6:30 p.m.

PRESENT: Alds. Wilson (6:33 p.m.), Berdan, Birschel (6/38 p.m.), Causier, Donegan, Ewerdt, Hanson, Jay (6:37 p.m.), McBride (6:35 p.m.), Nikcevich, Organ, Pantuso, Roznowski, Walsh, Wilke (6:34 p.m.) -15

EXCUSED: Ald. Meaux

ALSO PRESENT: Paulette Enders, Economic Development Dept. Director; Robert Simi, Economic Development Advisory Committee; Mr. Archambo, City Administrator; Mr. Ruggini, Finance Director

Ald. Walsh in the Chair, Pro-Tem

Economic Development Advisory Committee Update. Mr. Simi stated that the Economic Development Advisory Committee (EDAC) is seeking input concerning the direction EDAC is taking. Is it appropriate and consistent with the Council's wishes?

Mr. Simi reviewed the timeline and major milestones reached thus far. Horton/URS was selected in November 2008 to perform a study of economic development issues in the city. A transition team was formed in May 2009, followed by the establishment in August 2009 of EDAC. A plan of action and milestones was adopted in August 2010.

EDAC's mission is to foster and facilitate the development of a healthy and diverse economy where businesses can innovate, grow, and prosper, while supporting and maintaining a strong property tax base.

To date, EDAC has assisted in the establishment of a Community Development Authority (CDA). Mayoral appointments to the Authority are expected soon.

The EDAC is fully aware of, and comfortable with, its advisory nature. A draft organizational economic development and community development chart is being crafted with the intent of submitting it for Council approval later this year. Additionally, work is underway to recommend to Council in July the formalizing and promoting of an internal City Development Team.

EDAC will next turn to process analysis by conducting a review of existing development processes with the goal of identifying areas needing improvement. Community Development Director Nancy Welch has assisted tremendously in this task by outlining processes now in place. Hopefully recommendations for improvements can be made to Council by October. This process also includes identifying which ordinances may need revising, and which state statutes come into play on the local development level.

EDAC's Incentive Sub-Committee is currently identifying and prioritizing major targeted parcels and geographic areas suitable for development/redevelopment. Ten prime 'opportunity areas' have been defined thus far. Incentives appropriate for each area are being assembled that can be pre-approved and offered to prospective users. Limitations will also be defined. In some instances, Council action may be required for certain incentives.

The Incentive Sub-Committee is also determining how best to distribute information about 'opportunity areas.' A multi-media approach will likely be used.

The Economic Development page of the city's website now contains listings of available properties with pertinent attached documents. The information is being made available at no charge through cooperation with the Wisconsin Economic Development Association.

Ms. Enders reviewed the open house gathering that was held on June 1, 2011 at the new Hoyt Park Pool. A main purpose of the event was to offer stakeholders a chance to meet and to network with each other.

EDAC is also developing baseline indicators and performance measures to gauge the success of the methods used with respect to the major targeted opportunity areas and their respective incentives. This information will also be shared with the Council in July.

Committee consensus was that EDAC is moving in the right direction with respect to economic development in the city. Ald. Nikcevich asked several questions about the make-up of the City Development Team, and asked for examples of 'pre-approved incentives' that might be offered for development of specific parcels.

In response to a query, Mr. Simi said that the future of EDAC is uncertain at present. While not intended to be an ongoing group, it is possible that it will continue to exist and meet in the future on a less regular basis. Perhaps it may evolve into a visionary group. Perhaps it may sunset. Ald. Nikcevich opined that before any such decision is made, the changes recommended by EDAC and ultimately implemented ought to be rated and evaluated for effectiveness.

When asked about specific performance indicators, Ms. Enders cited examples such as employment, the tax base, number of contacts made/received, and ratio of public dollars to private dollars for assistance being requested. Development of this list is continuing.

Ms. Enders answered questions about the Housing Authority and Redevelopment Authority, stating that both will cease to exist once the CDA is functioning.

Ald. McBride thanked Ms. Enders and Mr. Simi for the update, noting that many good ideas are under consideration; what is needed now is 'flesh on these bones.' In response to a question, Ms. Enders assured the Committee that the photos of available properties posted on the website had already been posted on other sites by the owners' brokers. Ald. McBride cautioned against the city website becoming a multiple listing service for properties and urged that targeted sites be identified for specific purposes. Ms. Enders explained that EDAC is working towards the goal of linking available properties with the vision outlined in the city's master plan for those locations.

Mr. Simi stated that EDAC will make presentations twice a year to the Committee of the Whole and quarterly to the Committee on Community Development.

Five-Year General Fund Projection. Mr. Archambo explained that while separate reports (i.e., quarterly financial reports for 2011, cost-to-continue report for 2012, GASB 45) have been shared with various committees, a five-year General Fund projection report focuses on the big financial picture.

Local government has changed. Collective bargaining is gone and municipal government has reverted back to a pre-1977 structure. Revenue limits are frozen. These factors may create as much as a 3.7% budget gap in the next five years. These issues must be dealt with on an ongoing basis; they will not be solved quickly because they did not occur quickly. Methods to handle and manage anticipated shortages, however, do exist.

These measures, though, cannot be just short-term fixes, or, over the next five years, the deficit may increase to over $8 million dollars in the General Fund. This dollar amount could be 12-15% of the fifth year budget in a five-year projection. This amount translates into one-half of the fire department budget, or one-half of the police department budget, or one-half of the public works budget.

The city could use one-time funding and other measures and get through 2012 and 2013; by 2014, there will be no fund balance to rely on. Therefore, a long-term perspective is needed.

Mr. Ruggini discussed the difference between the city's financial condition and budget condition. The city has a strong financial condition thanks to good financial management over the last decade. It enjoys a Aaa bond rating and has healthy reserves. And while forecasting is a valuable tool, it is most useful in identifying trends, not specific numbers.

Mr. Ruggini explained that the forecast assumes current service and staffing levels are maintained. If changes are made, however, to either of those assumptions, what changes to the baseline figures can be seen? Other assumptions are made in these analyses – that a balanced budget is developed each year, that one-time fixes are used to achieve that balance, and that the one-time fixes are not necessarily sustainable. The forecast is only as accurate as the assumptions built into it. From year to year, the one-time fix may change. Perhaps it may be new revenue, or a more efficient way of delivering services.

Other assumptions in the current forecast are that the economic recovery will continue to be slow, that the level of debt to maintain the city's infrastructure will remain steady, the Governor will sign the biennial budget without making changes, and the Budget Repair Bill will go into effect in 2011. Current special assessment recovery rules will continue in place. Net new construction is 0% for the 2012 budget and 0.5% for 2013. Levy increases to the maximum allowable for 2014-2016 (1.5%) will be utilized. Restrictions on raising taxes mean revenue will be relatively flat; some state and federal revenue will likewise be flat or decline. It is projected that revenue growth will be 0.5% in 2012, 0.9% in 2013, 1.7% in 2014, 1.7% in 2015, and 1.6% in 2016. Local revenue sources are limited unless new sources can be identified.

Expenditures, however, are growing (about 4.4% annually) and will exceed revenues in the five-year forecast, from an estimated 4.2% in 2012, to 1.3% in 2013, 4.2% in 2014, 4.6% in 2015, and 4.2% in 2016.

The annual gap increase may be $890,000 in 2013, $1,500,000 in 2014, $1,700,000 in 2015, and $1,600,000 in 2016. Coupled with the projected $2.3 million dollar gap in 2012, the aforementioned $8 million dollar gap could be created.

If sustainable changes can be made, however, the gap will not continue to grow at the projected rate. If, for example, sustainable changed in 2012 reduce or eliminate the $2.3 million dollar gap, it will not be carried forward into subsequent years.

Mr. Ruggini noted that compensation, wages, and benefits account for 72% of budget. The city's growth in this area is typical. The percent of total budget (72%) is fairly constant.

Infrastructure investments are another driver in the forecast. Streets, bridges, buildings, and sewers must be maintained. Debt service as a percent of expenditures remains below 7% (anything under 10% is considered a healthy ratio). Expiring debt can be invested in infrastructure.

Mr. Archambo reviewed several strategies under consideration for dealing with the budget gap; the percent figures after each item represent potential impact on the gap: automated refuse/recycling collection (4-8%), LED street light conversion (1%), two-tier pay system (3-6%), expanding use of health/wellness program (27-53%), increased premiums (2-4%), abiding by FLSA overtime rules (1%), changes in EMS/firefighting structure (4-8%), restructuring general government (3-6%), increased revenue collections (1-3%), increasing user fees (1-2%), internal granting (1-2%). The low/high potential for covering the $2.3 million dollar gap in 2012 using these strategies ranges from 47% -94% gap coverage.

Mr. Ruggini stressed that a long-term, multi-year approach must be used to reduce the budgetary gap.

Ald. Wash thanked Messrs. Archambo and Ruggini for the presentation and indicated that this issue would be held so that the Committee could review the handout and develop questions.

The meeting adjourned at 7:38 p.m.

Carla A. Ledesma, City Clerk

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