



**CITY OF WAUWATOSA**  
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## **BUDGET & FINANCE COMMITTEE MEETING**

Tuesday, June 26, 2012

Committee Room #2

**PRESENT:** Alds. Wilson, Hanson, Dubinski, Causier, Donegan, Tilleson, Ewerdt, Organ - 8

**ALSO PRESENT:** J. Archambo, City Administrator; A. Kesner, City Attorney; J. Ruggini, Finance Dir.; W. Porter, Director of Public Works; J. Wojcehowicz, Water Supt.; J. Tschudy, Business Mgr.

Ald. Wilson as Chair called the meeting to order at 8:00 p.m.

### **Claim of Kastenson Farms, 5714 Wind Lake Road, Union Grove, WI**

The committee reviewed a claim by Kastenson Farms, 5714 Wind Lake Road, Union Grove in the amount of \$2,150.75.

Mr. Kesner reported on the details of the claim regarding damage to their truck from a tree when they pulled over for an emergency vehicle. Due to sovereign immunity, he recommended denial of the claim.

Moved by Ald. Hanson, seconded by Ald. Ewerdt  
to recommend denial of the claim of Kastenson Farms – Ayes: 8

### **2011 Comprehensive Annual Report**

Mr. Ruggini introduced Renee Messing, CPA, of the City's accounting firm CliftonLarsonAllen LLP.

Ms. Messing presented to the Budget and Finance Committee the City's Audit and Fiscal Report year ending December 31, 2011. Ms. Messing discussed the financial condition of the City which maintains its Aaa rating.

Ms. Messing reviewed the audit with the committee. She noted that the audit was performed in conformity with accounting principles generally accepted auditing standards. The financial statements were presented fairly in accordance with generally accepted accounting principles. The following points were included in the auditor's statement: 1) there were no difficulties in performing the audit and no disagreements with management related to the performance of the audit; 2) there were no material adjustments as a result of the audit procedures.

Ms. Messing said that changes were made to the annual report which is now called the Comprehensive Annual Report. Statistical sections have been added which provide additional summary and detail. Ms. Messing said that the additional information allows the City to apply for the GFOA Award for financial reporting. This is the Government Finance Officers Association which awards for excellence in government finance.

## **2013-2017 General Fund Five-Year Forecast**

The committee reviewed a memo from the Finance Director regarding the five-year-forecast. In preparation for the 2013 Budget Mr. Ruggini explained the long-term revenue and expenditure trends for the General Fund.

Mr. Ruggini said that the 2013-2017 forecast was developed using the same methodology as the previous five-year forecast. The revenues and expenditures were grouped into like-categories. It is important to emphasize that the forecast is policy neutral as it assumes the same services are provided with the same number of personnel and delivered in the same manner. Mr. Ruggini discussed the key assumptions that were made for this forecast.

Mr. Ruggini said that in this forecast the City will face an annual budget gap. Expenditures are increasing while revenue remains flat. It is imperative that the budget gap is addressed each year through sustainable changes. A balanced approach is recommended that focuses on expenditure reductions, revenue increases and economic development that grows the property tax base.

The Finance Director emphasized that there are several main drivers of the structural deficit. Property taxes are remaining flat. Compensation is projected to rise over this five-year period due to cost-of-living adjustments and pension contributions. Healthcare costs continue to increase. Pension contribution is expected to increase about two percent. He noted that compensation is actually expected to decrease from 72% to 70% of expenditures. Increasing debt service also contributes to escalating expenditures.

Mr. Ruggini reported that while this report is for informational purposes only, staff and the Budget Committee take the long-range projections into account when making decisions for the 2013 budget. While challenging, the budget gap remains manageable. He said the City is in very strong financial shape. New revenue streams need to be found.

## **Conventional rate case application to the PSC**

The committee reviewed a memo from the Water Superintendent requesting approval to submit a conventional rate case application with the Public Service Commission of Wisconsin (PSC).

The PSC is an independent regulatory agency dedicated to serving the public interest. The agency works to ensure that, in the absence of competition, adequate and reasonably priced service is provided to utility customers. PSC approval is required before utilities can change rates.

The PSC thoroughly examines the conventional rate case application reviewing the revenues and expenses of the utility, and then establishes a fair and reasonable rate structure for the utility's customers.

Mr. Wojcehowicz said he was requested last year at budget time to hold off on this application until mid 2012. As part of the 2012 Water Department budget, the utility projected a 0.48% rate of return which is significantly below the 5.75% rate of return currently permitted by the PSC.

The Water Superintendent explained that since 2006, customers have only been impacted by a Wauwatosa simplified rate increase in December of 2010. Customers were impacted through two Milwaukee Water Works pass through increases but average residential rates decreased as a result of a contested rate case of Milwaukee during 2011 which decreased rates by 1.45% per quarter.

Mr. Wojcehowicz explained that a conventional rate case application is beneficial for the utility to ensure fair and reasonable rate structure based on PSC standards. The average residential customer's water portion of their utility bill would increase by \$9.05 per quarter.

The committee discussed at length the chart showing the water rates from 2006 – 2012. Financial statements were asked to be provided to the committee before sending in the application.

Mr. Wojcehowicz explained to the committee that he was not asking for a motion tonight on a rate increase, he only asked for permission to apply. He suggested that since the PSC is the financial body, to let them make the determination if the rate increase was justified. The committee asked if the PSC granted the increase would the City be forced to pass the increase along. Mr. Tschudy said that previously the PSC approved an increase for Milwaukee and their City Council did not want it and were then told by the PSC that these (requested increase) are your new rates.

Moved by Ald. Wilson, seconded by Ald. Organ to recommend approval to allow the water utility to apply for a conventional rate case by the Public Service Commission of Wisconsin.

Ald. Wilson said he would be interested in hearing what other municipalities are doing, although he felt it was reasonable to approach the PSC. Ald. Organ felt smaller increases over time would be better than a large increase every five-years or so.

Moved by Ald. Ewerdt, seconded by Ald. Donegan to hold the item for further information – Ayes: 8

**Vouchers**

<b>Name</b>	<b>Dept.</b>	<b>Reason and location</b>	<b>Date</b>	<b>Amount</b>
Det. John Milotzky	Police	The Bulletproof Mind - Waukesha	5/21/2012	9.00
Det. John Milotzky	Police	Officer Involved Shooting Debrief - Waukesha	5/22/2012	7.66
Alan Kesner	Attorney	Municipal Attorney's Institute- Osthoff Resort	6/13/2012	21.00
Steven Miner	Assessor	2012 NCRAAO Conference - Kansas City	06/11-06/14/12	104.31
Det. Doug Braun	Police	Search Warrants, Affidavits and PC training Appleton, WI	06/10-06/12/12	31.15
Officer Brad Isaacson	Police	Instructor - Firearms course - Madison	06/10-06/15/12	148.33
Eileen Miller Carter	Legal	Municipal Attorney's Institute at Osthoff Resort	6/13/2012	68.26
Katie Deprey	Health	WI Clearinghouse for Prevention Resources at WI Dells	6/11/2012	126.91
Beth Aldana	Legal	Municipal Attorney's Institute at Osthoff Resort	6/13/2012	68.26
A. Lederich	Fire	WAEVT Seminar - Appleton, WI	05/16-05/17/12	182.00

Moved by Ald. Hanson, seconded by Ald. Birschel  
that the vouchers be allowed and paid - Ayes: 7 Present: 1 (Donegan)

The meeting adjourned at 9:53 p.m.

Carla A. Ledesma, City Clerk  
City of Wauwatosa

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