



CITY OF WAUWATOSA

BUDGET COMMITTEE

MINUTES • SEPTEMBER 12, 2013

Regular meeting

Committee Room #1

6:00 PM

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Alds. Wilson, Dubinski, Hanson, Organ, Tilleson, Birschel - 6

NOT PRESENT: Alds. Ewerdt, Donegan

ALSO PRESENT: J. Ruggini, Fin. Dir.; J. Archambo, City Admin.; J. Roznowski, Ald.; J. Moldenhauer, Ald.; K. Ehley, Mayor; B. Aldana, Asst. City Atty/HR Dir.; A. Kesner, City Atty.; P. Enders, Dev. Dir.; E. Bohren, HR; T. Oztelberger, IT Mgr.; J. Plass, Acct. Mgr.; D. Summerfield, Bus. Sup.; K. Causier, Ald.; A. Brown, Asst. To Admin.; K. Jaekels, Mayor's Asst.; C. Ledesma, City Clerk

Ald. Wilson as Chair called the meeting to order at 6:07 p.m.

BUDGET COMMITTEE ITEMS

1. Overview of Budget Process

Mr. Archambo described the Budget Committee process. Departments propose a budget each year that goes through an executive review and then the Executive Budget is reviewed by the Budget Committee. The public hearing for the 2014 Budget will be on November 5th and the Common Council will vote on the 2014 Budget on November 19th.

Mr. Archambo explained that the costs of the City are roughly 80% personnel costs. He said that there are often small detailed questions regarding personnel costs. He explained that shifts in personnel funds are often due to changes in allocation. He explained that staff will try to address these questions within the budget overview.

Mr. Archambo explained that the budget process is intended to ever improve the City of Wauwatosa. He explained that the decisions the City will face in the 2015 budget season are daunting. The drastic reduction in Duty Disability Rates this year allowed the City to close the 2014 budget gap significantly and avoid difficult service decisions. He explained that cost efficiencies and local revenue opportunities are no longer of sufficient magnitude to resolve the budget challenges of 2015. He noted that the City has three broad choices to face the budget gap over the next few years: levy increases through legislative changes or referendum, vastly more development to increase Wauwatosa's tax base, or service reduction or elimination. He urged the City and elected officials to look towards the challenges the City will face in 2015.

Mayor Ehley explained that the budget process is a time to look towards the future. She explained that the City is experiencing record growth, but there is room for additional economic growth in Wauwatosa. She noted that the City is challenged by financial limitations as well as aging infrastructure. She explained that the City must focus on citizen wants, but must also recognize the limitations of financial constraints. She noted that the City must make informed decisions regarding development and use financial strength to re-secure the City's competitive edge in the area. She noted that the City must inform citizens regarding the realities of this financial environment and work towards a public image that showcases the strengths of Wauwatosa. She urged that it is an exciting time of transformation in Wauwatosa. She urged the elected officials to develop strategies and diligently assess development options. She noted that City staff have worked to improve efficiency and have implemented many innovative ideas. She urged that the City must create a strategic plan, set a vision, and work towards defining the future of Wauwatosa.

Mr. Ruggini thanked the Mayor, Administrator, and City Departments for their active participation in the budgetary process.

Mr. Ruggini explained that this is the second part of the 2014 Budget Overview. He noted that the first part was presented at the September 10, 2013 Budget and Finance Committee meeting.

Mr. Ruggini described the 2014 budget process timeline. Budget preparation occurred from March through June, departmental budgets were due in July, and executive review occurred in August. He explained that the Budget Committee will review the executive budget through October, the proposed 2014 Budget will have a public hearing on November 5th, and 2014 Budget adoption is scheduled for November 19th.

Mr. Ruggini noted several highlights of the 2014 budget including the City's control of compensation costs, the redesign of service provision to achieve greater efficiency, and the City's continued focus on energy efficiency. He noted that compensation costs will increase by only 0.8% from the 2013 Adopted Budget. He explained that controlling compensation costs is vital as it is the largest part of the budget. He described an anti-icing pilot project aimed to improve efficiency and noted that the City's energy costs are 2.6% less in the 2014 Budget due to continued energy initiatives. He noted that service reductions were necessary due to levy limits, including the elimination of one fire inspector and failure to adequately fund seal-coating and tree-trimming maintenance issues.

Mr. Ruggini described major budgetary changes between 2013 and 2014. He presented a chart that was discussed in detail at the September 10, 2013 Budget and Finance Committee meeting. He noted the Transfer to Debt Service increased by 25.8%, or \$717,247. He noted that half of the increase was due to increasing debt service and the other half was due to decreased interest earnings. He noted that regular pay is going up 1.5%, the City will have increased general liability in 2014, and the cost of Health/Life/Dental is going up 3.6%.

Mr. Ruggini noted that the 2014 budget includes a large expense reduction due to the drastic change in the State's Duty Disability rate. He explained that Duty Disability was previously 5.5% of salary and it has been decreased to less than .5%. He noted that the state's Duty Disability fund was previously under-funded and is now back to fully funded. This change in the pension allowed the 2014 budget to remain status quo. He noted that without it, more service reductions would have been necessary.

Mr. Ruggini noted that the City Property Tax Levy is going up approximately 2.5%, building permits are expected to maintain, and the City plans to eliminate the appropriate surplus. He noted that City expenses and revenues are each increasing 1.5% overall.

Mr. Ruggini reviewed the City's overall change in full-time equivalent (FTE) employees. He noted that total City employees will reduce by approximately one FTE and the details of these changes will be discussed within each departmental budget.

Mr. Ruggini provided an overview of compensation changes. He noted there is a 1.5% cost of living increase for general employees, a 1% allotment for a performance-pay program, a 2.5% cost of living increase for police and fire employees, an overall increase of 0.35% pension contribution, and an increase of health care premiums to 15%.

Mr. Archambo noted that the 15% health care premium would be for Wellness program participants and explained that non-participants will be responsible for a premium of 30% in 2014.

Mr. Ruggini noted that these compensation changes equate to stagnant City wages on average in 2014.

Mr. Ruggini described a graph of the City's Five-Year Forecast. In 2015, a \$1.1 million budget gap is expected, not including debt service. This expected budget gap is for the City's operating budget gap. He explained that the City's fund balance is no longer a valid source to balance the budget.

Mr. Ruggini presented a spreadsheet of economic development scenarios. He noted that the budget gap assumes 0.5% of net new construction, which equates to \$25 million. He explained that net new construction in the 2014 budget equals 0.48%, or \$23 million. He noted that levy limits restrict levy increases from exceeding

the percent of net new construction achieved in the previous year. Mr. Ruggini described several economic development scenario alternatives that illustrated the positive impact of increased economic development on the City's ability to increase the levy and conquer the budgetary gap. As net new construction increases, the need for expenditure reduction decreases.

Mr. Archambo explained that the remaining budgetary gap, beyond levy increase, is divided between expenditure reductions and revenue enhancements. He noted that, in most cases, 67% of the remaining gap is covered by expenditure reductions and 33% of the remaining gap is covered by revenue enhancements, or local user fees. He explained that additional development allows the levy to be increased, and thus reduces the need for expenditure reductions and revenue enhancements. He noted that if \$150 million of net new construction was achieved, the budget gap would be eliminated in 2016. He explained that focusing on development, and succeeding in development, will greatly benefit the City and reduce future budgetary gaps.

Mr. Ruggini presented an overview of changes in General Government expenditures. He noted that total wages are going up 2%, benefits are going up 4.9%, operating expenditures are going up 4.2%, jobs are going up 45.7% due to grants received by the Planning Department, and interdepartmental charges are going down 0.4%. He explained that General Government expenditures are going up 3.7% overall.

There were no questions or comments from the gallery.

Ald. Wilson asked for clarification regarding levy limits.

Mr. Archambo explained that there are three components to levy limits. He noted that levy limits are not new, but were reconstructed by state legislation three years ago. First, according to legislation, a municipality may increase its levy by the percentage of net new construction. The percentage of net new construction is the amount of property tax value created each year by new construction as a portion of the City's overall property value. Second, a municipality is permitted to increase its levy by the amount of new tax-funded debt. Third, a municipality may use the remaining levy capacity accrued prior to 2010, but this option may only be applied once. He noted that City staff strongly advise against using this option for ongoing operation, but suggest using it for a one-time cost.

Ald. Wilson asked if the levy limit is an absolute and inquired whether the City has any options beyond the three presented alternatives.

Mr. Archambo explained that the City is allowed by legislation to exceed those levy limits through referendum.

Mr. Ruggini noted that there are also technical adjustments that can be made and these adjustments will be discussed with the Committee in the future.

Ald. Wilson noted that the option to increase the levy by referenda has never been used in Wauwatosa and this fact reflects the diligent efforts of the City. He commented that the City has a strong track record, but mere budgeting may be insufficient to cover the magnitude of future challenges.

Ald. Tilleson asked if the 2015 budgetary challenges are unique to Wauwatosa.

Mr. Ruggini explained that all municipalities are restricted by levy limits, but municipalities with green field space available for development and municipalities that have not pursued efficiency strategies are at an advantage. He noted that Wauwatosa has limited options due to the efficiency measures and improvements that were enforced in previous years. He remarked that the City of Wauwatosa has already deployed many strategies that other cities will implement to close future budgetary gaps.

Mr. Kesner reviewed the Budget Committee's options to make motions and vote on budget items.

Ald. Wilson suggested that the Committee vote on items as they are presented and hold items that the Committee has concerns about.

2. Employee Benefits

Ms. Aldana explained that salary and benefits consistently account for approximately 80% of City expenditures. She explained that her budget presentation would include an overview of each benefit budget, a detailed review of the post-65 group funding change, and a review of the new Wellness program design.

Ms. Aldana summarized the employee benefits provided by the City. The City provides workers compensation, dental insurance, life insurance, and health insurance. She explained that health insurance and life insurance are combined in one budget, while workers compensation and dental insurance are each separate budgets.

Ms. Aldana explained that the City is required by law to provide workers compensation. The City self-insures up to \$500,000 and CVMIC administers the program. She noted that the City started a new safety and workers compensation program in 2013 to reduce risk. She explained that workers compensation expenses include claims and administrative fees. She noted that the significant 2014 budgetary change for workers compensation is the projected \$105,000 increase in claims.

Ms. Aldana explained that dental insurance expenses include claims, care plus premiums, and administration fees. She noted that employees have two plan options, fully insured or self-insured, and employees pay a 30% premium.

Ms. Aldana described the Health/Life budget. She explained that the post-65 group was removed from this budget. She noted that a small increase in health claims is expected in 2014 for the remaining groups. She explained that there are two life insurance plans available to employees: a fully insured plan for all full-time employees and a self-insured plan up to \$3,500. She noted that the life insurance plan accounts for only \$175,000 of the \$8.9 million expenditures of the Health/Life budget.

Ms. Aldana described the Health Insurance changes in 2014. She noted that the premiums for all employees will increase. She explained that claims are the largest portion of health plan expenditures and noted that the 2014 budgeted amount for claims is \$6,877,213, or 81% of expenditures. She explained that health plan expenditures also include UHC administration, stop loss administration, wellness operation, and Affordable Care Act fees.

Ms. Aldana compared the health claim trend in southeastern Wisconsin and Wauwatosa's actual claims since 2007. She explained that the City of Wauwatosa has remained considerably lower than the health claim trend in southeastern Wisconsin since 2007.

Mr. Archambo noted that both the health plan premium and the total budget for Health/Life are lower than their cost in 2007.

Ms. Aldana explained that the City's process of handling health insurance drastically changed in 2007. She noted that many municipalities previously paid insurance claims without any question or investigation of the claims. She explained that the City of Wauwatosa committed to a new process in 2007 and has invested in strategies to remain proactive. She reviewed a historical comparison of claim expenditures that indicated the projected 2014 Wauwatosa health claims expenditure is \$6 million less than the southeastern Wisconsin trend line.

Ms. Aldana then reviewed the changes in funding for the post-65 group. She explained that post-65 group premiums have not covered expenditures for the past two years. She noted that this is largely due to changes in Medicare D and the spike of prescription costs. She explained that the post-65 group accounted for a \$10 million increase in GASB 45. She noted that this increase indicates that premiums are not covering expenses. She noted that the active and pre-65 retiree group rates would have increased by 14%, rather than 7.5%, if the post-65 group was left included. She explained that the benefits for the post-65 group are not changing, but the

City will remove risk by fully insuring this group. She noted that market plans are often better deals and significantly less expensive for retirees because private companies have access to federal subsidies. She explained that expenditures would have exceeded revenues by \$166,000 in 2014 if the post-65 group was not fully insured. She emphasized that quality of care for the post-65 group will maintain. She noted that this change is still being finalized and implementation is planned for January 2014.

Ms. Aldana then explained the redesign of the Wellness program. She urged that an effective wellness program is essential. She noted that wellness programs enhance recruitment and retention, constrain the cost of healthcare, decrease rates of illness and injuries, reduce employee absenteeism, improve employee relations, and increase productivity.

Ms. Aldana noted that utilization is the key factor of wellness program success. She explained that overall costs cannot be constrained if employees do not utilize the program. She then shared an employee testimonial video in support of Wauwatosa's wellness program.

Ms. Aldana described a Gallup Healthways Well-being Index survey. This survey indicated 70% of employees are unengaged at work and it also revealed that disengaged employees are in significantly worse health than those who are engaged. She noted that the potential to engage employees is high, and employees that are engaged are more likely to be involved and enthusiastic about their work.

Ms. Aldana summarized the historical changes of the City's wellness program. It began as limited programming in 2005 and shifted to a participation-based program in 2007. She explained that the participation-based program currently engages 99% of City employees. The City plans to move towards an outcome-based program. She noted that the City will partner with Froedtert Workforce Health and the Wisconsin Athletic Club in the new outcome-based program. The new program provides on-site exercise classes and special programs to motivate employees. She noted that the City Hall exercise room was recently upgraded and health coaching appointments are available to employees. She explained that the outcomes-based program will focus on coaching and leading employees to healthy outcomes.

Ms. Fagan, Froedtert Workforce Health, congratulated the City for fostering a culture of health. She noted that the City's previous wellness programs were incentive-based programs that relied on participation. She explained that 20% of employers have established an incentive, outcomes-based wellness program. In this type of program, the employee receives a financial incentive based on a score above certain risk level, improvement over last year, or some other reasonable alternative. She explained all employees would be eligible to receive the incentive.

Ms. Aldana described a possible three tier structure for financial contribution in 2015 that would accompany the new outcomes-based wellness program. She noted that non-participants would have a 30% premium, participants would have a 15% plus \$600 premium, and participants with a score above the set threshold would have a 15% premium. She noted that this tiered structure is still in draft status.

Ms. Aldana explained that senior level support of the new program is essential. She noted that the Council has strongly supported the wellness program in the past and she explained that this change will require continued senior level support.

Ald. Birschel expressed concern for those individuals who are unable to participate due to health or genetic limitations.

Ms. Fagan explained that the program would provide reasonable alternatives for individuals that would fit their unique situation and set reasonable goals depending on their abilities. She noted that the end goal is help individuals improve their health, reduce costs, and improve productivity.

Ald. Tilleson asked what portion of employees currently meet the set threshold.

Ms. Aldana noted that the threshold is not yet in place, but approximately one third of employees in the current

program would fall below the threshold based on the current wellness scoring. She noted that the program is not static, and changes to improve the program will be continuous.

Ald. Wilson asked if the City will take baseline tests to start the program.

Ms. Aldana noted that the 2013 health assessment results will be transferred to Froedtert's system and they will be used as the starting point for the 2014 health assessments. She noted that the 2014 assessments will occur in the fall of 2014.

Ald. Dubinski asked if an employee who experiences a sudden health trauma or disease would be expected to exceed the threshold.

Ms. Aldana explained that the health coaches from Froedtert will set goals and set thresholds based on the individual's unique situation.

Ald. Moldenhauer inquired how the 15% premium compares to programs of a similar nature and asked what expenses are included in the Affordable Care Act budget item.

Mr. Archambo recalled that the national average is approximately 30% for health premiums, which is why the non-participant amount is set at 30%.

Ms. Aldana explained that the Affordable Care Act expenses are all fees that fund research and the fee is a set amount per employee.

Ald. Moldenhauer asked how the Cadillac Tax within the Affordable Care Act would impact Wauwatosa.

Ms. Aldana explained that the "cadillac tax" has been pushed and will go in effect in 2017. She explained that in the Affordable Care Act, the federal government deemed certain benefits to be part of a "cadillac plan" and stated there would be penalties associated with those benefits. She noted that the specifics are not yet finalized and the City will compare the costs when more detail is available.

Mr. Ruggini explained that the way in which the City has proactively streamlined benefit plans has reduced the likelihood of "cadillac tax" penalties. He agreed that the City will review the costs of non-provision versus "cadillac tax" penalties when more detail is available.

Moved by Ald. Tilleson, seconded by Ald. Hanson
to recommend approval of the Employee Benefits budget - Ayes: 6

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Joel Tilleson, Alderman
SECONDER:	Tim Hanson, Alderman
AYES:	Wilson, Dubinski, Hanson, Organ, Tilleson, Birschel
EXCUSED:	Donegan, Ewerdt

3. City Hall Departments (except Assessor, Library, Health and Engineering)

Human Resources

Ms. Aldana explained the 2014 budgetary changes in the Human Resources (HR) budget. She noted that the budget is fairly stable and includes only nominal changes. She explained that compensation accounts for most of the change in the HR budget. She explained that the HR department is preparing for the implementation of a performance pay system and creating a new employee development program. She noted that the 2014 budget

maintains funds for training and professional development. She explained that this non-departmental account will be used to fund an employee development program.

There were no questions or comments from the gallery.

Ald. Wilson asked how the implementation of a performance-based pay system will affect the City budget overall.

Ms. Aldana explained that there will be implementation costs to start a performance-based pay system. She noted that a few positions will be reclassified at a higher wage and the City has set a policy to maintain current employee's pay rates, so there are no reductions to offset the wage increases. She noted that the City will see savings in future years due to the changes in the pay structure.

Mr. Archanbo explained that the cost to implement the new pay plan is approximately 0.4% and could be covered by the 1% performance pay budgeted in 2014 or the 1.5% cost of living increase. In addition, the City could fund this cost with the normal cost savings that result from attrition.

Ms. Aldana explained that the new plan will be one united plan. She explained that the performance-based pay system will pay for itself once established.

Ald. Organ asked why there was a significant increase in the 2013 Estimated Budget.

Mr. Ruggini explained that the increase in the 2013 Budget was due to a carry over from the 2012 Budget to fund the compensation study.

Mr. Archanbo explained that projects are often budgeted, but not completed within that year. In these cases, funds are carried over to the next year to complete the budgeted project.

Ald. Tilleson asked where the \$98,000 for professional development is located in the budget.

Ms. Aldana explained that these funds are not in the Human Resources budget, but are located in a general account.

Mr. Ruggini explained that these employee development funds are in a non-departmental account called Undistributed Payroll. He noted that funds from this account will be transferred to specific budgets when employee training occurs.

Common Council

Ms. Ledesma explained that the Common Council operating budget remains static. She noted that the Common Council budget includes items that are not assignable to other departments including the cable television channel and the employee recognition dinner. She noted that the largest budgetary change for 2013 was related to the planned upgrade of the audio system in Council chambers. She explained that the original vendor inspected the system and reported that the system is still serviceable, but is in need of upgrades. She noted that the estimated cost for these upgrades is \$16,675. She noted that the budgeted amount for conference and travel was increased nominally to allow Council members increased opportunity to attend training and conference sessions.

Ald. Moldenhauer asked why the cost for audio upgrade is so high and inquired if full replacement was considered.

Ms. Ledesma explained that she was not involved in the inspection and had no further details regarding the quote from the vendor.

Mr. Brown explained that the original equipment vendor, Louis Sound, inspected and verified that the system functions, but requires component upgrades. He noted that the switches are still functioning, but sound board and other component upgrades are necessary.

Ald. Moldenhauer inquired if full replacement was considered.

Mr. Brown estimated that full replacement would cost approximately \$100,000 for new audio in the Council chambers.

Ald. Moldenhauer stated he was shocked at the high cost of upgrading of the audio system.

Ald. Wilke inquired if video upgrade or replacement was considered in addition to audio.

Mr. Brown explained that video upgrade has been researched, but the initial estimate for replacement was \$65,000 and the City is still communicating with vendors to work towards a more amenable cost.

Ald. Wilke inquired if video upgrade would allow for a reduction in labor time during Council meetings.

Mr. Brown noted that it is a possibility, but one that would require further review and discussion

Ald. Moldenhauer suggested that the City request more quotes for the audio system upgrade project.

Mr. Ruggini explained that there would be a formal competitive bid process for an item of this size.

Ald. Wilson asked for clarification regarding the approval of 2013 expenditures.

Mr. Ruggini explained that the Budget Committee approves the 2013 Estimated Budget in addition to the 2014 Budget.

Mr. Archanbo explained that the audio upgrade is a shorter project that can be completed by the end of the year and the City can better fund its cost in the current year.

Ald. Wilson asked if the reallocation of funds in the Common Council budget must be approved by the Budget and Finance Committee.

Mr. Ruggini explained that if the Budget Committee approves the funding and the amount is less than \$25,000, the item would not have to go before the Budget and Finance Committee.

Municipal Court

Ms. Ledesma presented the Municipal Court budget. She explained that the Municipal Court office continues to work diligently to eliminate the citation penalty backlog that resulted from staffing limitations and a difficult software transition. She explained that Court staff normally issue penalties on unpaid citations, including driver's license suspensions and warrants, but were unable to issue these penalties on a regular schedule due to limited staffing and the time necessary to transition to a new software system.

Ms. Ledesma noted that the Municipal Court clerks have successfully transitioned to the new software system in 2013 and temporary staff have helped the Court staff work towards eliminating the penalty backlog. She reported that the Municipal Court clerks have issued 5,600 driver's license suspensions since June and have generated \$85,000 in revenue from these suspensions. She noted that \$500,000 remains outstanding from these recently issued suspensions alone.

Ms. Ledesma explained that the most significant 2014 budgetary change for Municipal Court is the restoration of a 16 hour/week part-time position. She noted that these hours were lost when a full-time staff member became part-time in 2010. She explained that this position is essential to the day-to-day function of the

Municipal Court office and allows the office to function effectively. She noted that the workload in the office requires these labor hours and the backlog will continue if these hours are not restored.

Ms. Ledesma noted that Municipal Court clerks use several forms of penalties on unpaid citations. The Court office utilizes the Tax Refund Intercept Program (TRIP) program, issues driver's license suspensions, and issues warrants to work towards collecting outstanding citation revenue for the City. She noted that with the help of temporary staff, the Municipal Court plans to eliminate the entire backlog in 2013. She explained that a return to full staffing in 2014 will allow the Court to maintain, or even increase, revenue.

Mr. Archambo explained that the Municipal Court is a key source of revenue for the City and as such the City is taking aggressive approaches to address collection. He explained that the new software system makes it vastly easier for the Court to issue driver's license suspensions and to input outstanding citations into the tax intercept system. He noted that a balance of approximately \$900,000 in overdue citations is currently entered into the TRIP system. He mentioned that the Police Department and Municipal Court are also working together on the warrant process to improve warrant revenue collection.

Ald. Tilleson asked how much is outstanding from unpaid citations.

Ald. Archambo stated there is approximately \$900,000 entered in the TRIP system from unpaid citations.

Ms. Ledesma noted that unpaid citations may remain in the TRIP system for several years and remarked that collection through TRIP depends on where the City is in the list of collectors for each individual.

Ald. Wilson asked if the TRIP collection was first come, first serve.

Mr. Ruggini explained that State and County collections take precedence over the City, but otherwise TRIP collection is first come, first serve.

Ald. Tilleson expressed appreciation for the proactive efforts to collect revenue that is owed to the City.

Ald. Wilson asked why the funds for temporary employee wages were listed in the narrative as a new cost in 2013.

Ms. Ledesma explained that several types of temporary staff were utilized in the Municipal Court office in 2013. She noted that the labor costs were covered by budgeted vacation relief and a salary variance created by retirement.

Mr. Ruggini noted that the labor cost was listed in error on the narrative. He confirmed that the cost was not a new cost, but a reallocation of funds already in the 2013 budget.

City Clerk & Elections

Ms. Ledesma explained that the City Clerk and Elections operating budgets are relatively static. She noted that the new MinuteTraq software is currently used for Common Council meetings and agendas. She explained that the City Clerk's office will use the program for all Council Committees by the end of 2013. She noted that the transfer to electronic packets for Committee meetings equals a cost savings of \$5,700 per year. She noted that operator license applicants will be charged a background check fee to offset the Police Department expense in 2014. This fee was added to the Consolidated Fee Schedule and will result in approximately \$5,500 in additional revenue.

Ms. Ledesma explained that the 2014 budget also includes a one-time expense to purchase a second MinuteTraq encoder. She explained that this device is used by clerks to timestamp meeting videos and these timestamps allow viewers to skip ahead to specific items within a video.

Ms. Ledesma explained that there will be four elections in 2014 and the 2014 election budget is increased to staff the additional elections. She noted that the temporary staffing required for each election has increased due to additional state requirements such as the absentee ballot process. She explained that the election is a very labor intensive process.

Ald. Wilke inquired if the Parks and Forestry Board would be included in the MinuteTraq system.

Ms. Ledesma explained that any meeting may use the software if the users are willing to learn the system. She noted that video recording would not be available for all meetings, but electronic agendas and minutes may be expanded to other boards and commissions.

Ald. Wilke asked if poll workers are paid and suggested using volunteers instead of paid poll workers.

Ms. Ledesma explained the poll workers are paid \$100 a day and chief election inspectors are paid \$130 a day. She noted that it is challenging to fill all of the paid positions. She explained that some individuals volunteer their time, but most poll workers are paid.

Ald. Moldenhauer asked if political party poll workers are paid.

Ms. Ledesma confirmed that poll workers from political party lists are paid.

Ald. Birschel stated that he volunteered in the City Clerk's office during the last few elections and he recalled that the City Clerk's office was inundated by the absentee process in the last presidential election. He praised the Clerk's staff for their dedicated efforts.

Ald. Wilson asked if hiring temporary help is the best option for the City Clerk's office, and inquired if utilizing more permanent staff would better the workflow of the office.

Ms. Ledesma explained that the City's part-time clerical pool is currently used during elections and this group of employees has provided great support, but she noted that it's difficult to arrange hours that fit within their normal schedules.

Information System and Equipment Reserve

Mr. Oztelberger explained that the Information Systems (IS) budget is greatly affected by the amount and scope of projects requested by City departments. For this reason, the Information Systems budget looks quite low in 2014. He explained that fewer large projects were submitted for 2014. He mentioned that there are several major projects in the works and these projects keep the IS office busy. These projects include the new Assessor's appraisal software, a Fire department timekeeping system, and the expansion of the City's wireless system. In addition, the IS office addresses smaller day-to-day issues and concerns.

Mr. Oztelberger explained that his most significant 2014 budgetary request is related to personnel. He explained that a 0.6 FTE Data Entry Operator position was eliminated from the IS office due to a retirement and the related merger of two positions. He is requesting the creation of a new 0.5 Computer Technician position at a lower pay level. He noted that this new position would assist Michelle Dahlen at the Police Department. He explained that the Police and Fire Departments have increased technological needs. He noted that the Police Department currently utilizes an Administrative Sergeant to fill-in for IS needs that IS staff do not have time to address.

Mr. Ruggini noted that this change reduces cost and better deploys staff to meet demand.

Mr. Oztelberger explained that Michelle Dahlen is an excellent employee and he hopes that the new position will allow her to focus on more significant IS projects.

Ald. Moldenhauer asked Mr. Oztelberger to clarify the City's role in the larger IS projects and asked how

vendors are involved.

Mr. Oztelberger explained that his office does as much as possible in-house. He noted that some of the data conversion work is completed by the vendors, but the IS department is considerably self-reliant.

Ald. Moldenhauer asked if a formal bid process was used to purchase the back-up system.

Mr. Oztelberger explained that preliminary bids were requested from multiple vendors, but the final purchase was based on information gained from other municipalities and the final cost was lower than the state contract price.

Mr. Archanbo confirmed that the waiver of bidding procedure allowed the City to purchase the back-up system at a lower price than the state contract.

Ald. Organ asked if the increase in 2013 IS operating expenditures was due to carry overs.

Mr. Ruggini explained that the 2013 IS carry over was due to the Assessor's appraisal software project and the Asset Management project, which is still currently in process.

Ald. Organ inquired if the Asset Management project would be completed in 2013.

Mr. Ruggini explained they are still interviewing vendors and this project will most likely carry over into 2014.

Ald. Dubinski asked if a full-time position would better address the IS demand at the Police Department, and inquired why a full-time position was not requested in the 2014 budget.

Mr. Oztelberger explained that there is definitely the need for a full-time position, but he chose to ask for a half-time position to ensure that the request would be accepted. He explained that the half-time request was covered by the retirement and he did not want to go beyond what seemed feasible in the budget.

Ald. Dubinski commented that Police Department IS demands are high and continuously growing. He noted that the current IS staff member does an excellent job, but is asked to do more than humanly possible. He explained that a full-time IS position would cost less than the back-up coverage currently provided by an Administrative Sergeant. He noted that in addition to Police IS needs, the current staff member must also address the IS needs of the Fire Department and the citywide wireless video system.

Finance

COMPTROLLER

Ms. Plass explained that the Comptroller's budget is fairly stable. She noted that 2014 operating expenditures are down 2% from 2013. She noted that the largest operating expenditure in the Comptroller's budget is the annual audit fee. She explained that Comptroller operating expenditures also include maintenance fees for a forecast system and funds for miscellaneous professional services. She noted that there are funds budgeted in 2014 for staff training and additional conference funds to allow more employees to attend the annual Government Finance Officers Association conference.

TREASURER

Mr. Summerfield highlighted major technology changes in the Treasurer's office. He noted that the implementation of Escrow Pro and website tax payment collection allowed automated collection in 2013. He explained that these two technology improvements automated 10% of the 25,000 tax transactions in 2013. He noted that in addition to these 2013 changes, the Treasurer's office has implemented paperless receipts, electronic lockbox, and remote bank depositing. He explained that these five technological advancements save

the City approximately 300 hours of staff time, 100 hours of management time, and \$10,000 in operating expenditures each year. He noted that the Treasurer's office has worked diligently to increase efficiency and provide better customer service for Wauwatosa citizens.

Mr. Summerfield explained that the Treasurer's office is undergoing a staffing change in 2014 that will increase efficiency in the office. Instead of a half-time lead clerk, the Treasurer's office will hire a full-time lower level clerk due to the high level of transactions performed by the office. In addition to this position change, part-time hours were reduced in the 2014 budget, so there is minimal impact on salary costs overall.

Mr. Summerfield explained that there will be a large reduction in interest earnings in 2014. The interest earnings are expected to decrease by \$265,000. He noted that the interest earnings decline is due to a historically low interest rate environment, decreased opportunity to invest in certificates of deposit (CDs), decreased portfolio size, and conservative cash management.

Mr. Summerfield explained that the interest rate environment is currently very low and this change was unexpected. He noted that low CD rates have extinguished CDs as an investment vehicle. He explained that CD rates are low due to bank capitalization, reduced bank lending and a very low fed fund rate that banks use to lend to each other. He explained that the City's investment portfolio has decreased from \$62 million in 2008 to \$31 million in 2013. He noted that the decrease of CDs, the Covenant settlement, and the pending closure of Tax Incremental Districts have caused this investment portfolio reduction. In addition, he explained that large-scale capital improvements and development projects require the City to maintain more fluid funds.

Mr. Summerfield explained that the City must mark its investments held to the market value each year and he noted that the reduction in portfolio market value will cause further reduction in interest earnings.

Mr. Ruggini explained that the mark to market is generally not forecasted due to the volatility of the market.

Mr. Summerfield explained the City is a fixed income lender and will feel the impact of this low investment environment. On a lighter note, he described several positive impacts of low interest markets. He explained the City has issued new debt at low rates and has had opportunities to refinance old debt. In addition, he explained that as the market improves, the City will have opportunities to purchase higher-yielding investments that will support development projects that ultimately expand the City's property tax base.

There were no questions or comments from the gallery.

Ald. Wilson noted that a strategy of loaning funds from the City to itself was previously discussed and he asked for clarification regarding this investment alternative.

Mr. Ruggini explained that the City has used tax incremental district (TID) funds as loans for projects in other TIDs. He noted that TIF #2 funds were used to support the development of Discovery Parkway in TIF #6. He explained that a resolution will come before the Council to move these funds into the General Fund instead of TIF #2 to help offset some of the decline in interest earnings. He noted that the Burleigh Triangle project includes a \$2 million City loan and he explained that the City finds wherever possible to invest in itself.

PURCHASING

Mr. Ruggini explained that the most significant change in the Purchasing budget is related to the purchasing card rebate program. He explained that this new rebate program is expected to create a revenue of \$12,500 in 2014. He noted that this cash rebate will be divided in half. One half of the rebate revenue will be entered as a revenue and one half will be offered to departments for training, capital outlay, or other one-time costs. He explained that departments that actively use the purchasing cards will be offered these funds.

There were no questions or comments from the gallery.

Ald. Tilleson asked if the City considered any point programs or flyer mile programs that would offset City travel voucher expenses.

Mr. Ruggini explained that the rebate program offers 1.6% cash back for every dollar spent. He noted that this program is better than any other point or miles reward program. He explained that the rebate program is a cooperatively bid program that includes over 60 school districts and municipalities in Wisconsin. The amount of the rebate is based on the amount of spend of the entire group. He noted that a \$90,000 credit card purchase for trees was made in 2013 and the City will use the credit card to purchase \$200,000 in road salt each year.

Ald. Tilleson praised Mr. Ruggini for his creative thinking.

Mr. Ruggini noted that Purchasing Department wages are increasing in 2014 due to reallocation. The Purchasing Department is now under Finance, so a portion of Finance Director wages are now listed under the Purchasing Department budget.

Ald. Birschel stated that it's refreshing to know that City staff are constantly thinking and looking for ways to improve.

Mr. Ruggini thanked Ald. Birschel and stated that much credit is due to Mr. Summerfield for making forward-thinking technological improvements in the Treasurer's Department.

Crossing Guard

Mr. Archanbo explained that the Crossing Guard budget was focused on during the budget process because the cost stream for this program has a very high inflation rate. He noted that the budget for Crossing Guard has increased far more rapidly than other City budgets over time. Similar to energy consumption, this budget has a fast growing cost stream. He explained that areas with quick rising cost streams must be proactively managed.

Mr. Brown explained that the 2014 Crossing Guard budget includes a \$10,000 reduction. He noted that a Crossing Guard program item was brought to the Traffic and Safety Committee on September 10, 2013. He explained that the discussion centered on the rising costs of the crossing guard program and ways to curb those costs. The Committee made a motion to create an ad hoc committee to research alternatives to reduce the cost of the program. He remarked that the reduction could be even more than \$10,000. He noted that reducing the length of crossing guard shifts by 10 minutes would result in a \$40,000 savings annually.

Ald. Wilson asked Mr. Brown if he was making a change to the proposed budget.

Mr. Brown clarified that he was not proposing a change. He recommended that the Committee adopt the \$10,000 reduction, but he noted that there could be savings beyond that amount.

Ald. Wilke inquired what savings would result from a change in the early release public school schedule and asked if those costs equal the \$10,000 reduction.

Mr. Brown stated that he did not know the exact costs of early release, but noted that the issue of early release would be discussed by the ad hoc committee.

Mr. Ruggini explained that the budgetary limitation was not intended to be specific, but equals the cost of two crossing guards. He explained that the budget reduction was not specific due to the sensitivity of the topic. He noted that the budget reduction does not presuppose what the resolution will be, but provides the mechanism to limit growth in the operating budget.

Mr. Archanbo noted that scheduling is part of a larger conundrum due to differing school schedules.

Ald. Wilke remarked that it would be important to compare the crossing guard costs of private versus public schools, as well as where the costs overlap. He noted that the ad hoc committee will review these issues, but he

questioned the rationale of reducing the budget before a specific plan is formed. He argued that the ad hoc committee should provide a plan before the budget reduction is approved.

Mr. Ruggini explained that the expenditure reduction is a mechanism to ensure the operating budget is controlled, but does not present the specific plan to reduce costs.

Ald. Organ remarked that early release was implemented a few years ago and asked how it would be still causing an increase in the budget.

Mr. Archambo explained that the Crossing Guard budget narrative describes the changes that have inflated the cost of the crossing guard program over the last five years.

Ald. Organ inquired if level of use would be assessed for specific crossing locations and asked why some crossings recently had two guards.

Mr. Archambo explained that level of use is an important factor to consider and it should be discussed by the ad hoc committee.

Mr. Brown explained that additional guards were funded by the Department of Transportation during construction projects in the area, so there were second crossing guards at a few intersections.

Ald. Organ expressed concern over reducing the crossing guard shift length and noted that reducing hours may deter individuals from working the positions. She inquired if wages were increased to attract individuals to these positions.

Mr. Brown noted that changing shift length is an alternative that would be discussed with the vendor Twin Cities. He explained that the City put out a request for bid for crossing guard services and only received one response from Twin Cities which included increased wages. He noted that Wauwatosa has a lower hourly rate than West Allis. He noted that the possibility of bringing the service in-house was mentioned at Traffic and Safety and this option will be reviewed by the ad hoc committee.

Mr. Archambo noted that there is an inflation factor in the contract, and explained that the hourly rate is given to the vendor, not directly to the individual crossing guard.

Ald. Tilleson stated that he is uncomfortable reducing or possibly eliminating two crossing guard positions. He explained that a child was hit by a car in his district and his district would not approve of crossing guard reductions. He expressed appreciation for the review of cost reduction alternatives, but stated he could not sign off on a budget reduction without knowing where the reduction or cuts would take place. He suggested that the \$10,000 be added back to the budget until the Traffic and Safety Committee may better vet the possible alternatives. He noted that he would not support a \$10,000 budget reduction without a firm plan.

Ald. Wilson reminded Ald. Tilleson that a motion to restore the \$10,000 would also require a source for the expenditure.

Ald. Tilleson suggested that the Toldt property sale funds be used to cover the operating cost increase to restore the \$10,000.

Moved by Ald. Tilleson to restore \$10,000 in
the Crossing Guard budget and to cover the expense
with revenue from the Toldt property sale - No second, No vote

Mr. Ruggini recommended not using these funds for operating costs. He noted that the expenditure increase could be covered by expenditure reduction, appropriated surplus increases, or property tax increase.

Ald. Tilleson stated he would consider changing his motion to hold the item until the next Budget Committee meeting.

Ald. Wilke noted that the ad hoc committee will not have a report for the Traffic and Safety Committee before the budget process is complete.

Mayor Ehley mentioned that four appointments would be made at the next Council meeting, but she explained that the ad hoc committee would need at least sixty days to review the alternatives.

Mr. Archambo noted that the plan formed by the ad hoc committee may not begin until the 2014/2015 school year.

Ald. Tilleson explained that the lack of a definitive solution is exactly why he does not support the \$10,000 budget reduction. He urged that making the budget reduction is premature.

Mr. Archambo noted that if the ad hoc committee does not establish a plan to reduce costs in 2014, the Reserve for Contingency could be used to restore the funding in 2014.

Ald. Tilleson expressed concern over approving the reduction in advance of a plan because it gives the ad hoc committee advance permission to make cuts to the crossing guard program.

Ald. Wilson noted that holding a budget item is warranted when there are valid concerns. He remarked that it is rare for the City to cut funding without a plan and expressed that he would prefer seeing a plan before voting on this budgetary reduction.

Moved by Ald. Tilleson, seconded by Ald. Birschel
to hold the item until the next Budget Committee meeting on September 19, 2013 - Ayes: 6

RESULT:	HELD
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City Attorney (Litigation Reserve)

Mr. Kesner explained that there are no major operational changes in the City Attorney budget. He noted that there are increased expected litigation costs in 2014.

Mr. Kesner noted one 2013 budgetary change. He explained that the Sundry Contractual Services account was increased by \$25,000 to cover costs associated with the American Transmission Company matter in 2013.

There were no questions or comments from the gallery or Committee.

Development Department

Ms. Enders summarized the major budgetary changes in the Development Department budget. She noted that zoning application fees will be increased in 2014 to reflect the standard fees in the area. She noted that the current Property Maintenance Inspector will retire in May 2014 and the part-time Building Code Officer will transition to full-time starting on January 1, 2014. She explained that this will be the first time in many years that the City has a full-time property maintenance staff member and she explained that the Building Code Officer will use a city fleet vehicle instead of a personal vehicle to save on costs.

Ms. Enders explained that Hotel/Motel revenue is included in the Development Department budget to demonstrate the role of economic development in supporting local and regional tourism. She noted that approximately \$600,000 is included as revenue in the budget and approximately \$320,000 will be contributed to Visit Milwaukee in 2014.

Ms. Enders explained a proposed change to the Reserve Class B Liquor License economic development grant program. Currently, a \$9,500 economic development grant is awarded for all Reserve Class B Liquor Licenses. She explained that businesses apply for the reserve license and pay a \$10,000 fee. The businesses are then rebated back \$9,500 through the economic development grant award. She explained that the new process is not yet established, but the Development Department suggests that the City not rebate back the full amount. She noted that other municipalities use formulas to calculate the grant award based on criteria such as number of employees, type of establishment, or alcohol sales as percentage of gross receipts. She explained the anticipated revenue for this change is \$5,000.

Ms. Enders explained that building permit revenue is increasing \$100,000 in the 2014 budget. She noted that this increase is based on the out performance of permits in 2013 and the expected projects in 2014.

Ald. Wilke commended Ms. Enders for moving the Building Code Officer to full-time.

Ald. Birschel echoed Ald. Wilke's comment and praised Ms. Enders for reducing the economic development grant for reserve liquor licenses.

Ald. Wilson remarked that Wauwatosa has provided these economic development grants to unique, innovative businesses. He expressed concern that the change in the economic development grant program will inhibit the smaller, innovative businesses. He urged the department to consider these entry-level, innovative businesses when forming the new program.

Mr. Archambo explained that the City intends is to establish a formula that recognizes the fiscal impact of the grant on each unique establishment. He noted that the formula will be purposeful and include criteria that ensure the grant funds support development.

Ald. Tilleson praised the good work of the Development Department. He expressed concern that the City is focused on development, but does not provide more staff for the development work of the City. He suggested that additional development staff would better serve the City than additional property maintenance staff. He praised Ms. Enders and stated that he will strongly support future changes that will give her department increased support.

Ms. Enders explained that development and property maintenance are both important functions of her department, and she noted that it is a balancing act to perform both well. She noted that grant funding may be utilized to hire temporary or contract assistance for development projects. She explained that the department performs well in both areas due to the make-up of the department.

Mr. Archambo noted that the number of development projects pursued by the development department go far beyond those currently approved. He expressed optimism for these future projects and praised the Development Department for actively pursuing projects.

Moved by Ald. Wilson, seconded by Ald. Tilleson
to hold all remaining items on the agenda until the next
Budget Committee meeting on September 19, 2013 (including Youth
Commission, Senior Commission, Mayor, Administration, July 4th and
Memorial Day, and Non-Departmentals) - Ayes: 6

Moved by Ald. Wilson, seconded by Ald. Organ
to recommend adoption of the Human Resources, Common Council,
Municipal Court, City Clerk & Elections, Finance, City Attorney (Litigation Reserve),
d Development Department budgets - Ayes: 6

Moved by Ald. Dubinski to increase the 0.5 FTE in the
IS budget to a full-time position with the increased expense
covered by changes in the Police Department budget - No second, No vote

Ald. Tilleson remarked that staff should weigh-in on this proposed change to the IS budget.

Ald. Wilson mentioned that he recently spoke to Captain Sharpee regarding the Police Department (PD) budget and the Captain specifically mentioned several PD technology initiatives. He remarked that the PD should be given the opportunity to weigh-in on this proposed change.

Moved by Ald. Organ, seconded by Ald. Tilleson
to hold the Information Systems and Equipment Reserve
budget until the next Budget Committee meeting on September 19, 2013 - Ayes: 6

The meeting adjourned at 10:08 p.m.

Carla A. Ledesma, CMC, City Clerk