



CITY OF WAWATOSA
BUDGET AND FINANCE COMMITTEE
MINUTES • OCTOBER 29, 2013

Regular Meeting

Committee Room #2

8:00 PM

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Alds. Wilson, Donegan, Dubinski, Tilleson, Birschel, Ewerdt, Hanson (departed 9:40 p.m.), Organ - 8

ALSO PRESENT: J. Ruggini, Fin. Dir.; J. Archambo, City Admin.; A. DeRosa, Wangard Partners; P. Enders, Dev. Dir.; T. Sharpee, Police Capt.; J. Sutter, Police Capt.; W. Porter, Pub. Works Dir.; D. McBride, Ald.; B. Aldana, HR Dir.; K. Causier, Ald.; G. Walz-Chojnacki, Ald.

Ald. Wilson as Chair called the meeting to order at 8:13 p.m.

BUDGET AND FINANCE COMMITTEE ITEMS

1. Memo from Cpt. Sharpee requesting approval to enter into a Memorandum of Understanding with Milwaukee County regarding patrol of County parks

The Committee reviewed a memo from Cpt. Sharpee requesting approval to enter into a Memorandum of Understanding with Milwaukee County regarding patrol of County parks.

Cpt. Sharpee explained that the Milwaukee County Sheriff Department has provided police services for all Milwaukee County Parks located within the City of Wauwatosa since 2002.

Prior to 2002, Milwaukee County Parks in Wauwatosa were patrolled by the Wauwatosa Police Department. The transfer of responsibility that occurred in 2002 did not warrant the reduction of sworn or civilian staff. The Wauwatosa Police Department still responds to calls and patrols the Milwaukee County Parks located within Wauwatosa. These patrol functions include traffic enforcement on roadways, uniformed bicycle patrols, and undercover patrol operations.

The proposed intergovernmental agreement transfers the responsibility back to the City of Wauwatosa, to provide police services in Milwaukee County Parks and Parkways located within the City of Wauwatosa. The Wauwatosa Police Department does not anticipate staffing increases or additional overtime to provide these police services and Milwaukee County has agreed to pay the City of Wauwatosa \$10,000 for quarterly reports on police activity that occurs within their Parks System.

On behalf of the Police Department, Cpt. Sharpee recommended approval of this intergovernmental agreement for police services between the City of Wauwatosa and Milwaukee County.

Ald. Wilson asked if the County previously paid the City for report creation.

Cpt. Sutter explained that the City never stopped providing patrol services in County parks. The County has agreed to pay the City for reports of police activity in the parks as part of this new agreement.

Mr. Archambo noted that the Police Department will create a new quarterly report for the County using data they already collect.

Moved by Ald. Donegan, seconded by Ald. Dubinski to recommend approval of a Memorandum of Understanding with Milwaukee County regarding patrol of County parks - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 11/5/2013 7:00 PM
TO:	Common Council	
MOVER:	Peter Donegan, Alderman	
SECONDER:	John Dubinski, Alderman	
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel	

2. Request by Purple Cow Organics, LLC for contract extension of composting services at the Public Works Yard

The Committee reviewed a memo regarding a request by Purple Cow Organics, LLC for a composting services contract extension at a rate greater than allowed for in the agreement.

Mr. Porter explained that Purple Cow Organics, LLC (formerly known as White Oak Farms) has operated and managed the City's composting operation since 2009. The contract expired at the end of 2012, but included a provision to extend in one year increments with the unit cost for composting increased by the annual Consumer Price Index (CPI) percentage for the previous year.

On October 7, 2013, Purple Cow informed City Staff that they would not renew the contract for 2014 based on a CPI increase in the unit rate. They told Staff that the space available at the Public Works Yard is too small to be efficient for their operations. In addition, they told City Staff that the fee will be \$12/ton in 2014 and compost must be hauled to their site in Waukesha County starting in 2015.

This late development has tremendous cost implications for Wauwatosa. The City's processing cost will increase and the entire hauling cost would be an added expense. Actual billings for 2012 were \$69,939.59 and that figure will increase to \$90,150 in 2014 based on the cost of \$12/ton. Based on a recent West Allis Request for Proposals (RFP) for processing and hauling, the 2015 budget would see an increase of \$117,861 over the 2012 costs.

Mr. Porter recommended accepting the Purple Cow Organics, LLC proposal to extend the contract for the processing of the City's yard waste for 2014 at a cost of \$12/ton, but also recommended that the Public Works Department immediately start a comprehensive review of the City's composting and yard waste processing facility to help mitigate the potential for higher costs.

Mr. Ruggini explained that the increase in 2014 is an unbudgeted expense, but the City will wait to assess the budget and will possibly use a fund transfer to cover the increased cost.

There were no questions or comments from the gallery.

Ald. Ewerdt thanked Public Works for their efforts and continued innovation.

Moved by Ald. Ewerdt, seconded by Ald. Hanson
to recommend approval of a one year contract
extension with Purple Cow for composting services at the
cost of \$12/ton and direct Staff to research options for program alternatives - Ayes: 8

Ald. Hanson expressed appreciation for the dedicated efforts of the Public Works Department and their innovative solutions to create efficiencies.

Ald. Tilleson asked when the City would consider competitive bids for this service.

Mr. Porter explained that competitive bid will be considered as they review the program, but noted that West Allis only received one response to a recent RFP.

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 11/5/2013 7:00 PM
TO:	Common Council	
MOVER:	Brian Ewerdt, Alderman	
SECONDER:	Tim Hanson, Alderman	
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel	

3. Annual Report on behalf of the Public Debt Commission

Mr. Ruggini presented the Annual Report on behalf of the Public Debt Commission.

Section 3.04.050 of the Wauwatosa Municipal Code requires that the Public Debt Commission provide an annual report, "including therein an entire record of its proceedings during the previous year, and a complete record of all proceedings relating to the amortization fund, and an accurate account of the transactions, investments, earnings and expenditures thereof, and the board shall permit examination of its accounts and records by the common council and by any interested party."

The Public Debt Commission was created in 1938 to superintend the issuance and retirement of municipal bonds and the making and paying of municipal loans as well the funds required by law for the retirement of municipal bonds and loans, including the City's Amortization Fund. The five member board includes three residents appointed by the Mayor, the City's Comptroller/Treasurer, and the City's Deputy Treasurer.

During 2012, the Public Debt Commission met on June 22 and approved the issuance of \$12.4 million in general obligation bonds to fund the City's capital improvement program. This was subsequently approved by the Budget and Finance Committee and Common Council. The debt was issued in August, 2012. In addition, the Commission reviewed the Amortization Fund Balance and activities.

In 2012, Amortization Fund appropriations included \$1,282,198 for debt service payments (via a transfer to the Debt Service Fund) and \$600,000 for refuse carts as part of the City's transition to automated collection. The ending balance of \$6,981,323 represents 104% of the City's annual general obligation debt service. The City's goal is to maintain 100-125% of annual debt service. It is anticipated this will decrease to 92% by 12/31/13.

Since 1955, the Amortization Fund has contributed approximately \$50 million towards capital improvements and debt service payments that would have otherwise been paid for with property taxes. The City's Treasurer's Office invests the City's cash balances, including the Amortization Fund with the goals of preserving principal, maintaining sufficient liquidity to fund City operations and earn yield. The City's investment portfolio had a market value of \$113,083,038 as of 12/31/12. However, of this total, \$62,841,941 represents taxes collected for other jurisdictions that were in the City's custody as of 12/31/12.

There were no comments or questions from the gallery.

4. Resolution denying the claim of Richard Betka, 5718 W. Wells Street

The Committee reviewed a resolution denying the claim of Richard Betka, 5718 W. Wells Street.

Mr. Kesner explained that the claimant, Mr. Betka, asserted that his sewer lateral was damaged by City work on a nearby man hole. The City last worked on this man hole in 1971 and the City found no liability for this damage.

Moved by Ald. Hanson, seconded by Ald. Birschel
to recommend approval of the resolution denying the
claim of Richard Betka - Ayes:

Ald. Organ asked if the lateral was under the City right of way.

Mr. Kesner explained that the lateral was under the City right of way, but sewer laterals are resident responsibility and the City had no recent projects that could have caused the damage.

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 11/5/2013 7:00 PM
TO:	Common Council	
MOVER:	Tim Hanson, Alderman	
SECONDER:	Donald Birschel, Alderman	
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel	

5. Memo from the Finance Director presenting the 2013 General Fund projection based on third Quarter results

The Committee reviewed a memo from the Finance Director presenting the 2013 General Fund projection based on third quarter results.

Mr. Ruggini explained that a quarterly report is provided to the Budget and Finance Committee to monitor City expenditures and revenues. The current projection of the year-end General Fund results are based on actual performance from January-October 2013.

The projection shows the anticipated surplus/deficit as of the end of this fiscal year based on results from the first and second quarters and the City's spending pattern over the past five years. The projections from quarter 1, quarter 2, and quarter 3 are presented for comparison purposes to demonstrate how the projection has changed. Positive numbers represent revenue and expenditure surpluses and a stop-light key is used to classify the magnitude of the percentage variance.

Mr. Ruggini provided a summary of significant issues or changes from the first quarter report including:

Revenues

1. Other taxes is forecasted to continue to deficit by \$27,828 representing -6.6% variance from budget due largely to the assisted living centers which provide payments in lieu of taxes remaining at lower vacancy rates similar to 2012.
2. Hotel Motel Taxes improved slightly since the third quarter but a deficit of \$19,986 is forecasted and receipts were \$8,699 higher during the third quarter this year over last.
3. Building permits is forecasted to surplus by \$377,440, 52.2% over budget. As of mid-October, the City had achieved the highest building permit revenue in its history.
4. Public Safety Violations is forecasted to deficit by 4.2%. This is largely due to a continued slow-down in parking violation revenue which is forecasted to deficit by \$42,501 which represents 7.87% of the budget. However, Court penalties have improved and the deficit has shrunk to \$11,100 or 1.71%. The parking violation deficit is attributed to vacancies in the police department which has resulted in less night-time parking enforcement. Temporary help in the Court Clerk's office has contributed to the improved results by eliminating the driver licenses suspension backlog and providing additional warrant processing.
5. Interest earnings are now forecasted to deficit by \$100,000 or 11.2%. This is due to smaller than forecasted cash balances and decreases in the value of the City's bond portfolio. Accounting rules require that the value of the portfolio be adjusted as of 12/31 so the market performance on that day will influence this figure. As a result, there could be significant volatility in this projection.

In total, revenues are projected currently to surplus by \$239,280.

Expenditures

1. Based on third quarter results, regular pay is forecasted to surplus by 2.2% or \$540,607. This is a surplus above the 1.5% attrition rate included as part of the 2013 budget and is largely a result of a significant number of police and fire retirements during the first six months. The surplus has decreased from the second quarter as it now includes the cost of the dual-fills that had been noted as a separate item last quarter. However, it is important to note that there could be 4-6 additional retirements which could reduce this surplus if they occur late in the fourth quarter as the vacancy savings will not offset the payout amounts.
2. Correspondingly, overtime is trending significantly higher than budget with the third quarter running \$71,164 greater than the same period in 2012. This results in a \$258,695 projected deficit. This is largely the result of back-filling for vacant public safety positions and construction surveyors with overtime. While in isolation, this is problematic as it is 24.4% over budget, it needs to be considered in conjunction with salary savings which offset the deficit.
3. Utilities are now showing a \$25,896 surplus largely due to natural gas savings.
4. Inter-departmental charges is forecasted to surplus by 3.8%. This is due to lower utilization of fleet services and lower fuel utilization.
5. Contractual services is forecasted to deficit by \$40,000 as the expense for composting of yard waste was inadvertently not budgeted.

In total, expenditures are forecasted to surplus budget by \$462,186.

Mr. Ruggini noted that a write-off again will be necessary for ambulance revenue. The current vendor has over \$350,000 in amounts billed that are greater than 210 days old. A significant portion of this amount will likely need to be written-off and sent to collections. As these amounts have already been recorded as revenue and there is insufficient funds in the allowance for uncollectables, revenue will have to be reduced. This forecast assumes a reduction of \$200,000.

In the first quarter, healthcare and worker compensation claims were both cited as potential problems. Both expenses leveled out considerably during the second quarter and continued to do so during the third quarter so at this point, there is no impact anticipated on the general fund. However, worker compensation projections have a greater amount of volatility this year than in the past due to the number of contested claims so this will continue to be monitored closely.

Based on the revenue and expenditure projections described above, the General Fund is forecasted to have a \$519,068 surplus. Given the \$500,000 of surplus applied in the 2013 budget, this would result in a \$19,068 increase to the General Fund balance. This represents a variance of .04% of total budgeted expenditures.

There were no questions or comments from the gallery.

Ald. Donegan noted that there will be a surplus of \$19,000 over the \$500,000 budgeted surplus.

Mr. Ruggini explained that there is a margin of error, but the high amount of building permit revenue is expected to offset other lower than expected revenues in the budget.

Mr. Archambo noted that budgeting accurately is essential and this quarterly report shows that the City budgeted very accurately this year.

Ald. Wilson thanked Mr. Ruggini for his report and noted that the report shows the City's responsible budgeting efforts in action.

Vouchers

Moved by Ald. Hanson, seconded by Ald. Wilson
that each and every voucher be allowed and paid - Ayes: 7
Present: 1 (Donegan)

6. *Memo from the Development Team regarding a request by Wangard Partners for TIF assistance

The Committee reviewed a memo from the Development Team regarding a request by Wangard Partners (Wangard) for Tax Increment Financing (TIF) assistance at the former Western Metals site.

Mr. Tony DeRosa, Wangard Partners, summarized the history of the site and the project plan. In 2004, Learsi acquired the property and then entered a development agreement with the City in 2007. In 2008, the Western Metals building was demolished, but the development plan was never completed.

Wangard received preliminary Planned Unit Development approval in September, Design Review Board conditional approval in October, and their plan will be reviewed at the November 6, 2013 Historic Preservation Commission meeting.

The Western Metals site has several challenges including environmental contamination, industrial location, and the high cost of structured parking. The environmental contamination includes ground water and soil contamination. The proposed remediation action plan includes contaminated soil removal and proper disposal of the contaminated material. Wangard has already spent \$120,000 on drilling and environmental testing at the site. Wangard will also bring in a cap, or clean soil, to cover the contaminated area. The site is in the top 10% of contaminated sites in Wisconsin and it will only get worse. The site is also challenged by its location, adjacent to industrial properties and a foundry. In addition, structured parking is a site challenge that is necessary to attract residents.

Mr. DeRosa urged that the Wangard's proposed project will remove blight from Wauwatosa, create a link between Wauwatosa neighborhoods, double the amount of green space, create approximately \$20 million in Wauwatosa tax base, clean and provide public access to the Schoonmaker Reef, and act as a catalyst for future development. The site is prime for development. The site is covered with overgrown vegetation, graffiti, and broken concrete. The Wangard project plan includes two four-story buildings with corridor entrances and four two-story buildings with direct entrances. The plan features amenities that will attract new Wauwatosa residents, including a modern design, structured parking, direct entrances, and a resident dog park.

Responding to a question, Mr. DeRosa explained that the two four-story buildings would have indoor parking on the first floor and the four two-story buildings would have attached and detached garages.

Ms. Enders explained that TID #3 was created in 2000 as a blighted area. It has been a very successful TID, including projects like the Reserve and the Enclave. Wangard submitted a request for approximately \$2.4 million in TIF assistance to construct a multi-family development at the former Western Metals site currently owned by David Israel within TID #3.

Wangard requested TIF assistance in the amount of \$2,365,000 based on their latest pro forma provided to the City and analyzed by Ehlers. Of this total, \$865,000 is requested up front largely to cover remaining environmental remediation costs and \$1,500,000 would be provided as a municipal revenue obligation that would be paid out over an estimated seven years. As a result, the present value of the TIF assistance is \$2,084,637 assuming a 3% discount rate.

Ehlers' analysis identified several extraordinary costs including structured parking, environmental remediation and public access to a historical landmark (the reef). Staff recommend that this assistance be used to pay for a

combination of these costs. Ehlers' analysis demonstrated that this development would not likely proceed but for TIF assistance. This is the result of the extraordinary cost described above and the inability to secure additional loans or investor financing given the project pro forma.

The current project would construct 169 rental units for a total of \$24,682,588. The estimated value of this development is \$20,001,600 and the amount of this TIF assistance would be paid back in seven years.

Mr. Ruggini explained that TIF #3 is a very well performing TIF and the City's risk is significantly mitigated because the Wangard project is greatly funded by developer funds. The TIF has already expended \$600,000 for demolition and \$160,000 towards environmental costs at this site because funds were designated for these costs in the 2006 Lears Development Agreement. TIF #3's cash balance will pay for Wangard's upfront TIF request, so the City will not incur additional debt to cover this request.

Responding to a question, Ms. Enders suggested that the Committee enter into closed session to review and discuss a draft terms sheet.

Ald. Ewerdt asked for further explanation on the funds already expended by the City for environmental clean up and asked for clarification on the funds expended by Wangard.

Mr. Ruggini explained that \$1.9 million was approved in the Lears Development Agreement for demolition and environmental remediation. Up to 40% of the \$1,065,000 designated for environmental remediation could be utilized prior to development completion. The City has used approximately \$600,000 for demolition and \$160,000 for environmental testing and monitoring at the site.

Mr. DeRosa noted that Wangard has performed several environmental tests and inquiries to assess the horizontal and vertical extent of environmental contamination. They discovered contamination beyond the original issues identified and they are working with the Department of Natural Resources to resolve environmental issues.

Mr. Kesner explained that funds are available from the previous development agreement up to 40% of the permitted environmental remediation amount.

Responding to a question, Mr. Ruggini explained that \$1.5 million of the Wangard's TIF request will be spread over seven years, so there is a discount rate to reflect inflation over time.

Ald. Ewerdt remarked that the TID has a cash balance to fund the upfront assistance amount and noted that this site is prime for development. He expressed excitement regarding the project.

Mr. DeRosa commented that Wangard is also pursuing other funding sources to cover the costs of environmental remediation. They are applying for a \$250,000 grant through the Wisconsin Economic Development Corporation.

Responding to a question, Mr. DeRosa noted that WP Acquisitions is associated with Wangard Partners and David Israel, Lears and Company, is the current owner of the land. The land owner was on the zoning application, but is not part of the TIF assistance request.

Responding to a question, Mr. Kesner explained that the Lears Development Agreement included funds for environmental remediation, but there was only minor site clean up prior to the housing market collapse. Most of the funds expended by the previous agreement were spent on monitoring and testing site conditions.

Ald. Organ opined that the environmental contamination of the site will make structured parking more costly and asked if structured parking is necessary for this development.

Mr. DeRosa explained that the structured parking is an amenity that is necessary to attract the target demographic.

Mr. Kesner noted that the project was held at the Planning Commission in order to increase the project density. The

structured parking allows for this increased density.

Mr. Ruggini explained that the structured parking and increased density will produce more income and value, and therefore reduced the amount of TIF assistance request.

Ald. Organ asked how much of the structured parking will be covered by the TIF and how much will be covered by the developer. She asked if the amount of environmental remediation without structured parking would warrant the amount of the TIF request.

Mr. Ruggini explained that the environmental remediation costs equal approximately \$1.3 million. He noted that TIF assistance is not defined in specific amounts by the City, but is provided based on the overall extraordinary costs of the project that provide public benefit.

Ald. Birschel urged Wangard Partners to purchase the property and expressed support of the new project.

Ald. Hanson asked if there are any resident concerns regarding the project.

Mr. Kesner explained that concern was expressed regarding the height of the building in the previous Learsi plan, but there have been no concerns expressed regarding the Wangard project.

Ald. McBride remarked that no residents have expressed concerns regarding the Wangard project, but Linda McCabe expressed support on behalf of a neighborhood association.

Ald. Causier noted that only one concern was raised regarding the noise of the air condensers, but the developer said they would address that concern.

Responding to a question, Mr. DeRosa explained that the air units will either be roof-mounted, foundation perimeter, or self-contained in the dwelling units. He noted that there is more noise coming from the Foundry than the amount of noise their buildings would ever create.

Ald. Wilson noted that a significant dollar amount was dedicated to environmental remediation at this site in the previous Learsi Development Agreement. He remarked that the City has already committed to developing the site and the current project is a more dense project that will create greater benefit than the previous plan.

Moved by Ald. Wilson, seconded by Ald. Tilleson
to convene into closed session to discuss item 6 per Wisconsin Statute 19.85(1) (e):
deliberating or negotiating the purchase of public properties, the
investing of public funds, or conducting other specified public
business, whenever competitive bargaining reasons require a closed
session and to discuss item 7 per Wisconsin Statute 19.85 (1)(g), conferring with legal
counsel for the governmental body who is rendering oral or written
advice concerning strategy to be adopted by the body with respect to
litigation in which it is or is likely to become involved and
may reconvene in open sessions - Ayes: 8

Ald. Tilleson asked if the land adjacent to the site included a parking lot for public access to the Schoonmaker Reef.

Mr. DeRosa noted that there is a City owned parcel that may be used for a public parking lot and a path to provide public access to the reef is included in the Wangard plan.

Ald. Ewerdt asked if the public would have access to the dog park and how large the dog park will be.

Mr. DeRosa remarked that the dog park is intended for resident use only and it will be approximately 1/3 acre.

Ald. Ewerdt noted that public access to the dog park would be a great addition to the plan, as it would provide another public benefit to the City.

Closed session convened at 9:35 p.m.

Ald. Hanson departed at 9:40 p.m.

7. ** Proposed settlement of worker's compensation claim for David Markowski

It was moved in closed session to recommend approval of the proposed settlement of worker's compensation for David Markowski and any related costs to settle this matter - Ayes: 7

The meeting adjourned at 10:40 p.m.

8. Vouchers

Item 8, Vouchers, was discussed and voted on after Item 5.

Carla A. Ledesma, CMC, City Clerk