



CITY OF WAUWATOSA
BUDGET AND FINANCE COMMITTEE
MINUTES • NOVEMBER 12, 2013

Regular Meeting**Committee Room #2****7:00 PM**

7725 West North Avenue, Wauwatosa, WI 53213

Attendee Name	Title	Status	Arrived
Peter Donegan	Alderman	Present	
Craig Wilson	Alderman	Present	
John Dubinski	Alderman	Present	
Tim Hanson	Alderman	Present	
Jill Organ	Alderwoman	Late	7:57 PM
Joel Tilleson	Alderman	Present	
Brian Ewerdt	Alderman	Present	
Donald Birschel	Alderman	Present	
John Ruggini	Finance Director	Present	
Paulette Enders	Development Director	Present	
Alan Kesner	City Attorney	Present	
James Archambo	City Administrator	Present	

BUDGET AND FINANCE COMMITTEE ITEMS

1. Initial review and request for approval of 2014 Community Development Block Grant program funding levels

The Committee reviewed a memo from the Planning Department pertaining to the initial review and request for approval of 2014 Community Development Block Grant (CDBG) program funding levels.

Ms. Enders explained that the CDBG Committee recently met to review project requests and funding levels for the City's 2014 CDBG funds. This initial funding approval is based upon an estimated \$900,000 grant amount for 2014, which is consistent with the City's 2013 grant award. The final grant amount will be awarded in the spring and the Development Department will return for final approval. There are spending caps of 20% on Administration and 15% on Public Services.

The CDBG Committee recommended fully funding the Administration category projects, including Program Administration (\$147,000) and the Metropolitan Milwaukee Fair Housing Council (\$33,000).

In the Public Service category, there is a maximum 15% spending cap. All of the nonprofits that received CDBG funding in 2013 requested funding for 2014. The CDBG Committee set each organization's funding at a level close to what they received in 2013. Easter Seals was a new applicant, with a 2014 request of \$1,419.

In the Public Facilities/Economic Development category, all program requests were fully funded. Luther Manor was a new grant recipient in this category for code compliance updates. The 2014 grant award for the Wisconsin Women's Business Initiative Corporation increased from \$20,000 in 2013 to \$40,000 in 2014 to support technical assistance services and business classes. There is a \$70,000 contingency that remains unallocated, consistent with HUD regulations. This amount could be allocated to an eligible project in the future, or could help offset funding reductions if the City receives less funding than anticipated in 2014.

Responding to a question, Ms. Enders explained that the CDBG Committee is comprised of Wauwatosa citizens and an aldermanic representative, currently Ald. Roznowski. The Committee reviews all applications thoroughly and awards grant funding based on the needs of the organizations.

Ms. Enders recommended approval of the 2014 CDBG funding levels.

Ald. Donegan inquired why Administration went up 20% from 2013 to 2014.

Ms. Enders explained that funding for the upcoming Mayfair Corridor Study is included in the Program Administration amount.

Mr. Ruggini noted that the Program Administration includes a portion of Development Department salaries and funding for development studies.

Ald. Donegan asked if other senior facilities in Wauwatosa, beyond Luther Manor, have requested CDBG funding and asked how the department advertises the CDBG program.

Ms. Enders did not recall if other senior facilities had applied in the past. Every CDBG application received for 2014 was awarded funding. The department publishes notices, sends applications to previous recipients, and posts information on the City's website.

Ald. Ewerdt asked what criteria are used to determine if an organization is eligible for CDBG funding, and inquired how the organizations are monitored.

Ms. Enders explained that eligibility is based on the clientele that an organization serves. Organizations must serve low income populations and provide data at the City's request to confirm continued service to this population.

Responding to Ald. Ewerdt's inquiry, Mr. Ruggini explained that the Senior Center's 2014 requested amount of \$105,000 included additional programming that they would like to provide, but the 2014 recommended amount of \$85,581 will allow the Senior Center to maintain their current programming. The Senior Center budget includes an expected increase in donations based on increased marketing and all organizations that rely on CDBG grant funding must be prepared for reductions if CDBG funding does not meet anticipated levels.

Moved by Ald. Tilleson, seconded by Ald. Birschel
to recommend approval of the 2014 Community Development
Block Grant program funding levels - Ayes: 7

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]
MOVER:	Joel Tilleson, Alderman
SECONDER:	Donald Birschel, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Tilleson, Ewerdt, Birschel
ABSENT:	Organ

2. Resolution denying the claim of Asha Sawyers, 2931 N. Second Street, Milwaukee

The Committee reviewed a memo from the Attorney's Office recommending denial of Asha Sawyers' claim.

Ald. Birschel left the room at 7:45 p.m.

Mr. Kesner explained that there was a vehicular accident involving a Wauwatosa Water Department vehicle and Ms. Sawyers' car just outside of Wauwatosa city limits in July 2013. The Milwaukee Police were called to the scene of the accident and their police report asserted no particular blame to either party. Therefore, the City has determined that no liability exists on the part of the City in the claim of Asha Sawyers.

Mr. Kesner recommended that the claim be denied and placed on file in accordance with the Resolution prepared for

the Committee's consideration.

Moved by Ald. Hanson, seconded by Ald. Donegan
to recommend approval of the claim denial - Ayes: 6
Away: 1 (Birschel)

RESULT:	RECOMMENDED FOR APPROVAL [6 TO 0]
TO:	Common Council
MOVER:	Tim Hanson, Alderman
SECONDER:	Peter Donegan, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Tilleson, Ewerdt
ABSENT:	Organ
AWAY:	Birschel

3. Memo from the Finance Director recommending that TIF 6 Discovery Parkway borrow from the General Fund in place of TIF 2

The Committee reviewed a memo from the Finance Director regarding TIF 6 borrowing.

Mr. Ruggini introduced Paul Townsend, the new Finance Intern, to the Committee. He noted that Mr. Townsend will return on November 26, 2013 to present a Financial Condition Analysis to the Committee.

Mr. Ruggini explained that interim financing for Discovery Parkway was recommended to the Budget and Finance Committee to be borrowed internally from the Debt Service Fund and from TIF 2-Research Park on October 11, 2012. Given the current interest rate environment and the improvement in TIF 2 fund balance, Mr. Ruggini recommended that TIF 6-Innovation Campus be authorized to borrow from the General Fund and/or TIF 2.

While Discovery Parkway is open and the project is largely complete, the project is only 25% paid and the remaining costs are still estimates. The estimated cost of Discovery Parkway is \$11.6 million and TIF 2 will pay in cash \$4.9 million. TIF 6 must borrow \$6.7 million to pay the remaining costs of the project. The City intends to fund this with internal borrowing.

The Debt Service Fund and TIF 2 were the original intended source of the internally borrowed funds. However, given the interest rate environment and the City's budgetary challenges, it would be more advantageous to use the General Fund as the source of borrowing. The total amount to be financed by the General Fund at this time is \$3,071,680 for Discovery Parkway and \$2,090,000 for ABB. Additionally, \$2 million will be loaned from the Debt Service fund for Discovery Parkway for a total of \$7,161,680.

Mr. Ruggini explained that a rate of 2.5%, based on the State Trust Fund Loan rate, will be used plus an additional 0.5% for administration costs and financing costs that would have otherwise been incurred. Given this rate and assuming the internal loan is refinanced in March 2015, the Debt Service Fund will earn \$138,740 and the General Fund \$453,557.

There will be an impact on the General Fund balance and balance sheet from this internal borrowing.

First, the City's fund balance policy is to maintain two months worth of expenditures available, or 16.7%, which is typically measured by the amount of Other Unassigned fund balance. Making this intra-fund advance would reduce the amount reported as Other Unassigned fund balance. However, should an emergency occur and that \$5.2 million be needed, the City may shift the borrowing to TIF 2 or refinance with General Obligation bonds earlier than anticipated.

Responding to a question, Mr. Ruggini explained that the interest would accrue in TIF 2, rather than the City's

General Fund, if TIF 2 funded the internal borrowing.

On the balance sheet, \$5,161,680 (the total General Fund loan as proposed above) would remain a General Fund asset, but would be converted from cash to a receivable as an intra-fund advance. If the General Fund were to lend \$5.2 million, then the Unassigned Other fund balance would decrease by that amount, as it is not immediately available, and the nonspendable portion would increase. As a result, total fund balance does not change, but categorization changes.

In addition, Moody's evaluates fund balances when determining a rating and they do look at the ratio of fund balance. Moody's generally places more emphasis on the total fund balance as opposed to the categorization, but Mr. Ruggini will discuss this strategy with the City's Financial Advisor before finalizing this plan. The possible impact on the City's bond rating will be thoroughly checked before the plan is finalized.

Responding to Ald. Birschel's inquiry, Mr. Ruggini explained that using the General Fund as the funding source will give the City a greater interest earning rate and 100% of the interest earnings will be retained to offset increasing expenditures.

Ald. Ewerdt noted that this shift seems self serving and asked Mr. Ruggini to explain how this change impacts the other taxing jurisdictions.

Mr. Ruggini explained that TIF 2 is expected to close with a surplus and all jurisdictions will receive significant proceeds assuming all projections hold. The City takes responsibility of the TIFs when they are created and the City has the authority to make this funding change. TIF 2 is paying \$4.9 million in cash for the estimated \$11.6 cost of Discovery Parkway. The \$2.5 million of Mandel Group TIF assistance will be timed with the refinancing of the ABB funds in 2015. Combining these offerings will hopefully reduce the interest rate for that instance of borrowing.

Ald. Ewerdt noted that the choice is prudent.

Moved by Ald. Ewerdt, seconded by Ald. Wilson
to authorize TIF 6 to borrow up to \$7,200,000 from the Debt Service Fund, TIF 2
and the General Fund in order to finance Discovery Parkway and the ABB parking structure,
and to authorize the Finance Director to determine final amounts and allocations between
those funds based on the best interests of the City - Ayes: 7

Responding to a question, Mr. Kesner explained that the City has authority to shift the TID 2 funds back in an emergency because the City is managing where those TID funds are invested. The General Fund will invest in a note from TID 6 and if needed, TID 2 has the funds available to buy out that note.

Responding to a question, Mr. Ruggini noted that TID 2 is no longer part of the interim financing, but will pay cash towards the project. Considering debts and future interest earnings, TID 2 should close in 2015 with a fund balance of approximately \$8-10 million. The General Fund receivable, under this recommendation, would equal approximately \$5.2 million.

Mr. Archambo recalled that TIF 2 is paying cash for \$4.9 million towards the Discovery Parkway project.

Ald. Wilson opined that it is good to keep the revenue in house. He asked Mr. Ruggini if something more formal should be initiated to guarantee TID 2's support of this transaction.

Mr. Ruggini noted that the resolution recommending this motion, if approved, will give him authority to determine the final amounts and allocations between the three sources, so no further action is necessary.

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]
MOVER:	Brian Ewerdt, Alderman
SECONDER:	Craig Wilson, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Tilleson, Ewerdt, Birschel
ABSENT:	Organ

4. Vouchers

Mr. Ruggini explained that a lean processing project team is currently reviewing the voucher process. There is a tracking sheet on each voucher packet to assess the process.

Ald. Wilson asked Staff to summarize history of the voucher approval process.

Mr. Kesner explained that voucher approval was assigned to the Budget and Finance Committee by City Resolution. This policy was spurred by the desire of former aldermen.

Mr. Ruggini noted that conference registration and hotel transactions are generally made with City purchasing cards, but meals are usually on personal cards. While reviewing the voucher process, the City will also review the approval process.

Ald. Donegan remarked that the Budget and Finance Committee review of travel vouchers is inappropriate. If the Council would like to review these vouchers, an audit committee would be a more appropriate body to perform that duty. He encouraged City Staff to present the Committee with an alternative to the current approval process.

Mr. Ruggini noted that the lean processing project will not be completed until January or February.

Responding to a question, Mr. Ruggini explained that the City could provide a summary report of travel vouchers to the Budget and Finance Committee. However, this would still require double Council approval of the vouchers, one at Committee and one as part of Bills and Claims.

Ald. Birschel returned at 7:50 p.m.

Ald. Ewerdt agreed that an audit committee may be a more appropriate review mechanism and urged that Council review of the travel vouchers is necessary to ensure proper use of City funds.

Ald. Donegan remarked that travel vouchers should be reviewed, but not at the Budget and Finance Committee level.

Ald. Wilson asked Staff to include an item regarding the travel voucher approval process on the next Budget and Finance Committee agenda.

Ald. Organ arrived at 7:57 p.m.

Moved by Ald. Hanson, seconded by Ald. Wilson
that each and every voucher be allowed and paid: Ayes: 6
Present: 2

The meeting adjourned at 7:58 p.m.

RESULT:	ADOPTED [6 TO 0]
AYES:	Wilson, Dubinski, Hanson, Tilleson, Ewerdt, Birschel
ABSTAIN:	Donegan, Organ

Carla A. Ledesma, CMC, City Clerk