



CITY OF WAUWATOSA
BUDGET AND FINANCE COMMITTEE
MINUTES • NOVEMBER 26, 2013

Regular Meeting**Committee Room #2****8:00 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	Excused	
Jill Organ	Alderwoman	Present	
Joel Tilleson	Alderman	Present	
Brian Ewerdt	Alderman	Excused	
Donald Birschel	Alderman	Present	
John Ruggini	Finance Director	Present	
James Archambo	City Administrator	Present	
Alan Kesner	City Attorney	Present	
William Porter	Public Works Director	Present	
Paul Townsend	Finance Intern	Present	

BUDGET AND FINANCE COMMITTEE ITEMS

1. Memo from the Finance Department presenting the 2008-2012 Financial Condition Analysis of the City of Wauwatosa

The Committee reviewed a memo from the Finance Department presenting the 2008-2012 Financial Condition Analysis of the City of Wauwatosa.

Mr. Townsend, Finance Intern, explained that the Finance Department calculated a series of financial ratios to better utilize the statistical section of the City's Comprehensive Annual Financial Report (CAFR). Eighteen ratios were analyzed and a stop-light analysis was used to evaluate the 18 ratios. The analysis report, included in the meeting packet, showed the trend of each ratio with an indicator, green for positive, yellow for neutral, and red for negative.

Mr. Townsend noted that these indicators are meant to be another tool to help evaluate the financial health of the City, but the indicators must be considered in context. This was an initial analysis and these ratios will be part of an annual report going forward.

Mr. Townsend summarized the findings of several ratios.

Primary Government Expenses / Property Taxes

The tax leverage ratio explains the relationship between government expenditures and property taxes. 2012 had a ratio of 1.738, meaning that a 1% increase in government expenditures would require a 1.738% increase in property tax revenues to cover the increase in expenses assuming no change in non-property tax revenue. An increasing ratio is considered a warning trend. Wauwatosa's current trend is at good levels and it has remained consistent over the last five years.

Percent Change in Property Value

This ratio highlights the change in property values. It is important to look at this ratio for Wauwatosa because it relies heavily on property taxes for a large percentage of its revenue. Assuming a constant tax rate, declining values

result in declining revenues for the City. Wauwatosa property values have decreased over the last five years, so this is considered a red, or negative, trend.

General Fund Expenditures / Capita

Change in per capita expenditures indicates varying amounts of expenses relative to the entity's population. Increasing amounts of expenditures per capita can indicate that the cost of services is rising faster than the community's ability to pay (property taxes). This ratio utilized a constant dollar approach to eliminate the impact of inflation. Wauwatosa's five year trend has remained constant over the five year period. This is a green, or positive, trend.

Expenditures by Function

The percent of each function's expenses relative to total government expenditures should remain consistent from year to year. Any continual increase can be a concern for a community, if the level of service remains constant. Wauwatosa's expenditures by function have remained constant overall and this has been positive trend over the last five years.

Debt Service

Debt service represents the total general obligation principal and interest expenses in the Debt Service Fund for the city. This percentage indicates the consumption of general fund expenditures by debt service. Increasing amounts of debt service limit the city's flexibility in the amount of money it can spend providing government services. The City of Wauwatosa has a debt service warning line of 10% of general fund expenditures and transfers. Wauwatosa's debt service has maintained consistently below the 10% warning line, but it has increased recently. The analysis found this ratio to be a neutral trend.

Responding to a question, Mr. Ruggini explained that the 10% cap was set in the City's Debt Management Policy. The amount was set to equal the debt caps of other Aaa rated communities. The ratio indicates there is increasing debt service, but it must be considered in context with the reason for debt.

Mr. Archambo explained that the City must keep positive financial trends as strong as possible to counter balance weak financial ratios.

Responding to a question, Mr. Ruggini explained that the City's debt service will exceed the 10% cap in 2016 to fund the current projects of the Capital Improvements Plan.

Mr. Archambo noted that the City's debt service is going up intentionally, but overall expenditures are relatively flat. Other municipalities may be increasing debt service to address deferred maintenance issues as well, thus possibly changing the financial profile of the City's peer group.

Ald. Organ remarked that the Capital Improvements Plan will force the City to exceed the debt service levels allowed by the Debt Management Policy and questioned whether this plan should be reviewed for feasibility.

Mr. Ruggini explained that the City will have to determine if the 10% cap should be increased to allow the required debt service. Moody's indicated that the debt increase is less influential than the City's total property tax value in determining the bond rating. The City's debt as a percentage of total property value will remain below 2%. City Staff will continually assess debt levels and the financial health of the City.

Mr. Archambo noted that property value is one of the most significant criteria considered in the bond rating process. Wauwatosa's property value is at a low point and this factor is a major concern for the City.

Quick Ratio

The quick ratio can be thought of as a city’s cash position. The ratio is composed of the city’s cash and short term investments divided by current liabilities. The purpose of the ratio is to determine if the city would be able to cover all of its current liabilities today, if circumstances required this action. A ratio of 1.0 or greater would indicate an entity’s ability to pay all of its current liabilities immediately. Wauwatosa's ratio has consistently remained above 1.0. Wauwatosa's quick ratio is a positive financial trend.

General Fund Balance : General Fund Expenditures + Transfers

The General Fund balance can be thought of as a source of reserve money for the city in the case of a financial emergency. The ratio above represents the percentage of yearly expenditures that the city has in case it does not generate enough revenue to cover its expenses. Comparing the fund balance to expenditures enhances comparability from year to year as expenditures fluctuate, rather than simply looking at the general fund balance. A declining ratio of fund balance to fund expenditures can indicate a declining financial position for a community. For this ratio, Wauwatosa's five year trend has maintained at 0.3 or above. This is considered a positive trend.

Tax Levy/ Capita

This ratio represents the average amount of money that the government needs from a citizen in order to generate enough property tax revenue for its budget. If income of the citizens remains constant, an increase in the tax levy/capita puts greater financial strain on the community. This ratio was adjusted for inflation. Wauwatosa's tax levy per capita ratio is decreasing, but has consistently remained above all nearby communities. This trend is considered positive because the costs per capita are decreasing.

User Charge Coverage

User charge coverage compares the fees and charges earned by each service as compared to the expenses each service incurs. A decline in this ratio indicates a larger reliance on tax revenues to cover the expenses of each service. Wauwatosa's user charge coverage ratio has remained constant overall and this is a positive trend.

Mr. Archambo remarked that analyses, such as this, allow the City to assess where the City's financial health is headed. He thanked the Finance Department for conducting this analysis.

Ald. Birschel agreed that the analysis will benefit the City in the future.

Ald. Wilson thanked the Finance Department for conducting the analysis and providing the report.

Vouchers

Moved by Ald. Organ, seconded by Ald. Wilson
that each and every voucher be allowed and paid - Ayes: 5
Present: 1 (Donegan)

RESULT:	APPROVED [5 TO 0]
MOVER:	Jill Organ, Alderwoman
SECONDER:	Craig Wilson, Alderman
AYES:	Wilson, Dubinski, Organ, Tilleson, Birschel
ABSTAIN:	Donegan
EXCUSED:	Hanson, Ewerdt

2. Memo from the City Engineer recommending award of contract for professional services related to sewer studies for Project 3008 Underwood Creek South Sanitary Improvements

The Committee reviewed a memo from the City Engineer recommending award of contract for professional services related to sewer studies for Project 3008 Underwood Creek South Sanitary Improvements.

The Public Works Director was held in the Traffic and Safety Committee meeting and was unavailable for comment.

Mr. Ruggini explained that the 2014 Sanitary Sewer Operating budget includes funds to perform sewer investigations and the City Engineer has chosen to study the area encompassed by Project 3008 of the 2014 - 2018 Capital Improvements Plan.

Mr. Kesner described the location of the project.

The consulting firm of R.A. Smith National, Inc. successfully performed dyewater testing on several other projects for the City of Wauwatosa. In their memo, the Engineering Department recommended contracting with this firm again in order to maintain a consistent review and analysis of the sewer study findings.

The fees associated with the investigation are estimated at \$350,000 to \$400,000. Funds for this are included in the 2014 Sanitary Sewer Reserve Operating budget, but a fund transfer will be required for this project.

Ald. Donegan expressed concern over the lack of plan for sanitary sewer improvement in the first and fifth districts, also known as East Tosa. He remarked that it is not clear how the previous studies, like the current request, have influenced City policy.

Mr. Kesner noted that the previous studies have had preliminary results, but have not yet influenced policy. He remarked that jurisdictional issues involving Milwaukee Metropolitan Sewerage District (MMSD) have delayed the creation of an East Tosa sanitary plan.

Ald. Wilson remarked that the current request is to outsource this particular project, so that the Engineering Department may concentrate on more pressing projects. He expressed support for this request, but recognized Ald. Donegan's concern as valid.

Ald. Organ asked to hold the item until Mr. Porter arrived, so that he could respond to questions.

The Committee agreed to hold Item 2 until Mr. Porter was available for comment.

3. Memo from the Public Works Director requesting approval of a Wisconsin Department of Natural Resources urban forestry grant application

The Committee reviewed a memo from the Public Works Director requesting approval of a Wisconsin Department of Natural Resources urban forestry grant application.

Mr. Kesner explained that the Wisconsin Department of Natural Resources (WDNR) Urban Forestry Grant will provide 50% of the required funds to allow four City arborists to attend a seminar sponsored by the International Society of Arboriculture. This seminar will train them to identify tree health concerns.

The total cost of the seminar is \$6,233.72 and 50% of that amount, or \$3,116.86, is the City's share of the cost. The salary costs are already covered in the Forestry budget operating accounts, so the City's net cost will be zero.

Mr. Kesner noted that the seminar cost is lower than the threshold requiring Council approval, but WDNR requires Council resolution for the grant application.

In their memo, the Engineering Department recommended that the Committee approve the WDNR Urban Forestry

Grant application in the amount of \$3,116.86 for the tree assessment training session.

Moved by Ald. Tilleson, seconded by Ald. Organ
to recommend approval of the WI Department of Natural Resources urban forestry grant
application in the amount of \$3,116.86 for a tree assessment training - Ayes: 6

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 12/3/2013 7:30 PM
TO:	Common Council	
MOVER:	Joel Tilleson, Alderman	
SECONDER:	Jill Organ, Alderwoman	
AYES:	Donegan, Wilson, Dubinski, Organ, Tilleson, Birschel	
EXCUSED:	Hanson, Ewerdt	

The Committee took a short break at 8:34 p.m.

Continued discussion regarding Item 2: Memo from the City Engineer recommending award of contract for professional services related to sewer studies for Project 3008 Underwood Creek South Sanitary Improvements

Mr. Porter arrived and explained that the Engineering Department would like to contract with R.A. Smith National to conduct sewer investigations in the Underwood Creek South area. This includes the area south of Watertown Plank Road and northwest of the Milwaukee County Zoo.

There was no request for proposal for this project. The City asked R.A. Smith National to present a proposal for this project in order to perform the investigation in advance of paving and construction in 2015.

Mr. Porter explained that the firm will provide analysis that is consistent with previous studies. R.A. Smith National will contract with other companies for some of the specific testing, but will provide the complete sewer investigation analysis.

Responding to Ald. Organ's question, Mr. Porter explained that ATC's construction is in 2014, so the City can not synchronize the investigation with that project.

Ald. Donegan expressed concern over the lack of plan for East Tosa sanitary in the 2014-2018 Capital Improvements Plan. He remarked that it is not clear how previous sewer investigation studies have influenced City policy.

Mr. Porter explained that the testing being performed is very specific in each area and it assesses the size and level of leaks in the system. He noted that the East Tosa situation is complex. It includes stormwater issues as well as private property and jurisdictional issues. The sanitary sewer and stormwater issues must be linked before the projects may move forward responsibly.

Actions may be taken, such as storm hardening, as interim measures to improve the situation in East Tosa. These actions will be taken based on the results of the sewer investigation studies performed in each area. The East Toas project timeline is not in the City's control, but additional information should be known in the next 18 to 24 months. MMSD has moved toward a jurisdictional transfer and has budgeted funding for related studies.

Ald. Donegan remarked that these studies are assessing the level of deterioration and questioned whether the City would have to complete new studies if MMSD takes longer than expected.

Mr. Porter remarked that the City would not require new studies if the project occurs within five years of the current studies.

Ald. Donegan asked how the City will proceed if MMSD refuses to perform the jurisdictional transfer.

Mr. Porter remarked that the City would have to proceed with a plan based on the sewer investigation study.

Ald. Donegan asked how long the Engineering Department would need to present a plan to Council regarding the East Tosa sanitary project.

Mr. Porter noted that varying factors would greatly impact the timeline of the project, but urged that the Engineering Department is committed to the project.

Ald. Donegan expressed concerned regarding the City's stance. The City is waiting for MMSD before making decisions regarding East Tosa. He remarked that MMSD's exigency is a very real possibility and the City should review options for this possible outcome.

Ald. Tilleson questioned if the methodologies of consulting firms are vastly different and whether changing firms now, or in the future, would negatively impact the analysis.

Mr. Porter noted that maintaining the same firm ensures that the analysis will be consistent.

Ald. Tilleson remarked that the City should not continually use one firm for this type of work and should avoid relying on one firm for all contracts.

Moved by Ald. Wilson, seconded by Ald. Tilleson
to authorize staff to enter into an agreement with R.A. Smith National in
an amount up to \$400,000 to perform sanitary sewer investigations in the
Project 3008 study area - Ayes: 6

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

4. Vouchers

Vouchers were discussed and voted on after Item 1.

The meeting adjourned at 8:55 p.m.

Carla A. Ledesma, CMC, City Clerk